



Annual General Meeting

9 June 2005

Henderson Group plc today holds its 2005 Annual General Meeting.

The scripts for the opening addresses by the Chairman and the Chief Executive are attached.

Part one: Henderson Group Chairman's address to shareholders

Part two: Henderson Group Chief Executive's address to shareholders

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**Address by Rupert Pennant-Rea,
Chairman,
to the Henderson Group Annual General Meeting
9 June 2005**

Our first year as a dual-listed company was challenging and rewarding. We have built a strong independent Group, and the financial results show a big improvement. For the year to 31 December 2004, the Group made a profit before tax* of £41 million, compared with a loss of £864 million in 2003. The change was helped by good growth in profits in Henderson Global Investors and a turnaround in Life Services, where we improved efficiency, embedded value and capital strength.

We took various steps during 2004 to improve the capital position and operational structure of the company. We moved out of non-core or non-performing businesses, selling our investment in Virgin Money and closing Towry Law International to new business.

We used the proceeds from another placing of ordinary shares to buy out the Pearl holding in HHG Invest, and this allowed us to take full control of Henderson Global Investors and also strengthen the balance sheet.

The big event of the year, though, happened at the end - the proposed sale of the Life Services business, which was overwhelmingly approved at the Extraordinary General Meeting in February this year. After completing the Sale in mid April and getting Court approval for the share cancellation, the Group returned £871 million to shareholders.

We did this through two transactions, one that we called the Return of Cash and the other the Reduction of Investor Base. Under the Return of Cash, all shareholders had 52% of their holdings cancelled in return for a cash payment of 55 pence per share (roughly A\$1.34). Under the second transaction, the Reduction of Investor Base, unless a shareholder opted out, up to 499 shares of each remaining holding was cancelled at 64 pence per share (roughly A\$1.57).

The combined effect of this was that almost 700,000 shareholders had their entire holding cashed out at an average price of 59.3 pence per share (or just over A\$1.45). By way of comparison, the average share price over the month immediately before the announcement of the proposed Sale was 49 pence on the London Stock Exchange and A\$1.19 on the Australian Stock Exchange.

All this was a complicated exercise, but it went very smoothly. It produced a shareholder register that, although still large, is more or less consistent with the size of the new Henderson Group. We now have about 155,000 shareholders, of whom almost 143,000 are in Australia or New Zealand. Nearly 154,000 of our shareholders own 10,000 shares or fewer, and together they hold 11% of the Company's issued share capital.

With such major changes to the Company's structure, it made sense to change its name. The Henderson Group now properly reflects the strategic focus that we place on developing Henderson Global Investors as a leading fund manager.

The Group is well capitalised and has no debt. We will be disciplined and prudent in the way we use capital, ensuring that we have the assets needed to meet regulatory and working capital requirements and to back provisions and contingencies. Capital not required to develop the business will be returned to where it belongs – with the shareholders.

Before the Demerger, the Board took the view that dividends should only be paid out of any cash earnings above and beyond what the business needs for operational purposes. We expect to pay a final dividend in early 2006, in respect of the financial year 2005.

To do this, we will shortly be contacting shareholders to get bank account details so that dividends can be paid by direct credit. This is a secure, convenient and economical way for shareholders to receive their dividends. It minimises the risk of loss, fraud or theft - and it saves the company some money, so it benefits all shareholders. If any shareholders do not provide account details, their dividends will be retained by the company until we do have the relevant details. If that sounds a bit draconian, I can only say that an electronic transfer is better than sending off a dividend cheque without the certainty that it will reach the right person.

I receive a fair amount of correspondence and feedback from shareholders directly, and I welcome that. It gives me a sense of the issues that matter to you, so I thought it would be helpful to touch on some that have come up recently.

First, how did we set the share price at which capital was returned to shareholders, and how did we calculate the number of shares to be cancelled?

The answer is that we aimed to return £775 million to shareholders with the Return of Cash transaction, and the only way we could fix that amount was by setting a price per share in December 2004, so that the proposal documents could be printed and posted to shareholders. At that time, the share price was, in round numbers, 55 pence. This automatically determined that 52% of shares would be cancelled so as to hit our target of £775 million going back to shareholders.

The second transaction, the Reduction of Investor Base, was designed to cash-out holders with a remaining holding of fewer than 500 shares. This was expected to return around £100 million to shareholders - and here the Board was happy to be less precise, because the amount of cash involved was much smaller than the £775 million I described a moment ago. We set the price for this second transaction using the average closing price on the London Stock Exchange over the 20 business days immediately before the Record Date, plus a 5% premium. As you would expect, this price was higher than the price before the sale of Life Services was announced – and in fact it was 64 pence.

Another question, leading on from that - why was it necessary to reduce the number of shareholdings on the register?

When HHG demerged from AMP in December 2003, we inherited almost 974,000 shareholders. A year later this had come down slightly, but it was still 875,000. The costs of servicing this number of holders, including the production and posting of the annual report and Annual General Meeting documents, would be completely disproportionate to the size of the new Group. By way of comparison, BP – one of the largest companies in the world, with a market capitalisation of about £117 billion – has around 1.3 million shareholders, not many more than we had. As a result of reducing our number of shareholders, we expect to make savings of up to £4 million a year, roughly 10% of the pro-forma profits for the new Group.

We didn't actually compel small shareholders to sell their shares. Everybody could choose to opt out of the plan - and out of the 5% premium - and roughly 25,000 chose to do just that. Fair enough: we are flattered they have decided to stay.

It's time for me to shut up, but I do want to conclude by saying that your Board believes that much has been achieved in the past year. The Group has moved from having complicated structures, non-core assets and problematic inter-company ownership to today's Henderson, with a healthy asset manager, a simple corporate structure and a stronger balance sheet.

I am pleased that the new Henderson has the approval of our shareholders, and I would like to thank you for your support and encouragement during the year.

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**Address by Roger Yates,
Chief Executive,
to the Henderson Group Annual General Meeting
9 June 2005**

With the sale of Life Services complete, Henderson Group now has a much simpler and straightforward corporate structure. It comprises principally Henderson Global Investors, the fund management business, but also the much smaller financial advisor, Towry Law. Henderson Global Investors is a well diversified fund manager, both in terms of asset class and client type, operating principally in the UK and Europe, with assets under management of approximately £69 billion at 31 December 2004. The business is financially strong and has some good market positions within it.

As we have said before, our objective now is to grow Henderson Global Investors into a more profitable and valuable business, capitalising on the inheritance we have. In doing this, there will be a number of important building blocks.

First, and most obviously, we need to deliver strong and consistent investment results to our clients. In 2004 our investment results were mixed. We had strong results in property, hedge funds and some specialist equity and fixed income areas but disappointing results in core equity and fixed income. As a result we have made some important management changes. In particular we appointed new heads of Fixed Income and Equities, being David Jacob and Andrew Formica respectively. Both have a mandate to review all aspects of process, structure and people to ensure that we consistently deliver to our clients across our product range.

Second, we intend to remain a diversified business. In the turbulent markets of recent years, this diversification has been a source of great strength for Henderson, enabling us to report consistent financial results and to invest steadily in our business across the cycle. Thus, whereas in 2000 and 2001 our institutional business acted as the growth engine of the group, today property, hedge funds and some of our mutual fund businesses have taken up the running. Of course, we have to be careful not to spread ourselves too thinly and find ourselves in the trap of having a series of sub-scale businesses. This point aside, however, our diversity will remain an important feature of our business model.

Third, we need to continue to drive revenue margins higher. In 2004 we made good progress on this front, with the underlying management fee margin moving up from 25bps in 2003 to 28bps in 2004. Including transaction and performance fees, the revenue margin moved from 28bps in 2003 to 34bps in 2004. Given the relative scale of management fees, such an approach demands that we grow our higher margin activities such as property, private capital, hedge funds and mutual funds. Besides offering healthy margins, these areas are also growing quickly in terms of client appetite. It is this combination of high margins and growth which makes them highly attractive areas of opportunity for us. In the current year, as in 2004, the revenue gains from expansion in these areas should offset the revenues lost from

the steady run-down of assets in the closed life books now owned by Pearl Group (as LCIG is now known) and the continuing attrition in our institutional book of business. The former is reducing at circa £2 billion per annum - a consequence of the books being closed to new business - while the latter is likely to see a considerably greater outflow in 2005 than seen in 2004. This is due to the continuing trend among clients to move assets away from balanced to specialist mandates and to continuing pedestrian investment performance in this business. The overall position in 2005 therefore is likely to be one where assets under management fall, but revenue margins rise. This reflects our business, where revenues, margins and profit trends are more important than the absolute levels of assets under management.

Fourth, we continue to focus on cost control as a building block of improved profitability. In 2004, Henderson Global Investors delivered operating profits up 63% to £52 million from £32 million in the prior year. This growth ensured an improvement in the cost to income ratio, despite increases in some components of the cost base. The ratio improved from 84% in 2003 to 79% in 2004. We have made good progress in controlling costs so far this year and we are on track to reach our goal of 75% for Henderson Global Investors in the short to medium-term.

The smaller UK business of Towry Law reported a breakeven position for 2004. The management of Towry Law has worked hard on reducing costs to create a platform for an improved business unit result in 2005 - albeit one which will remain modest in a Group context. In addition, Towry Law International was closed to new business in May of last year following a strategic review. In the full year results, we announced additional provisions in respect of Towry Law International to cover potential claims arising from legacy products sold by this business. We are continuing to work with the relevant regulators to settle these matters but believe that our existing provisions are adequate.

The balance sheet of the Group remains strong with significant net cash balances, though some of these are held against potential warranty and indemnity claims which might arise following the sale of Life Services. No such claims have been made as yet. If this cash is not needed for these purposes or other business needs, we will return it to shareholders, in the most efficient way possible.

We adopted IFRS from 1 January 2005 and will provide information to the market later this month about the impact that the new standards will have on our accounts by providing restatements in relation to the full year 2004 for the Group. The main adjustments relevant to the Group post the sale of Life Services include accounting for pensions and goodwill, leasehold incentives, commissions, investments and, in some instances, the timing of recognition of performance fees. It should be noted that there is no IFRS impact on business fundamentals and cash flows, the development of our business strategy, or capital management policies.

As regards 2005, the year has started reasonably well and Henderson Group is on track to meet its targets for the year. Assets under management are likely to be lower, reflecting the outflows of Pearl's closed life books and our institutional business. Offsetting this, revenue margins should be at least maintained and we

have made some progress on cost control. Elsewhere, Towry Law should make a small positive contribution for the year. Corporate costs, net of investment return, will be considerably lower than last year.

When we look back at the last 18 months, we do so with a sense of achievement. Both the improvement in profits in Henderson Global Investors and the disposal of Life Services to Pearl Group created significant value for our shareholders. Following the Sale, we now have a solid platform on which to build further value for our shareholders. Henderson Global Investors is a growth business and if it can deliver superior investment results to its clients, the medium and long-term prospects for the business are good.

Notes to editors

* Excluding minority interests. Profit on ordinary activities before tax including minority interests was £47 million for the year to 31 December 2004.

- In this announcement, the term “shareholders” refers to all holders of Henderson Group plc shares – including those whose holdings are in the form of CHESSE Depository Interests (CDIs) on the Australian Stock Exchange.
- All words and expressions used in the Circular, dated 22 December 2004 have unless the context requires otherwise, the same meaning in this announcement.

For further information

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