ANNUAL REPORT 2007

Henderson Group plc

HENDERSON GROUP PLC
ANNUAL REPORT AND ACCOUNTS

For the year ended 31 December 2007

Company Registration Number: 2072534

Contents

CHAIRMAN'S STATEMENT

Market background and strategy
Our strategy of staying diversified and concentrating on higher margin businesses served us well in 2007. We continued to take on new business, we saw signs of recovery in the Institutional business and we managed the run-off of Pearl assets.

Benign markets and better investment performance during the first half of 2007 contributed to £0.4 billion of net inflows into higher margin products. Even when market conditions became difficult in the second half of the year, those net flows still amounted to £0.6 billion.

As for profits, in the year to 31 December 2007 profit (before tax and non-recurring items) from continuing operations was up 30% on 2006, at £106.7 million, at the top end of guidance we provided in November 2007. This was mostly due to Henderson Global Investors, where profit rose by 35%.

Although markets seem set to remain tough, we do not intend to change our organic growth strategy. However, we are looking out for small acquisition opportunities, funded from retained cash, to build up our higher margin businesses, such as Property, UK Wholesale and Hedge funds. In addition, in light of more challenging markets, we have taken some measured action to cut costs and protect profits. The Chief Executive provides more details on these actions in his Statement.

Capital planning and dividends
The Group also improved the efficiency of its balance sheet, raising £175 million of senior debt in May 2007. Given subsequent market developments, the timing of this borrowing was ideal, and we are now comfortable with the level of gearing on our balance sheet.

We made another substantial return of cash to shareholders last year, more than we had first indicated: roughly £250 million, through a special dividend and share consolidation. In addition to regular dividends, the Company has now returned more than £1.3 billion of capital to shareholders since it listed in 2003. As a result – and dividends aside – the Group does not plan any more distributions in the foreseeable future.

Since we started paying dividends in 2006, we have aimed for a dividend cover of approximately two times. The Board will be reviewing this policy in 2008, but broadly speaking we expect to increase the pay-out ratio prudently over the next few years.

The Board is recommending a final dividend in respect of 2007 of 4.44 pence per share, which we plan to pay on 30 May 2008 to shareholders on the register at 9 May 2008. That will bring the total ordinary dividend for 2007 to 6.1 pence per share.

The Board
There were no changes to the Board's membership last year. Now that all the Non-Executive Directors have started their second three year term of office, the Board will be conducting a detailed review of succession planning.

Share register
The make-up of the Group's share register has remained relatively stable in the past year. In February 2008, some 60% of the Group's shares were held by investors in Australasia, 36% by investors in Europe and the remaining 4% held by investors in the US and rest of the world.

Outlook
Although we expect markets to remain volatile and challenging in 2008, our diversity and the steps we are taking to improve efficiency should provide opportunities for further growth.

Thank you
The Board would like to thank the management and staff for their skill and hard work last year. And thanks too to our shareholders for their support and encouragement.

Rupert Pennant-Rea
Chairman, Henderson Group

CHIEF EXECUTIVE'S STATEMENT

Introduction
Our main objectives in 2007 were to:

- improve investment performance;
- continue to grow our higher margin businesses and deliver a 70% cost to income ratio in Henderson Global Investors (Henderson); and to
- improve the efficiency of the Group's balance sheet.

We achieved good progress against these objectives.

Investment performance
Henderson's investment performance over the last three years is generally satisfactory. In Listed Assets, which comprises our equity and fixed income funds, 54% of funds by value beat their benchmark in the three year period. Over one year, 57% of Listed Asset funds by value beat their benchmark. The external validation in 2007 of our investment process was strong as evidenced by the increased ratings for our fund managers and of our funds from third party assessors. Investment performance in our US Property business remains excellent with 76% and 100% of funds achieving or beating their benchmarks over one and three years respectively. In Pan-European Property, we expect to retain a strong three year performance track record, pending publication of peer group benchmarks in the next month or so.

We continued to earn performance fees from a wide range of funds, 65 in 2007 compared to 52 in 2006. The result was that good investment performance earned Henderson £50.1 million in net performance fees during 2007, 34% more than in 2006.

Fund flows and margins
In 2007, Henderson recorded net inflows of £1.0 billion into higher margin products. This included £1.4 billion into US Wholesale funds, £0.9 billion into Property and £0.1 billion into Hedge funds offset by outflows of £0.9 billion from CDOs and £0.5 billion from UK and European Wholesale funds. Elsewhere, our Institutional business continued to improve and we have won £0.6 billion of new business since the start of 2008. This is a significant turnaround from where the business was three years ago.

As regards asset withdrawals in the lower margin business, Pearl withdrew £4.1 billion and the legacy institutional book saw outflows of £2.2 billion. However, the positive impact of the higher margin inflows mentioned above, more than offset the revenue lost from outflows from lower margin business areas. As a result, total revenues increased 14%. Average management fee margins were up strongly from 34bps to 42bps in 2007 and total fee margins were 53bps, up from 44bps in 2006. This revenue growth coupled with a slower pace in cost growth, led to an improvement in the Henderson cost to income ratio from 72.6% to 67.5%, comfortably within our 70% target and recent guidance of 68% for 2007. Overall, profits from Henderson rose 35% to £109.6 million.

Corporate Office
We also reduced Corporate Office (Corporate) costs, and improved the efficiency of the Group balance sheet during the year (which is discussed in the Chairman's Statement). Corporate costs fell £2.4 million in 2007 to £9.1 million, due largely to one-off costs of £2 million incurred in 2006. We currently expect Corporate costs in 2008 to be similar to those of 2007. The return on Corporate cash halved in 2007 due to lower cash balances, following recent cash returns to shareholders, but offset the interest expense paid on the debt we raised in May. We expect Corporate net interest to comprise mainly debt servicing costs in 2008, approximately £10.5 million before tax relief, assuming an interest rate of 6%.

Group pre-tax profit in 2007 was up 30% to £106.7 million. Including non-recurring items, pre-tax profit increased 98% from £74.4 million in 2006 to £147.2 million in 2007. Non-recurring items comprised a £31.8 million gain on our Banca Popolare Italiana (BPI) investment following BPI's merger with Banco Popolare di Verona e Novara (BPVN) and a £8.7 million service credit relating to the Henderson Group Pension Scheme. Earnings per share from continuing operations, excluding non-recurring items, rose to 11.7 pence per share in 2007, due to a combination of organic growth and enhancement from our recent £250 million special dividend and share consolidation. Pre-tax return on equity improved from 13% in 2006 to 23% in 2007.

Tax
The effective tax rate on Group profits from continuing operations, excluding non-recurring items, in 2007, was 11.7%, lower than the 30% statutory rate (which reduces to 28% effective 1 April 2008). We still expect our effective tax rate to be between 10% and 15% in 2008, reverting closer to the statutory rate in 2009 or 2010. The lower effective tax rate in 2007 was due to the utilisation of previously unrecognised deferred tax assets and greater clarity on the level of tax provisioning required for prior years.

Outlook
Our goals for 2008 are to meet or beat Henderson Global Investors' 2007 operating profit before tax of £109.6 million and deliver a cost to income ratio of 65% or less. This may be achieved through a combination of management fee growth and cost management, assuming markets recover, or through cost reduction, if markets remain subdued.

We have already taken some measured action in this regard, namely headcount and related restructuring which should generate £20 million of savings in 2008, before a restructuring charge of approximately £2.5 million pre-tax. This has been done without cutting any of our investment capabilities.

In addition, we have identified a further £10 million of non-staff costs that could be removed from our cost base if markets remain subdued. Further savings are also achievable in variable staff costs, depending on future market levels.

Our primary focus will continue to be on profitable organic growth including investing committed funds in Property of £2.3 billion, expanding our Hedge fund capacity and growing our Institutional business. We also believe that we are now in a better position to capitalise on other opportunities such as acquiring teams or making bolt-on acquisitions that meet our criteria.

The actions taken by us on costs together with the diversity of our business leave the Group in good shape to withstand a sustained period of market weakness.

Roger Yates
Chief Executive, Henderson Group

BOARD OF DIRECTORS

Board members

At 26 February 2008, the Board consisted of the Non-Executive Chairman, two Executive Directors (being the Chief Executive and the Chief Financial Officer) and four other Non-Executive Directors.

Non-Executive Chairman

Rupert Pennant-Rea

BA (Econ), MA (Econ), age 60 – Chairman and Non-Executive Director. Non-Executive Director since October 2004 and Chairman since March 2005. Chairman of the Nomination Committee since March 2005.

Experience:

Deputy Governor of the Bank of England from 1993 to 1995, prior to which he spent 16 years with The Economist, where he was editor from 1986 to 1993. Mr Pennant-Rea has been the Non-Executive Chairman of PGI plc (formerly known as Plantation & General Investments plc) since 1997. Amongst his other directorships are Go-Ahead Group plc and Gold Fields Limited (South Africa). He was a Director of British American Tobacco plc until April 2007.

Executive Director

Roger Yates

BA (Hons) (Oxon), age 50 – Chief Executive. Executive Director since June 2003 and Managing Director of Henderson Global Investors since 1999.

Experience:

Joined AMP Limited (AMP) in October 1999 to lead the integration of Henderson Investors and AMP Asset Management Australia to form Henderson Global Investors. Mr Yates has 26 years' experience in the fund management industry as an investment professional and business manager. Previously, he was Chief Investment Officer of Invesco Global and held senior roles for fund management companies LGT and Morgan Grenfell. He was an Executive Director of AMP Limited from December 2002 until the demerger of AMP's UK and Australian operations in December 2003. Mr Yates is also a Non-Executive and Senior Independent Director of IG Group Holdings plc.

Executive Director

Toby Hiscock

BA (Hons) (Oxon), MA (Oxon), FCA, age 48 – Chief Financial Officer. Executive Director since August 2003.

Experience:

Chief Financial Officer since May 2003. Prior to that, Mr Hiscock held a number of senior internal audit and finance roles after joining the Company in 1992. He is a qualified chartered accountant with 27 years' experience in the accounting profession. Before joining Henderson Investors, Mr Hiscock was Senior Audit Manager at Midland Bank, London, for three years. From 1981 to 1988, he worked for Binder Hamlyn, Chartered Accountants, in London.

Non-Executive Director

Gerald Aherne

BSc, AIA, age 62 – Non-Executive Director since October 2004. Chairman of the Remuneration Committee since June 2005 and a member of the Nomination Committee since May 2005.

Experience:

Mr Aherne spent 16 years, to September 2002, with Schroder Investment Management, as Investment Director. Prior to this, he spent 18 years with Equity & Law in various actuarial and investment management roles. He is currently Managing Partner of Javelin Capital Partners LLP and a Director of Electric and General Investment Trust plc. He is also a Non-Executive Director of Hadleigh plc and Majedie Investments plc. He was a founding Director of PRI Group plc from August 2002 until June 2003, when it was acquired by BRIT.

Non-Executive Director

Duncan Ferguson

MA (Cantab), FIA, DipAgSci, age 65 – Non-Executive Director since July 2004. A member of the Nomination Committee since May 2005 and the Audit and the Remuneration Committees since June 2005.

Experience:

Non-Executive Chairman of the life assurance subsidiaries of Resolution Group plc. Mr Ferguson's career was in senior management of insurance companies and as a consulting actuary. He was Senior Partner of Bacon & Woodrow then B&W Deloitte, from 1994 to 2003. He served on the Council of the Institute of Actuaries from 1989 to 2000 and as President from 1996 to 1998. He was also a Non-Executive Director of Halifax and then HBOS Financial Services from 1994 until December 2007.

Non-Executive Director

Anthony Hotson

MPhil (Oxon), MA (Oxon), MA (London), PhD (London), age 54 – Non-Executive Director since November 2002. Member of the Audit and Remuneration Committees since August 2003 and the Nomination Committee since March 2005.

Experience:

Dr Hotson was formerly at the Bank of England, McKinsey & Company and Warburg. He was a Director of SG Warburg & Co. Ltd from 1992 to 1995 and subsequently Managing Director and Head of Financial Institutions Group at Warburg Dillon Read, the investment banking division of UBS AG. He was Chairman of Towry Law plc, a Henderson Group company, until its sale in May 2006. He was also a Director of Swinglehurst Limited until May 2007.

Non-Executive Director

John Roques

CA, age 69 – Non-Executive Director since January 2004. Chairman of the Audit Committee since June 2004 and a member of the Nomination Committee since May 2005. He was appointed Senior Independent Director in June 2005.

Experience:

Mr Roques is also a Non-Executive Director of BBA Aviation plc and Premier Farnell plc. He was previously Director of Chubb plc, a Director of British Nuclear Fuels plc and Governor of the Health Foundation. Mr Roques spent 42 years with Deloitte & Touche (formerly Touche Ross & Co.), where he served from 1990 to 1999 as Senior Partner and Chief Executive. He is a Member of the Institute of Chartered Accountants of Scotland. He was a Member of the Financial Reporting Review Panel (1991–1994) and a Member of the Financial Reporting Council (1996–2001). He was Chairman of the Portman Building Society and also a Non-Executive Director of Towry Law plc until May 2006.

Resignations

There have been no resignations since the Annual Report for the year ended 31 December 2006 was prepared.

DIRECTORS' REPORT

The Directors present their report to shareholders for the year ended 31 December 2007.

Business review

The results of the Group comprise three components:
- the core investment management business, Henderson Global Investors;
- the Corporate Office, responsible for dealing with the requirements of being a dual-listed company; and
- discontinued operations.

The results of the Group for the year ended 31 December 2007 are summarised below, with comparatives:

	12 months to 31 Dec 2007 £m	**12 months to 31 Dec 2006 £m**
Henderson	**109.6**	81.1
Corporate	**(2.9)**	1.1
Net profit before tax from continuing operations excluding non-recurring items	**106.7**	82.2
Non-recurring items	**40.5**	(7.8)
Net profit before tax from continuing operations	**147.2**	74.4
Net loss before tax from discontinued operations	**–**	(2.0)
Net profit before tax from all operations	**147.2**	72.4
Taxation – recurring operations	**(12.4)**	(11.1)
Taxation – non-recurring items	**(2.6)**	–
Taxation – discontinued operations	**–**	(0.1)
Total taxation	**(15.0)**	(11.2)
Net profit after tax from all operations	**132.2**	61.2
Attributable to:		
Equity holders of the parent	**132.1**	61.1
Minority interests	**0.1**	0.1
	132.2	61.2
Henderson		
Assets under management (AUM)	**£59.2bn**	£61.9bn
Cost to income ratio	**67.5%**	72.6%

The Group result

The Group's net profit before tax from continuing operations in FY07, excluding non-recurring items, was £106.7m, an increase of £24.5m (30%) on FY06 (£82.2m). Henderson delivered a 35% increase in net profit before tax and non-recurring items to £109.6m in FY07 (FY06: £81.1m). Corporate made a loss of £2.9m (FY06: £1.1m profit), comprising Corporate net interest income of £6.2m, compared to £12.6m in FY06, and expenses of £9.1m (FY06: £11.5m). The reduction in Corporate net interest income is due to the capital return in October 2006 (£200m), the special dividend paid in October 2007 (£250m) and the net interest expense associated with the debt raised in May 2007. Corporate costs of £9.1m in FY07 were down 21% from £11.5m in FY06. FY06 costs included £2.0m associated with a strategic acquisition opportunity, which was not pursued, and the renegotiation of the Pearl Investment Management Agreements (IMAs).

Two non-recurring items were recognised in FY07:
- an accounting gain of £31.8m on the Group's investment in BPI, following its merger with BPVN, forming the newly incorporated Banco Popolare Gruppo Bancario (BP); and
- an £8.7m past service credit relating to the Henderson Group Pension Scheme.

Group taxation
The corporate tax charge for continuing operations in FY07, excluding non-recurring items, was £12.4m, giving an effective tax rate of 11.7% (FY06: 14.9%). The effective tax rate for all operations in FY07 was 10.2% (FY06: 15.5%), including non-recurring items.

The primary reasons for the effective tax rate being less than the current statutory rate of 30% are the utilisation of previously unrecognised deferred tax assets and the release of provisions for prior year tax matters.

Henderson result

Henderson's strategy is to build a scaleable, profitable, active investment management business based on core equity and fixed income investment capabilities. The focus is on growing AUM in higher margin specialist products such as Hedge funds, Wholesale funds for retail investors (UK OEICs and unit trusts, Horizon SICAV funds and US Wholesale funds), structured products, Property funds, Private Equity funds and bespoke Institutional mandates.

To achieve this, Henderson strives to:
- deliver saleable investment performance;
- develop a sustainable entrepreneurial culture to attract and retain the best people;
- develop innovative specialist products and rapidly bring them to market; and
- deliver improvements to the cost to income ratio.

The business remains predominantly Pan-European, but continues to expand in the US and in Asia.

Improved FY07 result – 35% up on FY06
Net profit before tax for Henderson in FY07 increased 35% to £109.6m (FY06: £81.1m). The result reflects management's continued focus on improving fee margins on AUM.

Summarised income statement – Henderson

	12 months to 31 Dec 2007 £m	12 months to 31 Dec 2006 £m
Management fees (net of commissions payable)	**258.0**	221.2
Transaction fees	**17.8**	24.6
Performance fees (net of fund manager bonuses)	**50.1**	37.3
Total fee income	**325.9**	283.1
Investment income	**11.5**	12.6
Total income	**337.4**	295.7
Operating expenses	**(225.3)**	(211.8)
Depreciation and amortisation	**(2.5)**	(2.8)
Total expenses	**(227.8)**	(214.6)
Operating profit before tax	**109.6**	81.1
Margins on average AUM		
Average AUM (£bn)	**61.1**	65.1
Total fee margin (bps)	**53.3**	43.5
Management fee margin (bps)	**42.2**	34.0
Net margin (bps)	**17.9**	12.5

Revenues and fee margins
Total fee income in FY07 was up 15% to £325.9m (FY06: £283.1m), whilst the increase in the monthly average FTSE100 Index was approximately 8%. Management fee income increased 17% to £258.0m in FY07 due to growth in management fee margins and favourable markets compared to FY06. Transaction fee income fell 28% to £17.8m in FY07 (FY06: £24.6m), primarily due to lower transaction levels within Property funds. Net performance fees increased by 34% in FY07 to £50.1m, reflecting greater performance fee diversity in general and strong performance across a number of Hedge and Property funds in particular. Performance fees comprise existing and new fee opportunities, and are weighted more towards the first half than the second of the year, as is consistent with previous periods.

Growth in the higher margin lines of business pushed up average management fee and net margins in FY07 to 42.2bps (FY06: 34.0bps) and 17.9bps (FY06: 12.5bps) respectively. Total fee margins increased from 43.5bps in FY06 to 53.3bps in FY07. In FY07, higher margin activities accounted for 47% (FY06: 43%) of AUM and 74% (FY06: 71%) of revenues.

Assets under management
Total AUM as at 31 December 2007 were £59.2bn, £2.7bn or 4% below AUM as at 31 December 2006. Net client outflows of £5.3bn comprised £4.1bn net outflows in respect of Pearl, £2.2bn from lower margin Institutional business (including £0.9bn relating to the end of our sub-advisory agreement with BP as previously announced) and £0.9bn from structured products announced in 1H07, partially offset by higher margin net inflows of £1.9bn, comprising £0.9bn into Property funds, £0.9bn into Wholesale funds and £0.1bn into Hedge funds. The structured product outflows represented noteholder redemptions at above par value and resulted in make-whole management fees, which have been recognised in FY07. In addition, there were favourable market and foreign exchange rate movements of £2.6bn.

Summary of movements in AUM

	Opening AUM 1 Jan 07 £bn	Net flows FY07 £bn	Market/FX FY07 £bn	Closing AUM 31 Dec 07 £bn	Management fees FY07 £m	Management fees FY06 £m
Higher margin						
– Investment trusts	4.1	–	0.2	4.3	15.8	14.6
– Horizon funds	4.0	(0.3)	(0.2)	3.5	40.0	29.3
– UK Wholesale	4.0	(0.2)	–	3.8	40.7	39.6
– US Wholesale	1.8	1.4	0.3	3.5	21.4	10.8
– Hedge funds	1.1	0.1	–	1.2	18.4	15.8
– Property (UK/Europe)	6.5	0.8	0.3	7.6	35.1	23.0
– Property (US)	1.1	0.1	0.1	1.3	4.6	4.2
– Private equity	1.1	–	–	1.1	13.3	7.8
– Structured products	2.7	(0.9)	–	1.8	8.7	5.7
	26.4	1.0	0.7	28.1	198.0	150.8
Lower margin/Pearl	35.5	(6.3)	1.9	31.1	60.0	70.4
Total	**61.9**	**(5.3)**	**2.6**	**59.2**	**258.0**	**221.2**

	31 Dec 2007 £bn	31 Dec 2006 £bn
Equities	**26.9**	28.0
Fixed Income	**22.2**	24.6
Property	**8.8**	8.0
Private Equity	**1.3**	1.3
Total	**59.2**	61.9

Operating expenses
Operating expenses increased by 6% to £225.3m in FY07. The main movements compared to FY06 are shown in the table below:

	12 months to 31 Dec 2007 £m	12 months to 31 Dec 2006 £m
Operating expenses		
– Staff costs	**153.7**	141.4
– Investment administration	**16.0**	19.2
– IT	**9.6**	10.6
– Office expenses	**13.2**	15.0
– Other expenses	**32.8**	25.6
Total operating expenses	**225.3**	**211.8**
Cost to income ratio	**67.5%**	**72.6%**

A reduction in costs across most expense categories (investment administration, IT and office expenses) was offset by increased staff costs and higher other expenses. Variable staff costs (primarily bonus and share schemes) increased in line with strong operating performance during the period to £79.3m, FY06 £65.7m, whereas fixed staff costs fell from £75.7m in FY06 to £74.4m in FY07. Other expenses increased to £32.8m (FY06: £25.6m) due to a £6.0m impairment of a seed investment, and a further £3.1m of 1H07 provisioning in respect of potential national insurance claims.

Management remains committed to increasing the level of employee share ownership across the business, in order to further align employee and shareholder interests. Employee share ownership, should all share schemes in place at 31 December 2007 vest, would be approximately 14% of shares in issue. This includes self-funded purchases of Henderson Group plc shares by employees, through Group approved schemes.

Cost to income ratio
Overall, the increase in total income more than offset the higher costs in FY07, resulting in an improvement in the cost to income ratio from 72.6% in FY06 to 67.5% in FY07, excluding non-recurring items.

Profit protection
Our goal for 2008 is to meet or beat Henderson Global Investors' 2007 operating profit before tax. This may be achieved through a combination of management fee growth and continued cost management, assuming markets recover; or through cost reduction, if markets remain at average levels seen in January and February this year.

We have already taken some measured action in this regard, namely, headcount and related restructuring which should generate £20m of savings in 2008, before a restructuring charge of approximately £2.5m pre-tax. This has been done without cutting any of our investment capabilities. We have also identified a further £10m of non-staff costs that could be removed from our cost base if markets remain subdued. Further savings are also achievable in variable staff costs, depending on future market levels.

The variability of our cost base is an important advantage in tougher markets and we are reasonably confident, therefore, of delivering a cost to income ratio for Henderson of below 65% in 2008.

Investment performance
2H07 has been a challenging period in which to achieve consistent investment performance. Nevertheless, in FY07 57% of Listed Assets funds beat their benchmarks (FY06: 62%), comprising 54% Equities (FY06: 67%) and 66% Fixed Income (FY06: 59%). Within this measure, over 60% of Equities funds outperformed their peers.

Funds at/above benchmark to 31 December 2007

	1 year		3 year	
	2007 %	2006 %	2007 %	2006 %
Equities	**54**	67	**64**	68
Fixed Income	**66**	59	**43**	26
Property	**n/a**	93	**79**	98
Higher margin				
– Investment trusts	**39**	88	**58**	87
– Horizon funds	**52**	68	**83**	91
– UK Wholesale	**48**	79	**55**	75
– US Wholesale	**77**	100	**100**	100
– Hedge funds	**76**	78	**90**	100
– Property (UK/Europe)	**n/a**	92	**75**	98
– Property (US)	**76**	100	**100**	100
Lower margin				
– Institutional:	**47**	50	**31**	29
Enhanced index	**64**	63	**45**	92
Fixed interest	**40**	34	**23**	12
Balanced/active equity	**31**	47	**28**	12

The performance of specialist Listed Asset products against relevant benchmarks is below that of 2006, due to market conditions. Once again performance has been strong within the US Wholesale fund range, where most funds continue to be above benchmark; 60% of eligible funds by value achieved four Morningstar ratings at 31 December 2007. The key UK equity Wholesale products have also continued to perform and the Hedge fund range has held up well in recent markets. Performance in the Horizon SICAV range has stabilised since the half year.

Owing to a more challenging market environment, it is not possible to accurately forecast the Pan-European Property investment performance score for FY07 until the Investment Property Databank annual benchmarks are released in March 2008. As at FY06, an extremely high proportion (92%) of Property funds outperformed, and whilst we do not expect to replicate this for FY07, we remain confident that our three year outperformance record will have held up.

The number of rated fund managers increased by four to seven during 2007 and the number of rated products increased by 26 to 43. Henderson won a total of 20 investment performance awards during FY07 (FY06: 15), including the IPE Real Estate Magazine 'Best Property Investment Manager' award and the Lipper 'Best Three Year Performance by a Small Fund Group' award for the second year running.

Business area focus
Summary
Henderson offers a broad range of products which are sold in the UK, Continental Europe, North America and Asia. We believe this reduces the exposure of our business to individual product lines and enables us to deliver attractive product offerings under different market conditions.

During 2H06, Henderson restructured the way its business was configured: to improve management accountability; provide greater focus on operating margins; and encourage a more holistic approach to product development, investment management and distribution. There are now five business teams: Pan-European Listed Assets, Pan-European Property, Private Equity, North America and Asia. However, management still considers Henderson a single operating segment comprising these five teams. Investment and distribution functions lie within each of these teams, although cross-selling is encouraged. Central operations and other service functions provide common support.

Within each business area, Henderson's main focus remains on expanding higher margin assets. The revenue margins and net contribution from these funds are significantly greater than from lower margin/Pearl funds. Revenues from higher margin funds for FY07 totalled £243.8m (FY06: £197.4m), with allocated costs of £119.2m (FY06: £99.3m), giving a net contribution to overheads of £124.6m (FY06: £98.1m). Lower margin and Pearl fund revenues totalled £82.1m in FY07 (FY06: £85.7m), with allocated costs and net contribution levels of £50.9m (FY06: £58.9m) and £31.2m (FY06: £26.8m) respectively. The increased contribution, from lower margin business, reflects success in selling bespoke products to Institutional clients at fees above the levels earned historically on traditional balanced mandates.

Pan-European Listed Assets
This team comprises circa 340 people, approximately one third of whom are investment professionals located in London. Distribution professionals are centred in London (and regionally within England), Milan, Paris, Frankfurt, Amsterdam, Luxembourg, Zurich and Madrid. These offices also distribute to other European locations on an opportunistic basis.

The product range consists of Wholesale funds (the Horizon SICAVs, UK OEICs and unit trusts), Hedge funds, Investment trusts, Institutional segregated and pooled funds, structured products and Pearl. The Listed Assets team also manages North America's Institutional mandates and the US Wholesale range.

The focus of Listed Asset product development has been and continues to be on improving the marketability of existing funds and developing new products. During FY07 a number of new funds were launched, as follows:

- in 1H07, a new CSO, Volante, (AUM £220m), along with a number of Diversified Growth/Fixed Income funds (AUM £0.9bn), which match actuarial skills with Henderson's diverse specialist investment capabilities; and
- in 2H07, SICAVs: Henderson Horizon Global Financials Fund (AUM £5m), Henderson Horizon Pan-European Property Equities Alpha Plus Fund (AUM £2m), and the Henderson Horizon China Fund (launched January 2008, AUM £8m); OEICs/UK trusts: the Henderson Credit Alpha Fund (AUM £71m) and Henderson High Alpha UK Equity Fund (AUM £39m); investment trust: Henderson Diversified Income Limited (AUM £39m); and Australian trust: Henderson Global Equitised Long/Short Fund (AUM £2m).

This has increased considerably the number of long/short funds that Henderson manages, from 31 to 36. These funds allow the use of derivative instruments for investment purposes, as well as for hedging. Henderson has well-developed capabilities in this area, which we believe will enable us to deliver performance in a more challenging market environment.

The Group has also become more focused on rationalising funds where they are sub-optimal. To that end three funds were either closed or merged into other funds during 2007. Further, greater use has been made of pooled structures to service Institutional clients more efficiently.

Listed Asset revenues contributed £207.7m in FY07 (FY06: £198.9m), representing 62% (FY06: 68%) of total Henderson revenues. The strong net inflows in 2006 into higher margin products, the continued decline in lower margin assets, and favourable markets in 1H07 were all factors in this increase. Net higher margin outflows of £1.3bn included £0.6bn in respect of Property Securities funds, where our funds were impacted by redemptions along with peers, and £0.9bn of structured product outflows, following the closure of three CDOs in 1H07 at above par value.

Pan-European Property
This team comprises circa 180 people, approximately 40% of whom are investment professionals located in London, Amsterdam, Paris, Frankfurt, Vienna and Milan. Distribution professionals are centred in London and Frankfurt. These offices also distribute to other European states, for example in Scandinavia.

The product range consists of segregated accounts, pooled property vehicles, specialist vehicles and multi-manager fund of funds. Property AUM as at 31 December 2007 comprised £6.9bn (81%) of closed-ended funds, £1.0bn (12%) of segregated accounts and £0.6bn (7%) of open-ended funds. Typically closed-ended funds have seven to ten year life spans, and exit is only possible on a matched bargain basis. Outflows from open-ended funds in 2007 were negligible. The Property investor base is entirely institutional.

Pan-European Property AUM continued to rise during 2007. In addition, the pipeline of client committed, but uninvested, capital as at 31 December 2007 amounted to £1.7bn (FY06: £1.8bn). With recent declines in both property values and interest rates, combining to improve relative yields, we expect to increase our investment rates in 2008. Therefore, whilst management fees will be impacted by lower property values, the uplift to management fees from investing committed capital, and transaction fees earned in the process, should largely offset any valuation decrease.

Funds launched in 2007 comprised: the European Core No.1 fund (AUM £65m) and the Warburg-Henderson Multinational Plus Fonds (Plus Fund) (AUM £63m), both as part of our joint venture with MM Warburg in Germany; our first Italian fund, Fondo Azzurro (AUM £16m); our first Asian fund of funds, Pagoda (first commitments due 1Q08); and a new German shopping centre fund, in partnership with mfi (first commitments due 1Q08).

Although property valuations were adversely impacted by 2H07 economic conditions, and in particular the credit market 'crunch', there has been no discernible impact on the ability of our Property team to source financing for potential deals. In fact, financiers are still actively competing for our business. This reflects well on the reputation of Henderson's property business, the strength of our investment process and underlying investments, and the prudence of the loan to value ratios employed within our funds (typically no more than 50%).

The contribution to revenues from Property in FY07 was £61.6m (FY06: £42.5m) and represented 18% (FY06: 14%) of total Henderson revenues. The continued organic growth in Continental Europe and record performance fees were the main factors behind the increased revenues. Performance fees included a three year fee in respect of the Henderson Caspar Property Fund, of £8.2m. The next performance fee opportunity from this fund arises in August 2010.

Private Equity
This team comprises circa 25 people, approximately 60% of whom are investment professionals located in London, Singapore, Hong Kong and New Delhi. Distribution is carried out by the Pan-European Listed Assets distribution team and external placement agents.

The product range consists of Infrastructure, Asian Private Equity and Global fund of funds products.

The core focus of the Private Equity business during 2007 has been on restructuring and value enhancement programmes in relation to the £1.0bn acquisition of John Laing plc in December 2006. During 2007, the sale of Chiltern Railways was announced. The sale is subject to regulatory approvals and expected to complete in early 2008. This disposal, together with that of Octagon, a speciality home builder, during 2007, will deliver good returns to fundholders, and is in line with our strategy to divest John Laing plc of non-core assets. Meanwhile, John Laing plc continues to win new business, increasingly overseas.

In addition, Private Equity completed an initial capital raising (AUM £35m) for Henderson Asia Private Equity Partners II LP (HAPEP II) in May 2007, a follow-on fund to Henderson Asia Private Equity Partners I LP (HAPEP I) (AUM £126m). Adverse market conditions in 2H07 have delayed the targeted second capital raising for HAPEP II from 2H07 to 2008, though some of the capital from the first raising has already been invested. HAPEP I continued to perform extremely well in 2007, with an annualised return of 27% over the six year life of the fund to date, net of fees and carried interest.

As previously announced, management of a £151.0m portfolio of European legacy assets attributable to Pearl was transferred to Pearl in August 2007, in accordance with the revised IMAs reached with Pearl in June 2006.

The contribution of Private Equity to revenues in FY07 was £16.5m (FY06: £14.1m) and represented 5% (FY06: 5%) of total Henderson revenues.

North America
This team comprises circa 105 people, approximately 25% of whom are property investment professionals located in Hartford, Connecticut. The other 75% principally represent distribution professionals, based out of Chicago and operating in all major states.

The US team is responsible for Institutional (AUM £1.1bn), Property (AUM £1.3bn) and Wholesale (AUM £3.5bn) funds sold in this market. The US Wholesale range currently comprises eight funds in total. The Henderson European Focus Fund was closed temporarily to new investors with effect from 1 August 2007, following a prolonged period of strong sales, but is expected to re-open in 1Q08.

The focus of the US team is the further expansion of the US Wholesale fund range and development of new Institutional products, including Property. We expect to add Institutional share classes to our US Wholesale fund range in 1H08. The North American business also began to distribute hedge funds during 2007. To date, the Property business has been successful in winning segregated mandates, with two new Manager of Partner relationships established (where Henderson funds co-invest with local partners). The establishment of a three year track record for the North American Henderson Property Fund, an open-ended higher margin diversified property fund, should provide added momentum from 4Q08.

There was £0.6bn of committed but uninvested capital in the North American Property business at 31 December 2007.

The contribution of North America to revenues for FY07 was £36.6m (FY06: £32.9m) and represented 11% (FY06: 11%) of total Henderson revenues. Growth has been strongest in higher margin US Wholesale funds, where consistently excellent investment performance enabled Henderson to achieve the fifth largest market share of net new flows amongst all international and global fund providers in 2007.

Asia
This team comprises circa 20 people, who are mainly distribution professionals as most products are manufactured by the Pan-European Listed Assets team. Distribution professionals are centred in Singapore (headquarters), Hong Kong and Tokyo. These locations also serve distribution relationships in Taiwan, Malaysia and Indonesia.

The product range consists of Horizon funds, Hedge funds and segregated institutional mandates.

After a strong first half, the second half has been more challenging for this business, with redemptions of the Horizon SICAV Property Securities assets consistent with those of other managers of similar funds. Despite this, Asia secured two notable institutional mandates (AUM £360m) including £134m of higher margin business.

The contribution to revenues by Asia for FY07 was £15.0m (FY06: £7.3m) and represented 4% (FY06: 2%) of total Henderson revenues. Although revenue growth in traditional higher margin Wholesale assets was strong, Institutional margins also improved as a result of 2007 gains.

Corporate result

Corporate costs
Corporate costs were £9.1m in FY07 (FY06: £11.5m). These costs include shareholder servicing costs and finance and secretariat functions, which are not directly attributable to individual business areas. FY06 costs included £2.0m of expenses associated with a strategic acquisition opportunity, which was not pursued, and the renegotiation of Pearl IMAs.

Return on Corporate cash
Corporate income of £6.2m in FY07 compared to £12.6m for FY06. The reduction is a result of the capital return in October 2006 (£200m), the special dividend paid in October 2007 (£250m), and the net interest cost associated with the debt raised in May 2007, partly offset by higher average interest rates on cash balances in FY07 (5.5%) compared to FY06 (4.6%).

Pensions
There are three types of pension plans within the Group: the funded and approved defined benefit plan, which closed to new members on 15 November 1999; the funded and approved money purchase plan; and a number of smaller unapproved pension top-up plans for executives. The first two plans together form the Henderson Group Pension Scheme (the Scheme).

There was a net surplus in the Scheme of £62.3m, before deferred tax provisions, at 31 December 2007 (30 June 2007: net surplus £38.5m, 31 December 2006: net deficit £5.0m). The movement in the Scheme balance during 2007 was principally due to:

- changes to service benefits which came into effect on 1 April 2007 following a period of staff consultation and agreement with the Scheme Trustee. The main effect of these changes was to restrict salary increases for pension purposes to the lower of the retail price index and actual. This resulted in an £8.7m past service credit arising as a non-recurring item in the income statement during 1H07, in accordance with International Accounting Standard (IAS) 19 Employee Benefits;
- a £20m special contribution made to the Scheme by the Group in October 2007, being the second of the special contributions totalling £80m that was agreed between the Company and the Scheme Trustee in connection with the £200m return of capital in 2006. A third and final payment of £20m is due in October 2008;
- increased returns on investments in 2007 in relation to the £60m of special contributions made to date; and
- the impact of a 0.7% per annum increase during 2007 in the AA corporate bond discount rate used to value the Scheme's liabilities for accounting purposes.

On 13 December 2006, the Company entered into a ten year agreement with the Trustee to fund the Scheme to at least 106% of its liabilities on an IAS 19 basis. As at 31 December 2007 the Scheme was 122% funded on this basis.

During 2007, a liability driven investment strategy was adopted for the Scheme assets backing defined benefit liabilities. Under this arrangement, 50% of Scheme assets are held in a risk-reducing portfolio, comprising assets broadly matching the liability profile of the Scheme, and the other 50% of assets are invested in a well-diversified return-seeking portfolio. These changes were implemented during 2H07 and significantly reduce the market risk of the Scheme, as well as give the Scheme exposure to some of Henderson's most highly rated investment professionals.

The liability in respect of the unapproved pension schemes amounted to £5.2m before tax relief at 31 December 2007 (FY06: £5.4m).

Regulatory requirements
Henderson has a waiver from consolidated supervision, granted by the UK Financial Services Authority, under section 8.4 of the new Prudential Sourcebook for Banks, Building Societies and Investment Firms. The waiver is valid for five years and expires on 1 January 2012. UK regulated entities within the Group continue to meet solo prudential capital requirements, whereas consolidated capital requirements are satisfied by Henderson Group plc's solo entity financial resources.

With effect from 1 January 2007, all UK regulated entities within the Group were required to meet the Pillar I (fixed overhead) capital requirements set out in the new Capital Requirements Directive (the Directive). Further requirements under Pillar II (operational risk) and Pillar III (market disclosure) came into effect on 1 January 2008. The Directive requires continual assessment of the Group's risks in order to ensure that the higher of Pillar I and II requirements is met. The Group has completed its assessment of regulatory capital requirements for 2008 including its individual Capital Adequacy Assessment Process (ICAAP) under Pillar II. This has been discussed with the Financial Services Authority, but is subject to formal review and approval by it during 2008. As indicated previously, the Group does not foresee any significant change in the level of capital required to satisfy prudential regulations, approximately £75m.

The regulatory capital surplus in the Group was £324m at 31 December 2007 (31 December 2006: £582m).

Capital

At an Extraordinary General Meeting held on 9 October 2007 shareholders approved a return of £250m of surplus cash, equivalent to 27.6 pence per share, by way of a special dividend paid on 29 October 2007. A simultaneous share consolidation exercise was undertaken at a ratio of 4 for 5, details of which were set out in a shareholder circular sent to shareholders in September 2007, and available on our website **www.henderson.com**

This return takes the total amount of capital returned to shareholders since 6 May 2005 to £1.3bn, which is in addition to ordinary dividends of £61.7m during the same period.

Dividends

The Group declared a dividend in respect of 1H07 profit of £15.0m, 1.66 pence per share (1H06: £10.1m, 0.88 pence per share) paid on 29 October 2007. This was in addition to the £20.3m (2.27 pence per share) paid in respect of 2H06 on 29 May 2007 (2H05: £16.1m maiden dividend, 1.39 pence per share).

2007 final dividend

The Board has recommended the payment of a £32.2m final dividend (4.44 pence per share) in respect of 2H07 profits (2H06: £20.5m, 2.27 pence per share). Approval of this dividend will be sought at the AGM on 1 May 2008 and, if obtained, payment will be made on 30 May 2008.

Debt issuance

On 2 May 2007 the Company successfully completed a debut unrated, five year bullet repayment, pounds sterling debt issuance. The aim of the issue was to improve the efficiency of the Group's balance sheet and, owing to strong demand for the issue, we achieved an issuance level of £175m at a price of five year gilts+125bps. The Group has swapped this fixed interest rate into a variable rate, based on LIBOR, to match the rates earned on its cash balances.

Employees

During 2007, the Group continued its policy of informing and involving employees in matters which concern them and in the achievement of its business goals. The Group has comprehensive processes for consultation and communication involving regular meetings between management and employees, team briefings and the issue of various bulletins. Employee development within the Group is promoted by encouraging staff to gain appropriate professional qualifications and assisting with wider personal development. Specific human resource initiatives vary across the business to reflect business needs and their competitive environment. Employees are encouraged to participate in employee share schemes (as described on page 50).

The Group is committed to providing equal opportunities to all employees irrespective of their sex, sexual orientation, marital status, religion, race or disability. It is the Group's policy to give full and fair consideration to disabled persons with respect to applications for employment, continued employment, training, career development and promotion, having regard to each individual's particular aptitudes and abilities.

Corporate Responsibility

A statement on corporate responsibility including, where appropriate, information relating to environmental matters, appears on pages 14 to 16.

Risk management

The Group has established a framework to manage the risks of its business with practices appropriate to a listed company.

Below Board level, the management of risk within the Group is governed by the Audit Committee which considers the principal corporate risks facing the Group, the inherent exposures that lie within these risks and the effectiveness with which they are being managed. The Audit Committee reviews regular reports from management, internal audit, compliance and legal functions, in order to ensure that these risks are being monitored and controlled in an effective manner. This information forms the basis for the calculation of the Group's regulatory capital requirement.

The day-to-day management of risk is the responsibility of the Henderson Management Team, which has approved a risk management framework and structure that has been established by the Risk Management Services function. This framework defines the Group's risk management policies and sets out the methodology for the identification, assessment, mitigation and reporting of risks. The framework has been designed in order to ensure that risk management is embedded within the culture and operations of the business.

Local management is responsible for operational risk controls and, depending on the size and complexity of the business unit, risk and control profiles have been created and captured on an online risk management system. Management is required to confirm on a monthly basis that the key controls have operated effectively.

The Henderson Management Team receives regular reports from Risk Management Services outlining the risk profiles of the business units within the Group and highlighting any matters that give cause for concern, together with the appropriate remedial action to be taken.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are financial risks, namely price risk, interest rate risk, foreign currency risk and credit risk. Additional information on risk management objectives and policies is included in the note 16 to the financial statements.

Discontinued operations

There were no movements in the results of discontinued operations during 2007.

With the completion of the sale of Towry Law UK in 2006 and the Life Services business in 2005, and the closure of Towry Law International in 2004, all non-investment management businesses have been disposed of or ceased. The impact of these businesses on the future results of the Group will be limited to the recognition of any potential claims crystallising under remaining warranties or indemnities in connection with both disposals and any surplus or deficit arising in respect of the Towry Law International run-off provisions. No further claims or surpluses/deficits in provisions are presently foreseen. Towry Law International's principal office in Hong Kong was closed in December 2007.

Outlook

Our diversity is a source of strength and the business is in good shape to withstand a sustained period of market weakness. Markets may move higher from current levels, but our current planning assumes that they do not. In addition, we are assuming that retail investor confidence remains fragile, leading us to be cautious about net flows into our Wholesale funds in 2008. Offsetting this, we see opportunities in the institutional market, in particular, further growth in our Property business, where our focus will be on investing pipeline commitments of £2.3bn as at 31 December 2007, and Institutional business, where we have won £0.6bn of new business since the start of the year.

Our primary focus will continue to be on profitable organic growth, but we also believe that, in more difficult markets, we are in a good position to capitalise on other opportunities. We are actively looking for those opportunities where we can lift out teams or make bolt-on acquisitions that meet our criteria.

We expect to continue earning transaction and performance fees in 2008, although we do not currently anticipate the same level of fees in 2008 as in recent years. We currently expect transaction and net performance fees of approximately £30m in 2008. Our goals for 2008 are to meet or beat Henderson Global Investors' 2007 operating profit before tax and to deliver a Henderson Global Investors cost to income ratio of 65% or below.

Principal activities

The principal activity of the Group in 2007 was the provision of investment management services.

Future developments

The Group's results for the year are shown in the consolidated income statement on page 32. A review of the financial year and future developments is covered in the Business review, which is incorporated into, and forms part of, this Directors' Report and additionally in the Chairman's and Chief Executive's statements on pages 1 and 2 respectively.

Corporate Governance Statement

The Corporate Governance Statement appears on pages 17 to 20 and forms part of this Directors' Report.

Branches

The Group continues to operate a number of overseas branches.

Reporting

Shares in Henderson Group plc are listed on both the London Stock Exchange and the Australian Securities Exchange (in the form of CDIs) and, as such, the Company is required to comply with both sets of disclosure requirements.

Events after the balance sheet date

The Board of Directors has not received, as at 26 February 2008, being the date on which these financial statements were approved, any information concerning significant conditions in existence at the balance sheet date which have not been reflected in the financial statements as presented.

Substantial shareholdings

At 26 February 2008, in accordance with the provisions of Rule 5 of the Disclosure and Transparency Rules, the Company had received notification of holdings (all of which are direct holdings) in the Company's issued share capital from:

	Percentage of total voting rights
Perpetual Limited	14.32%
Lansdowne Partners Limited Partnership	6.02%
IOOF Holdings Limited	4.87%
Barclays plc	4.52%
AMP Limited	4.51%
Legal & General plc	3.45%
Orion Asset Management Limited	3.31%

Supplier payment policy

Paragraph 12(3) of Schedule 7 of the Companies Act 1985 requires the disclosure of trade creditor payment days. Disclosure is required by the Company rather than the Group. The Company has no trade creditors. However, it is the Group's policy that payments to suppliers are made in accordance with the terms and conditions agreed between Group companies and their suppliers, provided that all trading terms and conditions have been complied with. In respect of the Group's activities, the amounts due to trade creditors as at 31 December 2007 represent approximately 30 days of average daily purchases throughout the year (2006: 30 days).

Financial instruments

A statement on the risk management objectives, policies and related matters in relation to the use of financial instruments, including policies for hedging and the exposure to price, credit and liquidity risks, can be found in note 16 to the financial statements.

Share capital and structure

The share capital of the Company, issued and unissued, consists entirely of ordinary shares of 12.5 pence each (2006: 10 pence each). Each share ranks equally and carries the same right to receive dividends and other distributions declared, made or paid by the Company. No restrictions exist on the transfer or holding of securities in the Company under the Articles of Association and there are no shares carrying special rights with regard to the control of the Company.

Details of movements in authorised and allotted share capital during the year, including the Company's purchase of its own shares and the share consolidation approved at the Extraordinary General Meeting held on 9 October 2007, are given in notes 21 and 22 to the financial statements.

Details of shareholders with a significant holding known to the Company are set out in the Substantial shareholdings section above.

Employee share schemes

The Company has a number of share schemes. The rights attaching to the shares of several of the schemes are not exercisable directly by the employees. The trustees of such schemes have an obligation to act in the best interests of the beneficiaries of the share schemes and, although the trustees consider any recommendations made by the Company where applicable, the discretion to vote remains with the trustees. In cases of takeover or reconstruction, the employees do have a right to vote via the trustees. An exception to the above is that the trustee of the Henderson Group plc Buy As You Earn Share Plan does not have discretion as to how to vote and is instructed by the employees who are beneficially entitled to the underlying shares.

Restrictions on voting rights

All shareholders entitled to attend and vote at Company meetings are also entitled to appoint a proxy to attend, speak and vote in their place. A member may appoint more than one proxy. Proxies must be received not less than 48 hours before the time appointed for holding a meeting as set out in any notices concerning a general meeting or in any proxy form sent by or on behalf of the Company in relation to a meeting. In addition, regulation 41 of the Uncertificated Securities Regulations 2001 provides for a time to be specified in the notice of meeting for determining attendance and voting entitlements. This time may not be more than 48 hours before the meeting. Further details are set out in any Notice of Meeting issued by the Company from time to time.

Appointment and reappointment of Directors

In accordance with the Articles of Association, one third of the Directors of the Company are required to retire by rotation at each Annual General Meeting (AGM). The retiring Directors are eligible to stand for reappointment by shareholders.

The Board may appoint Directors to the Board without shareholder approval. Any Director so appointed must stand for reappointment by the shareholders at the next AGM in accordance with the Articles of Association.

Also, under the Companies Act 2006, shareholders may remove a Director before the end of his term by passing an ordinary resolution at a meeting, at which that Director has a right to be heard on the resolution. An ordinary resolution is passed if more than 50% of the votes cast, in person or by proxy, are in favour of the resolution. Special notice of the intention to propose the resolution must be given to the Company at least 28 days before the meeting at which it is moved.

Amendment to the Articles of Association of the Company

Under the Companies Act 1985, the Company may only amend its Articles of Association if the shareholders pass a special resolution to that effect. A special resolution is passed if 75% or more of the votes cast, in person or by proxy, are in favour of the resolution.

New issues of share capital and disapplication of pre-emption rights

Under the Companies Act 1985, the Directors of the Company are, with certain exceptions, unable to allot any ordinary shares without express authorisation, which may be contained in the Company's Articles of Association or given by its shareholders in general meeting, but which, in either event, cannot last more than five years. The Company follows best practice and asks shareholders to grant such authority on an annual basis. Under the Companies Act 1985, the Board may not allot ordinary shares for cash, other than pursuant to an employee share scheme, without first making an offer to existing shareholders to allot such shares to them on the same or more favourable terms in proportion to their respective shareholdings, unless this requirement is waived by a special resolution of the shareholders.

The Directors currently have power to allot the Company's unissued shares up to an aggregate nominal amount of £29,000,000. This amount represents less than one third of the Company's issued ordinary share capital (excluding ordinary shares held in treasury (treasury shares)) as at the year end. Shareholders will be asked to renew this authority at the AGM on 1 May 2008.

The Directors have an authority to allot equity securities for cash or sell treasury shares for cash on a non pre-emptive basis (a) pursuant to a rights issue; or (b) up to an aggregate nominal amount of £4,400,000. This empowers the Company to make limited allotments of unissued equity shares of the Company or certain rights to acquire such shares (equity securities) and to sell treasury shares for cash other than in accordance with statutory pre-emption rights. This amount represents less than 5% of the Company's share capital. Shareholders will be asked to renew this authority at the AGM on 1 May 2008.

Purchase of own share capital

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 1985. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of issued share capital. At the Extraordinary General Meeting (EGM) held on 9 October 2007, the Directors were given shareholder authority to buy back up to 72,400,000 ordinary shares during the period up to the forthcoming AGM. The maximum number of ordinary shares authorised to be purchased was 72,400,000, minus the number of shares purchased pursuant to any purchases of CDIs made under a Contingent Purchase Contract (CP Contract). The minimum price (exclusive of expenses) which may be paid for an ordinary share is 12.5 pence (being the nominal value of an ordinary share). The maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of (a) an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System.

The Company bought back 5,000,000 shares of 12.5 pence each under this authority and holds these shares in treasury. These shares are not counted in the total voting rights of the Company and do not carry any rights with respect to dividends.

The Directors consider that it may be advantageous for the Company to buy back interests in its own CDIs in certain circumstances. However, because CDIs are interests in shares, rather than shares themselves, the Companies Act 1985 provisions which provide for a buy back of shares do not apply to CDIs. The Company, therefore, cannot buy CDIs pursuant to the above authority.

The Company achieves a similar result by entering into a CP Contract with Credit Suisse (Australia) Limited and certain of its affiliates (Credit Suisse) as identified in the CP Contract. Credit Suisse would buy the CDIs in Australia and then convert the CDIs into shares (Converted Shares). The Company would then have an obligation to buy any Converted Shares from Credit Suisse up to a maximum amount as explained below.

Section 165 of the Companies Act 1985 provides that a CP Contract must be approved by shareholders by special resolution. The Company was last given authority by way of a special resolution passed at the EGM held on 9 October 2007 to enter into the CP Contract to buy back a maximum number of Converted Shares. No Converted Shares have been bought back by the Company during 2007.

The maximum number of Converted Shares which could be bought back by the Company, together with the number of shares bought back by the Company under the authority to purchase own shares set out above, is limited to 72,400,000, which represented just under 10% of the Company's issued share capital (excluding treasury shares). Shareholders will be asked to renew this authority up to a limit of 70,000,000 at the AGM on 1 May 2008.

Significant agreements

On 2 May 2007, Henderson Group plc issued £175m in senior, unrated Fixed Rate Notes (Notes) listed on the London Stock Exchange, due 2 May 2012. Condition 6.3 of the terms and conditions of the Notes gives each noteholder the option to require Henderson Group plc to redeem or (at Henderson Group plc's option) to purchase that Note at its principal amount together with accrued interest in the event of a Change of Control. A 'Change of Control' will be deemed to have occurred, broadly, if there is a change in the person(s) who own more than 50% of the share capital of Henderson Group plc (or more than 50% of the voting rights attached to the share capital of Henderson Group plc). In the event that 80% or more in nominal amount of the Notes then outstanding have been redeemed or purchased in accordance with this condition, Henderson Group plc may redeem, at its option, the remaining Notes as a whole at their principal amount plus accrued interest.

Directors

Details of the Board members who served during the year and at the date of this report are set out on page 3. Rupert Pennant-Rea, Gerald Aherne and Anthony Hotson will, in accordance with the Company's Articles of Association, retire by rotation and offer themselves for reappointment at the AGM on 1 May 2008.

Directors' remuneration and interests

A report on Directors' remuneration appears on pages 21 to 27, including details of their interests in shares, share options or any right to subscribe for shares in the Company.

Indemnification and insurance of Directors and Officers

The Company provides a Deed of Indemnity to Directors to the extent permitted by UK law whereby the Company is able to indemnify a Director against any liability incurred in proceedings in which he is successful, and against the costs of successfully applying to the Court to be excused for breach of duty where the Director acted honestly and reasonably.

In addition, the Deed of Indemnity provides that Directors will have access to the Board/Committee papers of the Company for the period of their office and for seven years after ceasing to be a Director for the purpose of defending legal proceedings, and that the Company will maintain Directors' and Officers' liability insurance cover for the Directors to the extent permitted by law for the period of their office.

During, or since the end of, the financial year, the Company has paid or agreed to pay premiums in respect of a contract insuring all of the Officers (including all Directors) of the Group against certain liabilities. The insurance policy prohibits disclosure of the nature of the liability, the amount of the premium and the limit of liability.

Charitable donations

Donations by the Group during the year towards community and charitable causes amounted to £75,265 (2006: £51,000), which comprised social and welfare £6,700 (2006: £20,000); education and international £13,000 (2006: £8,000); and medical and other projects £55,565 (2006: £23,000).

Political donations

The Group made no political donations, incurred no EU political expenditure and made no contribution to a non-EU political party during the year.

Rounding

In accordance with the Australian Securities and Investments Commission Class Order 98/0100, amounts in this Directors' Report and other sections of this Annual Report and Accounts have been rounded to the nearest £0.1m, unless stated otherwise.

Annual General Meeting

A separate document, the Notice of Annual General Meeting 2008, covering the Annual General Meeting of the Company to be held on 1 May 2008, will be sent or made available to all shareholders and will contain an explanation of the business before that meeting.

Independent auditors

Ernst & Young LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the 2008 AGM.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 3.

Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- so far as the Director is aware, there is no relevant audit information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Signed in accordance with a resolution of the Directors:

Roger Yates
Chief Executive
26 February 2008

CORPORATE RESPONSIBILITY REPORT

In the Group's Corporate Responsibility Report, we describe our commitment to responsible business conduct during the past year.

The Group, the Board and senior management are committed to ensure responsible interactions with employees, customers, suppliers, shareholders, communities and the wider environment. We have developed policies and activities to address key issues in four broad areas – business standards, the environment, workplace and the community.

Our commitment and efforts to ensure good corporate responsibility practices have been recognised externally through our continued inclusion in the FTSE4Good UK Index. Innovest, the research provider, has rated our corporate responsibility practices highly, awarding us an AA grade overall as of January 2007. Towards the end of 2007, the Carbon Disclosure Project (CDP) also listed the Group as one of the leading UK companies in terms of reporting on its carbon management. We received a Platinum Special Commendation award from the City of London for the fifth year running.

Business standards

Corporate governance
We support the high standards of corporate governance contained in:

- the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 and annexed to the Listing Rules of the UK Listing Authority (the Combined Code); and
- the Principles of Good Corporate Governance and Best Practice Recommendations issued by the ASX Corporate Governance Council in March 2003 (the ASX Principles).

Further details of how we comply can be found in the Corporate Governance Statement on pages 17 to 20 and on our website at **www.henderson.com**

Code of Conduct
The Group is committed to maintaining high standards of business conduct in all its operations and activities. The Code of Conduct, which is on our website, sets a framework within which the Directors and employees are expected to have regard to the interests of shareholders, customers, employees and suppliers.

Investment management
Responsible Investment describes the work we do pertaining to corporate governance and corporate responsibility in the companies in which we invest on behalf of clients. Our UK Responsible Investment Policy, available on our website, sets out how we do this.

The way companies respond to corporate responsibility issues can affect their business performance both directly and indirectly. We have a standing Responsible Investment Committee which ensures that these issues are considered in an integrated manner. This Committee is chaired by the Director of Company and Broker Relationships, and consists of representatives from the various business functions. Our work enables us to assist UK pension funds fulfil their requirement under the 1995 Pensions Act as amended in 2000, to include a policy on social, environmental and ethical issues and on voting in their Statement of Investment Principles. In addition, we provide a range of specialist Sustainable and Responsible Investment funds.

We engage directly with companies to explore the investment implications of corporate responsibility issues. As well as monitoring companies' overall performance on corporate responsibility issues, we undertake in-depth research into key themes. The key themes we pursued in 2007 included climate change, responsible governance, sustainable supermarkets and access to medicines in the pharmaceutical industry. This analysis feeds into our investment decision-making. Where our analysis shows that a company is not dealing adequately with an important issue, engagement is a way of exercising our influence as a shareholder for improvement.

The Group also supports co-operative action amongst investors to address market-wide issues. We are a member of the United Nations Environment Programme's Finance Initiative, the Institutional Investor Group on Climate Change and the Pharmaceutical Shareowners Group. We also support the CDP. In May 2005, we became a founding signatory to the United Nations Principles for Responsible Investment, a voluntary and aspirational framework incorporating environmental, social and corporate governance issues into mainstream investment decision-making and ownership practices.

Henderson has also been working to integrate responsible investment practices within its Property business. In 2007, our Pan-European Property team published its policy on Responsible Property Investment, which is available on our website. The team has introduced a framework that will allow it to better evaluate the risks and opportunities associated with responsible investment across all areas of the investment process – transactions, developments and standing investments. Initially, the process will be applied to eight of our UK Property funds and the team hopes to roll the programme out to some of the other countries in which we operate in 2008.

Corporate governance and voting
The Group has an active programme of work on corporate governance and voting. This includes encouraging UK companies to comply with the Combined Code or explain why they have not done so.

We vote at UK company meetings where we are a shareholder and at selected meetings in other countries. Our views on voting issues and details of where we did not vote in favour of board resolutions are published on our website. Outside the UK, we vote according to the requirements of our clients or instructions from our fund managers.

Suppliers and service providers
The Group seeks to work with suppliers and contractors who match the Group's corporate responsibility aspirations in the delivery of their products and services. We are committed to ensuring that external contractors who provide services work under appropriate terms and conditions.

The Group is conscious of the impact its procurement policies can have on the environment. In this regard, a number of initiatives were maintained during 2007 including:

- a commitment to procure 100% recycled paper for all photocopy, printer and business stationery requirements;
- a review of the supply chain to ensure that deliveries are managed as efficiently as possible; and
- a review of supply partners to ensure that there is no conflict between the Group's environmental objectives and their operational policies.

Customers
We are committed to the highest standards of customer care.

We seek to meet or exceed industry interpretations of best practice and to ensure that customers experience integrity, quality and care in all dealings with the Group.

We support the 'Treating Customers Fairly' initiative taken by the UK Financial Services Authority, which is intended to promote fair treatment of customers by regulated firms throughout the product life cycle from design to post-sales support. Henderson always aims to:
- treat its customers fairly;
- ensure that any information provided in respect of a product is clear, fair and not misleading; and
- embed 'Treating Customers Fairly' principles within its culture and procedures so that Henderson's interests are aligned with those of its customers.

The Group is required by its Financial Crime Policy to observe high standards of customer identification, to identify and report suspicious transactions, and to ensure that relevant employees receive adequate training.

Environment

We continue to follow responsible environmental management practices. These include systems to limit the use of non-renewable resources and minimise the impact of our operations on the environment.

Climate change
The Group's policy is to minimise any adverse impact on climate change. To achieve this, we operate a three tiered approach where we:
- manage and reduce energy consumption;
- switch to renewable energy sources where possible; and
- offset unavoidable emissions by establishing a formal carbon offset programme.

In 2007, our total emissions were 2,808 tonnes CO_2e, a reduction of 1,883 tonnes CO_2e (40%) on 2006. Our greatest success was in the UK where our emissions reduced by 63%. On a global basis, emissions per employee were 2.8 tonnes CO_2e, a reduction of 1.9 tonnes CO_2e (40%) from 2006.

All of these emissions have been offset, thereby maintaining our status as a CarbonNeutral Company throughout 2007.

Waste minimisation and management
In 2007, we started a UK programme to segregate and convert all food waste to compost. We partnered with local small businesses to minimise the transportation impacts of this new initiative and due to its success, it is now being adopted by a number of other companies in the City of London. During 2007, we converted 15.7 tonnes of waste food into compost.

Our research into plastic recycling resulted in a programme which ensures that our waste plastic is recycled within the UK. Since the programme started, we have recycled 2.8 tonnes of plastic.

The Group continues to minimise waste where possible and has implemented a number of measures including:
- recycling of all waste paper by delivering it to a local mill and procuring 100% recycled paper supplies from the same mill;
- elimination of any waste sent to landfill by segregating it at source, recycling as much as possible and incinerating the remainder to power the national grid;
- procurement of quality recycled stationery – 79% of current office stationery spend is on recycled or environmentally friendly products; and
- reuse programmes for surplus office furniture, equipment and technology.

Environmental awareness
Training and awareness programmes are in place for support staff and contractors involved in waste management. We are also actively involved in a number of local and City of London Environmental Best Practice Groups. Our Environmental Homepage on the Group intranet provides information to staff on our policies, environmental initiatives and performance. It is also used to encourage staff to engage in and support the recycling schemes we have in place. In addition, we have set up an Environmental Working Group to oversee our environmental and waste management practices.

Recognition
The Group continues to receive recognition for its environmental achievements. In January 2008, we received a Platinum Special Commendation award by the City of London 2007 Clean City Award Scheme. The scheme has over 1,300 participants comprising most of the major occupiers in the City of London. We are the only company within the scheme to achieve a top award five years in a row.

Our efforts in procurement of recycled and environmentally friendly products were also recognised by the Mayor of London Green Procurement Code awards 2007, where we were in the top four in the best performing private sector organisation category.

Shareholder communications
Through the eTree initiative in Australia, of which the Group is a founding member, we aim to reduce printed investor communications and encourage shareholders to receive communications electronically. Every time a shareholder registers with eTree, the Group makes a donation to Landcare Australia. In 2007, the Group donated approximately £250 to the eTree initiative.

In line with the EU Transparency Obligations Directive, we tabled a special resolution at our 2007 AGM, which removed the obligation to send paper copies of shareholder documents. These documents will, as in the past, be available on our website and paper copies will be provided, on request, to any shareholder.

Workplace

The Group recognises the value and contribution employees make to the success and future growth prospects of the business. We have a full range of human resource policies and procedures to support the recruitment, retention, reward and development of employees. We aim to ensure that these frameworks meet best practice and fully comply with all relevant employment legislation and the provisions and ethos of the Universal Declaration of Human Rights.

Equality and diversity
We are an equal opportunities employer and have extensive human resource policies and procedures in place to ensure that employees can expect a working environment free from discrimination and harassment. Our family-friendly policies and benefits enable us to attract and retain a diverse and flexible workforce. Additionally, the Group gives full and fair consideration to applications from, and the continued employment of, people with disabilities and learning difficulties.

In line with the UK Public Interest Disclosure Act 1988, Henderson operates procedures to enable employees to report wrongdoing or malpractice at work, commonly referred to as 'whistleblowing'.

Employee consultation and involvement
The Communications Forum is a UK elected body representing all staff and provides a platform where issues affecting staff can be discussed and, if needed, raised with the management team. It also provides a platform for management to consult with staff and seek views in relation to particular issues. The Communications Forum meets monthly and the Chief Executive attends quarterly.

Employees' views are also sought through an annual employee opinion survey which had a response rate of 73% in 2007 (2006: 69%). The results of this survey highlight areas for attention and improvement. Regular employee briefings are carried out by senior management to provide an insight into the business. Additionally, the Chief Executive holds quarterly staff briefings.

Training and development
Our training policy is designed to invest in employees and equip them with skills and capabilities for the present and for the future. Our aim is to help maximise the performance of every employee in order to meet our business objectives. This facilitates career development and also ensures a good basis for succession planning. As part of our drive to develop talent, we have introduced a formal graduate recruitment programme. The programme lasts for two years and enables us to invest in our future talent through a structured development plan, giving graduates exposure to a wide range of business areas and training. We have a suite of development workshops and also support the study for, and attainment of, appropriate professional qualifications. All training and development opportunities are promoted on the Group intranet, in a weekly staff email and through line managers. We also use annual performance appraisals as an opportunity to identify priorities including training needs.

Health and safety
We are committed to providing a safe working environment. All employees receive health and safety training on induction. Our health and safety policies are available on the Group intranet and are reviewed annually to ensure that they remain compliant with appropriate regulations.

Management of stress at work
We consider the management of stress in the workplace as part of our health and safety policies. We include questions related to stress in our annual employee opinion survey and we provide training for managers on an annual basis to help them better manage stress. Furthermore, we provide a 24-hour confidential employee assistance telephone line which gives support to employees on a wide range of issues. We monitor absence to early identify possible stress-related absences and carry out return-to-work interviews to assist employees with potential stress-related issues.

Employee reward and retention
The Group recognises and rewards performance based on an employee's contribution to the success of the business. The Group has a total reward approach, which has a mix of both financial and non-financial elements.

We aim to pay competitively and give greater reward for stretch and superior performance as benchmarked across our industry. We deliver this both through short-term bonuses (usually annual cash bonuses) and, for more senior managers, through longer-term incentives (generally three to four year equity-based plans). Bonus payments above a certain level tend to have a portion deferred, which provides a retention element to the incentive.

The Group is committed to employees having a significant equity stake in the business. We have a number of existing all-employee share schemes and continue to look at innovative ways in which we can build employee share ownership and inform employees of the available schemes. The Group was commended for 'best financial education programme' for employees at the 2007 ifs ProShare awards. Approximately 14% of the Company is owned by employees, up from 3% in 2005. More information on these share schemes is available on page 24.

Community

The Group recognises its impact on the local London community in which it operates and is committed to building partnerships within this community. During 2007, we donated a total of £75,000 for community and charitable purposes.

Our preferred charity since 1987 has been Community Links, the inner city charity running community-based projects in East London. Founded in 1977, the charity now helps over 50,000 vulnerable children, young people and adults every year. Most of its work is delivered in Newham, one of the poorest boroughs in Europe. We also encourage our employees to get involved in charitable activities and match one-for-one money raised. £32,000 of employee-matching grants were made during 2007.

CORPORATE GOVERNANCE STATEMENT

Combined Code and ASX Principles

The Directors support the high standards of corporate governance contained in the Combined Code and the ASX Principles, as referred to on page 14 in the Corporate Responsibility Report.

The Company complied with the Combined Code and the ASX Principles in 2007, with one exception: remuneration details of the five highest paid (non-Director) executives were not disclosed, as set out in recommendation 9.1 of the ASX Principles. The Company considers this information to be commercially sensitive, but generic disclosures on the remuneration of these executives is included in the Additional Remuneration Information on page 28. This Statement, together with the Report on Directors' Remuneration, describes the Company's corporate governance arrangements and how it complies with the Combined Code and the ASX Principles. Further details are in the corporate governance section of the Company's website.

During 2007, the ASX Corporate Governance Council reviewed the ASX Principles and issued a revised set of ASX Principles, which the Company will consider during 2008 and report on in the Company's next Annual Report and Accounts.

The Board's structure

The Board comprises a Non-Executive Chairman, a Chief Executive, one other Executive Director and four other Non-Executive Directors. Although the Chairman, Rupert Pennant-Rea, met the independence criteria on appointment, the Combined Code provides that the test of independence is not appropriate thereafter. The Board considers all the other Non-Executive Directors – Gerald Aherne, Duncan Ferguson, Anthony Hotson and John Roques – to be independent, as they do not have any interest or business or other relationship which could, or could reasonably be perceived to, interfere materially with their ability to act in the best interests of the Company. The Board has considered the criteria proposed by the Combined Code and the ASX Principles in assessing the independence of the Directors. Materiality, as referred to in the ASX Principles, has been assessed on a case-by-case basis by reference to each Director's individual circumstances rather than general materiality thresholds. However, the Board is satisfied that the independent Directors meet a quantitative materiality threshold for independence that no Director has a relationship with the Group which generates or accounts for more than 5% of the Group's revenue or expenses. Biographical details of the Directors are on page 3. John Roques is the Senior Independent Director.

There is a division of responsibility between the Chairman, who is responsible for the effective operation of the Board, and the Chief Executive, Roger Yates, who is responsible to the Board for the overall management and performance of the Group. The Chairman's other significant commitments, and any changes to them during 2007, are shown in the Board of Directors section on page 3.

Non-Executive Directors are appointed for a fixed term, normally of three years, and any subsequent terms are considered by the Nomination Committee. The remuneration of the Non-Executive Directors is on pages 25 to 27. The terms and conditions of their appointment are on the Company's website, as is the process for appointing and reappointing them.

At the AGM on 3 May 2007, shareholders reappointed John Roques and Duncan Ferguson as Directors. At each AGM, roughly one third of the Directors will retire by rotation and may seek reappointment. Rupert Pennant-Rea, Gerald Aherne and Anthony Hotson plan to retire and seek reappointment at the AGM on 1 May 2008.

Performance of the Board

All newly appointed Directors have an induction programme. Thereafter, the Company provides the necessary resources for developing and updating the knowledge and capabilities of its Directors. In addition, they receive regular presentations on different aspects of the Company's business and on financial, legal and regulatory issues. For example, during the year there was a briefing about the controls over the use of derivatives by the Company's fund managers and advice was also given about the implications of aspects of the Companies Act 2006 which affect Directors' duties.

During 2007, Directors conducted a formal evaluation of the performance of the Board, Board Committees and individual Directors (including the Chairman). The process itself was reviewed by an independent consultant and various improvements were made.

The evaluation exercise involved each Director completing a questionnaire about Board composition, Board process, Group strategy and shareholders; a similar approach was followed for each Committee. The Company Secretary collated the results of the evaluation and the Board then decided what changes it would make to its operations, including a more detailed review of Board succession planning now that all of the Non-Executive Directors have entered their second three year term of office. As part of that review, the Board reconsidered and approved the process for the appointment of Directors, a copy of which is on the Company's website.

The Chairman held a formal evaluation meeting with each of the Directors, taking into account the views of other Directors who had each completed a questionnaire about the skills and experience of the other members of the Board. As part of this evaluation, the Executive Directors were reviewed by the Chairman regarding their contribution as members of the Board (rather than just as senior executives). The Chairman's own performance evaluation was led by the Senior Independent Director. This involved each Director completing a questionnaire which focused upon the Chairman's performance. In addition, the Chairman conducted a self-evaluation, which was disclosed to the Senior Independent Director. After taking account of the results of these questionnaires, the Senior Independent Director then met with each Director (excluding the Chairman) and evaluated the Chairman's performance. The Senior Independent Director later agreed his findings at a meeting with only other Non-Executive Directors present (excluding the Chairman) and then met with the Chairman to discuss the outcome of the evaluation.

The Chief Executive's performance was evaluated by the Chairman and the Remuneration Committee. The evaluation of the senior executives reporting to the Chief Executive was undertaken by the Chief Executive and the Remuneration Committee. More details can be found on the Company's website.

As a result of this whole process, the Directors have concluded that the Board and its Committees operate effectively and that each Director contributes to promoting the overall success of the Group.

Operation of the Board

The Board met eight times in 2007, of which seven were scheduled meetings. Attendance by each of the Directors was:

	Date appointed	Number of meetings held in 2007 while a Director	Number of meetings attended in 2007 while a Director	Percentage of meetings attended in 2007 while a Director
Rupert Pennant-Rea	01/10/2004	8	8	100%
Anthony Hotson	29/11/2002	8	8	100%
Roger Yates	16/06/2003	8	8	100%
Toby Hiscock	11/08/2003	8	8	100%
John Roques	14/01/2004	8	8	100%
Duncan Ferguson	01/07/2004	8	7	88%
Gerald Aherne	01/10/2004	8	8	100%

The Board is scheduled to meet eight times in 2008. Additional meetings will be held as required, or at the request of a Director. During 2007, the Non-Executive Directors met the Chairman without the Executive Directors being present, and this will happen again during 2008.

The Board is responsible for all strategic decisions about the Company's business, including the approval of commercial strategy, annual budgets, interim and full year financial statements and reports, dividends, accounting policies, delegated authorities and all significant capital projects, investments and disposals. A schedule of matters reserved for approval by the Board is reviewed annually and is on the Company's website. The Chief Executive and his management team are responsible for developing business strategy and, once approved by the Board, for ensuring that the strategy is implemented in accordance with the approved operating plan and within a sound system of internal control.

To enable the Directors to perform their role effectively, they are given the means and information necessary for them to make informed decisions and to follow best corporate governance practice. At each of its meetings, the Board receives detailed reports on the various aspects of the business and any major issues affecting it.

The Board has approved corporate governance policies. These include a policy on trading in the shares of the Company by Directors and employees, a Market Disclosure and Communication Policy and a Code of Conduct. Together, these set a framework within which the Directors and employees are expected to have regard to the interests of shareholders, customers, employees and suppliers. During 2007, these policies were reviewed and updated as were other corporate governance documents, all of which are on the Company's website.

All Directors have access to the advice and services of the Company Secretary, who can be appointed or removed only with the approval of the Board. The Directors are entitled to seek independent professional advice, at the Company's expense, where they judge it necessary to discharge their responsibilities as Directors.

Board Committees

The Board has delegated specific responsibilities to three standing Committees of the Board. The membership of the Board Committees and a summary of their main duties and terms of reference are set out below. Their full terms of reference are on the Company's website.

Audit Committee

John Roques is the Chairman of the Audit Committee. The other members are Anthony Hotson and Duncan Ferguson. All members of the Committee have recent and relevant financial experience and financial expertise as recommended by the Combined Code and the ASX Principles respectively. The details of the qualifications of the Audit Committee members are set out on page 3. The Audit Committee met seven times in 2007, of which six were scheduled meetings. Attendance by each of the members was:

	Date appointed	Number of meetings held in 2007 while a Director	Number of meetings attended in 2007 while a Director	Percentage of meetings attended in 2007 while a Director
John Roques	11/06/2004	7	7	100%
Anthony Hotson	28/08/2003	7	7	100%
Duncan Ferguson	09/06/2005	7	6	86%

The Audit Committee is responsible for making recommendations to the Board on such matters as the appointment of the external auditors and their terms of engagement (including audit fees) and for reviewing the performance, independence and objectivity of the external auditors. The Audit Committee is also responsible for assessing the effectiveness of the internal audit function, which is subject to an external review every three to five years.

During the year, the Audit Committee received and reviewed reports from management and the external auditors relating to the Company's Annual Report and Accounts and interim reports. However, ultimate responsibility for reviewing and approving the Annual Report and Accounts and interim reports remains with the Board. The internal and external auditors attended all Audit Committee meetings during the year and, on one occasion, met the Non-Executive Directors without the Executive Directors being present. The effectiveness of both the external auditors and internal audit function was assessed during the year.

The Audit Committee also reviewed compliance with legal and other regulatory requirements and accounting standards. In addition, it assessed the effectiveness of the Group's system of internal controls and risk management procedures. To assist in making these assessments, the Audit Committee approved an internal audit monitoring plan for the year and received regular reports from the internal audit, risk management and compliance functions. The Audit Committee also reviewed arrangements for whistleblowing should an employee wish to raise concerns, in confidence, about any possible improprieties.

Information on the procedures for the selection and appointment of the external auditors and for the rotation of the external audit engagement partner is on the Company's website. The Company has adopted a Charter of Statutory Auditor Independence (the Charter), which requires both the Company and the external auditors to take measures to safeguard the objectivity and independence of the external auditors. The Charter is on the Company's website. These measures include a prohibition regarding any non-audit services in respect of specific areas (e.g. secondments to management positions) or which could create a conflict or perceived conflict. Details of the non-audit services provided by the external auditors during the year were reviewed and authorised by the Audit Committee – refer to note 4.3 to the financial statements. The amount paid for non-audit services and the type of services provided were not considered by the Audit Committee to affect the external auditors' objectivity or independence.

The external auditors will be asked to attend the Company's AGM on 1 May 2008 and will be available to answer questions from shareholders about the conduct of the audit and the preparation and content of the Independent Auditors' Report.

Nomination Committee

Rupert Pennant-Rea is the Chairman of the Nomination Committee. All the other Non-Executive Directors are members of the Committee and the Executive Directors attend the meetings. The Committee met once in 2007. Attendance by each of the members was:

	Date appointed	Number of meetings held in 2007 while a Director	Number of meetings attended in 2007 while a Director	Percentage of meetings attended in 2007 while a Director
Rupert Pennant-Rea	01/03/2005	1	1	100%
Anthony Hotson	01/03/2005	1	1	100%
Gerald Aherne	12/05/2005	1	1	100%
Duncan Ferguson	12/05/2005	1	1	100%
John Roques	12/05/2005	1	1	100%

The Nomination Committee has responsibility for considering the size, composition and balance of the Board, the retirement and appointment of Directors and making recommendations to the Board on these matters. In identifying suitable candidates for recommendation for appointment to the Board, the Nomination Committee is responsible for ensuring that Directors have the right mix of expertise and experience. It is the Company's practice to use an external search consultancy to assist the Nomination Committee in identifying suitable candidates for Non-Executive Board positions. During the year, the Nomination Committee reviewed succession planning for senior management and for the Board.

Remuneration Committee

Gerald Aherne is the Chairman of the Remuneration Committee. The other members are Anthony Hotson and Duncan Ferguson. The Committee met four times in 2007. Attendance by each of the members was:

	Date appointed	Number of meetings held in 2007 while a Director	Number of meetings attended in 2007 while a Director	Percentage of meetings attended in 2007 while a Director
Gerald Aherne	01/10/2004	4	4	100%
Anthony Hotson	28/08/2003	4	4	100%
Duncan Ferguson	09/06/2005	4	3	75%

The Remuneration Committee has responsibility for making recommendations to the Board on the Company's remuneration and compensation plans, policies and practices and for determining, within agreed terms of reference, specific remuneration packages for each of the Executive Directors and other senior executives. These include pension rights, compensation payments (if any) and the implementation of executive incentive schemes. The Remuneration Committee operates on the principle that members of executive management should be provided with incentives to encourage superior performance and should, in a fair and responsible manner, be rewarded for their individual contributions to the success of the Group.

The Report on Directors' Remuneration (refer to pages 21 to 28) provides details on how the Remuneration Committee exercised these duties during 2007. Towers Perrin, acting as remuneration consultant, advises the Remuneration Committee. Towers Perrin does not have any connection with the Company other than providing compensation data and information on remuneration developments.

Investor relations

The Company welcomes the views of all investors and their representative bodies. The Board receives regular feedback about investors' views and a monthly report from management.

The Company's website includes online services to help shareholders manage their holding and engage with the Company. Archives of market briefings and other Company announcements and presentations are also available on the website. In addition, shareholders can contact call centres, send emails and attend shareholder meetings. The Chief Executive and Chief Financial Officer met institutional shareholders and equity analysts regularly during 2007 and the Company's largest shareholders were also offered meetings with the Chairman and other Directors. The Company's Market Disclosure and Communication Policy and Shareholder Communication Policy are on the Company's website.

The Company publishes its financial results on both the London Stock Exchange and the Australian Securities Exchange. The Company also sent a Summarised Annual Report to all shareholders (unless they asked to receive the Full Annual Financial Report and Accounts) in 2007. From 2008, the Company will notify shareholders (by post or email) that this information is available on its website. However, shareholders can request a printed copy of any document if they prefer.

All shareholders and CDI holders were invited to the 2007 AGM, held on 3 May 2007. Notice of the AGM was given to shareholders at least 20 working days before the meeting. In line with changes to the Combined Code, proxy forms for general meetings (including the AGM) were amended to make it clear that shareholders could vote for or against any resolution or withhold their vote. The AGM was held in London and simultaneously broadcast to a venue in Sydney. All Directors attended the AGM. A summary of the questions asked at the AGM and the answers given, together with the results of resolutions put to the AGM, is on the Company's website.

All shareholders and CDI holders were also invited to the EGM held on 9 October 2007, when shareholders approved a share consolidation allowing a return of cash by means of a special dividend. Shareholders also approved two other resolutions to update authorities granted at the 2007 AGM that allow the Company to purchase its own shares. The EGM was held in London with a video link in Sydney. A summary of the question asked at the EGM and the answer given, together with the results of resolutions put to the EGM, is on the Company's website.

Financial reporting and going concern

The Directors have acknowledged their responsibilities in the Statement of Directors' Responsibilities in Relation to the Financial Statements (refer to page 29). After making appropriate enquiries, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore they have continued to adopt the going concern basis in preparing the accounts.

Oversight of internal controls and risk management

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss. The Board considers risk assessment and the existence of effective controls to be fundamental to achieving its corporate objectives within an acceptable risk and reward profile. Throughout 2007, and up until the date of this Statement, there has been in place an ongoing process for identifying, evaluating and managing significant risks within the Group's control which accords with the guidance set out in the Turnbull Report – Internal Control: Revised Guidance for Directors on the Combined Code (October 2005). Necessary action has been taken, or is being taken, to remedy any significant failings or weaknesses identified by this process. A summary of the Company's risk policy is on the Company's website.

Risk management

The effectiveness of the Group's system of internal control is reviewed at least annually by the Board, in order to safeguard the Group's assets and shareholders' investments. In 2007, this review covered all material controls including financial, operational and compliance controls and risk management systems. As part of the Board's review, management reported on the effectiveness of the Company's system of internal control and the mitigation of any material business risks.

In addition, each month, managers are required to confirm the adequacy of the controls in their area. These controls, and the risks which they are designed to mitigate, are maintained within Henderson's operational risk database, which reflects the risk profiles of each part of Henderson's business. Quarterly risk reports are then provided to the Board through the Audit Committee; their coverage includes material business risks such as Group credit, market and operational risks. Regular reports are also made to the Audit Committee by the internal audit, risk management and compliance functions, covering, in particular, financial, operational and regulatory controls.

The Board considers that this reporting framework gives it sufficient information upon which to monitor the Group's system of internal control and review its effectiveness.

The management of risk within the Group is overseen by the Audit Committee. There are also a number of management committees chaired by, and consisting of, senior managers that have responsibility for specific areas of risk. These provide forums for resolving and managing any significant risk and regulatory issues. The Head of Business Assurance is responsible for ensuring that these management committees discharge their responsibilities effectively and for bringing any relevant matters to the attention of senior management.

The day-to-day responsibility for the management of risk lies with the Group's line managers, who work closely with the risk management function to maintain a risk and control self-assessment process. The risk management function also maintains an incident reporting process and provides management information to the Audit Committee and senior management. The compliance function works with the risk management function and the business units to ensure that all regulatory risks have been understood and are being effectively managed.

Additional assurance is provided by the internal audit function, which operates and reports independently of line management.

REPORT ON DIRECTORS' REMUNERATION

Introduction

The Report on Directors' Remuneration contains the following information:

- a description of the role of the Company's Remuneration Committee;
- a summary of the remuneration policy of the Group including a statement of the Company's policy on Directors' remuneration;
- details of the terms of the service contracts and the remuneration of each Director for the preceding financial year;
- details of the share options and awards under long-term incentive schemes held by the Directors; and
- details of each Director's interest in ordinary shares of the Company.

Corporate governance

This Report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 (the Regulations) under the Companies Act 1985. The report also meets the requirements of the Listing Rules of the UK Listing Authority and the relevant provisions of the Companies Act 1985. It also sets out how the principles of the Combined Code and the ASX Principles (as referred to in the Corporate Responsibility Report) relating to Executive Directors' remuneration are applied by the Group.

A resolution will be put at the AGM on 1 May 2008 inviting shareholders to consider and approve this report.

Membership and responsibilities of the Remuneration Committee

Role of the Remuneration Committee

The Remuneration Committee reviews and approves, where appropriate, the Group's remuneration and compensation plans, policies and practices. Its duties are to:

- review and recommend to the Board the Company's remuneration protocols and practices, which are performance based and aligned with the Company's vision, values and overall business objectives;
- determine annually the remuneration of the Board Chairman, the Chief Executive and his direct reports, including other Executive Directors;
- approve the terms and conditions of employment and other contractual matters relating to the Group's executive management team; and
- approve the policy and terms of the Group's employee and executive share incentive plans.

The full terms of reference of the Remuneration Committee are available on the Company's website and on request from the Company Secretary.

No Director or member of the Group's executive management team is involved in any decision on his own remuneration.

Membership

The Remuneration Committee consists entirely of independent Non-Executive Directors. During 2007, and as at 26 February 2008, the Remuneration Committee comprised Gerald Aherne (Committee Chairman), Anthony Hotson and Duncan Ferguson.

The Board Chairman and the Chief Executive may attend meetings of the Remuneration Committee at the Remuneration Committee's invitation, save that they may not attend if their own remuneration is under consideration.

Meetings

The Remuneration Committee meets regularly and takes advice on a range of matters, including the scale and composition of the total remuneration package payable in comparable financial institutions to people with similar qualifications, skills and experience.

Internal support is provided to the Remuneration Committee by the Company Secretary and the Director of Human Resources, who are invited to attend and speak at meetings, except when their own remuneration is under consideration.

The Remuneration Committee Chairman and the Chief Executive make recommendations on matters relating to the remuneration of senior executives who report to the Chief Executive. The Board Chairman is additionally consulted in relation to the remuneration of all Executive Directors.

The Remuneration Committee met four times in 2007.

Advisors

During the year, where considered appropriate, the Remuneration Committee took advice on technical aspects of compensation policy from independent external consultants appointed by the Remuneration Committee. These were Towers Perrin, a specialist remuneration consulting firm which provided advice on executive pay and share plan issues, and Watson Wyatt LLP, which provided advice on pension issues to the Group.

Additional remuneration survey data published by McLagan Partners was also presented to the Remuneration Committee.

None of the above advisors has any connection with the Company other than providing compensation data and information on remuneration developments.

Policy statement

Reward policy

The Remuneration Committee considers that a successful remuneration policy should be sufficiently flexible to take account of future changes in the Company's business environment and in remuneration practice and, therefore, the Group's policy is subject to change.

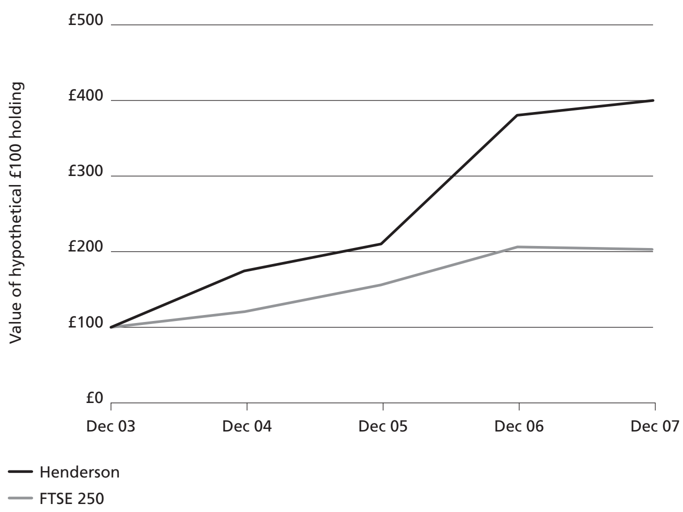
The Company has established a remuneration framework, which is designed to be market competitive and motivate employees to improve individual and corporate performance, retain key employees and align employee actions with the interests of shareholders.

The Company's remuneration framework is based on a total reward approach designed to deliver top quartile pay for top performance. There are three key components:

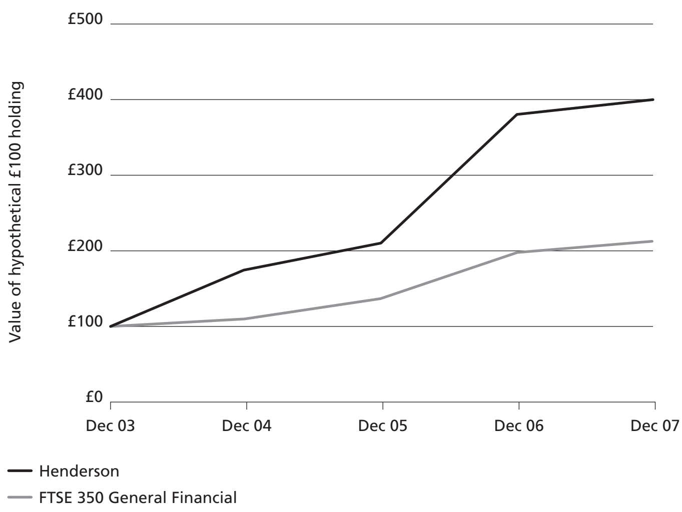
- basic salary – paid within appropriate market range;
- annual bonus – paid under a short-term incentive plan where individuals have the opportunity to receive a bonus based on business and individual performance against targets; and
- long-term incentive – is performance based for senior executives and certain professionals such as key senior fund managers.

Total Shareholder Return (TSR) performance
The graphs below show the Company's share price performance, and compare this against the movement in the FTSE 250 Index and the FTSE 350 General Financial Index. These two indices were selected as the most appropriate indices for the Company. The share price in 2007 ranged from 137.75 pence on 1 January 2007, peaked at 189.75 pence on 26 October 2007 (adjusted to 192.94 pence following the share consolidation carried out in association with the special dividend approved by the shareholders at the EGM on 9 October 2007) and closed at 126.25 pence on 31 December 2007.

Historical TSR performance
Growth in the value of a hypothetical £100 holding since December 2003
FTSE 250 Index comparison based on 30 trading day average values



Historical TSR performance
Growth in the value of a hypothetical £100 holding since December 2003
FTSE 350 General Financial Index comparison based on 30 trading day average values



Source: Graphs provided by Towers Perrin and calculated according to a methodology that is compliant with the Directors' Remuneration Report Regulations 2002.
Data sources: FTSE and Datastream

Executive Directors' remuneration: individual elements

Overall structure

Executive Directors' remuneration comprises:
- basic salary;
- annual bonus;
- pension benefits;
- benefits in kind; and
- the opportunity to participate in certain Group-wide incentive schemes, such as the Long-Term Incentive Plan (LTIP), the Restricted Share Plan (RSP) and the Sharesave scheme (SAYE).

The LTIP and the annual bonus are performance related and the Remuneration Committee regards them as key elements in the Executive Directors' remuneration packages. The Sharesave scheme is available to all employees and is not performance related. As set out in the UK Listing Particulars, awards to Executive Directors under the RSP can be made and may be subject to performance conditions. No RSP awards have been made to any Executive Director of the Company since its listing in December 2003, however an award is proposed to the Chief Financial Officer in 2008.

Performance linkage

Each element of the Executive Directors' reward package supports the achievement of key business measures as illustrated in the table below:

Element	Structure	Purpose	Performance measure
Basic salary	Fixed	Reflects the competitive market rate for the job, the individual's contribution and prior contractual arrangements	Experience and qualifications
Annual bonus	Variable	Rewards the delivery of operational goals and financial targets	Return on equity, pre-tax operating profit, cost ratios, net fund flows and investment performance
Long-term incentive	Variable	Supports superior business performance in relation to competitor companies and aligns executives' with shareholders' interests	Relative TSR

The Remuneration Committee intends that, for target levels of performance, at least 60% of total compensation (excluding pension) should be performance related. The expected value of awards made under the LTIP was calculated by the Group's advisor, Towers Perrin, using a proprietary methodology. Its methodology considers TSR rank at which payment begins, the payment level at this threshold, the maximum payment under the plan and the rank at which this maximum is achieved. The methodology also takes into account the correlation of the Company's stock with those companies in the peer group, starting from the premise that the value of the shares awarded at the end of the performance period is correlated with the TSR ranking. The Remuneration Committee is satisfied that the overall structure constitutes a well-considered set of arrangements for Executive Directors' remuneration. It is kept under review to take account of changing circumstances and was also reviewed by the Board in 2007. Some changes to the LTIP (outlined on this page) will be made from 2008 to ensure the plan continues to reward superior performance. Incentive payments are not taken into account for pension purposes.

Basic salary

Salaries are reviewed annually for each Executive Director. In 2007, the salaries of the Chief Executive and the Chief Financial Officer remained unchanged at £350,000 per annum and £300,000 per annum respectively.

Roger Yates is also a Non-Executive and Senior Independent Director of IG Group Holdings plc and he retains the fees of £35,000 per annum paid by IG Group Holdings plc for this purpose.

Annual bonus

At the discretion of the Remuneration Committee, each Executive Director may receive a cash bonus subject to the achievement of performance targets established by the Remuneration Committee. Payment of bonuses (if any) will be made to the relevant Executive Director annually, in February, conditional upon achievement of the performance targets in the preceding calendar year, though the Remuneration Committee has the flexibility to take into account other factors in determining any bonus. The bonus range is zero to a specified maximum, with target being the midpoint. The maximum bonus entitlement is based on a percentage of annual basic salary. The maximum entitlements for 2007 performance are 600% of salary for the Chief Executive (2006: 600%) and 200% of salary for the Chief Financial Officer (2006: 200%).

For each Executive Director, the corporate performance targets relate to Company Performance measures as set out in the Performance linkage section on page 22. The Group performance measures in 2007 were return on equity, cost ratios, pre-tax operating profit, net fund flows and investment performance. Approximately 70% of the weighting of these variables relates to return on equity, pre-tax operating profit and the cost to income ratio.

The Remuneration Committee and the Board review the performance of each Executive Director on an annual basis against these targets.

Long-term incentives

Under the LTIP, the Remuneration Committee may make awards to Executive Directors up to a maximum number of ordinary shares determined by the Remuneration Committee at the date of grant. Vesting of awards is conditional on the achievement of a performance target measured over a three year period and the Executive Director's continued employment during the performance period. The primary performance measure is TSR and the Remuneration Committee must be satisfied that the Company's TSR performance reasonably reflects its underlying financial performance over the performance period.

The Company made awards under the LTIP to Executive Directors in March 2007. The aggregate market value of the ordinary shares capable of being acquired under these awards was equivalent to 428% of salary in the case of the Chief Executive and 175% of salary in the case of the Chief Financial Officer.

The Remuneration Committee intends to make an award under the LTIP to the Executive Directors in 2008.

Changes in 2008 to vesting criteria of the LTIP

In line with good practice, the Remuneration Committee reviews the Directors' remuneration arrangements, particularly the incentive arrangements, from time to time. In 2007, a formal review of the LTIP arrangements was undertaken with external independent consultants. The outcome of this review was that the structure and amount of the LTIP capable of being awarded were unchanged. However, the Remuneration Committee has decided that the calculation determining the extent to which an award can vest will change from the next award in 2008.

At present, the proportion of the LTIP awards that will vest is determined by reference to the growth in the Company's TSR over a three year period, compared to that achieved over the same period by the companies in the FTSE 250 Index at the same start date. The Remuneration Committee felt that a better measure of outperformance would be the Company's TSR ranking within a comparator group, and the Remuneration Committee has selected the companies within the FTSE 350 General Financial Index (approximately 38 companies including all UK listed fund managers) for this purpose. The performance period for awards will remain at three years and previous LTIP awards will not be changed to the new basis. The existing requirement that the Remuneration Committee must be satisfied that the Company's TSR performance reasonably reflects its underlying financial performance over the performance period will also be maintained.

Additionally, the Remuneration Committee has determined that for future awards, 25% of the award will vest at median performance (currently 35%), with full vesting occurring at upper quartile as at present. Also, the leaver provisions have been slightly amended: for any approved leavers a pro rata award will now be received at the end of the LTIP period instead of receiving it at the date of leaving.

The Remuneration Committee received advice that the changes to the LTIP were not significant or substantive, nor to the advantage of eligible employees. The change to a lower amount of any award vesting at median is not to the advantage of employees and the change to the FTSE 350 General Financial Index as the comparator index would not have led to more shares vesting than under the current plans. Therefore, the Remuneration Committee agreed that no shareholder approval is required either under the Combined Code or under the LTIP rules.

2007 LTIP award

The proportion of the 2007 LTIP awards that will vest will be determined by reference to the growth in the Company's TSR over the three year period commencing 1 January 2007, compared to that achieved over the same period by the companies in the FTSE 250 Index at the same start date. If the Company's TSR performance is below the 50th percentile, none of the shares awarded will vest. If the Company's TSR performance is at the 50th percentile, 35% of the shares awarded will vest and if it is at or above the 75th percentile, 100% of the shares awarded will vest. Vesting between these latter two points will be calculated on a straight-line basis. Additionally, awards will only be capable of vesting after 2 March 2010.

2006 LTIP award

The awards made in 2006 continue to be held, subject to the TSR performance condition, until the end of 2008.

2005 LTIP award

The TSR performance condition for this award was satisfied at the end of 2007, with 100% of the shares in the award being capable of exercise. The award will vest in March 2008.

2004 LTIP award

As disclosed in the 2004, 2005 and 2006 Full Annual Financial Report and Accounts, the LTIP awards would normally vest at the end of a three year performance period. However, in 2005 the Remuneration Committee considered it appropriate, in the circumstances of the sale of the Life Services business and the subsequent return of capital to shareholders, to allow two thirds of the 2004 award granted to employees of the remaining group to vest in 2005.

The remaining one third of the 2004 LTIP awards vested in April 2007. The amount that vested was determined by the satisfaction of the TSR performance condition over the prior three calendar years, which resulted in 100% of the shares in the remaining award being capable of exercise.

Shareholding requirement

The Remuneration Committee has also determined that, over time, each Executive Director should be required to maintain a target shareholding of ordinary shares in the Company, equivalent to 100% of base salary, in order to align the interests of Executive Directors more closely with those of shareholders. This is expected to be attained mainly through vesting of awards under the LTIP and was achieved as at 31 December 2007 by the Executive Directors.

All-employee share schemes

The Sharesave scheme, a savings-related share option scheme, is available to all employees. It operates within specific UK tax legislation (including a requirement to finance exercise of the option using the proceeds of a monthly savings contract) and exercise of the option is not subject to satisfaction of a performance target since this is an all-employee scheme. Executive Directors are eligible to participate in the Company's all-employee Sharesave scheme on the same terms as other employees.

The Buy As You Earn Share Plan (BAYE), previously the Share Incentive Plan (SIP), is an all-employee scheme that operates within specific UK tax legislation and was established following shareholder approval at the 2004 AGM. The BAYE represents a further opportunity for employees to increase their share ownership in the Company, which is an important tool in attracting and retaining staff in the asset management industry. The BAYE enables participants to acquire ordinary shares out of deductions from gross salary, for which the Company provides 2:1 matching shares. The BAYE also allows for limited annual awards of free shares up to Inland Revenue (UK tax authority) limits. Executive Directors are not eligible to participate in the BAYE.

The Employee Share Ownership Plan (ESOP) provides an opportunity for employees to further increase their ownership in the Company. Employees are able to purchase Henderson Group plc shares up to a set limit through the Deferred Equity Plan and, subject to continued employment over a specified period, the Company provides one further matching share for each share purchased. Executive Directors are not eligible to participate in the ESOP.

All Company share awards are made through on market purchases except for the Sharesave scheme and an element of the BAYE, which are satisfied by issuing shares. The current dilution of such plans amounts to 0.97% of issued share capital.

Pensions

Retirement benefits are designed to be both market and cost-effective. The Company is the sponsoring employer of the Henderson Group Pension Scheme (the Scheme), which has both a defined benefit section (closed to new members) and a defined contribution section. As a result of the statutory cap on earnings, the Company also has unapproved pension arrangements, which apply to certain current and former Group employees. In addition, the Group has pension arrangements in place for its non UK-based employees, which are in line with market conditions overseas. In the UK, the Company replaced the statutory earnings cap abolished on 6 April 2006 by the Finance Act 2004 with an internal scheme earnings cap, which is broadly the same as the previous statutory figure adjusted for inflation.

The Executive Directors participate in non-contributory sections of the Scheme providing Scheme benefits on a defined benefit basis.

The Chief Executive is entitled to a pension accruing at 1/30th of uncapped pensionable salary for each year of pensionable service. The Scheme will provide the Chief Executive with a pension of 1/30th of pensionable salary below the Scheme earnings cap (2007/8: £112,512) for each year of pensionable service, with the balance provided by participation in an unfunded unapproved retirement benefits scheme. In addition, the Chief Executive receives an annual contribution of up to £175,000 towards a self invested personal pension. Whilst he is a Director, the investment holdings are required to be in products of Henderson Global Investors.

The Chief Financial Officer is entitled to a pension accruing at 1/45th of pensionable salary up to the Scheme earnings cap for each year of pensionable service under the Scheme. Since 23 December 2003, the Chief Financial Officer has participated in an unfunded unapproved pension arrangement to provide benefits in respect of his pensionable earnings above the Scheme earnings cap.

In 2006, the Company consulted with employees and agreed with the Scheme's trustee to alter future benefits for all employees (including Executive Directors) in both the defined benefit and defined contribution sections. These changes started to come into effect in 2007.

The defined benefit section was closed to new members in 1999, but with effect from 2007 any growth in existing members' salary will be restricted for pension purposes to the lower of inflation or 2.5% per annum. In addition, for service accrued from 2007, increases to pensions in payment will also be restricted to the lower of inflation or 2.5% per annum.

The defined contribution section was created in 1999 and allows, for some staff, an element of annual bonuses to be considered pensionable. This will be phased out by 2009 so that only basic salary will be pensionable.

In 2007, the Company introduced a Self Invested Personal Pension (SIPP) that allows UK employees to make voluntary contributions into a wider range of funds and also the ability to transfer Company shares from maturing share plans in a tax effective manner. The Company ran a number of pension planning seminars in 2007. To encourage employees to save more for their future, the Company rebates some of the national insurance savings to employees' SIPP accounts. Although the Chief Executive does have a SIPP, it is outside the Group SIPP and therefore does not qualify for any additional Company contribution. The Chief Financial Officer made no contributions to the Group SIPP in 2007 that qualified for any rebate.

Benefits and benefits in kind

The Executive Directors are contractually entitled to a lump-sum life assurance benefit of four times salary, permanent health insurance and medical insurance. The Chief Financial Officer is entitled to a car allowance of £11,000 per annum.

The Executive Directors also benefit from indemnity arrangements in respect of their services as Directors, and Directors' and Officers' liability insurance, under separate Deeds of Indemnity.

Contracts and termination provisions

The Company's policy is to employ Executive Directors on annual rolling contracts although, in exceptional circumstances on recruitment, longer initial terms may be approved by the Remuneration Committee. To date, it has not exercised this power. The Remuneration Committee will, consistent with the best interests of the Company, seek to minimise termination payments.

The Executive Directors have service agreements terminable on not less than 12 months' written notice by the Company or on not less than six months' written notice by the relevant Executive Director.

The service agreements allow the Company to suspend the Executive Directors from their duties at any time after notice has been given by either party provided they continue to receive full pay. Under certain circumstances (such as serious misconduct), the Company may terminate employment immediately with no liability to make any further payment (other than amounts accrued to the date of termination).

There are no other provisions for compensation payable on early termination in the above contracts. In relation to their participation in incentive-related pay, Executive Directors are subject to the LTIP rules in the same manner as other participants.

Chairman and other Non-Executive Directors

The remuneration of the Board Chairman is determined by the Chairman of the Remuneration Committee and the other Non-Executive Directors, and for other Non-Executive Directors, is determined by the Chairman and the Executive Directors, both on the basis of external independent advice. The Board Chairman and other Non-Executive Directors serve the Company under letters of appointment that are terminable by the Company on one month's notice without liability for compensation; they do not have service agreements. It is the Company's policy that the Board Chairman and other Non-Executive Directors do not participate in any of the Group's bonus, incentive or pension schemes, nor are they entitled to any retirement benefits. Under their respective letters of appointment:

- the annual fee payable to each Non-Executive Director (other than the Board Chairman and the Audit and Remuneration Committee Chairmen) is £40,000;
- Rupert Pennant-Rea is Non-Executive Chairman of the Company. His fees are £150,000 per annum (inclusive of all other fees as a Director or Officer); he is also entitled to a fee of £1,000 per annum for travel expenses;
- John Roques is entitled to additional fees of £15,000 per annum as Chairman of the Audit Committee and £5,000 per annum as Senior Independent Director; and
- Gerald Aherne is entitled to additional fees of £15,000 per annum as Chairman of the Remuneration Committee.

The fees were unchanged in 2007. A review of fees using independent advisors took place in 2007 and the Chairman has determined that the basic fees paid to other Non-Executive Directors will rise by £5,000 to £45,000 per annum effective on 1 January 2009. Additional fees for the Audit and Remuneration Committee Chairmen and the Senior Independent Director will remain unchanged but will be reviewed again in 2008.

The Board also reviewed the fees payable to the Chairman of the Board and has determined that they will rise from £150,000 to £170,000 per annum effective on 1 January 2009, and the separate travel expenses fee will cease.

The following tables provide greater detail in respect of each of the Directors' emoluments, pension entitlements and share interests, which have been audited by the Company's auditors.

Directors' emoluments in 2007

The emoluments (cash payments and benefits in kind, but not including any pension) of the Directors of the Company in respect of the period for which they were in office in the relevant year, including their remuneration in respect of subsidiary undertakings, comprised:

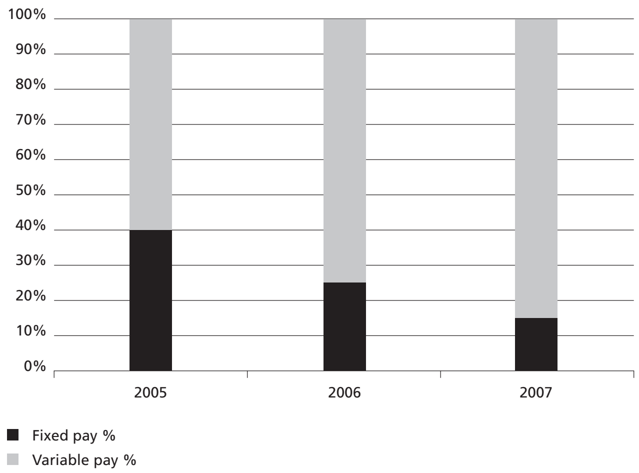
	Salary and fees £'000	Benefits in kind £'000	Annual cash bonus £'000	Current employment arrangement £'000	Share plan vesting £'000	Other £'000	2007 total £'000	2006 total £'000
Chairman								
R. Pennant-Rea								
(Chairman and Non-Executive Director)	150	–	–	150	–	2	**152**	150
Executive Directors								
R.P. Yates (Chief Executive)	350	59	1,680	2,089	1,692	178	**3,959**	2,519
N.T. Hiscock (Chief Financial Officer)	311	3	540	854	561	–	**1,415**	893
Non-Executive Directors								
A.C. Hotson	40	–	–	40	–	–	**40**	47
J. Roques	60	–	–	60	–	–	**60**	60
D. Ferguson	40	–	–	40	–	–	**40**	40
G. Aherne	55	–	–	55	–	–	**55**	55
Total	1,006	62	2,220	3,288	2,253	180	**5,721**	3,764

Notes

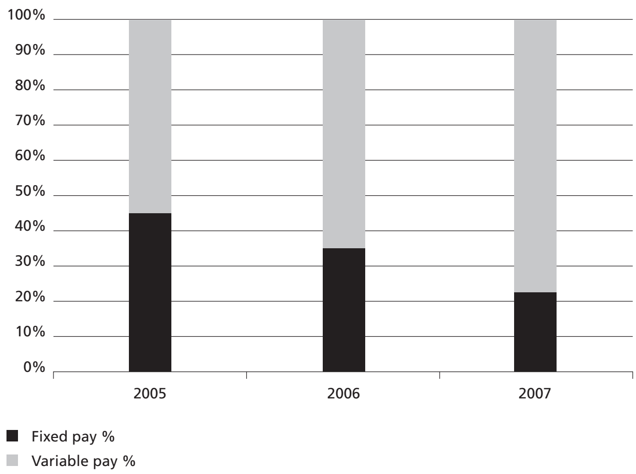
1. There were no amounts paid to the Executive Directors in respect of their qualifying services by way of expenses allowance that was chargeable to UK income tax. Emoluments of all Directors are stated with effect from 1 January 2007.
2. The non-cash elements of the Executive Directors' remuneration packages (disclosed in the table above as benefits in kind) consist of the provision of life assurance and private medical insurance.
3. The payment under Other in the table above relates to a rebate of hedge fund commission charges, contribution towards a self invested personal pension and expenses.
4. In addition to the cash bonus shown above, the Chief Financial Officer will receive a Restricted Share Plan award to the value of £60,000 in Company shares that, subject to employment conditions, will vest in June 2011.

The graphs below illustrate the fixed and variable elements of the Executive Directors' emoluments in recent years:

Total emoluments – Chief Executive



Total emoluments – Chief Financial Officer



Long-term incentives

Pensions
In accordance with the Regulations, the tables below show the Company's and members' contributions, the increase in accrued entitlement during the year and the accrued entitlement at the end of the year.

Directors' pension entitlements
The following table gives details of the accrued pension benefit at 31 December 2007 for Directors who have participated in the defined benefit section of the Scheme during the year to 31 December 2007. The final column represents the Company's funding obligations for 2007.

	Service at 31 Dec 2007	Accrued benefit at 31 Dec 2007 £'000	Additional pension earned during year to 31 Dec 2007 £'000	Transfer value of accrued benefit at 31 Dec 2007 (A) £'000	Transfer value of accrued benefit at 31 Dec 2006 (B) £'000	The amount of (A) – (B) less contributions made by Directors during 2007 £'000
R.P. Yates (Chief Executive)	8 years 3 months	180	12	2,168	1,986	182
N.T. Hiscock (Chief Financial Officer)	15 years 8 months	56	8	660	580	80
Total		236	20	2,828	2,566	262

In line with disclosures required under the Listing Rules of the UK Listing Authority, the increase in the accrued pension during the year above inflation for the Chief Executive and Chief Financial Officer was £5,580 and £5,915 respectively. The increase in the transfer value of the accrued benefit in excess of inflation for the Chief Executive and Chief Financial Officer was £67,362 and £58,963 respectively.

Directors' share interests

At 26 February 2008 and at 31 December 2007 and 2006, the Directors had the following beneficial interests in shares in the Company:

	26 February 2008 no. 12.5 pence shares	31 December 2007 no. 12.5 pence shares	31 December 2006 no. 10 pence shares
Chairman			
R. Pennant-Rea	29,952	29,952	37,440
Executive Directors			
R.P. Yates (Chief Executive)	1,260,253	1,260,253	1,231,650
N.T. Hiscock (Chief Financial Officer)	257,595	257,595	121,785
Non-Executive Directors			
A.C. Hotson	13,416	13,416	16,770
J. Roques	27,488	27,488	9,360
D. Ferguson	7,488	7,488	9,360
G. Aherne	0	0	18,720
Total	1,596,192	1,596,192	1,445,085

Notes

1. As part of the 2007 return of cash, under the share consolidation in October 2007, each holder of ordinary shares (including the Directors) received four new ordinary shares of 12.5 pence each for every five existing ordinary shares of 10 pence each.
2. Beneficial interests in the table above represent shares held by a Director, either directly or through a nominee, and any holdings of their spouse and children under 18. They do not include any awards held in the SAYE or LTIP.

Directors' interests in share awards

The following table shows the Executive Directors' interests in the SAYE and LTIP:

	Interests at 31 Dec 2006			Awards made or vested during 2007					Interests at 31 Dec 2007	
	SAYE no.	Maximum LTIP award no.	Target LTIP award no.	SAYE vested no.	LTIP vested no.	Maximum LTIP award no.	SAYE award no.	Target LTIP award no.	SAYE no.	Maximum LTIP no.
R.P. Yates (Chief Executive)	22,656	5,363,011	2,247,102	22,656	1,096,011	1,070,000	7,797	448,330	7,797	5,337,000
N.T. Hiscock (Chief Financial Officer)	22,656	1,844,224	727,730	22,656	350,724	375,000	7,797	157,125	7,797	1,868,500
Total	45,312	7,207,235	2,974,832	45,312	1,446,735	1,445,000	15,594	605,455	15,594	7,205,500

Notes

1. Under the SAYE, after 36 monthly contributions of up to £250, SAYE participants may exercise their options to acquire Henderson Group plc shares at a pre-defined issue price set at a 20% discount to the closing mid-market value on a pre-defined date. There was no SAYE in 2005. Although a SAYE was offered to all employees in 2006, the Executive Directors were ineligible to participate, already having the maximum monthly savings allowed by HM Revenue and Customs under the 2004 SAYE. As the 2004 SAYE vested in April 2007, both Executive Directors were able to join the 2007 SAYE for which the discounted price was 121.2 pence per share.
2. Maximum LTIP award – this is the number of shares initially awarded. The number of shares awarded is based on the three month average market value of the shares prior to the date of award. The 2005 award was based on the three month average market value of the shares prior to the date of award, 13 April 2005, this being 61.25 pence per share. The number of shares awarded in 2006 was based on the three month average market value of the shares prior to the date of award, 2 March 2006, this being 82.5 pence per share. The number of shares awarded in 2007 was based on the three month average market value of the shares prior to the date of award, 2 March 2007, this being 140.2 pence per share.
3. The vested LTIP relates to the remaining one third of the 2004 award. Although the LTIP 2004 award was granted with a three year cycle (1 January 2004 to 31 December 2007), as discussed in the long-term incentives section, for Mr Yates and Mr Hiscock, two thirds vested on the sale of the Life Services business, with the remaining one third award subject to the three year cycle. On exercise, awards were satisfied by the transfer to participants of shares purchased on market by the LTIP trustee.
4. Target LTIP award – this number reflects the number of shares that would vest on the vesting date, based on an expected level of achievement (41.9%) of the TSR performance target at the time of award.
5. The 52 week high and low share price in 2007 was 189.75 (adjusted 192.94) pence per share and 123.5 pence per share respectively. At 31 December 2007, the share price was 126.25 pence per share.

Additional Remuneration Information

Disclosure of non-Director executive remuneration is not required either by UK laws that apply to the Company or by UK corporate governance or best practice guidelines, nor is it market practice in the UK for this information to be disclosed. The Principles of Good Corporate Governance and Best Practice Recommendations issued by the ASX Corporate Governance Council recommend certain information to be disclosed about the remuneration of the five highest paid non-Director executives. Details of the remuneration of each individual and the value of the component parts of their remuneration have not been disclosed. The Company considers this information to be commercially sensitive. However, generic disclosures are as follows.

The five highest paid non-Director executives during 2007 were:

Name	Position
James Darkins	Managing Director, Property
Andrew Formica	Co-Managing Director, Listed Assets, and Head of Equities
Shirley Garrood	Chief Operating Officer
Roger Greville	Managing Director, Private Equity
David Jacob	Co-Managing Director, Listed Assets, and Head of Fixed Income

The aggregate annual remuneration for the executives listed above was £9,909,602 made up of the following:

- basic salary;
- discretionary annual bonus, which is dependent on stipulated Company, divisional and individual performance measures;
- discretionary performance fee or transaction fee awards in 2007;
- company non-contributory (i.e. the employee does not contribute and the Company bears all the costs) pension plan in the defined contribution section of the plan;
- other benefits including private medical insurance, car allowance, season ticket loans and life assurance and free shares under the BAYE; and
- vesting of discretionary share plan awards, refund of commission charges on mandatory deferral into hedge funds and cash payment of BAYE dividend awards that exceeded the Inland Revenue annual dividend limit.

In March 2007, the Remuneration Committee made awards to non-Director executives under the LTIP as described on page 23. In 2007, the aggregate market value of the ordinary shares (averaged over the three month period immediately prior to the date of grant) capable of being acquired by any non-Director executives under these awards is a maximum of 125% of salary, depending on the role and responsibilities of the relevant executive. The vesting criteria set out on page 23 will apply to these awards. The executives were awarded 875,000 shares under the LTIP in March 2007, the vesting of which is described in the long-term incentives section of the Report on Directors' Remuneration on page 23. Non-Director executives are entitled to participate in the Sharesave scheme and BAYE as described on page 24.

Non-Director executives may also be invited to participate in the Deferred Equity Plan under which participants receive part of their annual bonus, principally since 2004, in the form of the Company's shares or, exceptionally, an interest in an investment fund at the end of a specified restricted period, subject to the executive continuing to be employed by the Group. The restricted period will normally be one to three years, but cannot be less than one year or more than five years. The investment fund will be units in a UK authorised unit trust, ordinary shares in an investment trust company, shares in the capital of an Open-Ended Investment Company or shares in the capital of a societe d'investissement SICAV (in all cases, the assets of which are managed by a company in the Group).

The structure of the remuneration packages for non-Director executives is designed to support the achievement of the same key measures as for Executive Directors (as set out on page 22), and to ensure that executive pay complies with the Board's remuneration policy (as described on pages 21 to 25).

Signed on behalf of the Board

Gerald Aherne
Chairman of the Remuneration Committee
26 February 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and Accounts. The Directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and have elected to prepare the Company financial statements in accordance with IFRSs. UK Company Law requires the Directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard (IAS) 1 requires that financial statements present fairly for each financial year the Group's and Company's financial position, financial performance and cash flows. In preparing the Group and Company financial statements the Directors are also required to:
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and Company's financial position and financial performance; and
- state that the Group and Company have complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of the Report on Directors' Remuneration which comply with the requirements of the Companies Act 1985.

INDEPENDENT AUDITORS' REPORT
to the Members of Henderson Group plc

We have audited the Group and Company financial statements (the financial statements) of Henderson Group plc for the year ended 31 December 2007, which comprise the Consolidated Income Statement, Consolidated Statement of Recognised Income and Expense, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Company Statement of Recognised Income and Expense, Company Balance Sheet, Company Cash Flow Statement and the related notes 1 to 39. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Report on Directors' Remuneration that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Group and Company financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs), as adopted by the European Union, are set out in the Statement of Directors' Responsibilities in Relation to the Financial Statements.

Our responsibility is to audit the financial statements and the part of the Report on Directors' Remuneration to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Report on Directors' Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985, and, as regards the Group financial information, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Directors' Report, the unaudited part of the Report on Directors' Remuneration, the Chairman's Statement, the Chief Executive's Statement, the Board of Directors, the Corporate Responsibility Statement, the Corporate Governance Statement, the Shareholder Information and the Glossary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Report on Directors' Remuneration to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Report on Directors' Remuneration to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Report on Directors' Remuneration to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of the profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2007;
- the financial statements and the part of the Report on Directors' Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation, and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London
26 February 2008

FINANCIAL STATEMENTS TABLE OF CONTENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Continuing operations			
Income			
Gross fee income and commission receivable on sales	3	**430.2**	372.8
Finance income	3	**25.7**	25.2
Total income		**455.9**	398.0
Commissions and fees payable against income	3	**(104.3)**	(89.7)
Net fee and commission income		**351.6**	308.3
Expenses			
Operating costs	4.1	**(234.4)**	(223.3)
Other charges	4.2	**(2.5)**	(2.8)
Total expenses before finance costs and non-recurring items		**(236.9)**	(226.1)
Finance costs	6	**(8.0)**	–
Net profit before non-recurring items and tax from continuing operations		**106.7**	82.2
Non-recurring items[1]	7	**40.5**	(7.8)
Net profit after non-recurring items and before tax from continuing operations		**147.2**	74.4
Taxation	8	**(15.0)**	(11.1)
Net profit after non-recurring items and tax from continuing operations		**132.2**	63.3
Discontinued operations[2]			
Net loss before tax from discontinued operations	37.1	**–**	(11.5)
Net profit before tax on disposal of discontinued operations	36.2	**–**	9.5
Net loss before tax from discontinued operations		**–**	(2.0)
Taxation	38	**–**	(0.1)
Net loss after tax from discontinued operations		**–**	(2.1)
Total continuing and discontinued operations			
Net profit before tax from all operations		**147.2**	72.4
Total taxation		**(15.0)**	(11.2)
Net profit after tax from all operations		**132.2**	61.2
Attributable to:			
Equity holders of the parent	22.1	**132.1**	61.1
Minority interests	22.1	**0.1**	0.1
		132.2	61.2
Dividends			
Dividends declared and charged to equity in the year	12	**264.8**	26.2
Dividends proposed	12	**32.2**	20.5
Basic and diluted earnings per share (EPS)			
Earnings per share from continuing operations before non-recurring items[3]	9.3.2	**11.7p**	6.4p
Earnings per share from all operations	9.1.2	**16.4p**	5.6p
Diluted earnings per share from all operations	9.1.2	**15.6p**	5.5p

Notes
1. Non-recurring items in 2007 comprise a £31.8m accounting gain on the Group's investment in BPI (subsequently BP) and an £8.7m past service credit in the Henderson Group Pension Scheme. Non-recurring items in 2006 relate to business restructure costs within Henderson Global Investors.
2. Discontinued operations comprise the Life Services business, Towry Law International and Towry UK Group.
3. EPS is calculated using the weighted average number of shares in the period, less the weighted average number of treasury shares, less the weighted average number of own shares held in trust in the period, in line with IAS 33.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Exchange differences on translation of foreign operations	22.1	**1.5**	(0.6)
Exchange differences on translation of available-for-sale financial assets	22.1	**0.7**	(1.2)
Translation reserve transfer on sale of available-for-sale financial assets	22.1	**0.8**	0.4
Revaluation reserve transfer on sale of available-for-sale financial assets	22.1	**(28.6)**	–
(Losses)/gains on revaluation of available-for-sale financial assets	22.1	**(17.6)**	32.9
Actuarial gains/(losses) on defined benefit pension schemes	22.1	**34.7**	(4.7)
Tax (charge)/credit on items taken directly to equity	22.1	**(11.5)**	1.4
Net (expense)/income recognised directly in equity		**(20.0)**	28.2
Net profit after tax from all operations		**132.2**	61.2
Total recognised income and expense		**112.2**	89.4
Attributable to:			
Equity holders of the parent	23.1	**112.1**	89.3
Minority interests	22.1	**0.1**	0.1
		112.2	89.4

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	2007 £m	2006 £m
Assets			
Intangible assets	14	**224.3**	224.3
Investments accounted for using the equity method	31.3	**3.8**	2.7
Plant and equipment	20	**5.7**	6.6
Deferred tax assets	24	**–**	13.2
Retirement benefit assets	30	**62.3**	–
Available-for-sale financial assets	15	**101.7**	112.2
Financial assets at fair value through profit or loss	15	**0.6**	0.2
Deferred acquisition and commission costs	33	**31.8**	20.7
Trade and other receivables	19	**97.1**	156.4
Cash and cash equivalents	29.2	**248.0**	309.1
Total assets		**775.3**	845.4
Liabilities			
Debt instrument in issue	17	**178.0**	–
Retirement benefit obligations	30	**5.2**	10.4
Provisions	26	**32.1**	42.3
Deferred tax liabilities	24	**8.9**	–
Deferred income		**32.6**	29.7
Current tax liabilities		**41.1**	35.0
Trade and other payables	25	**203.3**	232.1
Total liabilities		**501.2**	349.5
Net assets		**274.1**	495.9
Capital and reserves			
Share capital	21	**90.6**	90.2
Share premium	22.1	**194.6**	193.7
Treasury shares	22.1	**(6.7)**	(1.9)
Own shares held	22.1	**(85.5)**	(29.9)
Translation reserve	22.1	**(1.8)**	(4.8)
Revaluation reserve	22.1	**(16.3)**	29.9
Profit and loss account	22.1	**99.0**	218.6
Shareholders' equity		**273.9**	495.8
Minority interests	22.1	**0.2**	0.1
Total equity	23.1	**274.1**	495.9

The financial statements were approved by the Board of Directors and authorised for issue on 26 February 2008. These were signed on its behalf by:

Rupert Pennant-Rea
Chairman

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Cash flows from operating activities			
Net profit before tax from all operations		**147.2**	72.4
Adjustments to reconcile net profit before tax from all operations to net cash flows from operating activities:			
– depreciation and impairment of plant and equipment – continuing operations	20	**2.5**	2.8
– depreciation and impairment of plant and equipment – discontinued operations		**–**	0.3
– impairment of goodwill and other intangible assets – discontinued operations		**–**	0.7
– share-based payments	11.2	**23.6**	15.1
– net deferred acquisition costs and deferred income amortisation		**(5.5)**	2.1
– net profit arising from disposal of subsidiaries		**–**	(9.5)
– fair value gains on available-for-sale financial assets		**(27.0)**	(5.8)
– special contribution to the defined benefit pension scheme	30.1	**(20.0)**	(40.0)
– share of net profit of associates		**(2.0)**	(1.3)
– movement in minority interests		**0.1**	0.1
– debt instrument interest expense		**8.0**	–
Cash flows from operating activities before changes in operating assets and liabilities		**126.9**	36.9
Changes in operating assets and liabilities	29.1	**(0.8)**	(12.4)
Tax received/(paid)		**1.6**	(2.8)
Net cash flows from operating activities		**127.7**	21.7
Cash flows from investing activities			
Proceeds from sale or maturity of:			
– available-for-sale financial assets		**37.5**	55.3
– subsidiaries and associates		**–**	25.8
Dividends from associates		**0.8**	0.6
Purchases of:			
– plant and equipment		**(1.6)**	(1.1)
– debt or equity instruments and interests in joint ventures		**(37.2)**	(33.1)
Net cash flows from investing activities		**(0.5)**	47.5
Cash flows from financing activities			
Proceeds from issue of shares or other equity instruments		**0.9**	0.5
Proceeds from short and long-term borrowings		**174.0**	–
Return of capital to shareholders	23.1	**–**	(199.6)
Cash payments to owners to acquire or redeem treasury shares	22.1	**(6.7)**	(1.9)
Cash payments to owners to acquire or redeem own shares	22.1	**(87.1)**	(28.8)
Dividends paid to equity shareholders	12	**(264.8)**	(26.2)
Interest paid on long-term borrowings		**(5.7)**	–
Net cash flows from financing activities		**(189.4)**	(256.0)
Effects of exchange rate changes		**1.1**	(0.6)
Net decrease in cash and cash equivalents		**(61.1)**	(187.4)
Cash and cash equivalents at beginning of year		**309.1**	496.5
Cash and cash equivalents at end of year	29.2	**248.0**	309.1

COMPANY STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Actuarial gains/(losses) on defined benefit pension schemes	22.2	**33.9**	(7.6)
Tax on (charge)/credit items taken directly to equity	22.2	**(9.6)**	2.3
Net income/(expense) recognised directly in equity		**24.3**	(5.3)
Net profit after tax from all operations		**21.5**	100.7
Total recognised income and expense	23.2	**45.8**	95.4

COMPANY BALANCE SHEET

As at 31 December 2007

	Notes	2007 £m	2006 £m
Assets			
Investment in subsidiaries	32	**1,872.7**	2,461.8
Retirement benefit assets	30	**62.3**	–
Deferred tax assets	24	**–**	2.3
Available-for-sale financial assets	15	**6.0**	–
Current tax assets		**22.9**	18.3
Trade and other receivables	19	**233.4**	223.6
Cash and cash equivalents	29.3	**18.4**	110.1
Total assets		**2,215.7**	2,816.1
Liabilities			
Debt instrument in issue	17	**178.0**	–
Borrowings	18	**422.0**	970.3
Retirement benefit obligations	30	**–**	5.0
Provisions	26.2	**10.7**	14.9
Deferred tax liabilities	24	**16.7**	–
Trade and other payables	25	**1,209.8**	1,159.2
Total liabilities		**1,837.2**	2,149.4
Net assets		**378.5**	666.7
Capital and reserves			
Share capital	21.2	**90.6**	90.2
Share premium	22.2	**194.6**	193.7
Treasury shares	22.2	**(6.7)**	(1.9)
Own shares held	22.2	**(85.5)**	(29.9)
Profit and loss account	22.2	**185.5**	414.6
Total equity	23.2	**378.5**	666.7

The financial statements were approved by the Board of Directors and authorised for issue on 26 February 2008.
These were signed on its behalf by:

Rupert Pennant-Rea
Chairman

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Cash flows from operating activities			
Net profit before tax		**11.5**	93.6
Adjustments to reconcile net profit before tax from all operations to net cash flows from operating activities:			
– impairment of investment in subsidiary undertakings	32	**–**	197.5
– share-based payments	11.2	**23.6**	15.1
– fair value gain on available-for-sale financial assets		**(46.4)**	–
– special contribution to the defined pension benefit scheme	30.1	**(20.0)**	–
– dividends received from subsidiaries		**–**	(266.3)
– finance costs		**62.0**	54.6
Cash flows from operating activities before changes in operating assets and liabilities		**30.7**	94.5
Changes in operating assets and liabilities			
Decrease in other assets		**81.8**	56.6
Decrease in other liabilities		**(10.9)**	(43.9)
Tax received		**7.1**	–
Net cash flows from operating activities		**108.7**	107.2
Cash flows from investing activities			
Purchases of:			
– debt or equity instruments		**(11.0)**	–
Net cash flows from investing activities		**(11.0)**	–
Cash flows from financing activities			
Proceeds from issue of shares or other equity instruments		**0.9**	0.5
Return of capital to shareholders	23.2	**–**	(199.6)
Cash payments to owners to acquire or redeem treasury shares	22.2	**(6.7)**	(1.9)
Cash payments to owners to acquire or redeem own shares	22.2	**(87.1)**	(28.8)
Proceeds from long-term borrowings		**174.0**	–
Dividends paid to equity shareholders	12	**(264.8)**	(26.2)
Interest paid		**(5.7)**	–
Net cash flows from financing activities		**(189.4)**	(256.0)
Net decrease in cash and cash equivalents		**(91.7)**	(148.8)
Cash and cash equivalents at beginning of year		**110.1**	258.9
Cash and cash equivalents at end of year	29.3	**18.4**	110.1

1. Authorisation of financial statements and statement of compliance with IFRS

The Group and Company financial statements of Henderson Group plc for the year ended 31 December 2007 were authorised for issue by the Board of Directors on 26 February 2008 and the respective balance sheets were signed on the Board's behalf by Rupert Pennant-Rea. Henderson Group plc is a public limited company incorporated and domiciled in England. The Company's ordinary shares are traded on the London Stock Exchange and CHESS Depositary Interests are traded on the Australian Securities Exchange.

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the provisions of the Companies Act 1985. The Company has taken advantage of the exemption under section 230 of the Companies Act 1985 not to present its own income statement within these financial statements.

The principal accounting policies adopted by the Group and by the Company are set out in note 2.

2. Accounting policies

2.1 Significant accounting policies

Basis of preparation
The Group's and Company's financial statements have been prepared on the historical cost basis, except for certain financial instruments that have been measured at fair value.

The Group's and Company's financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand pounds (£0.1m), except when otherwise indicated.

Basis of consolidation
The consolidated financial statements comprise the financial statements of Henderson Group plc and its subsidiaries as at 31 December each year. The financial statements of all the Group's subsidiaries are prepared to the same year end date as the parent company. The subsidiary accounts are not all prepared under IFRS. However, the accounts of all the material entities are prepared under either IFRS or UK GAAP. Where prepared under UK GAAP, balances reported by subsidiaries are adjusted to meet IFRS requirements for the purposes of the consolidated financial statements.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group had control. Minority interests represent the equity interests in subsidiaries not fully held by the Group.

Interests in property closed-ended funds, private equity infrastructure funds, Open-Ended Investment Companies (OEICs) and unit trusts are accounted for as subsidiaries, joint ventures, associates or other financial investments depending on the holdings of the Group and on the level of influence and control that the Group exercises. Strategic shareholder investments in associates, where the Group has the ability to exercise significant influence, as well as joint ventures where there is joint control, are accounted for using the equity method.

Income recognition
Fee income and commission receivable
Fee income includes annual management charges, transaction fees and performance fees. Annual management charges and transaction fees are recognised in the accounting period in which the associated investment management or transaction services are provided. Performance fees are recognised when the prescribed performance hurdles have been achieved and it is probable that the fee will crystallise as a result. The Group's policy is to accrue 95% of the expected fee calculation on satisfaction of the recognition criteria it has established for performance fees, with the balance of 5% credited on cash settlement by the client.

Initial fees and commission receivable are deferred and amortised over the anticipated period in which services will be provided, determined by reference to the average term of investors in each product on which commissions are earned. Other income is recognised in the accounting period in which services are rendered.

Finance income
Interest income is recognised as it accrues using the effective interest rate method. Dividend income from investments is recognised on the date that the right to receive payment has been established.

Realised and unrealised gains and losses on financial assets
Gains and losses (both realised and unrealised) on financial assets measured at fair value through profit or loss are recognised in the consolidated income statement as either finance income or finance costs.

Unrealised gains and losses on financial assets designated as available-for-sale are initially recognised through the consolidated statement of recognised income and expense. Upon disposal, any gain or loss previously taken through the consolidated statement of recognised income and expense is reversed out and the full gain or loss since purchase, after any impairment charge previously recognised, is taken through the consolidated income statement.

Realised gains and losses on financial assets are calculated as the difference between the net sales proceeds and cost or amortised cost. Unrealised gains and losses on financial assets represent the difference between the valuation of financial assets at the balance sheet date and cost, or if these have been previously revalued, the valuation at the last balance sheet date. The movement in unrealised gains and losses recognised in the accounting period also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of financial asset disposals in the current accounting period.

Goodwill
Goodwill arising on acquisitions, being the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is capitalised in the consolidated balance sheet. Goodwill on acquisitions prior to 1 January 2004 is carried at its value on 1 January 2004 less any impairment subsequently incurred. The carrying value of all goodwill is tested annually for impairment or more frequently if any indicators of impairment arise.

Impairment is assessed by reference to an entity valuation based on a fair value less cost to sell basis, using comparable company trading multiples, cross-checked against valuations based on discounted cash flows. Where the fair value of the goodwill is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of an entity or sub-group and the entity or sub-group or part thereof is disposed of, the goodwill associated with the entity or sub-group disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. Any impairment is recognised immediately through other charges in the consolidated income statement and is not subsequently reversed.

Deferred acquisition and commission costs
For investment management contracts, incremental acquisition costs are deferred to the extent that they are recoverable out of future income. This includes initial commission expenses paid by the fund management business in respect of certain investment products. These costs are then amortised over the period in which they are expected to be recovered out of margins from matching revenues from related contracts. At the end of each accounting period, deferred acquisition costs are reviewed for recoverability against future margins from the related contracts in force at the balance sheet date.

Placement fees are deferred and amortised over the expected investment period of the fund. Where the actual investment period is significantly shorter than expected, the amortisation rate is accelerated accordingly.

Financial instruments
Financial assets and liabilities are recognised in the consolidated balance sheet, when the Group becomes a party to the contractual provisions of an instrument, at fair value adjusted for transaction costs, except for financial assets classified at fair value through profit or loss where transaction costs are immediately recognised in the consolidated income statement. Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the Group has also transferred substantially all risks and rewards of ownership. Financial liabilities are de-recognised when the liability is discharged.

Financial assets
Purchases and sales of financial assets are recognised at the trade date, being the date when the purchase or sale becomes contractually due for settlement. Delivery and settlement terms are usually determined by established practices in the market concerned.

Debt securities, equity securities and holdings in authorised collective investment schemes are designated as either at fair value through profit or loss, or available-for-sale, and are measured at subsequent reporting dates at fair value. The Group determines the classification of its financial assets on initial recognition. Financial assets classified at fair value through profit or loss comprise assets held for trading, namely the manager box positions in OEICs and unit trusts, which are managed on a fair value basis. Where securities are designated at fair value through profit or loss, gains and losses arising from changes in fair value are included in the consolidated income statement for the accounting period.

For available-for-sale financial assets, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is impaired, at which time the cumulative gain or loss previously recognised in equity is taken to the consolidated income statement for the accounting period.

Trade receivables, which generally have 30–90 day payment terms, are initially recognised at fair value, normally equivalent to the invoice amount and subsequently measured at amortised cost. When the time value of money is material, the fair value is discounted. Provision for specific doubtful debts is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the receivable amount is deemed irrecoverable.

Cash amounts represent cash in hand and on-demand deposits. Cash equivalents are short-term highly liquid investments with a maturity of 90 days or less from the date of acquisition.

Financial liabilities
Financial liabilities including trade payables are stated at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. A financial liability is de-recognised when the obligation under the liability has been discharged or cancelled or has expired.

Derivative financial instruments and hedging
Currency hedges
The Group may, from time to time, use derivative financial instruments to hedge against market, foreign exchange, interest and credit risk. Derivative financial instruments are classified as financial assets when the fair value is positive or as financial liabilities when the fair value is negative. Fair values are based on quoted market prices.

At the inception of a hedge, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such hedges are expected to be effective in achieving offsetting changes in fair value and are assessed on an ongoing basis to determine that they have been effective throughout the financial reporting periods for which they were designated and are expected to remain effective over the remaining hedging period.

The forward currency contracts used to hedge the currency fair value of certain Euro and US dollar denominated available-for-sale financial assets have been classified as fair value hedges. The change in the fair value of a hedging derivative is recognised in the consolidated income statement. The change in fair value of the hedged item, attributable to the risk hedged, is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated income statement by way of a transfer from the translation reserve.

Interest rate hedges
The Group has entered into an interest rate swap (receive fixed, pay floating) to hedge the fair value risk of the fixed interest corporate debt instrument issued during the year, which was designated a hedged item. The change in the fair value of the hedged item resulting from changes in risk associated with interest rates are hedged by the swap. The other risk elements associated with the debt instrument are not part of this hedging arrangement.

Fair value estimation
The fair value of financial instruments traded in active markets (such as publicly traded securities and derivatives) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price. The fair value of financial assets that are not traded in an active market is determined using valuation techniques commonly used by market participants including the use of comparable recent arm's length transactions, discounted cash flow analysis and option pricing models.

Investments in subsidiaries
Investments by the Company in subsidiary undertakings are held at cost less any permanent diminution in value where circumstances indicate that the carrying value may not be recoverable.

Impairment of assets (excluding goodwill and financial assets)
At each balance sheet date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount, being the higher of an asset's fair value less costs to sell, and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and it is written down to its recoverable amount. An impairment loss is recognised as an expense in the consolidated income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Operating leases
All leases are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Income and sales taxes
The Group provides for current tax expense according to the tax laws of each jurisdiction in which it operates, using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable timing differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the timing differences. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is also recognised in equity and not in the consolidated income statement.

Expenses and assets are recognised net of the amount of sales tax, except where this tax is not recoverable, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of expenses. Receivables and payables are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority, is included as part of receivables or payables in the consolidated balance sheet.

Plant and equipment

Plant and equipment is valued at cost and depreciated on a straight-line basis over its useful economic life of between two and ten years.

An item of plant and equipment is removed upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the consolidated income statement in the year the item is sold or retired.

Provisions
Provisions which are liabilities of uncertain timing or amount, are recognised when: the Group has a present obligation, legal or constructive, as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. In the event that the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects a current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Foreign currencies
The functional currency of the Company and its UK subsidiaries is pounds sterling. Transactions in foreign currencies are recorded at the rate appropriate at the time of accounting for the transaction. Foreign currency monetary balances at the accounting period end are converted at the rate ruling at that date. Foreign currency non-monetary balances carried at fair value are translated at the rates prevailing at the date when the fair value is determined. Gains and losses arising on retranslation are taken to the consolidated income statement, except for available-for-sale equity securities where the changes in fair value are recognised directly in equity and any exchange component of the change in fair value is also recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations whose functional currency is not pounds sterling are translated at exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the accounting period. Exchange differences arising, if any, are taken through the consolidated statement of recognised income and expense to the translation reserve. Such translation differences are recognised in the consolidated income statement in the accounting period in which the operation is disposed of.

Employee benefits
The Group provides employees with retirement benefits through both defined benefit and defined contribution schemes. The assets of these schemes are held separately from the Group's general assets in trustee administered funds and are valued at fair value. Defined benefit obligations and the cost of providing benefits are determined annually by independent qualified actuaries using the projected unit credit method. The obligation is measured as the present value of the estimated future cash outflows using a discount rate based on corporate bonds of appropriate duration and quality. The resulting surplus/deficit of defined benefit assets less liabilities is recognised in the consolidated balance sheet. The Group's expense related to these schemes is accrued over the employees' service lives, based upon the actuarially determined cost for the accounting period having considered interest costs and the expected return on assets. Actuarial gains and losses are recognised in full in the accounting period in which they occur, in the consolidated statement of recognised income and expense. Normal contributions to the defined contribution scheme are charged to the consolidated income statement as they become payable in accordance with the rules of the scheme. Special contributions to the defined benefit scheme are recognised as an increase in the scheme's assets.

Other post-employment benefits, such as medical care and life insurance, are also provided for certain employees. The cost of such benefits is accrued over the employee's service life, based upon the actuarially determined cost for the accounting period using a methodology similar to that for the defined benefit pension scheme.

Share-based payment transactions
The Group issues equity-settled and cash-settled share-based payments to certain employees. The valuation methodology and assumptions are disclosed in note 11.4.

Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date and expensed, together with a corresponding increase in equity, on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. The expected life of the awards used in the determination of fair value is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The cost of cash-settled transactions is measured initially at fair value at the grant date. The fair value is expensed over the period until vesting, with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date, with changes in fair value recognised in the consolidated income statement.

Treasury shares and own shares held
Treasury shares and own shares held comprise own equity shares reacquired by the Company and are recorded at cost and are deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Where the sales proceeds exceed the cost of the shares, the excess is transferred to the share premium account.

Equity shares
The Company's ordinary equity shares of 12.5 pence (2006: 10 pence) each are classified as equity instruments. Equity shares issued by the Company are recorded at the proceeds or fair value received, with the excess of the amount received over the nominal value being credited to the share premium account. Direct issue costs net of tax are deducted from equity. When share capital is repurchased, the amount of consideration paid, including directly attributable costs, is recognised as a change in equity.

Dividend recognition
Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid and, in the case of final dividends, when these are approved by the Company's shareholders at the AGM.

2.2 Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has made no significant judgements, apart from those involving estimations and assumptions, which are summarised below.

Impairment of goodwill
Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This requires management to prepare an entity valuation based on a fair value less costs-to-sell basis. The estimation required in the selection of the comparable company trading multiples is mitigated by the use of external professional valuers and through cross-checking against valuations based on discounted cash flows. The carrying amount of goodwill at 31 December 2007 and 2006 is £224.3m as detailed in note 14.

Pension and other post-employment benefits
The costs of and period-end obligations under defined benefit pension schemes are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these schemes, such estimates are subject to significant uncertainty. The estimation of the present value of defined benefit obligations at 31 December 2007 is £287.6m (2006: £317.3m) and the net retirement benefits included in the consolidated balance sheet are £62.3m surplus on Henderson Group Pension Scheme (2006: £5m deficit) and £5.2m deficit on Henderson unapproved pension schemes (2006: £5.4m). Further details are given in note 30.

Provisions
By their nature, provisions often include significant levels of estimation by management. The nature and amount of the provisions included in the consolidated balance sheet of £32.1m (2006: £42.3m) are detailed in note 26 and amounts not provided for are disclosed in note 35.

Accrued income and expenses
Accrued income is based on latest available information and involves a degree of estimation. The most significant estimations relate to the accrual of performance fees as discussed in note 2.1.

The most significant expense accruals at year end relate to bonus and other variable remuneration scheme costs. These are based on a top-down review of the performance of the business, in tandem with a bottom-up assessment of the entitlements of each staff member. The outcome is independently assessed by the Remuneration Committee, chaired by Gerald Aherne, a Non-Executive Director.

Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Share-based payment transactions
Equity-settled share-based payments are measured at fair value at the grant date and expensed over the vesting period based on the Group's estimate of shares that will eventually vest.

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

IFRS 7 Financial Instruments: Disclosures
The Group adopted IFRS 7 on 1 January 2007. The required disclosures of the Group's financial instruments and the risks arising from those financial instruments are disclosed in note 16.

2.4 Future changes in accounting policies

During the course of the year, the International Accounting Standards Board and the International Financial Reporting Interpretations Committee (IFRIC) issued a number of new accounting standards, amendments to existing standards and interpretations. The following new standards and interpretations are not applicable to these financial statements and are effective for future accounting periods. The Directors do not anticipate that the adoption of these standards and interpretations will materially impact the Group's financial statements but, in some cases, they will give rise to additional disclosures. The Group plans to apply these standards in the reporting period in which they become effective.

IFRS 8 Operating Segments – effective for periods commencing on or after 1 January 2009
IFRS 8, which replaces IAS 14 Segment Reporting, requires the Group's disclosures to reflect the information which management uses internally for evaluating the performance of operating segments and allocating resources to those segments.

IFRS 2 (revised) Share-based Payment – effective for periods commencing on or after 1 January 2009
The revised standard clarifies the terms vesting conditions and cancellations. Vesting conditions are service conditions and performance conditions only and features of a share-based payment that are not vesting conditions should be included in the grant date fair value of the share-based payment. A cancellation of equity instruments is accounted for as an acceleration of the vesting period whether initiated by the entity or by other parties.

IFRS 3 (revised) Business Combinations – effective for periods commencing on or after 1 July 2009
The revision to the standard issued in 2004 is aimed at reducing the differences between IFRSs and US GAAP.

IAS 1 (revised) Presentation of Financial Statements – effective for periods commencing on or after 1 January 2009
This standard emphasises the distinction between profit and loss items and other comprehensive income. The standard requires the presentation of changes in equity during a period resulting from transactions and other events and those resulting from transactions with owners in their capacity as owners.

IFRIC 11 IFRS 2 Group and Treasury Share Transactions – effective for periods commencing on or after 1 March 2007
IFRIC 11 requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled payment transaction, regardless of how the equity instruments are obtained. The interpretation also provides guidance on whether subsidiaries should account for such schemes in their own financial statements when their employees receive rights to equity instruments of the parent company.

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – effective for periods commencing on or after 1 January 2008
IFRIC 14 addresses the interaction between a minimum funding requirement and the limit placed by IAS 19 Employee Benefits on the measurement of the defined benefit or liability. The economic benefits are available to an entity if the entity has an unconditional right to release them at some point during the life of the plan or on wind up.

In addition, IFRIC 12 Service Concession Arrangements (effective for periods commencing on or after 1 January 2008), IFRIC 13 Customer Loyalty Programmes (effective for periods commencing on or after 1 July 2008) and IAS 23 (revised) Borrowing Costs (effective for periods commencing on or after 1 January 2009) have been issued but are not relevant to the Group's activities.

3. Income

	Group 2007 £m	Group 2006 £m
Gross fee income and commission receivable on sales		
Gross fee income	**430.2**	372.8
Finance income		
Interest on deposits with credit institutions	**24.0**	21.8
Income from available-for-sale financial assets	**2.3**	3.4
(Losses)/gains arising on derivatives in a designated fair value hedge accounting relationship	**(3.7)**	1.2
Gains/(losses) arising on adjustment for the hedged item in a designated fair value hedge accounting relationship	**3.1**	(1.2)
	25.7	25.2
Total income	**455.9**	398.0
Commission and fees payable against income		
Amortisation of capitalised commissions	**(15.2)**	(12.9)
Other commissions and fees payable against income	**(89.1)**	(76.8)
	(104.3)	(89.7)
Net fee income and commission receivable on sales	**351.6**	308.3

4. Expenses

4.1 Operating costs

	Note	Group 2007 £m	Group 2006 £m
Employee benefits	5.2	**156.8**	145.0
Operating lease		**8.7**	8.6
Investment administration		**16.0**	19.2
Information technology		**9.9**	10.9
Office expenses		**5.4**	7.2
Foreign exchange losses		**0.3**	0.6
Other expenses[1]		**37.3**	31.8
Total operating costs		**234.4**	223.3

4.2 Other charges

	Note	Group 2007 £m	Group 2006 £m
Depreciation of plant and equipment	20	**2.5**	2.8

Note
1. Other expenses include a £6.0m impairment of a seed investment and a further £3.1m of provisioning in respect of potential national insurance claims.

4.3 Auditors' remuneration

	Group 2007 £m	Group 2006 £m
Fees payable to the Group's auditors for the audit of the Group's annual consolidated financial statements	**0.2**	0.2
Fees payable to the Group's auditors and their associates for other services:		
– statutory audit of the Group's subsidiaries	**0.5**	0.5
– other services pursuant to legislation	**0.2**	0.2
– tax services	**–**	0.2
– services relating to corporate finance transactions entered into by or on behalf of the Group	**–**	0.1
– other services	**0.1**	–
Total fees	**1.0**	1.2

The above analysis reflects the amounts billed by Ernst & Young LLP in the respective periods. Included in the fees payable to the Group's auditors for the audit of the Group's annual consolidated financial statements, are fees of £30,000 (2006: £30,000) for the audit of the Company's statutory financial statements.

5. Employee benefits

5.1 Average number of employees

The average number of employees in the continuing operations of the Group was as follows:

	Group 2007 no.	Group 2006 no.
Henderson Global Investors	**899**	867
Corporate	**22**	26
Total employees	**921**	893

5.2 Analysis of employee benefits expense

Employee benefits expense for continuing operations comprises:

	Notes	Group 2007 £m	Group 2006 £m
Salaries and wages (including bonuses)		**125.2**	112.7
Share-based payments	11.2	**12.8**	11.8
Social security costs		**13.7**	11.6
Pension expense	30	**5.1**	8.9
Total employee benefits		**156.8**	145.0

Employees' contracts of employment are with certain subsidiary companies, primarily Henderson Administration Limited; accordingly, there are no employee benefits disclosures relating to the Company.

6. Finance costs

	Group 2007 £m	Group 2006 £m
Debt interest	**8.0**	–

7. Non-recurring items

The non-recurring items for continuing operations recorded in the consolidated income statement comprise the following:

	Group 2007 £m	Group 2006 £m
Realised gain on deemed disposal of available-for-sale financial asset	**31.8**	–
Past service credit on the Henderson Group Pension Scheme	**8.7**	–
Business restructure costs	**–**	(7.8)
	40.5	(7.8)

7.1 Realised gain on deemed disposal of available-for-sale financial asset

The merger between BPI and BPVN into the newly incorporated BP on 1 July 2007 gave rise to a new investment holding for the Group which, for accounting purposes, is deemed as a disposal of the previous holding. Under the terms of the merger, the Group received a special dividend of £16.3m (£1.46 per BPI share), which has been included as part of the accounting gain on the deemed disposal. The brought forward net cumulative gain on disposal of the Group's investment in BPI of £28.6m was recognised in the consolidated statement of recognised income and expense as a transfer from the revaluation reserve to the consolidated income statement. The balance of £3.2m represents the net gain on the investment in BPI recognised during the six months to 30 June 2007. The revised base cost of the investment is £69.7m (£14.48 per BP share). The currency exposure is fully hedged, but the investment remains exposed to market risk (refer to note 16.1).

7.2 Past service credit on the Henderson Group Pension Scheme

The past service credit of £8.7m on the Group's defined benefit scheme represents a non-recurring catch-up adjustment following changes to future benefits that came into effect on 1 April 2007, following a period of staff consultation and agreement with the Scheme's Trustee (refer to note 30).

7.3 Business restructure costs

The business restructure costs incurred by the Group of £7.8m were in respect of specific redundancy and other related costs, associated with a business restructure of Henderson Global Investors that took place in November 2006.

8. Taxation

	Group 2007 £m	2006 £m
Current income tax:		
– current year	**24.2**	25.4
– prior year	**(11.3)**	(1.9)
Deferred tax relating to:		
– temporary differences	**10.8**	1.0
– changes in tax rates	**(0.2)**	–
Previously unrecognised tax losses of a prior period used to reduce current tax	**(8.5)**	(13.4)
Total taxation expense	**15.0**	11.1

Tax charged/(credited) to equity

	Group 2007 £m	2006 £m
Deferred tax charged/(credited) to equity	**11.5**	(1.4)

Reconciliation of net profit before tax at standard rate of corporate tax to tax expense

The reconciliation of the net profit before tax multiplied at 30% to the tax expense of £15.0m (2006: £11.1m) is as follows:

	Group 2007 £m	2006 £m
Net profit before tax from continuing operations	**147.2**	74.4
Tax at the applicable UK corporation tax rate of 30% (2006: 30%) on net profit before tax	**44.2**	22.3
Factors affecting tax charge:		
Other disallowable expenses and non-taxable income	**(5.3)**	3.7
Adjustment for prior years (current and deferred)	**(15.4)**	(1.9)
Higher/(lower) tax rates on overseas earnings	**0.2**	0.4
Changes in tax rates – restated deferred tax balances	**(0.2)**	–
Utilisation of previously unrecognised tax losses	**(8.5)**	(13.4)
Total tax expense for continuing operations	**15.0**	11.1

9. Earnings per share

The number of shares for the purpose of calculating the basic earnings per share has been taken as the weighted average number of shares in issue during the period, less the weighted average number of treasury shares held by the Group during the period, less the weighted average number of own shares held in trust during the period.

The diluted number of shares for the purposes of calculating the diluted earnings per share is taken as the basic earnings per share, increased to recognise the weighted average number of options and unconditional share awards (including those conditional only upon length of service) in the period.

The weighted average number of shares for 2007 reflects the share consolidation approved by shareholders at an Extraordinary General Meeting held on 9 October 2007, effective on 19 October 2007 (refer to note 21):

	Group	
	2007 no. (millions)	**2006[1] no. (millions)**
Weighted average number of ordinary shares for the purposes of basic earnings per share	**804.6**	1,085.2
Dilutive potential of:		
– share options	**2.7**	2.9
– unconditional awards	**40.2**	14.5
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**847.5**	1,102.6

Note
1. 2006 numbers have been adjusted to reflect IAS 33, Earnings per share, which reduces the number of shares for both the basic and diluted EPS calculations.

Basic and diluted earnings per share have been calculated on the net profit attributable to equity shareholders. The difference between the weighted average number of shares used in the basic earnings per share and the diluted earnings per share calculations reflects the dilutive impact of options under the Group's Sharesave schemes, and unconditional awards primarily relating to matching shares or granted awards under the Deferred Equity Plan, the Employee Share Option Plan, and the Restricted Share Plan (refer to note 11).

The number of shares used is the same as those detailed above for both basic and diluted earnings per share from continuing recurring, continuing non-recurring and discontinued operations.

9.1 From all operations

9.1.1 Earnings

	Group	
	2007 £m	**2006 £m**
Earnings for the purposes of basic and diluted earnings per share	**132.1**	61.1

9.1.2 Earnings per share

	Group	
	2007 pence	**2006 pence**
Basic	**16.4**	5.6
Diluted	**15.6**	5.5

9.2 From continuing operations before non-recurring items

9.2.1 Earnings

	Group 2007 £m	2006 £m
Net profit after tax from continuing operations	**132.1**	63.2
Non-recurring items adjusted for taxation effect	**(37.9)**	6.6
Net profit after tax from continuing operations before non-recurring items	**94.2**	69.8

9.2.2 Earnings per share

	Group 2007 pence	2006 pence
Basic	**11.7**	6.4
Diluted	**11.1**	6.3

9.3 From continuing operations including non-recurring items

9.3.1 Earnings

	Group 2007 £m	2006 £m
Net profit after tax from all operations attributable to equity holders of the parent	**132.1**	61.1
Adjustments to exclude net loss after tax from discontinued operations	**–**	2.1
Earnings from continuing operations including non-recurring items for the purpose of basic and diluted earnings per share	**132.1**	63.2

9.3.2 Earnings per share

	Group 2007 pence	2006 pence
Basic	**16.4**	5.8
Diluted	**15.6**	5.7

9.4 From discontinued operations

9.4.1 Earnings

	Group 2007 £m	2006 £m
Net loss after tax from discontinued operations	**–**	(2.1)

9.4.2 Earnings per share

	Group 2007 pence	2006 pence
Basic	**–**	(0.2)
Diluted	**–**	(0.2)

10. Directors' emoluments

This information is included in the Report on Directors' Remuneration on pages 21 to 28.

11. Share-based payments

11.1 Group share-based compensation plans

The following share-based compensation plans were in operation during 2007:

Sharesave scheme (SAYE)
A third Sharesave scheme (2007 SAYE) was introduced during the year to supplement the plans introduced in 2004 (2004 SAYE) and 2006 (2006 SAYE). Employees may participate in more than one scheme but only up to a maximum of £250 after tax per month across all plans. The 2007 SAYE was designed to take effect after the 2004 SAYE had vested, allowing 2004 SAYE participants to participate in the 2007 SAYE.

Eligible employees who wish to purchase shares in Henderson Group plc contribute a monthly amount to a savings account up to a maximum of £250 after tax per month. At the expiration of 36 months' contribution, the employees in the 2007 SAYE can choose to exercise their share options using the funds in their account, together with a bonus, equivalent to 1.8 (2006 SAYE: 1.4) times the monthly saving amount, to subscribe for shares at a preset price, this being £1.22 (2006 SAYE: £0.69) per share, a 20% discount to the share price on 5 April 2007 (2006 SAYE: 6 April 2006). The 2007 SAYE vests on 1 June 2010 (2006 SAYE: May 2009). Employees have up to six months after the 36 month period to exercise their options and subscribe for shares. Forfeiture provisions apply in the case of approved and unapproved leavers.

A Sharesave plan will be launched in March 2008. The terms (including the 20% discount to the market value of the share price as at price setting day anticipated to be 3 March 2008), will be the same as previous plans.

Buy As You Earn Share Plan (BAYE)
Eligible employees who wish to purchase shares in Henderson Group plc invest a monthly amount up to a maximum of £125, which is deducted from their gross salary. From inception of the BAYE, each participating employee received, for no additional payment, one free matching share for each share purchased (partnership share). In the months of January 2005 and February 2005 and then from April 2006, to further the aim of increasing employee share ownership, the matching share ratio increased from 1:1 to 2:1. Matching shares will be forfeited if purchased shares are withdrawn from the trust within one year.

Long-Term Incentive Plan (LTIP)
Under the LTIP, a number of executives were granted performance shares. There have been four grants, being in 2004, 2005, 2006 and 2007. These awards of free shares are granted on condition that the executives remain with the Company for three years and that the Total Shareholder Return (TSR) of the Group (Henderson Group TSR) compares favourably to the median of companies that made up the FTSE 250 Index as at 1 January 2004 for 2004 awards, 1 January 2005 for 2005 awards and so on. 35% of the shares will vest if the Henderson Group TSR is at the 50th percentile of the FTSE 250 companies, with the full amount of shares granted vesting if the Henderson Group TSR is at or above the 75th percentile of the FTSE 250 companies. No vesting will occur if the Henderson Group TSR is below the 50th percentile of the FTSE 250 companies. The executives are not entitled to vote or receive dividends in respect of these awards until the vesting conditions are met, nor are they allowed to pledge, hedge or assign the expected awards in any way.

In accordance with the scheme terms, the remaining part of the 2004 LTIP vested on 31 December 2006 in full and the awards were paid out on 2 April 2007. The 2005 LTIP vested on 31 December 2007 in full and the awards will be paid out in March 2008. The 2005 award was originally due to be paid out in April 2008; however, the Board determined that in the interests of maintaining an orderly market that the award should pay out, slightly earlier, in the period immediately after annual results. The calculation of the vesting of the award is not impacted in any way by paying out in March 2008 as the vesting calculation period ended on 31 December 2007.

A phantom LTIP has been set up for non-UK resident Henderson executives, which is the same in all respects except that awards will be settled in cash rather than shares.

Restricted Share Plan (RSP)
The RSP is a scheme that allows employees to receive shares in Henderson Group plc for £nil consideration at a future point, usually three years. The awards are made typically for staff recruitment and retention purposes. They may or may not contain a performance hurdle, and are expensed evenly over the vesting period. The Remuneration Committee must approve all awards and the vesting of awards. On vesting, in order to obtain the shares the employee must satisfy any tax and national insurance obligations.

Deferred Equity Plan (DEP)
Under the Henderson remuneration policy, there is a requirement for employees who receive short-term incentive awards over a preset threshold to defer an element of their award. All non-hedge-fund deferrals are deferred into Henderson Group plc shares. The deferred monies are paid directly to a trustee, who purchases the nominated investments and holds them in trust. The Henderson Group plc shares attract one free matching share for every three shares awarded by the trustee prior to 2007 and one free matching share for every four shares awarded by the trustee from 1 January 2007.

Hedge-fund deferrals are deferred into the hedge fund that provided the performance fee that generated the award. Hedge-fund deferrals are held in trust for two years on a fully restricted basis. Forfeiture conditions apply in the case of approved and unapproved leavers. Deferrals into Henderson Group plc shares are held in trust for a minimum of one year. However, the shares must be held in trust for three years in order to receive the free matching shares. There is no matching element for hedge-fund deferrals.

In March 2004, a number of executives, but not the Executive Directors, were given the opportunity to invest an amount equivalent to their 2003 annual cash bonus into the Company's shares at market price. Each participating executive received in March 2007, for no additional payment, one free share for every three shares held in the plan.

Employee Share Ownership Plan (ESOP)
In April 2005, the Group launched an ESOP managed by the DEP trustee. This enabled all Henderson staff, but not the Executive Directors, to defer part of their post-tax bonus into the ESOP up to a specified limit. The ESOP provides one free matching share for every share purchased (awarded by the trustee). To receive the matching shares, employees must remain in the plan for a specified period, typically three years but four years in respect of the 2005 ESOP. The ESOP was offered again in 2006 with employees needing to remain in the plan until June 2009, and again in 2007 with employees needing to remain in the plan until June 2010. Forfeiture conditions apply in the case of approved and unapproved leavers. The 2007 ESOP enabled employees to defer part of their pre tax bonus into the plan up to a specified limit.

11.2 Share-based payments through the consolidated income statement

	Group 2007 £m	Group 2006 £m
SAYE	**0.5**	0.5
BAYE	**0.8**	1.4
LTIP	**4.2**	3.3
RSP	**1.2**	2.8
DEP	**1.2**	1.1
ESOP	**4.9**	2.7
Total expense	**12.8**	11.8

The total expense can be analysed between:

	Note	Group 2007 £m	Group 2006 £m
Amount which is to be settled with equity	23.1	**23.6**	15.1
Equity settled performance fee bonuses recognised within commissions and fees payable against income		**(12.4)**	(5.5)
		11.2	9.6
Amount which is to be settled in cash		**1.6**	2.2
		12.8	11.8

11.3 Share options outstanding – Sharesave scheme

Share options outstanding under the Group's Sharesave compensation plan are as follows:

	2007 Options no.	2007 Weighted average exercise price £	2006 Options no.	2006 Weighted average exercise price £
At 1 January	**4,969,229**	**0.482**	5,627,897	0.416
Granted	**1,711,689**	**1.216**	1,622,553	0.632
Exercised (refer to note 21.2)	**(3,373,947)**	**0.425**	(1,275,451)	0.416
Forfeited	**(333,722)**	**0.788**	(1,005,770)	0.440
At 31 December	**2,973,249**	**0.980**	4,969,229	0.482

The weighted average share price on the date options were exercised during 2007 was £1.64 (2006: £0.64).

There are no options exercisable at 31 December 2007 (2006: nil).

The weighted average fair value of options granted during 2007 was £0.68 (2006: £0.24).

At 31 December 2007, the weighted average remaining expected and contractual life of outstanding awards was one year (2006: one year).

11.4 Fair values of share-based compensation plans

The fair value amounts for the options granted under the Sharesave scheme were determined using the Black Scholes option-pricing method, using the following assumptions:

	2004 SAYE	2006 SAYE	2007 SAYE
Dividend yield	nil%	3.5%	3.5%
Expected volatility	47.4%	45.0%	60.8%
Risk-free interest rate	4.60%	4.25%	5.25%
Expected life	3 years	3 years	3 years
Weighted average share price	£0.475	£0.790	£0.676
Exercise price	£0.416	£0.632	£1.216

Volatility has been calculated by taking the average of the volatility of nine of the Company's quoted peers over the preceding three year period. Peers selected were publicly quoted life insurance and fund management companies, which were considered to offer suitable coverage in terms of business mix to be a reasonable proxy for volatility of the Company's shares at the time that the options were granted.

Other share schemes involve the grant of shares for £nil consideration. The fair value of these schemes is calculated using the share price at grant date, which is set out in the following table. No adjustments have been made for dividends.

Scheme	Shares granted during the year	Average price £
BAYE	1,689,223	1.43
LTIP	5,720,000	1.52
RSP	4,154,960	1.62
DEP	6,867,700	1.54
ESOP	4,112,440	1.53

The fair value calculation for the LTIP includes a statistical assessment of the likelihood of the Company achieving performance targets set out in the plan. These performance targets are in respect of the Henderson Group TSR over three years and are as follows:

Criteria	Amount vesting
Henderson Group TSR less than the 50th percentile of the FTSE 250 companies	nil%
Henderson Group TSR at the 50th percentile of the FTSE 250 companies	35%
Henderson Group TSR at or above the 75th percentile of the FTSE 250 companies	100%

For a Henderson Group TSR between the 50th and 75th percentiles, the amount vesting will increase on a linear basis.

12. Dividends paid and proposed

	Group			
	2007 £m	2007 pence per share	2006 £m	2006 pence per share
Dividends on ordinary shares of 10 pence each declared and paid:				
Final dividend in respect of 2H06 (2H05)	**20.3**	**2.27**	16.1	1.39
Interim dividend in respect of 1H07 (1H06)	**14.0**	**1.66**	10.1	0.88
Special dividend in respect of FY07 (FY06)	**230.5**	**27.60**	–	–
Total dividends paid	**264.8**		26.2	

	Group			
	2007 £m	2007 pence per share	2006 £m	2006 pence per share
Dividends proposed on ordinary shares of 12.5 pence (2006: 10 pence) each, for approval by the shareholders at the AGM:				
Final dividend for 2H07 (2H06)	**32.2**	**4.44**	20.5	2.27

The ordinary dividend for 2007 has been calculated as 50% of profits after tax, before non-recurring items split approximately one third and two thirds in the first and second half of the year respectively.

The difference between the proposed dividends (2H06 final: £20.5m, 1H07 interim: £15.0m and FY07 special: £250.0m) as reported in the 2006 Full Annual Financial Report and Accounts and the Interim Results for the six months to 30 June 2007 and the dividends paid out on 29 May 2007 (2H06 final: £20.3m, 1H07 interim: £14.0m and FY07 special: £230.5m) represents the dividend portion waived in respect of Group employee shares held by Employee Benefit Trusts.

The difference of £20.5m between the 2007 interim and special dividends declared of £265.0m and the dividends paid of £244.5m, was paid to the Employee Benefit Trusts administering the respective share schemes to purchase additional shares on behalf of employees and make whole the waived dividend.

13. Segmental information

Group operating income and net assets

Continuing operations
Henderson is an investment manager, operating throughout Europe, also with teams in North America and Asia. Henderson manufactures a broad range of actively managed investment products for institutional and retail investors, across multiple asset classes, including equities, fixed income, property and private equity. It also manages the assets of Pearl Group Limited life funds.

Management operates across product lines, distribution channels, and geographic regions. The Board considers that the risks and rewards to the business are not substantially different across the geographic regions in which Henderson operates so as to warrant separate disclosure. Core equities and fixed income, property, private equity and wholesale funds are sold in most, if not all, of these regions, and are managed in various locations. Strategic and financial management decisions of all business teams are determined centrally by the Board and, on this basis, Henderson considers itself to be a single segment investment management business.

Discontinued operations
Included within discontinued operations for 2006, are the results of Towry Law UK Group up to the date of its disposal to JS&P Holdings Limited on 3 May 2006.

14. Intangible assets

Intangible assets are made up as follows:

	Group 2007 £m	Group 2006 £m
Goodwill	**224.3**	224.3

	Group 2007 £m	Group 2006 £m
Gross amount		
At 1 January and 31 December	**226.4**	226.4
Aggregate impairment		
At 1 January and 31 December	**2.1**	2.1
Carrying value		
At 1 January and 31 December	**224.3**	224.3

Goodwill arose on acquisition of the following units:

	Group 2007 £m	Group 2006 £m
Henderson Global Investors (Holdings) plc	**217.5**	217.5
Henderson Global Investors (North America) Inc.	**6.8**	6.8
	224.3	224.3

The valuation of goodwill as at 31 December 2007 is based on projected earnings for 2008 applying a price earnings multiple of between 8.0x–10.0x of selected traditional UK asset management companies and a market capitalisation based on the Company's share price at 14 January 2008. In order for the recoverable amount to fall below its carrying amount, a substantial decrease in the underlying profitability of the Group is required.

The goodwill arising from the original purchase of Henderson, allocated to Henderson Global Investors (Holdings) plc, remains unchanged at £217.5m at the year end. A further £6.8m is included within Henderson Global Investors in relation to the purchase of the Henderson Global Investors (North America) Inc. property business. These balances were assessed at 31 December 2007 and there are no indicators of any impairment.

15. Fair value of financial instruments

Total financial assets and liabilities

		Group			
		Fair value		Carrying value	
	Notes	2007 £m	2006 £m	2007 £m	2006 £m
Financial assets					
Current assets:					
Shares/units in OEICs/unit trusts		**0.6**	0.2	**0.6**	0.2
Financial assets at fair value through profit or loss		**0.6**	0.2	**0.6**	0.2
Current assets:					
Available-for-sale financial assets		**101.7**	112.2	**101.7**	112.2
OEIC, unit trust and other debtors	19	**37.7**	96.2	**37.7**	96.2
Derivative financial instruments	19	**3.4**	0.2	**3.4**	0.2
Cash and cash equivalents	29.2	**248.0**	309.1	**248.0**	309.1
Total financial assets		**391.4**	517.9	**391.4**	517.9
Financial liabilities					
Non-current liabilities:					
Debt instrument in issue		**173.4**	–	**178.0**	–
Current liabilities:					
Current tax liabilities		**41.1**	35.0	**41.1**	35.0
Provisions under contractual obligations		**11.3**	13.6	**11.3**	13.6
OEIC, unit trust and other creditors	25	**66.8**	112.4	**66.8**	112.4
Derivative financial instruments	25	**4.5**	–	**4.5**	–
Total financial liabilities		**297.1**	161.0	**301.7**	161.0

		Company			
		Fair value		Carrying value	
	Notes	2007 £m	2006 £m	2007 £m	2006 £m
Financial assets					
Current assets:					
Available-for-sale financial assets		**6.0**	–	**6.0**	–
Current tax assets		**22.9**	18.3	**22.9**	18.3
Derivative financial instruments	19	**3.4**	–	**3.4**	–
Cash and cash equivalents	29.3	**18.4**	110.1	**18.4**	110.1
Total financial assets		**50.7**	128.4	**50.7**	128.4
Financial liabilities					
Non-current liabilities:					
Debt instrument in issue		**173.4**	–	**178.0**	–
Borrowings		**422.0**	970.3	**422.0**	970.3
Current liabilities:					
Derivative financial instruments	25	**0.2**	–	**0.2**	–
Other creditors	25	**3.9**	9.9	**3.9**	9.9
Total financial liabilities		**599.5**	980.2	**604.1**	980.2

The Group applies fair value hedge accounting. Accordingly, the debt instrument in issue carried in the consolidated balance sheet at amortised cost is adjusted for changes in fair value attributable to hedged risks (refer to note 16.6).

The available-for-sale financial assets held by the Group at the balance sheet date are either listed on an authorised stock exchange or have quoted market prices. Debtor and creditor balances, included in the tables above, comprise mainly current balances and accordingly the fair value of these assets and liabilities is considered to be materially equal to the carrying value after taking into account any likely impairment.

16. Financial risk management

Financial risk management objectives and policies for continuing operations
Financial assets principally comprise investments in equity securities, short-term investments, trade and other receivables, and cash and cash equivalents. Financial liabilities comprise borrowings for financing purposes, certain provisions and trade and other payables. The main risks arising from financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. Each of these risks is discussed in detail below. The Group monitors financial risks on a consolidated basis and intra-Group balances are settled in such cases when it is deemed favourable for both parties to the transaction. Accordingly, the Company is not exposed to material financial risk and separate disclosures for the Company have not been included.

The Group has designed a framework to manage the risks of its business and to ensure that the Directors have in place risk management practices appropriate to a listed company. The management of risk within the Group is governed by the Board.

16.1 Price risk

Price risk is the risk that a decline in the value of assets adversely impacts on the profitability of the Group, either as a result of an asset not meeting its expected value (which could also create liquidity risk) or through the decline of assets under management generating lower fees. The principal exposures of the Group are in respect of corporate investments held on the consolidated balance sheet and lower management fee revenues that could result from a reduction in asset values. The risk of lower revenues is partially mitigated by asset class diversification.

Corporate investments held on the consolidated balance sheet principally comprise shareholdings in BP with a market value as at 31 December 2007 of £53.7m (in 2006, the equivalent holding was in BPI (£81.4m), which merged with BPVN to form BP on 1 July 2007). A special dividend of £16.3m was received by the Group as part of the merger, which was recognised in the Group's half year results to 30 June 2007.

The Group is also exposed to price risk in respect of seed capital investments in Henderson funds. The seed capital investments vary in duration depending on the nature of the investment with a typical range of less than one year for Listed Asset products and between three to five years for Private Equity and Property funds. These investments are marked-to-market; however, it is not usually possible or appropriate to hedge the market exposure of seed investments, as these are typically in place to demonstrate alignment with client interests. The total market value of the seed capital investments at 31 December 2007 was £48.0m (2006: £30.1m).

Management monitors exposures to price risk for corporate investments on an ongoing basis. Movements in significant investments are monitored daily and any material change in value (5%) is acted on appropriately. When considering whether to hedge the price risk, management considers the likelihood of an asset devaluing and the costs associated with hedging the risk. There were no hedges in place for price risk at the year end.

In the very limited circumstances in which the Group enters into market transactions as principal for a client, caps are placed on the extent of any intra-day and close of business exposures.

Price risk sensitivity analysis
Price risk is suffered on all available-for-sale financial assets held for seed capital purposes. There is no other consolidated balance sheet item open to significant price risk.

Price risk sensitivities	2007 Consolidated income statement £m	2007 Equity £m	2006 Consolidated income statement £m	2006 Equity £m
Equity price +/- 25%	**–**	**(25.5)**	–	(30.5)

16.2 Interest rate risk

Interest rate risk is the risk that the Group will sustain losses from adverse movements in interest bearing assets. There is an exposure to interest rates on banking deposits held in the ordinary course of business and on fixed income investments. This exposure is continually monitored to ensure that the Group is maximising its interest earning potential within accepted liquidity and credit constraints.

The Group applies fair value hedge accounting; accordingly, the debt instrument in issue carried in the consolidated balance sheet at amortised cost is adjusted for changes in fair value attributable to hedged risks.

16.2.1 Financial assets and liabilities exposed to fair value and interest rate risk

At 31 December 2007

	Fixed rate £m	Floating rate £m	Not directly exposed to interest rate risk £m	Total £m
Financial assets				
Shares/units in OEICs/unit trusts	–	–	0.6	0.6
Available-for-sale financial assets	–	–	101.7	101.7
OEIC, unit trust and other debtors	–	–	37.7	37.7
Derivative financial instruments	–	3.4	–	3.4
Cash and cash equivalents	–	248.0	–	248.0
Total financial assets	–	251.4	140.0	391.4
Financial liabilities				
Debt instrument in issue	–	4.0	174.0	178.0
Current tax liabilities	–	–	41.1	41.1
Provisions under contractual obligations	–	–	11.3	11.3
OEIC, unit trust and other creditors	–	–	71.3	71.3
Total financial liabilities	–	4.0	297.7	301.7

At 31 December 2006

	Fixed rate £m	Floating rate £m	Not directly exposed to interest rate risk £m	Total £m
Financial assets				
Shares/units in OEICs/unit trusts	–	–	0.2	0.2
Available-for-sale financial assets	–	–	112.2	112.2
OEIC, unit trust and other debtors	–	–	96.4	96.4
Cash and cash equivalents	–	309.1	–	309.1
Total financial assets	–	309.1	208.8	517.9
Financial liabilities				
Current tax liabilities	–	–	35.0	35.0
Provisions under contractual obligations	–	–	13.6	13.6
OEIC, unit trust and other creditors	–	–	112.4	112.4
Total financial liabilities	–	–	161.0	161.0

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Interest rate risk sensitivity analysis
Interest rate risk sensitivity analysis for the year end consolidated balance sheet position has been performed on the basis of a 100 bps change in interest rates. No change in equity greater than £0.1m would be expected from a 100 bps change in interest rates since any increase/decrease in the fair value of the interest rate swap would be mostly offset by a decrease/increase in the carrying value of the issued debt.

Interest rate risk sensitivity analysis for anticipated effects on the consolidated income statement for 2008 has been calculated on the basis of a 25 bps fall in interest rates at the beginning of each quarter. The impact on the consolidated income statement of such a decrease in interest rates is a reduction in anticipated earnings of £1.6m.

16.3 Liquidity risk

The Group is exposed to liquidity risk, namely, it may be unable to meet its payment obligations as they fall due.

The liquidity of the Group is managed on a daily basis by Group Finance, to ensure that the Group always has sufficient cash and/or highly liquid assets available to meet its liabilities. The Group Finance also monitors and controls the use of the Group's non-operating capital resources. It is the Group's policy to ensure that it has access to funds to cover all forecast commitments for the next 18 months.

16.4 Foreign currency risk

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates.

The Group's business is impacted through its exposure to non pounds sterling income and expenses, and assets and liabilities of non-UK subsidiaries as well as assets and liabilities denominated in currency other than pounds sterling. The currency exposure is managed by limiting the Group's net exposure to individual foreign currencies to pre-determined caps through forward currency contracts. The Group also uses foreign currency contracts to eliminate the currency exposure on certain individual transactions. In addition, the Group carries a small foreign exchange position as principal to facilitate the smooth conduct of its client business.

A rolling programme of forward currency contracts has been implemented to hedge the currency exposures arising from certain available-for-sale financial assets, with a year end market value of €104.0m, €16.4m, US$35.0m respectively (see note 16.6).

Foreign currency risk is managed by Group Finance (incorporating Treasury operations), whereby foreign currency balances are monitored closely and, where cost effective, hedging options are considered. Firstly, the Group seeks to use natural hedges, namely other financial assets and liabilities of opposite value denominated in the same currency. Where there is a mismatch, material currency flows which are reasonably certain are hedged. Where there is insufficient certainty the currency is translated back into sterling on receipt.

Foreign currency risk sensitivity analysis
Significant financial instruments are either denominated in pounds sterling or hedged back to pounds sterling via foreign currency forwards. However, there remain some foreign currency balances which are not fully hedged since, individually, these are below the policy level for implementing hedging arrangements. In addition, there are foreign currency cash balances in overseas subsidiaries of the Group.

The analysis detailed below was carried out by taking all unhedged financial assets at the balance sheet date and overseas foreign cash balances and adjusting the exchange rate used at the year end by 10%:

Currency sensitivities

	2007		2006	
	Consolidated income statement £m	**Equity £m**	**Consolidated income statement £m**	**Equity £m**
Euro exchange rate +/- 10%	**0.1**	**3.5**	0.2	2.9
US dollar exchange rate +/- 10%	**0.2**	**3.9**	0.5	2.0

16.5 Credit risk

The Group has an established credit policy, to ensure that it only trades with counterparties that are able to meet strict minimum rating requirements at levels that are consistent with its agreed risk appetite. Counterparty limits are reviewed and set centrally by the Credit Risk Committee. Local management is responsible for ensuring that it remains within these limits and Risk Management Services monitors and reports any exceptions to these guidelines.

The risk management function is responsible for reporting exposures to the Audit Committee on a quarterly basis and for ensuring that any credit concerns are raised and actions taken to mitigate these risks.

The table below is an analysis of past due financial assets:

At 31 December 2007

	Group					
	Not past due £m	0–3 months past due £m	3–6 months past due £m	6–12 months past due £m	Greater than 12 months past due £m	Total £m
Financial assets						
Shares/units in OEICs/unit trusts	0.6	–	–	–	–	0.6
Derivative financial instruments	3.4	–	–	–	–	3.4
Available-for-sale financial assets	101.7	–	–	–	–	101.7
OEIC, unit trust and other debtors	36.9	0.4	0.1	0.3	–	37.7
Cash and cash equivalents	248.0	–	–	–	–	248.0
Total financial assets	390.6	0.4	0.1	0.3	–	391.4

At 31 December 2006

	Group					
	Not past due £m	0–3 months past due £m	3–6 months past due £m	6–12 months past due £m	Greater than 12 months past due £m	Total £m
Financial assets						
Shares/units in OEICs/unit trusts	0.2	–	–	–	–	0.2
Available-for-sale financial assets	112.2	–	–	–	–	112.2
OEIC, unit trust and other debtors	94.8	1.4	–	–	–	96.2
Derivative financial instruments	0.2	–	–	–	–	0.2
Cash and cash equivalents	309.1	–	–	–	–	309.1
Total financial assets	516.5	1.4	–	–	–	517.9

Analysis of financial assets by credit rating

At 31 December 2007

	Group							
	AAA £m	AA £m	A £m	BBB £m	BB £m	B £m	Not rated £m	Total £m
Financial assets								
Shares/units in OEICs/unit trusts	–	–	–	–	–	–	0.6	0.6
Derivative financial instruments	–	3.4	–	–	–	–	–	3.4
Available-for-sale financial assets	–	–	–	53.7	–	–	48.0[1]	101.7
OEIC, unit trust and other debtors	–	–	–	–	–	–	37.7	37.7
Cash and cash equivalents	115.7	110.3	21.8	0.2	–	–	–	248.0
Total financial assets	115.7	113.7	21.8	53.9	–	–	86.3	391.4

At 31 December 2006

	Group							
	AAA £m	AA £m	A £m	BBB £m	BB £m	B £m	Not rated £m	Total £m
Financial assets								
Shares/units in OEICs/unit trusts	–	–	–	–	–	–	0.2	0.2
Available-for-sale financial assets	–	–	–	81.4	–	–	30.8	112.2
OEIC, unit trust and other debtors	–	–	–	–	–	–	96.4	96.4
Cash and cash equivalents	82.9	182.9	43.0	0.3	–	–	–	309.1
Total financial assets	82.9	182.9	43.0	81.7	–	–	127.4	517.9

Note

1. Included in the not rated financial assets, is an available-for-sale financial asset which is carried at fair value net of an impairment for the year of £6.0m (refer to note 4.1).

16.6 Hedging activities

At 31 December 2007, the Group held three forward exchange contracts to hedge the foreign currency risk arising from the investment in Euro and US dollar denominated investments described in note 16.4.

The forward exchange contracts have been assessed as effective fair value hedges and the net unrealised loss for the year of £7.1m (2006: gain £1.2m) has been off-set in the consolidated income statement against an equivalent amount of £7.1m (2006: £1.2m), being the portion of the unrealised foreign exchange loss on available-for-sale investments relating to the hedge (refer note 22.1).

The Group has entered into a five year interest rate swap to swap the interest on the issued debt instrument from fixed to floating rate. The interest rate swap contract has been assessed as an effective fair value hedge and the fair value movement of £3.4m during 2007 (2006: £nil) has been included in the consolidated income statement. The amortised cost of the issued debt instrument has been adjusted by £4.0m (2006: £nil), relating to the change in the fair value of the issued debt resulting from changes in risks hedged by the interest rate swap. This adjustment has also been taken to the consolidated income statement. The difference in these fair values of £0.6m is recognised as a credit in the consolidated income statement.

	Group					
	2007			2006		
	Notional amount £m	Assets £m	Liabilities £m	Notional amount £m	Assets £m	Liabilities £m
Fair value hedges						
Forward exchange contracts at fair value	**106.0**	**–**	**4.5**	58.9	0.2	–
Interest rate swap contracts at fair value	**175.0**	**3.4**	**–**	–	–	–

17. Debt instrument in issue

	Group and Company			
	2007 Carrying value £m	2007 Fair value £m	2006 Carrying value £m	2006 Fair value £m
Debt instrument in issue	**178.0**	**173.4**	–	–

On 2 May 2007, the Group issued five year senior, unrated, Fixed Rate Notes of £175m listed on the London Stock Exchange. This debt instrument is unsecured and is repayable in full on 2 May 2012. The debt bears interest at a fixed rate of 6.5% per annum payable every six months at a nominal value of £5.7m. The Group has swapped the fixed interest rate into a variable rate to match the rates earned on its cash balances. The debt is carried at amortised cost using the effective interest rate method (£174m) adjusted to reflect the change in fair value attributable to the risks being hedged by the interest rate swap (£4m). The fair value of the debt instrument at the balance sheet date is £173.4m.

18. Borrowings

	Company	
	2007 £m	2006 £m
Loans from subsidiaries	**422.0**	970.3

The loans from subsidiaries of £422m shown above attract annual interest at a flat rate linked to LIBOR (three to six months). £6.6m of the 2006 balance of £970.3m, was interest free.

19. Trade and other receivables

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Amounts owed by subsidiaries	**–**	–	**228.6**	223.2
OEIC and unit trust debtors	**26.6**	82.2	**–**	–
Derivative financial instruments	**3.4**	0.2	**3.4**	–
Accrued income	**51.2**	54.8	**1.4**	0.4
Other debtors	**11.1**	14.0	**–**	–
Prepayments	**4.8**	5.2	**–**	–
	97.1	156.4	**233.4**	223.6

20. Plant and equipment

	Group 2007 £m	Group 2006 £m
Cost		
At 1 January	**40.4**	39.9
Additions	**1.6**	1.1
Disposals	**(1.0)**	(0.6)
At 31 December	**41.0**	40.4
Depreciation		
At 1 January	**33.8**	31.6
Charge for the year	**2.5**	2.8
Disposals	**(1.0)**	(0.6)
At 31 December	**35.3**	33.8
Net book value at 31 December	**5.7**	6.6

Included in cost as at 31 December 2007 were fully depreciated assets amounting to £25.1m (2006: £24.3m).

21. Share capital

21.1 Share capital authorised

	Group and Company 2007 £m	Group and Company 2006 £m
1,949,910,776 ordinary shares of 12.5 pence each (2006: 2,437,388,471 ordinary shares of 10 pence each)	**243.7**	243.7

21.2 Share capital allotted

Allotted, called up and fully paid equity shares:

	Group and Company		
	10 pence ordinary shares no.	12.5 pence ordinary shares no.	£m
Shares in issue at 1 January 2006	1,154,513,303	–	115.5
Capital reduction	(254,208,108)	–	(25.4)
Issue of shares for SAYE	1,275,451	–	0.1
Issue of shares for SIP (BAYE)	424,094	–	–
Other shares issued in the year	91	–	–
Shares in issue at 31 December 2006	902,004,831	–	90.2
Issue of shares for SAYE	3,373,947	–	0.4
Issue of shares for BAYE	213,362	30,861	–
Share consolidation	(905,592,140)	724,473,712	–
Shares in issue at 31 December 2007	**–**	**724,504,573**	**90.6**

Ordinary shares in issue in the Company rank pari passu. All of the ordinary shares in issue carry the same right to receive dividends and other distributions declared, made or paid by the Company.

Following approval of a share consolidation by the shareholders at an Extraordinary General Meeting on 9 October 2007, ordinary shares of 10 pence each were replaced with new ordinary shares of 12.5 pence each. On the record date of 19 October 2007, 905,592,140 ordinary shares of 10 pence each were replaced with 724,473,712 new ordinary shares of 12.5 pence each.

During 2007, the Company issued 3,373,947 (2006: 1,275,451) shares of 10 pence each comprising 3,018,982 (2006: nil) shares on the vesting of SAYE 2004 in April 2007 for a consideration of £1,255,897 (2006: £nil) and 354,965 (2006: 1,275,451) shares to approved leavers for a consideration of £152,940. During 2007, the Company also issued 213,362 (2006: 424,094) shares of 10 pence each to the Employee Benefit Trust administering the BAYE for an aggregate consideration of £316,523 (2006: £355,402), together with 30,861 new ordinary shares of 12.5 pence each for a total consideration of £43,360.

The Directors consider shareholders' equity as the Group's capital. The Group's capital management process and objectives are set out on pages 9 and 10 of the Directors' Report.

22. Reserves

22.1 Group

	Share premium £m	Treasury shares £m	Own shares held £m	Translation reserve £m	Revaluation reserve £m	Profit and loss account £m	Minority interests £m
At 1 January 2006	367.2	–	(4.1)	(3.4)	(3.0)	174.9	–
Exchange differences on translation of foreign operations	–	–	–	(0.6)	–	–	–
Translation reserve transfer on sale of available-for-sale financial assets	–	–	–	0.4	–	–	–
(Losses)/gains on revaluation of available-for-sale financial assets	–	–	–	(2.4)	32.9	–	–
Translation reserve transfer relating to effectively hedged exchange losses	–	–	–	1.2	–	–	–
Actuarial losses on defined benefit pension schemes	–	–	–	–	–	(4.7)	–
Tax on items taken directly to equity	–	–	–	–	–	1.4	–
Net profit after tax	–	–	–	–	–	61.1	0.1
Dividends paid to equity shareholders	–	–	–	–	–	(26.2)	–
Purchase of own shares	–	(2.4)	(28.8)	–	–	–	–
Return of cash to shareholders	(174.2)	0.5	–	–	–	–	–
Issue of shares for SAYE	0.4	–	–	–	–	–	–
Issue of shares for SIP (BAYE)	0.3	–	–	–	–	(0.3)	–
Transfer of reserve	–	–	3.0	–	–	(3.0)	–
Movement in equity-settled share scheme expenses	–	–	–	–	–	15.1	–
Other movements	–	–	–	–	–	0.3	–
At 31 December 2006	193.7	(1.9)	(29.9)	(4.8)	29.9	218.6	0.1
Exchange differences on translation of foreign operations	–	–	–	1.5	–	–	–
Translation reserve transfer on sale of available-for-sale financial assets	–	–	–	0.8	–	–	–
Revaluation reserve transfer on sale of available-for-sale financial assets	–	–	–	–	(28.6)	–	–
Gains/(losses) on revaluation of available-for-sale financial assets	–	–	–	0.7	(17.6)	7.1	–
Losses from fair value hedges	–	–	–	–	–	(7.1)	–
Actuarial gains on defined benefit pension schemes	–	–	–	–	–	34.7	–
Tax charge on items taken directly to equity	–	–	–	–	–	(11.5)	–
Net profit after tax	–	–	–	–	–	132.1	0.1
Dividends paid to equity shareholders	–	–	–	–	–	(264.8)	–
Purchase of own shares	–	(6.7)	(87.1)	–	–	–	–
Dividend waived (refer to note 12)	–	–	20.5	–	–	(20.5)	–
Costs of share consolidation	(0.4)	–	–	–	–	–	–
Vesting of share schemes	–	–	12.9	–	–	(12.9)	–
Issue of shares for SAYE	1.0	–	–	–	–	–	–
Issue of shares for BAYE	0.3	–	–	–	–	(0.3)	–
Transfer of reserve	–	1.9	(1.9)	–	–	–	–
Movement in equity-settled share scheme expenses	–	–	–	–	–	23.6	–
At 31 December 2007	**194.6**	**(6.7)**	**(85.5)**	**(1.8)**	**(16.3)**	**99.0**	**0.2**

22.2 Company

	Share premium £m	Treasury shares £m	Own shares held £m	Profit and loss account £m
At 1 January 2006	367.2	–	–	332.1
Purchase of own shares	–	(2.4)	(28.8)	–
Transfer of own shares from subsidiary company	–	–	(4.1)	1.5
Return of cash to shareholders	(174.2)	0.5	–	–
Issue of shares for SAYE	0.4	–	–	–
Issue of shares for SIP (BAYE)	0.3	–	–	(0.3)
Transfer of shares	–	–	3.0	(3.0)
Movement in equity-settled share scheme expenses	–	–	–	15.1
Net profit after tax	–	–	–	100.7
Dividends paid to equity holders	–	–	–	(26.2)
Actuarial losses on defined benefit pension schemes	–	–	–	(7.6)
Tax credit on items taken directly to equity	–	–	–	2.3
At 31 December 2006	193.7	(1.9)	(29.9)	414.6
Purchase of own shares	–	(6.7)	(87.1)	–
Transfer of dividend waived	–	–	20.5	(20.5)
Costs of share consolidation	(0.4)	–	–	–
Vesting of share schemes	–	–	12.9	(12.9)
Issue of shares for BAYE	0.3	–	–	(0.3)
Issue of shares for SAYE	1.0	–	–	–
Transfer of reserve	–	1.9	(1.9)	–
Movement in equity-settled share scheme expenses	–	–	–	23.6
Net profit after tax	–	–	–	21.5
Dividends paid to equity shareholders	–	–	–	(264.8)
Actuarial gains on defined benefit pension scheme	–	–	–	33.9
Tax charge on items taken directly to equity	–	–	–	(9.6)
At 31 December 2007	**194.6**	**(6.7)**	**(85.5)**	**185.5**

Group and Company
Share premium records the difference between the nominal value of shares issued and the full value of the consideration received. The use of this reserve is governed by the Companies Act 1985. The deduction for return of cash to shareholders in 2006 comprises the difference between the agreed cancellation price of 78 pence per share and the nominal share value of 10 pence per share, and includes £1.3m of related costs (refer to note 21).

Treasury shares represent shares purchased to satisfy future vesting requirements of various employee share-based payment schemes. During the year, 5,000,000 shares were purchased for a consideration of £6.7m.

Own shares held reserve includes 48,036,187 (2006: 24,822,098) shares owned by Henderson Group plc Employee Trust 2000 and 17,370,378 (2006: 7,345,370) shares owned by Henderson Group plc Employee Trust 2004 at 31 December 2007. The combined shareholdings had a cost of £85.5m (2006: £29.9m) and a market value of £82.6m (2006: £44.4m) as at 31 December 2007 and constituted 9% (2006: 3.6%) of the Company's allotted share capital as at that date.

The Henderson Group plc Employee Trust 2004, BAYE and Henderson Employee Share Trust 2000 are used by the Group and the Company to operate the LTIP, SIP and DEP share-based payment schemes respectively. Shares are distributed to employees as and when they vest, in line with the terms of each scheme, under the administration of Computershare Trustees Limited, Towers Perrin and Ogier Trustees Limited (Jersey), respectively, who act as trustees.

Following the vesting of shares under the share-based compensation plans, a transfer is made between the own shares held reserve and the profit and loss account as equity settled share scheme expenses. This treatment is consistent in both the Group and the Company financial statements.

Group
The translation reserve comprises differences on exchange arising from the translation of opening balance sheets of subsidiaries whose reporting currency is not pounds sterling and differences between the results of these subsidiaries translated at average rates for the reporting period and period end rates. The translation reserve also includes unrealised foreign exchange gains and losses on available-for-sale financial assets.

The revaluation reserve comprises the amount of any gain or loss recognised directly in equity in relation to available-for-sale financial assets.

Upon disposal of these assets, amounts previously recognised in the translation or revaluation reserves are reversed out and the full amount of the gain or loss is taken to the profit and loss account.

23. Reconciliation of movement in equity

23.1 Group

	2007 £m	2006 £m
Equity at 1 January	**495.9**	647.1
Total recognised income and expense attributable to equity holders of the parent	**112.1**	89.3
Dividends paid to equity holders	**(264.8)**	(26.2)
Return of cash to shareholders	**–**	(199.6)
Purchase of own shares	**(87.1)**	(28.8)
Purchase of treasury shares	**(6.7)**	(1.9)
Issue of shares for the SAYE	**1.4**	0.5
Costs of share consolidation	**(0.4)**	–
Movement in equity-settled share scheme expenses	**23.6**	15.1
Other movements	**–**	0.3
Movement in minority interests	**0.1**	0.1
Equity at 31 December	**274.1**	495.9

23.2 Company

	2007 £m	2006 £m
Equity at 1 January	**666.7**	814.8
Total recognised income and expense	**45.8**	95.4
Costs of share consolidation	**(0.4)**	–
Dividends paid to equity holders	**(264.8)**	(26.2)
Return of cash to shareholders	**–**	(199.6)
Movement in equity-settled share scheme expenses	**23.6**	15.1
Purchase of own shares	**(87.1)**	(28.8)
Purchase of treasury shares	**(6.7)**	(1.9)
Transfer of own shares from a subsidiary company	**–**	(2.6)
Issue of shares for the SAYE	**1.4**	0.5
Equity at 31 December	**378.5**	666.7

24. Deferred taxation

Deferred tax assets and liabilities are attributable to the following items:

Group

Deferred tax assets/(liabilities)	Provisions £m	Accelerated depreciation £m	Total £m
At 1 January 2006	11.8	1.0	12.8
Charged to the consolidated income statement	(0.8)	(0.2)	(1.0)
Credited to equity through the SORIE	1.4	–	1.4
At 31 December 2006	12.4	0.8	13.2
Charged to the consolidated income statement	(10.6)	–	(10.6)
Charged to equity through the SORIE	(11.5)	–	(11.5)
At 31 December 2007	(9.7)	0.8	(8.9)

Company

Deferred tax assets/(liabilities)	Provisions £m
At 1 January 2006	–
Charged to the SORIE	2.3
At 31 December 2006	2.3
Charged to the income statement	(9.4)
Charged to equity through the SORIE	(9.6)
At 31 December 2007	(16.7)

Deferred tax (payables)/receivables to be (paid)/received:

	Group £m	Company £m
At 31 December 2007		
Amounts to be paid in less than 12 months	(1.4)	–
Amounts to be paid in more than 12 months	(7.5)	(16.7)
	(8.9)	(16.7)
At 31 December 2006		
Amounts to be recovered in less than 12 months	3.9	–
Amounts to be recovered in more than 12 months	9.3	2.3
	13.2	2.3

Deferred tax assets are recognised only to the extent that the realisation of the related tax benefit is probable. Deferred tax balances have also been restated to take into account the change in the corporate income tax rate from 30% to 28% with effect from 1 April 2008.

Group
Deferred tax assets of £3m (2006: £10m) in respect of trading losses and £3m (2006: £6m) in respect of provisions and other temporary differences have not been recognised. These tax losses have no statutory expiry dates.

There was no deferred tax liability in respect of unremitted profits of foreign subsidiaries (2006: £nil).

Company
Deferred tax assets of £3m (2006: £6m) in respect of trading losses and £3m (2006: £4m) in respect of capital losses have not been recognised. These tax losses have no statutory expiry dates.

25. Trade and other payables

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Amounts owed to subsidiaries	**–**	–	**1,193.5**	1,141.4
OEIC and unit trust creditors	**46.5**	82.7	**–**	–
Derivative financial instruments	**4.5**	–	**0.2**	–
Other creditors	**20.3**	29.7	**3.9**	9.9
Accruals	**132.0**	119.7	**12.2**	7.9
	203.3	232.1	**1,209.8**	1,159.2

At 31 December 2007 and 31 December 2006, all Group and Company trade and other payables related to amounts to be settled within 12 months.

26. Provisions

26.1 Group

	Restructure £m	Leasehold properties £m	Product mis-selling £m	Staff related £m	Other £m	Total £m
At 1 January 2006	4.6	7.2	40.3	0.8	13.6	66.5
Additions	6.1	2.6	1.4	–	3.6	13.7
Provisions utilised	(3.9)	(3.1)	(25.7)	–	(1.1)	(33.8)
Provisions released	(0.3)	(1.1)	–	–	(2.7)	(4.1)
At 31 December 2006	6.5	5.6	16.0	0.8	13.4	42.3
Additions	–	–	–	0.3	3.2	3.5
Provisions utilised	(6.2)	(2.3)	(4.2)	–	–	(12.7)
Provisions released	–	–	(0.6)	–	(0.4)	(1.0)
At 31 December 2007	0.3	3.3	11.2	1.1	16.2	32.1

The remaining balance on the restructure provision of £0.3m is in respect of costs related to the business restructure that took place in November 2006. This will be utilised in 2008.

The leasehold properties provision was raised for the excess of lease rentals and other payments on properties that are currently vacant, or expected to become vacant, over the amounts to be recovered from subletting these properties. The balance is expected to be utilised over the next one to two year(s).

The product mis-selling provision includes a balance of £10.7m (2006: £14.9m) relating to possible claims arising from alleged inappropriate advice given to certain Towry Law International customers. The matters relating to this provision are expected to be settled within the next three years. Further information is disclosed in note 35.

The staff related provision includes £0.9m (2006: £0.7m) for long-term staff medical benefits, expected to be paid over the next ten years.

The additions to other provisions during the year of £3.2m are in respect of potential national insurance claims of £3.1m and potential VAT rebates to investment trust clients of £0.1m. During 2007, the European Court of Justice found in favour of the tax payer on the principle of exemption of investment trust management fees from VAT. This decision was subsequently accepted by the UK tax authorities and we now expect to reimburse our investment trust clients with VAT previously paid by them in the next 12 months or so. A balance sheet provision of £2.3m will be utilised for this purpose. Other provisions include £8.0m (2006: £8.0m) for obligations in relation to the disposal of Cogent Investment Operations Limited by the Group in 2002. These obligations are expected to crystallise in June 2008.

26.2 Company

	Product mis-selling £m
At 1 January 2006	15.0
Provision utilised	(0.1)
At 31 December 2006	14.9
Provision utilised	(4.2)
At 31 December 2007	10.7

The product mis-selling provision held by the Company is commented on under Group provisions (refer to note 26.1).

27. Leases

Operating leases
The Group has entered into certain property leases. The leases have no escalation clauses or renewal or purchase options and no restrictions imposed on them.

The obligations under these non-cancellable operating leases fall due as follows:

	2007 £m	2006 £m
Within one year	**8.4**	9.8
In the second to fifth years inclusive	**25.2**	33.6
Total	**33.6**	43.4

The total future minimum sublease payments expected to be received under non-cancellable subleases within one year at the balance sheet date were £1.1m (2006: £1.1m).

Contingent rent recognised as an expense during the year was £nil (2006: £nil).

There are no operating leases held by the Company (2006: nil).

28. Capital commitments

The Group and Company have no capital commitments for settlement after 31 December 2007 (2006: nil).

29. Notes to the cash flow statement

29.1 Group changes in operating assets and liabilities

	2007 £m	2006 £m
(Increase)/decrease in holdings in OEICs/unit trusts	**(0.4)**	0.3
Increase in deferred acquisition and commission costs	**(26.3)**	(19.5)
(Increase)/decrease in other assets	**49.9**	(60.7)
Increase in net assets of discontinued operations up to date of sale	**–**	(0.3)
Increase in deferred income	**23.6**	23.6
(Decrease)/increase in provisions and other liabilities	**(47.6)**	44.2
Changes in operating assets and liabilities	**(0.8)**	(12.4)

29.2 Group cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at bank and short-term investments with financial institutions with original maturity periods of three months or less.

Included within cash and cash equivalents as at 31 December 2007 is £10.1m (2006: £19.1m) held in escrow, representing obligations to the Pearl Pension Scheme under the Life Services sale and purchase agreement signed in December 2004.

Cash and cash equivalents included in the consolidated cash flow statement comprise the following consolidated balance sheet amounts:

	2007 £m	2006 £m
Cash at bank and in hand	**79.5**	186.7
Cash equivalents	**168.5**	122.4
	248.0	309.1

Which are recognised in the consolidated balance sheet as:

	2007 £m	2006 £m
Cash and cash equivalents	**248.0**	309.1

29.3 Company cash and cash equivalents

Cash and cash equivalents included in the Company cash flow statement comprise the following Company balance sheet amounts:

	2007 £m	2006 £m
Cash at bank and in hand	**3.1**	48.1
Cash equivalents	**15.3**	62.0
	18.4	110.1

30. Retirement benefits

Retirement benefit assets recognised in balance sheet

		Group		Company	
	Note	2007 £m	2006 £m	2007 £m	2006 £m
Henderson Group Pension Scheme	30.1	**62.3**	–	**62.3**	–

Retirement benefit obligations recognised in balance sheet

		Group		Company	
	Notes	2007 £m	2006 £m	2007 £m	2006 £m
Henderson Group Pension Scheme	30.1	**–**	5.0	**–**	5.0
Henderson Group unapproved pension schemes	30.2	**5.2**	5.4	**–**	–
		5.2	10.4	**–**	5.0

Pension expense recognised in the income statement

		Group		Company	
	Notes	2007 £m	2006 £m	2007 £m	2006 £m
Henderson Group Pension Scheme	30.1	**(8.8)**	3.9	**(8.8)**	–
Money Purchase Scheme		**4.6**	4.4	**4.6**	–
Henderson Group unapproved pension schemes	30.2	**0.6**	0.6	**–**	–
Past service credit included as non-recurring item	7	**8.7**	–	**8.7**	–
		5.1	8.9	**4.5**	–

Amounts recognised in the statement of recognised income and expense

		Group		Company	
	Notes	2007 £m	2006 £m	2007 £m	2006 £m
Henderson Group Pension Scheme	30.1	**(33.9)**	5.2	**(33.9)**	7.6
Henderson Group unapproved pension schemes	30.2	**(0.8)**	(0.5)	**–**	–
Actuarial (gains)/losses recognised in the SORIE		**(34.7)**	4.7	**(33.9)**	7.6

30.1 Henderson Group Pension Scheme – Final Salary Scheme

As at 31 December 2007, the Group operated one approved pension scheme, the Henderson Group Pension Scheme (the Scheme), for its employees. The Scheme is funded by payment of contributions to a separately administered trust fund. The Scheme's appointed investment managers are Henderson Global Investors Limited, Fidelity Investments Life Assurance Limited, Legal & General Assurance and Standard Life Investments Limited. The Scheme is subject to regular valuations by an independent qualified actuary, Watson Wyatt LLP.

The assumptions used for the 2007 and 2006 IAS 19 Employee Benefits disclosures have been based on the full valuation of the Scheme at 31 December 2005, updated by Watson Wyatt LLP in order to assess the assets and liabilities of the Scheme at 31 December 2007 and 31 December 2006, respectively. The Scheme assets are stated at their fair value at 31 December 2007 and 31 December 2006.

Following the renewal of the Scheme's Statement of Funding Principles with Henderson Group plc on 14 December 2006, the net liability in the retirement benefit obligation at that date was transferred from its previous sponsor (Henderson Administration Limited) to the Company. Accordingly, the actuarial loss in the Company's statement of recognised income and expense in 2006 of £7.6m reflects movements in the Scheme's obligation subsequent to its transfer date.

Reconciliation of present value of defined benefit obligations

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
At 1 January	**311.8**	296.2	**311.8**	–
Current service cost	**3.8**	5.9	**3.8**	–
Interest cost	**15.7**	13.8	**15.7**	–
Employee contributions	**–**	0.1	**–**	–
Past service cost	**–**	0.3	**–**	–
One-off past service credit	**(8.7)**	–	**(8.7)**	–
Defined benefit obligations transferred from subsidiary	**–**	–	**–**	302.0
Actuarial (gains)/losses	**(32.7)**	1.5	**(32.7)**	9.8
Actual benefit payments	**(7.7)**	(6.0)	**(7.7)**	–
Gains on curtailments	**0.2**	–	**0.2**	–
At 31 December	**282.4**	311.8	**282.4**	311.8

Reconciliation of the fair value of defined benefit scheme assets

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
At 1 January	**306.8**	256.1	**306.8**	–
Expected return on Scheme assets	**19.8**	16.1	**19.8**	–
Defined benefit scheme assets transferred from subsidiary	**–**	–	**–**	304.6
Actuarial gains/(losses)	**1.2**	(3.7)	**1.2**	2.2
Company contributions	**24.6**	44.2	**24.6**	–
Employee contributions	**–**	0.1	**–**	–
Actual benefit payments	**(7.7)**	(6.0)	**(7.7)**	–
At 31 December	**344.7**	306.8	**344.7**	306.8

The Group contributions of £24.6m (2006: £44.2m) include a special contribution of £20.0m (2006: £40.0m) paid to the Scheme to reduce the defined benefit liability.

Reconciliation of defined benefit (asset)/liability

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Present value of defined benefit obligations	**282.4**	311.8	**282.4**	311.8
Fair value of Scheme assets	**(344.7)**	(306.8)	**(344.7)**	(306.8)
Net (asset)/liability at 31 December	**(62.3)**	5.0	**(62.3)**	5.0

Pension (income)/expense recognised in income statement

	Note	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
Current service cost		**3.8**	5.9	**3.8**	–
Interest cost		**15.7**	13.8	**15.7**	–
Expected return on Scheme assets		**(19.8)**	(16.1)	**(19.8)**	–
Past service cost		**–**	0.3	**–**	–
One-off pension service credit	7	**(8.7)**	–	**(8.7)**	–
Gains on curtailments		**0.2**	–	**0.2**	–
Total pension (income)/expense		**(8.8)**	3.9	**(8.8)**	–

Amounts recognised in the consolidated statement of recognised income and expense

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
At 1 January	**21.7**	16.5	**7.6**	–
Actuarial (gains)/losses recognised in the SORIE	**(33.9)**	5.2	**(33.9)**	7.6
At 31 December	**(12.2)**	21.7	**(26.3)**	7.6

Movements in net (asset)/liability recognised in balance sheet

	Group 2007 £m	Group 2006 £m	Company 2007 £m	Company 2006 £m
At 1 January	**5.0**	40.1	**5.0**	–
(Income)/expense recognised in the income statement	**(8.8)**	3.9	**(8.8)**	–
Contributions paid	**(24.6)**	(44.2)	**(24.6)**	–
Net retirement benefit asset transferred from subsidiary	**–**	–	**–**	(2.6)
Actuarial (gains)/losses recognised in the SORIE	**(33.9)**	5.2	**(33.9)**	7.6
At 31 December	**(62.3)**	5.0	**(62.3)**	5.0

The sale of Towry Law UK Group was completed on 3 May 2006. As a result of the sale, active members of Towry Law UK Group have been treated as having left service as at that date and are included as deferred pensioners.

Scheme assets
The major categories of assets in the final salary section of the Scheme as a percentage of total assets in the final salary section of the Scheme were as follows:

	Group and Company 2007 %	Group and Company 2006 %
Equities	**32**	47
Bonds	**66**	39
Cash	**2**	14
Total	**100**	100

Fair value of the Scheme assets – final salary section

	Group and Company			
	Market value		Expected rate of return	
Final salary section	2007 £m	2006 £m	2007 %	2006 %
Equities	**110.3**	145.7	**8.4**	8.2
Bonds	**226.2**	117.7	**4.8**	4.6
Cash	**8.2**	43.4	**5.4**	5.0
Total	**344.7**	306.8	**6.0**	6.4

The Scheme does not hold any investments in employer related companies.

The overall expected return on assets assumption is derived from the weighted average of the expected returns from each of the main asset classes. The expected return on assets is based on long-term expectations as at 31 December 2007. The expected return on bonds has been set by reference to market redemption yields as at the measurement date. The returns for the equity and cash asset classes have been based on the Group's realistic expectations of investment returns over the longer term.

Actual return on Scheme assets

	Group and Company 2007 £m	2006 £m
Actual return on Scheme assets	**21.0**	12.4

Principal actuarial assumptions

(a) Financial assumptions

	Group and Company 2007 % per annum	2006 % per annum
Discount rate	**5.8**	5.1
Expected rate of return on Scheme assets	**6.0**	6.4
Salary increases	**2.5**	4.6
Pension increases:		
– where guarantee is Retail Price Indexation capped at 5% per annum	**3.5**	3.1
– where guarantee is Retail Price Indexation capped at 2.5% per annum	**2.5**	2.5
– where guarantee is fixed	**At fixed rate**	At fixed rate
Inflation	**3.5**	3.1

(b) Demographic assumptions
The demographic assumptions used are those underlying the formal actuarial valuation of the Scheme as at 31 December 2005. Post-retirement mortality was assumed to follow the standard tables PMA/PFA92 (C = 2020) with an allowance for future mortality improvements in line with 'medium cohort' effects. The table below demonstrates the changes in implied life expectancies as at 31 December 2005 using the afore-mentioned mortality tables:

	Group and Company Male no. of years	Female no. of years
Life expectancy for a member who is currently 60	26.5	29.5
Life expectancy at 60 for a member who is currently 45	27.5	30.5

(c) Historical amounts

	2007 £m	Group and Company 2006 £m	2005 £m
Defined benefit obligations	**(282.4)**	(311.8)	(296.2)
Scheme assets	**344.7**	306.8	256.1
Surplus/(deficit) in the Scheme	**62.3**	(5.0)	(40.1)
For period to balance sheet:			
Experience (losses)/gains on Scheme liabilities	**(0.5)**	8.5	(31.6)
Experience gains/(losses) on Scheme assets	**1.2**	(3.7)	18.9

Employer contributions
The Group expects to contribute £28.9m to the Scheme for the year to 31 December 2008, comprising £20m as a special contribution and £8.9m in respect of regular contributions.

30.2 Henderson Group unapproved pension schemes

The Group operates a number of unapproved pension schemes, the details of which are provided below:

The Pearl Executive Scheme. Members of this scheme are also members of the Henderson Group Pension Scheme. However, pensionable earnings under the Henderson Group Pension Scheme are limited to 1/60th for each year of service and the earnings cap. The Pearl Executive Scheme provides benefits at 1/30th for each year of service with a maximum of two thirds of salary after 20 years' service based on pensionable earnings above the earnings cap, on an unfunded basis.

The Henderson Top Up Scheme. Members of this scheme are also members of the Henderson Group Pension Scheme. However, pensionable earnings under the Henderson Group Pension Scheme are limited to the earnings cap, and the Henderson Top Up Scheme enables benefits to be based on pensionable earnings without restriction by the earnings cap. These additional uncapped benefits are generally provided for on an unfunded basis. However, some members of the Henderson Top Up Scheme also have benefits within a separately administered trust fund (the Henderson Pension Trust), which is a funded arrangement.

There is an unfunded liability in respect of one member, to whom the Company has made a contractual promise to pay a fixed pension from age 60.

Reconciliation of present value of defined benefit obligations

	Group	
	2007 £m	**2006 £m**
At 1 January	**5.5**	5.7
Current service cost	**0.3**	0.3
Interest cost	**0.3**	0.3
Actuarial gains	**(0.8)**	(0.5)
Actual benefit payments	**(0.1)**	(0.3)
At 31 December	**5.2**	5.5

The defined benefit obligations at 31 December are split as follows:

	Group	
	2007 £m	**2006 £m**
Pearl Executive Scheme (wholly unfunded)	**4.0**	4.0
Henderson Top Up Scheme (partly funded)	**0.9**	1.2
Individual contractual promise (wholly unfunded)	**0.3**	0.3
Total	**5.2**	5.5

Reconciliation of the fair value of defined benefit scheme assets

	Group	
	2007 £m	**2006 £m**
At 1 January	**0.1**	0.2
Actual benefit payments	**(0.1)**	(0.1)
At 31 December	**–**	0.1

Reconciliation of defined benefit liability

	Group	
	2007 £m	**2006 £m**
Present value of defined benefit obligations	**5.2**	5.5
Fair value of scheme assets	**–**	(0.1)
Net liability	**5.2**	5.4

Pension expense recognised in consolidated income statement

	Group 2007 £m	Group 2006 £m
Current service cost	**0.3**	0.3
Interest cost	**0.3**	0.3
Total pension expense	**0.6**	0.6

Amounts recognised in the consolidated statement of recognised income and expense

	Group 2007 £m	Group 2006 £m
At 1 January	**(1.1)**	(0.6)
Actuarial gains	**(0.8)**	(0.5)
At 31 December	**(1.9)**	(1.1)

Movements in net liability recognised in the consolidated balance sheet

	Group 2007 £m	Group 2006 £m
At 1 January	**5.4**	5.5
Expense recognised in the income statement	**0.6**	0.6
Actual benefit payments from outside scheme assets	**–**	(0.2)
Actuarial gains recognised in the SORIE	**(0.8)**	(0.5)
At 31 December	**5.2**	5.4

Scheme assets
There are no holdings in any investments in employer related companies.

Principal actuarial assumptions

(a) Financial assumptions

	2007 % per annum	2006 % per annum
Discount rate	**5.8**	5.1
Expected rate of return on scheme assets	**8.4**	8.2
Salary increases	**5.0**	4.6
Pension increases:		
– where guarantee is LPI	**3.5**	3.1
– where guarantee is fixed	**At fixed rate**	At fixed rate
Inflation	**3.5**	3.1

(b) Demographic assumptions
The demographic assumptions used are those for the formal actuarial valuation of the schemes as at 31 December 2005. Post-retirement mortality was assumed to follow the standard tables PMA/PFA92 (C = 2020) with an allowance for future mortality improvements in line with medium cohort projections.

The table below demonstrates the changes in implied life expectancies as at 31 December 2005 using the afore-mentioned mortality tables:

	Male no. of years	Female no. of years
Life expectancy for a member who is currently 60	26.5	29.5
Life expectancy at 60 for a member who is currently 45	27.5	30.5

Employer contributions
The Group does not expect to contribute to the unapproved pension arrangements for the year to 31 December 2008.

31. Subsidiaries and associates

31.1 The directly held subsidiaries of the Company are as follows:

	Country of incorporation/ formation and principal place of operation	Functional currency	Percentage owned 2007	Percentage owned 2006
Henderson Global Investors (Holdings) plc	UK	Pounds sterling	**100%**	100%
Henderson Finances	UK	Pounds sterling	**100%**	100%
Henderson Portfolio Managers Limited	UK	Pounds sterling	**100%**	100%
Michie European Holdings BV	Netherlands and UK	Euros	**100%**	100%
UKLS Financial Planning Limited	UK	Pounds sterling	**100%**	100%
HHG (VH) Limited	UK	Pounds sterling	**100%**	100%

31.2 The principal subsidiaries of the Group, excluding the directly held subsidiaries of the Company shown above, are as follows:

	Country of incorporation/ formation and principal place of operation	Functional currency	Percentage owned 2007	Percentage owned 2006
Henderson Administration Limited	UK	Pounds sterling	**100%**	100%
Henderson Fund Management plc	UK	Pounds sterling	**100%**	100%
Henderson Global Investors (Jersey) Limited	Jersey and UK	Pounds sterling	**100%**	100%
Henderson Global Investors (Jersey) 2 Limited	Jersey	Pounds sterling	**100%**	100%
Henderson Global Investors Limited	UK	Pounds sterling	**100%**	100%
Henderson Holdings Limited	UK	Pounds sterling	**100%**	100%
Henderson International Holdings Limited	Jersey and UK	Pounds sterling	**100%**	100%
Henderson Investment Funds Limited	UK	Pounds sterling	**100%**	100%
Henderson Investment Management Limited	UK	Pounds sterling	**100%**	100%
Henderson Management SA	Luxembourg	US dollars	**100%**	100%
Henderson Global Investors (Singapore) Limited	Singapore	Singapore dollars	**100%**	100%
Henderson Global Investors (International Holdings) BV	Netherlands and UK	Euros	**100%**	100%
Henderson International Inc.	USA	US dollars	**100%**	100%
Henderson Alternative Investment Advisor Limited	UK	Pounds sterling	**100%**	100%
Henderson Equity Partners Limited	UK	Pounds sterling	**100%**	100%

The information disclosed in the table above is only in respect of those subsidiaries which principally affect the figures shown in the Group's accounts. There are a number of other subsidiaries and associated undertakings whose business does not materially affect the Group's profits or the amount of its assets. Particulars of these have been omitted for simplification purposes.

31.3 The Group holds interests in the following associated companies:

	Country of incorporation/ formation and principal place of operation	Functional currency	Percentage owned 2007	Percentage owned 2006
Warburg-Henderson Kapitalanlagegesellshaft fur Immobilien mbh	Germany	Euros	**50%**	50%
Asia Real Estate Fund Management	Singapore	Singapore dollars	**50%**	50%
HGI Immobilien GmbH	Germany	Euros	**50%**	50%
Henderson-mfi Shopping Centre GmbH & Co. KG	Germany	Euros	**50%**	–
Henderson-mfi Shopping Centre Verwaltungs GmbH	Germany	Euros	**50%**	–

	Group 2007 £m	Group 2006 £m
Share of aggregate net assets	**3.8**	2.7
Share of profit for the year	**2.0**	1.3

The Group's investments in associates are accounted for under the equity method and the Group's share of net assets is disclosed in the consolidated balance sheet. Distributions received during the year from associated companies are deducted from the accrued share of profits at each reporting period.

32. Investment in subsidiaries

	Company Shares in subsidiaries £m
Cost	
At 1 January 2006	2,659.3
Dividends received from subsidiaries	(197.5)
At 31 December 2006	2,461.8
Investments realised on liquidation of subsidiaries	(589.1)
At 31 December 2007	1,872.7

During the year an exercise took place whereby a significant number of Henderson Group plc subsidiaries were placed into members' voluntary liquidation. This primarily related to legacy and dormant companies and was part of an ongoing review process to ensure that the corporate structure remains up to date.

33. Deferred acquisition and commission costs

	Group 2007 £m	2006 £m
At 1 January	**20.7**	19.2
Commissions and other costs capitalised	**26.3**	19.5
Amortisation during the year	**(15.2)**	(18.0)
At 31 December	**31.8**	20.7

Included within the £15.2m (2006: £18.0m) amortisation charge in 2007 is £12.7m (2006: £10.9m) in respect of amortisation of capitalised commissions, £2.5m (2006: £2.0m) in respect of various US products with capitalised commissions paid and £nil (2006: £5.1m) in respect of amortisation of placement costs in the Group's Private Equity business.

34. Related party transactions

34.1 Group

Transactions between the Company and its controlled entities, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Disclosures relating to the Henderson Group Pension Scheme are covered under note 30.

Compensation of key management personnel (including directors):

	2007 £m	2006 £m
Short-term employee benefits	**7.4**	7.3
Post-employment benefits	**0.2**	0.2
Share-based payments	**7.6**	2.0
	15.2	9.5

34.2 Company

Details of transactions between the Company and its subsidiaries, which are related parties of the Company, together with amounts due from and to these related parties as at the balance sheet date, are disclosed below:

	2007 £m	2006 £m
Transactions with related parties		
Dividends receivable	**27.0**	335.8
Expenses recovered from other Group companies	**16.6**	25.5
Interest payable	**(62.1)**	(54.6)
Expenses recharged by other Group companies	**–**	(0.5)
Amounts owed by/(to) related parties		
Amounts owed by related parties	**228.6**	223.2
Amounts owed to related parties	**(1,193.5)**	(1,141.4)

35. Contingent liabilities

The following contingent liabilities existed at 31 December 2007:

- in the normal course of business, the Group is exposed to certain legal issues which can involve litigation and arbitration;
- in the normal course of business, the Group enters into various types of investment contracts that can give rise to contingent liabilities. These include foreign exchange contracts, financial futures, interest rate derivatives and exchange traded options. These contracts are entered into in the normal management of clients' investment portfolios;
- on 2 May 2006, the Hong Kong Securities and Futures Commission announced that it had reached a settlement with UKFP (Asia) HK Limited (formerly part of Towry Law International) regarding certain legacy products sold by Towry Law International. Significant payments were made to investors during the course of 2007 in line with accounting provisions set up for that purpose. The Directors are of the opinion that the provisions remaining at the balance sheet date to cover any future payments, as detailed in note 26, are adequate; and
- under the Life Services sale agreement, tax related warranties and indemnities given by the Group expire up to six years from the disposal date of 13 April 2005. The Directors are of the opinion that no provision is required in relation to the tax related issues. Under the Towry Law UK sale agreement, normal warranties and indemnities were given by the Group which are subject to expiry in up to six years from the disposal date of 3 May 2006. As at the date of approval of the balance sheet, the Group has not been notified of any claims under outstanding warranties and indemnities from sale agreements.

36. Acquisitions and disposals of subsidiaries

36.1 Acquisitions

The Group did not acquire any subsidiaries during the year.

36.2 Disposals

The Group did not dispose of any subsidiaries during the year (2006: Towry Law UK Group – £9.5m gain).

37. Discontinued operations

On 3 May 2006, the Group completed the sale of Towry Law UK and its controlled entities (Towry Law UK Group) to JS&P Holdings Limited. In accordance with IFRS 5 Non Current Assets Held-for-Sale and Discontinued Operations, the results of these operations have been reported within the 2006 consolidated income statement as discontinued operations. The assets and liabilities of Towry Law UK Group were included in disposal groups held for sale in the 2005 consolidated balance sheet.

37.1 Net loss from discontinued operations

	Note	2007 £m	2006 £m
Income		–	12.5
Expenses		–	(24.0)
Net loss before tax from discontinued operations		–	(11.5)
Tax on the results of discontinued operations	38	–	(0.1)
Net loss after tax from discontinued operations		–	(11.6)

Included within 2006 expenses is an £11.7m charge relating to the crystallisation of non-tax warranties outstanding under the Life Services business sale agreement completed in 2005. Other than this charge, all operating profit on discontinued operations related to the Towry Law UK Group and arose in the UK.

37.1.1 Average employee numbers
The average number of employees of the discontinued operations was as follows:

	2007 no.	2006 no.
Towry Law International	–	14
Towry Law UK	–	463
	–	477

Employee benefits expense of the discontinued operations comprised:

	2007 £m	2006 £m
Salaries and wages	–	6.1
Social security costs	–	0.6
Other pension costs	–	0.8
	–	7.5

37.1.2 Cash flows from discontinued operations

	2007 £m	2006 £m
Net cash flows from operating activities	–	1.0
Net cash flows from investing activities	–	(0.1)
Net cash inflow	–	0.9

38. Taxation of discontinued operations

	2007 £m	2006 £m
Current income tax		
– current year	–	0.1
Total taxation expense	–	0.1

Reconciliation of net loss before tax at standard rate of corporate tax to the tax expense

	2007 £m	2006 £m
The reconciliation of the net loss before tax multiplied at 30% to the tax expense of £nil (2006: £0.1m) is as follows:		
Net loss before tax from discontinued operations	–	(2.0)
Tax credit at the applicable UK corporation tax rate of 30% (2006: 30%) on net loss before tax	–	(0.6)
Disallowable expenses	–	3.5
Tax effect of gains not subject to taxation	–	(2.8)
Total tax expense for discontinued operations	–	0.1

39. Events after the balance sheet date

The Board of Directors has not, as at 26 February 2008, being the date the financial statements were approved, received any information concerning significant conditions in existence at the balance sheet date, which have not been reflected in the financial statements as presented.

SHAREHOLDER INFORMATION

As at 26 February 2008

Total number of holders of ordinary shares and their voting rights

The issued share capital of Henderson Group plc consisted of 724,588,260 ordinary shares held by 128,297 security holders. This included 437,001,705 shares, held by CHESS Depositary Nominees (CDN), quoted on the ASX in the form of CHESS Depositary Interests (CDIs) and held by 117,066 CDI holders. Each registered holder of shares present in person (or by proxy, attorney or representative) at a meeting of shareholders has one vote on a vote taken by a show of hands, and one vote for each fully paid share held on a vote taken on a poll. CDI holders can instruct CDN to appoint a proxy on their behalf and can direct the proxy how to vote on the basis of one vote per person taken by a show of hands, and one vote per CDI on a vote taken on a poll.

Twenty largest share/CDI holders

		Ordinary shares/CDIs	% of issued capital
1	RBC Global Services Australia Nominees Pty Limited	66,117,605	9.12
2	J P Morgan Nominees Australia Limited	57,870,909	7.99
3	Morstan Nominees Limited	53,850,395	7.43
4	National Nominees Limited	52,901,712	7.30
5	Greenwood Nominees Limited	50,880,616	7.02
6	HSBC Global Custody Nominee (UK)	30,537,464	4.21
7	UBS Nominees Pty Limited	26,434,585	3.65
8	Cogent Nominees Pty Limited	24,573,427	3.39
9	HSBC Custody Nominees (Australia) Limited	20,755,035	2.86
10	Chase Nominees Limited	20,435,531	2.82
11	State Street Nominees Ltd	20,006,740	2.76
12	Computershare Nominees (Channel Islands) Limited	17,370,378	2.40
13	ANZ Nominees Limited	15,984,710	2.21
14	Vidacos Nominees Limited	12,686,177	1.75
15	Citicorp Nominees Pty Limited	12,248,090	1.69
16	SBS Nominees Limited	11,825,948	1.63
17	AMP Life Limited	10,997,968	1.52
18	Suncorp Custodian Services Pty Limited	9,861,682	1.36
19	Nortrust Nominees Limited	7,878,534	1.09
20	Roy Nominees Limited	6,060,000	0.84
Top 20 total		529,277,506	73.04
Total shares		724,588,260	100.00

Distribution of share/CDI holdings

Categories	Number of holders	% of issued capital
1 – 1,000	117,140	5.75
1,001 – 5,000	8,954	2.52
5,001 – 10,000	1,182	1.16
10,001 – 100,000	775	2.57
100,001 and over	246	88.00
Total	128,297	100.00

20,829 share/CDI holders held less than A$500 worth of shares/CDIs, ie fewer than 249 shares/CDIs.

Stock exchange listings

Henderson Group plc is listed on the London Stock Exchange and its CDIs are quoted on the Australian Securities Exchange.

Substantial shareholders

The Company has received substantial shareholding notices, equivalent to Australian regulatory requirements, from the following:

- Landsdowne Partners Limited Partnership held 54,343,072* shares/CDIs, or 6.02% of the total voting rights, as detailed in its notification sent on 1 June 2007; and
- Perpetual Limited held 103,761,061 shares/CDIs, or 14.42% of the total voting rights, as detailed in its notification sent on 12 December 2007.

* Number of shares disclosed in holding notification sent prior to the share consolidation which took effect on 19 October 2007.

Total number of options over unissued shares

There were 2,926,074 options over unissued ordinary shares in the Company held by 455 option holders.

Restricted securities

There are no restricted securities on issue.

Buy-back

There is no current on-market buy-back of CDIs on the ASX. The Company has authority to purchase ordinary shares on the LSE and a limited number of buy-backs were made under this authority in 2007.

Company secretary

Steven O'Brien

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GLOSSARY

1H06
Six months ended 30 June 2006

1H07
Six months ended 30 June 2007

1H08
Six months ending 30 June 2008

1Q08
Three months ending 31 March 2008

2H05
Six months ended 31 December 2005

2H06
Six months ended 31 December 2006

2H07
Six months ended 31 December 2007

4Q08
Three months ending 31 December 2008

FY06
Twelve months ended 31 December 2006

FY07
Twelve months ended 31 December 2007

AGM
Annual General Meeting

AMP
AMP Limited

ASX
Australian Securities Exchange

AUM
Assets under management

BAYE
Buy As You Earn Share Plan

Board
The board of directors of Henderson Group plc

BP
Banco Popolare Gruppo Bancario

BPI
Banca Popolare Italiana

bps
Basis points

BPVN
Banco Popolare di Verona e Novara

CDI
CHESS Depositary Interest representing one ordinary share. These are quoted on the ASX

CDO
Collateralised Debt Obligation

CHESS
Clearing House Electronic Subregister System

Company
Henderson Group plc

Corporate Office or Corporate
Henderson Group plc excluding Henderson Global Investors

Cost to income ratio
Total expenses divided by total income

CSO
Collateralised Synthetic Obligation

DEP
Deferred Equity Plan

Directors
The directors of Henderson Group plc

Discontinued operations
Life Services business, Towry Law International and Towry Law UK

EGM
Extraordinary General Meeting

ESOP
Employee Share Ownership Plan

EU
European Union

Hedge funds
Hedge funds including Absolute Return Funds

Henderson Global Investors or **Henderson**
Henderson Global Investors (Holdings) Plc and its subsidiaries

Henderson Group or **Group**
Henderson Group plc and its controlled entities

IAS
International Accounting Standard

IFRSs
International Financial Reporting Standards

LIBOR
London Interbank Offered Rate

Life Services business
The life insurance and pension books of Pearl Assurance Limited, London Life Limited, National Provident Life Limited and NPI Limited, and also includes the closed general insurance books of Pearl, the pension trustee business of Premier Pension Trustees Limited and the retirement services business operated by NPI Limited.

LTIP
Long-Term Incentive Plan

OEIC
Open-Ended Investment Company

Pearl
Pearl Group Limited and its subsidiaries, or Life Services business

RSP
Restricted Share Plan

SAYE
Sharesave scheme

Scheme
The Henderson Group Pension Scheme

SICAV
Societe d'investissement a capital variable (collective investment scheme)

SIP
Share Incentive Plan

SIPP
Self Invested Personal Pension

STI
Short-term incentive

Towry Law International
The international division (now closed) of Towry Law plc

Towry Law UK
Towry Law plc and its controlled entities, which has been sold to JS&P Holdings Limited

TSR
Total Shareholder Return

UK or **United Kingdom**
The United Kingdom of Great Britain and Northern Ireland

UK GAAP
Generally accepted accounting practice in the United Kingdom

US
United States of America

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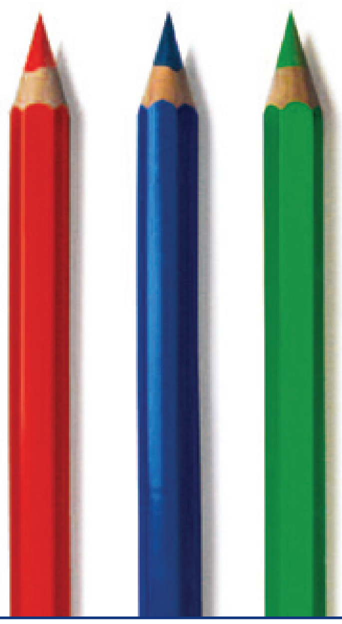

Henderson Group plc