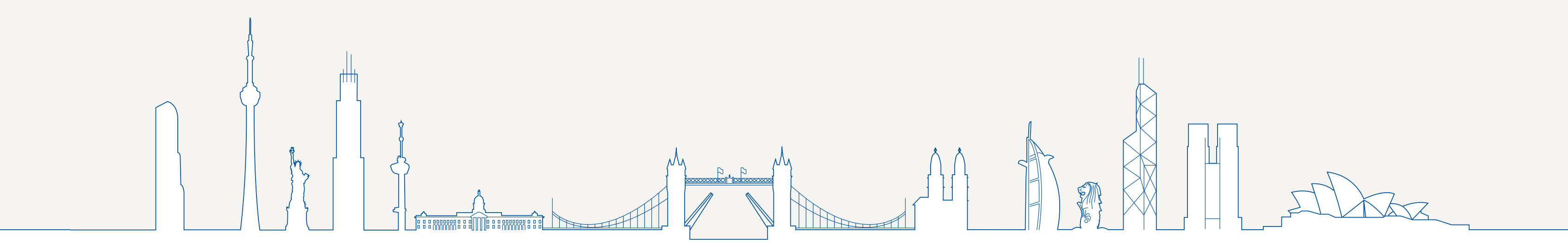
Man Group plc Annual Report 2009

Man Group plc

# Performance Adaptability Global Scale

## Annual Report 2009



**Man Group offers a broad range of robust alternative investment products to private investors and institutions, worldwide. Strong long-term performance and our 20+ year track record are key to attracting and retaining these investors.**

**The defining objectives of alternative investments are:**

> **Absolute return – the pursuit of a positive return regardless of whether asset prices are rising or falling; and**

> **Low correlation with other asset classes such as equities and bonds.**

The 2008/9 financial year was an extremely difficult period for the alternative investment management industry, with the benchmark HFRI Fund Weighted Composite Index down 15%. While this clearly represents a failure to deliver absolute return, alternative investments nevertheless outperformed equities, which were down nearly 40%.

While Man's results show that we are far from immune to market turbulence, the majority of our investors saw significant outperformance because of our weighting towards managed futures. AHL, our largest fund, was up 8% during the 2008/9 financial year.

Man's expertise lies in investment management, risk management, product structuring, global asset gathering and investor services. We earn fee income linked to our funds under management, and additional fees when these funds outperform. During 2009, we will reinforce our leadership in hedge fund investing with the launch of an integrated hedge fund management business to improve performance, adapt to changing investor demands and leverage our global scale.

The front page depicts the cities of our principal offices, from left to right:

Miami
Toronto
New York
Chicago
Rotterdam
Dublin
London
Zurich
Dubai
Singapore
Hong Kong
Tokyo
Sydney

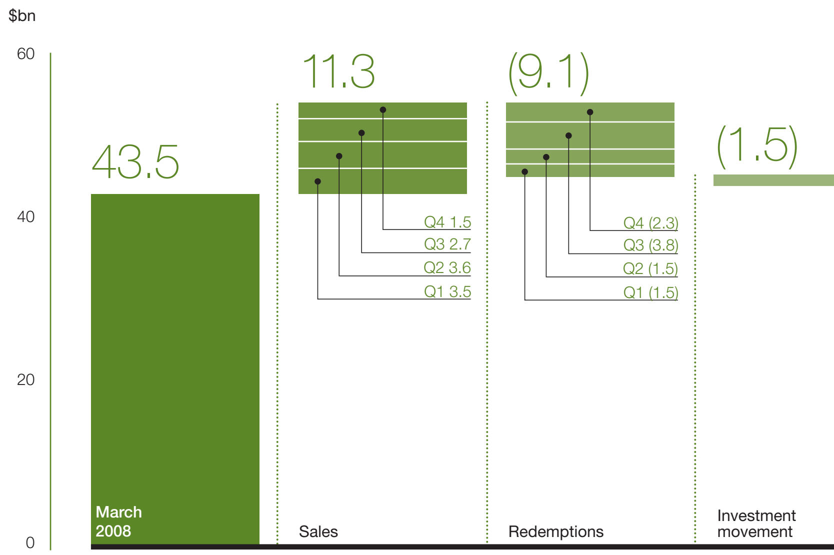
## Business Overview
# Year at a Glance

## Private Investor Business

Man's private investor business remained robust in extremely challenging market conditions during the 2008/9 financial year, reflecting continued investor demand for conservatively structured products that offer transparency, liquidity and a strong track record. Our continued success in asset raising reflects the strength of Man's global distribution network and the strong performance of our private investor product range. Managed futures, the investment style to which Man's private investor products are most heavily weighted, significantly outperformed most other asset classes, with AHL gaining 8% in the financial year compared to a loss of nearly 40% for equities.

The largest contributing factor to the overall decline in private investor funds under management during the year was our decision to reduce investment exposure across the MGS product range, to protect investor capital.

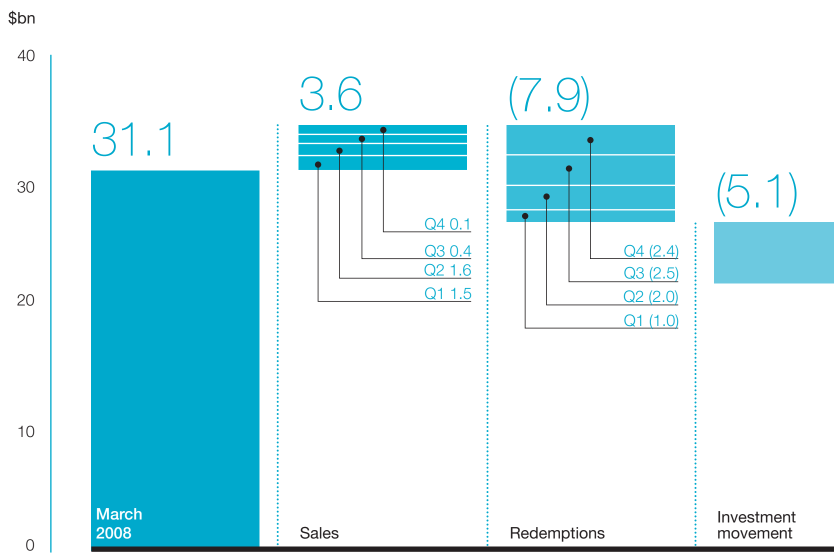
**Funds under management (FUM)**

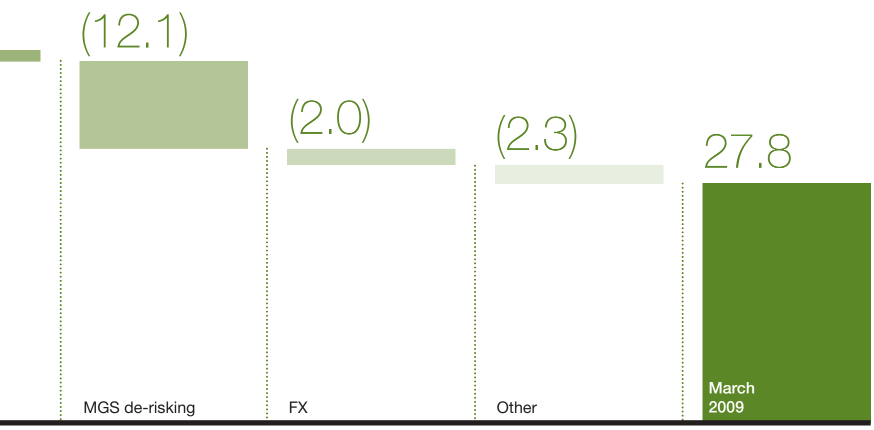



## Institutional Investor Business

Man's institutional business saw net outflows during the year, with sales subdued and redemptions high as investors sought liquidity regardless of performance. Our institutional diversified fund of funds products saw negative performance in the 2008/9 financial year, with RMF Four Seasons down 16%, but outperformed both equities and the HFRI Fund of Funds Composite Index, which was down 18%.

**Funds under management (FUM)**

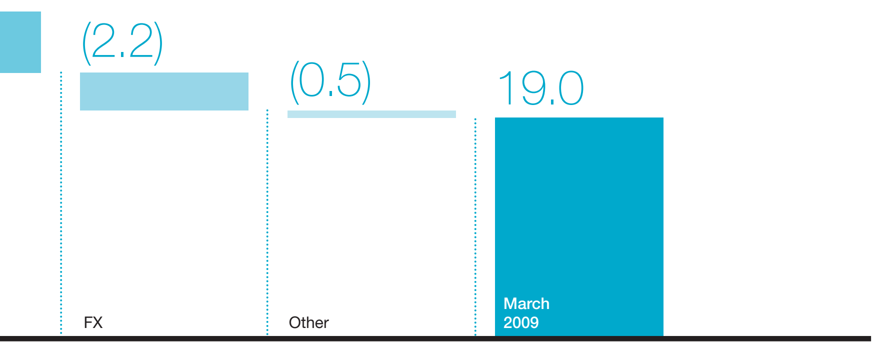





| Private investor income and margins | 2009 | 2008 |
|---|---|---|
| Gross management fee income ($m) | **1,662** | 1,771 |
| Gross management fee margin (%) | **4.33** | 4.47 |
| Gross performance fee income ($m) | **710** | 1,147 |

See Financial Review
for further analysis of movements in funds under management including analysis of guaranteed and open-ended FUM

See Investment Management
for further information about the MGS de-risk




| Institutional investor income and margins | 2009 | 2008 |
|---|---|---|
| Gross management fee income ($m) | **252** | 297 |
| Gross management fee margin (%) | **0.94** | 1.00 |
| Gross performance fee income ($m) | **8** | 93 |

See Financial Review
for further analysis of movements in FUM

# 2009: Man remained strongly profitable and well capitalised in exceptionally challenging markets.

**Funds under management (FUM)**

$46.8BN

Split between private investor FUM of $27.8bn and institutional FUM of $19.0bn.

**Profit before tax and adjusting items – continuing operations**

$1,243M

Down 40% from $2,079m in the prior year. Adjusting items relate to H1 accelerated amortisation of MGS sales commissions ($107m), H2 impairment provisions relating to Ore Hill and the residual holding in MF Global ($356m) and restructuring costs ($37m). Statutory profit before tax down 64% to $743m from $2,079m.

**Sales**

$14.9BN

Private investor sales were up 45% to $11.3bn and net inflows, after redemptions, were a positive $2.2bn. Institutional sales were down 56% to $3.6bn, giving rise to net outflows, after redemptions, of $4.3bn.

**Pre-tax margin**

52%

Profit before tax and adjusting items as a percentage of revenue plus associates'/JVs' net income and gain/loss on investments at fair value. 64% last year.

**Post-tax return on shareholders' equity – continuing operations**

13.5%

Down from 41.6% in the prior year.

**Adjusted diluted earnings per share – continuing operations**

57.0 cents

Down from 90.2 cents in the prior year. Adjusting items are as listed above. Statutory diluted earnings per share on continuing operations of 28.4 cents.

**Available liquidity resources**

$4.8BN

Consisting of cash ($2.4bn) and undrawn committed banking facilities ($2.4bn).

**Dividends relating to the year**

44 cents per share

Proposed final dividend maintained at 24.8 cents per share. Payable at the rate of 15.47 pence per share, up 23% from prior year. Total dividend for the year of 44 cents per share – same as prior year, although in sterling terms, up 26%.

## Business Overview
# Description of the Business

## Man Group plc is the parent company for a group of entities engaged in the investment management business.

### FUM and fees
The investment products we sell are issued by independent fund entities for whom we act as the investment manager. The fund entities have independent boards of directors with independent governance and decision making powers. The fund entities' investment performance, assets and liabilities are therefore separate from the Group and are not consolidated into the Group's financial statements. The fund entities pay us management fees and performance fees.

The fund entities send the investors periodic statements telling them their investment returns, net of fees and the value of their investment, or Net Asset Value (NAV). This represents the value of the fund's assets less liabilities.

A key measure of the size and scale of our business is therefore the aggregate asset exposure that we manage for the fund entities, referred to in this Annual Report as 'Funds Under Management' (FUM). The asset exposure is supported by the investors' risk capital and any financing provided to the fund entities by banks and prime brokers (referred to as 'leverage').

We earn management fees, at a fixed percentage based on FUM, for managing the fund's gross asset exposure. The level of FUM drives the Group's revenue base. The growth of FUM is a key performance indicator for the business as it measures the potential for future revenue growth.

In the case of guaranteed products sold to private investors, part of the investors' risk capital is used to purchase a guarantee from a major financial institution. The value of the guarantee is included in the investors' NAV for the product. However as the guarantee is completely separate from Man the value of the guarantee is not included in our Funds Under Management, and we do not earn fees on this amount.

We earn performance fees based on a percentage of the investment performance earned above a benchmark return or the highest previous asset valuation, a 'high water mark'. The investment performance of the funds we manage is therefore a key statistic as performance sustains the investors' continued allocation to the product and retains for us management and performance fee income. While our performance fees cannot be negative if a product is significantly below its previous high water mark due to negative investment returns, it may take time to recover to a point where we will earn performance fees again.

In addition to management and performance fees we may also receive fees for arranging financing and other related services required to administer the product for the fund entity.

Business Overview

# Our Performance



## FUM summary

(Further analysis and explanation given in the Financial Review starting on page 67).

| | Private Investor | | | Institutional | 2009 Total | 2008 Total |
|---|---|---|---|---|---|---|
| | Guaranteed $bn | Open-ended $bn | Total $bn | $bn | $bn | $bn |
| **Opening FUM – 1 April 2008** | **31.0** | **12.5** | **43.5** | **31.1** | **74.6** | **61.7** |
| Sales | 6.1 | 5.2 | 11.3 | 3.6 | **14.9** | 15.9 |
| Redemptions | (4.6) | (4.5) | (9.1) | (7.9) | **(17.0)** | (10.7) |
| Net sales | 1.5 | 0.7 | 2.2 | (4.3) | **(2.1)** | 5.2 |
| Investment movement | (1.8) | 0.3 | (1.5) | (5.1) | **(6.6)** | 5.6 |
| FX | (1.7) | (0.3) | (2.0) | (2.2) | **(4.2)** | 4.0 |
| De-risking | (12.1) | – | (12.1) | – | **(12.1)** | – |
| Other | (0.5) | (1.8) | (2.3) | (0.5) | **(2.8)** | (1.9) |
| **Closing FUM – 31 March 2009** | **16.4** | **11.4** | **27.8** | **19.0** | **46.8** | **74.6** |

## Financial summary

(Further analysis and explanation given in the Financial Review starting on page 67).

| | 2009 $m | 2008 $m |
|---|---|---|
| **Revenue:** | | |
| – Gross management and other fee income | **1,861** | 2,030 |
| – Gross performance fee income | **627** | 1,192 |
| | **2,488** | **3,222** |
| (Losses)/gains on investments at fair value | **(260)** | (51) |
| **Profit before tax – continuing operations (statutory)** | **743** | 2,079 |
| Adjusted for: | | |
| – Accelerated amortisation of MGS sales commissions (all incurred in H1 2009) | **107** | – |
| – Restructuring charge | **37** | – |
| – Gain on sale of 50% of subsidiary | **(48)** | – |
| – Impairment of Ore Hill investments and goodwill | **299** | – |
| Loss arising from residual interest in brokerage assets | **105** | – |
| **Adjusted profit before tax** | **1,243** | **2,079** |
| Net performance fee income | **358** | 936 |
| Net management fee income | **885** | 1,143 |
| Adjusting items | **(500)** | – |
| **Profit before tax from continuing operations** | **743** | **2,079** |
| Taxation | **(240)** | (362) |
| Profit after tax from continuing operations | **503** | 1,717 |
| Discontinued operations – Brokerage | **–** | 1,753 |
| **Profit for the year** | **503** | **3,470** |
| Diluted EPS – continuing operations (statutory) | **28.4c** | 90.2c |
| Adjusted diluted EPS (excluding the adjusting items as above) | **57.0c** | 90.2c |
| Cash inflow from total operations | **1,616** | 1,847 |
| Post-tax return on equity – continuing operations (ROE) | **13.5%** | 41.6% |
| Ordinary dividend per share (relating to the year): | | |
| – Interim (cents/pence) | **19.2c/11.89p** | 19.2c/9.18p |
| – Final (proposed for 2009) | **24.8c/15.47p** | 24.8c/12.55p |

## Balance sheet, capital and liquidity

| | March 2009 $m | September 2008 $m | March 2008 $m |
|---|---|---|---|
| Seed capital exposure | **718** | 1,230 | 1,279 |
| Loans to fund products | **373** | 641 | 369 |
| Equity | **4,192** | 4,499 | 4,711 |
| Regulatory capital surplus | **1,700** | 1,500 | 1,600 |
| Net cash | **1,718** | 735 | 1,474 |
| Undrawn committed bank liquidity facility | **2,430** | 2,430 | 2,500 |

## Returns to shareholders

| | 2009 $m | 2008 $m | 2007 $m |
|---|---|---|---|
| Dividends relating to the year | **711** | 751 | 389 |
| Share buybacks | **280** | 520 | 375 |
| Total shareholder return (dividends plus share price movement) | **–58%** | +16% | +38% |

## Business Review
# Strategy and Key Performance Indicators

**Our fundamental mission is to deliver attractive returns to investors in our products, and to investors in Man Group plc.**

Our strategy is to offer a broad range of robust alternative investment solutions to private investors and institutions, worldwide. Strong long-term performance and our 20+ year track record are key to attracting and retaining these investors.

## Investment Management

### Strategic Focus

- Provide a robust governance and risk management framework.
- Promote innovation to drive performance.
- Develop a differentiated and scalable technical infrastructure to support risk and investment management.

### Priorities for 2009/10

- Launch an integrated hedge fund management business, building on the strengths of RMF, Glenwood and MGS, to improve investor confidence and choice.
- Expand Man's managed accounts platform to promote transparency and reinforce risk management.
- Continue to invest in and expand the AHL model and execution capabilities.

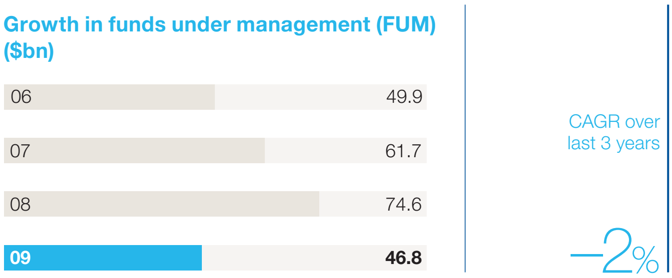
## We use our financial and non financial key performance indicators (KPIs) to measure our progress

■ Financial KPI
■ Non financial KPI

Our financial KPIs all show declines in the year, reflecting loss of Funds Under Management in extraordinarily difficult markets.

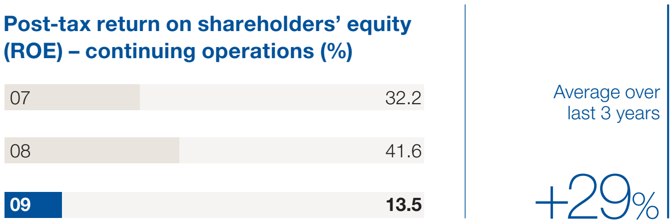
New non financial KPIs introduced this year to measure fund performance – a key lead indicator for our business – demonstrate that our flagship funds continued to outperform industry benchmarks.

**Growth in funds under management (FUM) ($bn)**




FUM decreased by 37% in the year. The principal drivers were the investment management decision to de-risk private investor products with a higher risk/return profile in Man Global Strategies, and an increase in institutional redemptions.

**Post-tax return on shareholders' equity (ROE) – continuing operations (%)**




The decline in ROE is driven primarily by reduction in funds under management and lower performance fee income. The equity component includes a significant level of regulatory capital surplus, which earns a modest return.

The winners in the constantly evolving alternative investment management market will be those companies most able to adapt to changing market conditions.

## Private Investor Business

- Protect and grow investor capital through diversified investment portfolios and differentiated performance.
- Provide first class client service to our global distribution network.
- Meet investor demand for performance, liquidity and principal protection.

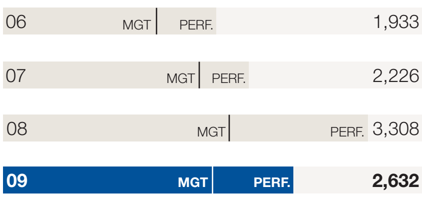
- Create a strong pipeline of guaranteed and open-ended products.
- Market the long-term diversification benefits of managed futures and AHL.
- Take advantage of onshore opportunities to meet regional demand.

## Institutional Investor Business

- Grow investor capital through themed and diversified investment opportunities and differentiated performance.
- Meet investor demand for risk management, transparency and liquidity.
- Structure innovative hedge fund solutions to match investor demand.

- Enhance our investment process and develop custom solutions.
- Continue to market the diversification benefits of hedge fund investing, to attract investors as they return to the market.

**Growth in gross revenue plus income from affiliates ($m)**

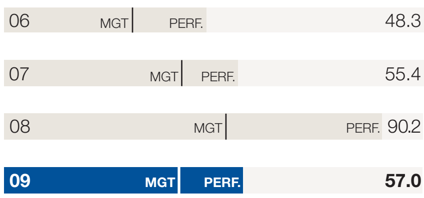



CAGR over last 3 years

+11%

Gross revenue fell by 20% in the year, reflecting a 7% decline in gross management fee income and a 43% decline in gross performance fee income. Gross management fee income margins declined modestly.

**Growth in adjusted diluted earnings per share – continuing operations (cents)**

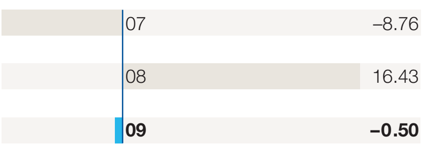



CAGR over last 3 years

+6%

Adjusted earnings per share declined by 37% in the year, reflecting the decrease in profits.

**Outperformance vs benchmark – private investor (%)**



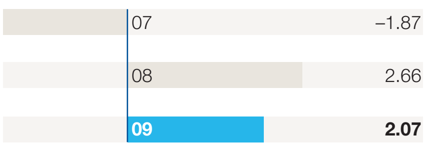

Excess return over last 3 years

+4%

Returns for Man's flagship IP220 product compared to a benchmark represented by 100% Stark 300 Trader Index and 60% HFRI Fund of Funds Composite Index.

Man IP220 is composed of allocations to the AHL Diversified Programme and Man Glenwood Multi Strategy. It has additional structural level features, such as a capital guarantee and leverage, the value of which are not reflected in this comparison.

**Excess return over benchmark – institutional (%)**




Excess return over last 3 years

+3%

Returns for RMF Four Seasons compared to the HFRI Fund of Funds Composite Index.

Business Review

# Chairman's Report

> **Against a background of severe economic downturn and uncertainty, the role the Board plays in reviewing strategy, monitoring performance, understanding risk and reviewing controls is of paramount importance.**
>
> **Jon Aisbitt**
> **Chairman**

**Jon Aisbitt**
Chairman

**Total shareholder return**

| | Year to 31/3/09 | 3 years to 31/3/09 |
|---|---|---|
| Man Group | –58% | –12% |
| FTSE 100 | –28% | –10% |

The 2008/9 financial year witnessed unprecedented turmoil in the financial markets, with dramatic impact on the availability of credit, extreme volatility in equity, commodity and currency prices and severely depressed investor sentiment and risk appetite. The performance and stability of the banking and general financial sector were, as a consequence, very badly hit leading to some companies needing state subsidy to survive and others to cut or pass their dividend. Peter Clarke highlights in his Review the benefits in turbulent markets of the Company's flexible business model, global reach and robust capital position and explains how his executive team is developing an integrated hedge fund management business to respond to investor demand for governance and risk management, transparency and liquidity.

The directors are accountable to shareholders for the performance of the business and the protection of the Company's assets. Transparency is key for shareholder confidence and for this reason we have tried to enhance the quality of our reporting in the Annual Report this year.

Against a background of severe economic downturn and uncertainty, the role the Board plays in reviewing and reinforcing business strategy, monitoring the performance of the Chief Executive and management team, understanding risk and reviewing risk controls is of paramount importance. I am pleased to lead a Board whose non-executives bring a wealth of experience in international fund management and financial services to their stewardship of the business and who provide substantial challenge to their executive colleagues. Of particular note this year has been the focus of the Audit and Risk Committee on liquidity, valuation and increased risk. The Remuneration Committee has brought increased rigour to the determination of the bonus pool, the assessment of executive director and senior management performance, and the consideration of how risk should be reflected in bonus structures. The Nomination Committee has broadened its remit and implemented a rigorous and thorough process for non-executive director search.

In addition, the Board as a whole participated this year in an external evaluation of its operation and effectiveness conducted by an independent third party. The findings of this work confirmed a culture of strong engagement, commitment and open debate, all of which position us well to respond to current challenges. We have also identified some areas for future focus, including a renewed concentration on executive director and senior management succession planning which is essential to our continued success, and I look forward to working with my colleagues on these in the course of the year. A more detailed account of the operation and activities of the Board and its Committees during the year is given in the Corporate Governance Report on page 48.

The year ahead will see some changes in Board membership. Glen Moreno, who has served as a non-executive director for 15 years and as Senior Independent Director since 2002, has decided to retire at this year's AGM. We are very grateful for the extensive industry knowledge, experience and robust guidance and wisdom he has brought to the Board through the various stages of Man Group's evolution. His unique contribution will be very much missed and he leaves with our best wishes for the future. I am pleased that Alison Carnwath has agreed to take over from him as Senior Independent Director.

This year's economic and market turbulence has resulted in a total shareholder return of –58% and an average annual return of –12% on a three year basis. The Company has, nevertheless, achieved a substantial profit in a difficult year when some other industry players have reported substantial losses. It is the quality of Man's income generation and business performance, coupled with the strength of its balance sheet, that has enabled the Board to maintain its final dividend for 2008/9 at the same level as the previous year.

I pay tribute to the energy, skill and commitment of all our staff who have continued to deliver performance in very challenging markets and who acted so quickly to de-risk investors' assets and protect our business at the end of the last calendar year. Looking ahead, work is now in progress to leverage the Company's scale and distribution network and our people's hedge fund investing, product structuring and regulatory expertise in the development of a new hedge fund management business. This, together with recent reductions in our cost base and planned operational efficiencies, will provide the basis for balanced and profitable future growth.

**Jon Aisbitt**
Chairman

Business Review
# Board of Directors

from left to right

**Glen Moreno***^+
Senior independent non-executive director
Glen Moreno was appointed a non-executive director in 1994. He was previously a group executive and policy committee member of Citicorp and Citibank. He is a director and former Chief Executive of Fidelity International. He is Chairman of Pearson plc and acting Chairman of UKFI.

* Member of the Nomination Committee
^ Member of the Remuneration Committee
\+ Member of the Audit and Risk Committee

**Kevin Hayes**
Finance Director and Company Secretary
Kevin Hayes joined Man Group as Chief Financial Officer in March 2007 from Lehman Brothers, where he served in a variety of senior finance and strategy positions in London and New York. He was previously a Partner in the Financial Services practice of Ernst & Young LLP in New York. He was appointed to the Board in May 2007 and became Company Secretary in November 2007.

**Patrick O'Sullivan***^+
Independent non-executive director
Patrick O'Sullivan was appointed a non-executive director in September 2007. He was previously Vice Chairman of the Zurich Financial Services Group Management Board, as well as Chief Growth Officer of that Group. He is a non-executive director of Collins Stewart plc as well as of COFRA Holding AG.

**Alison Carnwath***^+
Independent non-executive director
Alison Carnwath was appointed a non-executive director in January 2001. Prior to joining the Board she spent 20 years working in investment banking. She is Chairman of MF Global Ltd, listed on the New York Stock Exchange, Chairman of Land Securities Group plc and a director of Paccar Inc.

**Jon Aisbitt***^
Chairman,
Chairman of the Nomination Committee
Jon Aisbitt was appointed a non-executive director in August 2003 and non-executive Chairman in September 2007. He was previously a Partner and Managing Director in the Investment Banking Division of Goldman Sachs and has 20 years' experience in international corporate finance.

**Dugald Eadie***^+
Independent non-executive director,
Chairman of the Audit and Risk Committee
Dugald Eadie was appointed a non-executive director in January 2002. He has held a number of senior executive positions in the fund management industry. He was most recently Group Managing Director of Henderson plc until his retirement in 1999, following its acquisition by AMP. He is an Honorary Fellow of the Faculty of Actuaries, and a Fellow of the UK Society of Investment Professionals.

**Phillip Colebatch***^+
Independent non-executive director,
Chairman of the Remuneration Committee
Phillip Colebatch was appointed a non-executive director in September 2007. He was previously a member of the Executive Boards of Swiss Reinsurance Company and Credit Suisse Group. He is a non-executive director of Insurance Australia Group and Lend Lease Corporation.

**Peter Clarke**
Chief Executive
Peter Clarke joined Man Group in 1993 from the investment banking industry, having worked at Morgan Grenfell and Citicorp. He became Head of Corporate Finance & Corporate Affairs and was Company Secretary from April 1996 to November 2007. He was appointed to the Board in 1997 and became Finance Director in May 2000. Peter was Deputy Group Chief Executive from November 2005 until his appointment as Chief Executive in March 2007.

Business Review
# Chief Executive's Review

**The past year has seen extraordinary turmoil in financial markets globally. Severe market dislocations, sharp falls in asset prices, the absence of liquidity and a loss of confidence in counterparties have all combined to stress business models throughout the financial services world.**

**Peter Clarke**
**Chief Executive**

**Peter Clarke**
Chief Executive

Investor confidence across our industry has been shaken by negative returns, heightened levels of volatility, constrained liquidity and some high profile investment scandals, including Madoff. Man's business has not been immune to these stresses. Profit before tax and adjusting items fell by 40% to $1.2 billion. Our funds under management fell by around a third over the year as redemptions increased and we took action to reduce investors' risk in light of volatile markets. We have therefore entered the current financial year with a materially reduced asset base compared to prior years and are focused on efficiencies as we ensure that our cost base is correctly proportioned. The impacts of recent markets have also been felt in our corporate holdings, principally an impairment charge of $299 million against Ore Hill investments and goodwill to reflect the deterioration of conditions in the credit markets and an impairment charge of $126 million against our residual investment in MF Global.

The turmoil has also served to highlight many of Man's strengths. Investors in our products saw favourable returns and capital preservation against a backdrop of extreme negative industry and world equities performance. Liquidity was maintained across the private investor product range throughout the entire financial year, a significant competitive differentiator which gives us substantial ongoing credibility with distributors. The benefits of portfolio diversification, an adaptable product range and the attraction of guaranteed product offerings meant that we saw record levels of demand from the private investor. Our strong balance sheet, significant surplus regulatory capital and access to liquidity provided confidence and allowed us to continue investing in our business.

In this testing environment, the professionalism and commitment of our people at all levels has been the key factor which has allowed us to address successfully the challenges we have faced. The pace of change in our business has been demanding of everybody in the firm. Their commitment, ambition and energy have enabled us to position Man for the future in a rapidly evolving world. I would like to take this opportunity to thank them all sincerely.

## Performing in difficult markets

The year to 31 March 2009 saw negative performance across a wide range of asset classes. In our industry, many funds also recorded negative returns for investors with very few positive performing styles over the period – the principal exception being managed futures. Over the course of the period, we benefitted from our long-standing emphasis on allocations to managed futures, primarily through AHL, but also through third parties. This had a positive effect on performance and provided diversification, both for our private investor products and our institutional investor portfolios, ranging from the positive return over the period of 7.7% for investors in our flagship AHL product to a significant contribution to RMF's 200 basis points outperformance of the HFRI Fund of Funds Composite Index – RMF down 15.5% over the period versus the index at negative 17.5%, with a backdrop of world equities returning negative 38.4% over the same period.

The real life stress test of markets through the recent turmoil has identified issues for managers and investors alike. Evaporation of risk capital weighed heavily on performance across many strategies as markets became illiquid, with a number ceasing to function effectively for significant periods. Selling pressure increased, driven largely by banks realising assets to raise capital and de-lever their balance sheets. The listed derivatives markets favoured by managed futures and global macro managers provided one of the few areas where liquidity was preserved and where counterparty risk could be mitigated through centralised clearing houses. In the last quarter of the financial year, the liquidity position across markets eased, a position which continues, although sentiment remains fragile and contradictory.

It is unlikely that the seizure of markets on the scale which we saw last year will repeat, but the stability of the listed derivative markets has been noted by international regulators. Moves to bring 'on-exchange' elements of the huge over-the-counter derivatives markets have the potential to create significant and enduring new listed markets in a range of instruments, and so an expanded opportunity set for managers such as AHL.

## Protecting the interests of our investors, maintaining the value of our franchise and ensuring financial discipline

Our investor focus has been on both investment management and risk management through these markets.

Man has always seen diversification as the key attribute of our product offering and we monitor the appropriate investment exposure within our products against the risk/return objectives of each product. In the final calendar quarter of 2008 we took pro-active measures to reduce investor risk in MGS products in light of highly volatile and illiquid

## Business Review
## Chief Executive's Review continued

markets, so preserving investor capital. The speed of this reduction in investor risk was greatly facilitated by our infrastructure and in particular the managed account platform, through which we had invested, a key advantage of the managed account being the control over assets it provides. Our close partnership with banks and prime brokers, who provide services and leverage to our products, was maintained throughout the process. In an environment of scarce product funding from banks, it is important that we have maintained the trust and confidence of our counterparties.

Throughout this process, MGS product guarantees were unaffected and remained in place in accordance with their terms, and liquidity terms were respected. There was active dialogue with our intermediaries and investors to provide a range of options to investors (including fee free switches).

The reduction in MGS investor risk was the single most significant contributor to the fall in private investor funds under management over the year (accounting for $12.1 billion of the aggregate net decrease). It also caused us to accelerate the amortisation of $107 million commission payments in our first half. Nonetheless, I strongly believe that these actions were absolutely in the best interests of the investors in our products and that our shareholders' interests have been best served by protecting our franchise in this way. We know from feedback we have received from investors and distributors that the manner in which we have taken and worked through the consequences of difficult decisions has re-inforced our reputation with them. As markets have stabilised and liquidity eased somewhat, we have begun a gradual re-gearing of some MGS products, as part of the dynamic process of investment exposure.

Difficult market conditions reinforce the need for high levels of investor and distributor servicing, even when assets are falling and investor appetite is muted.

We saw record levels of demand from the private investor, with sales over the period of $11.3 billion. The benefits of portfolio diversification, an adaptable product range and the attraction of guaranteed product offerings all contributed to this powerful demonstration of our asset raising capabilities. Redemptions were up on historic averages, driven by high open-ended product redemptions as is often the case in periods of strong AHL performance.

Our institutional experience was more in keeping with the industry as a whole, with our lower margin institutional funds under management reducing to end the period at $19 billion or around 41% in aggregate of our total funds under management. This result came in spite of RMF's strong performance relative to industry indices and equities and shows the extent to which investors sought liquidity wherever they could find it, irrespective of performance. In December we disclosed an exposure to Madoff representing around 1.5% of RMF's assets at the time and an associated 1.6% negative impact on RMF flagship performance. As soon as events came to light, we communicated with those investors affected and have kept these institutions up to date with subsequent developments. In practice, Madoff was one example of a broad set of industry issues and challenges which included redemption freezes, counterparty risk issues and high levels of correlation to equity markets. These have resulted in increasing calls for transparency in the way hedge fund businesses themselves are structured and run, alongside transparency on the identity and liquidity of the underlying investments. Addressing this wider set of industry issues is part of the proposition behind our new hedge fund management business.

Through these extreme markets a further key focus has been to maintain the continued financial strength of the firm.

We exercised disciplined use of the firm's balance sheet to support our core franchise. Proprietary investments reduced from $1.3 billion to $0.7 billion over the course of the year, as a result of management action and losses. We ended the year with increased net cash balances of $1.7 billion, our regulatory capital surplus increased to $1.7 billion and our $2.4 billion standby committed banking facility was unused.

At the end of March 2009 we announced that we would reduce the fixed costs of our business to reflect the lower current level of funds under management. That cost reduction has been implemented, reducing our fixed costs run-rate by $60 million per annum. We have taken the associated restructuring costs of $37 million in the results for the year. Synergies arising from the new hedge fund management business will reduce the fixed cost run-rate by an estimated further $30 million per annum.

### Sustaining competitive advantage and building for the future

AHL delivered exceptional performance in 2008, with an annual return of 33%. AHL has one of the longest and most impressive track records in the industry and a reputation for innovation, refinement and expansion of its successful trading strategies.

We have continued to invest in AHL's people, systems and relationships. Specific examples include:

> strengthening the teams with the addition of 43 new members since January 2008 (mainly in research, but with some on the operations side);
> opening an AHL Hong Kong trade execution desk in April of this year, delivering improved execution efficiency, better leveraging of local broker relationships and expanding into new instruments in the region;
> rapid expansion of the Man Research Laboratory at Oxford (now nine full time researchers with plans for more and with the outputs of several projects having already filtered through to AHL's trading programmes); and
> investing in technology to enhance trading efficiency, reducing time to market for new trading strategies, through the use of small scale exploratory models and new tactical trading environments and increasing processing power through innovative high-frequency price storage and analysis systems.

We have continued to invest in our distribution network and intermediary relationships. In November last year we opened a Dutch office to enhance our presence in the Netherlands and additional offices for specific markets in Europe and Asia are under active consideration.

We are pleased to have widened our distribution relationships in Japan, alongside our existing strong alliances there. A considerable amount of planning, preparation and careful product analysis over the course of last year resulted in the launch of a publicly distributed managed futures product which raised almost $1 billion of new investor money after the financial year end. We have also committed time and effort to relationships in longer term prospects, most notably in China.

Current investor caution suggests that portfolios containing highly liquid investments are likely to see most demand in the shorter term. Man is well placed to cater for these preferences and our new hedge fund management business provides an efficient means of delivering the strength and breadth of the whole firm to the end investor. An early example of product managed by the new business is an open-ended combination of managed futures and global macro managers, giving access to broad manager pools and managed account relationships across Man. The product launches in June 2009.

In an environment of increasingly complex and engaged regulation, our ability to design and structure products on-shore in a regulatory compliant format in many countries is an important component of our flexibility and competitive advantage. In the course of the year we launched our first UCITS III compliant product and continue to investigate the opportunities this format presents for both single manager and multi-manager blends across our product range.

Man is already regulated in many countries, including the Financial Services Authority in the UK and has developed regulatory relationships across the globe. Accordingly we already have in place the resources, structures and capital to address additional regulation of our industry internationally.

In March we announced plans to address evolving investor requirements through the creation of an integrated hedge fund management business to lead the industry in providing access to hedge fund investing in a transparent and flexible format. That announcement created significant interest in our industry and was widely welcomed by investors, distributors, intermediaries, banks and other stakeholders. The new hedge fund management business will become operational during June. It builds the strengths of RMF's infrastructure and disciplined investment process, Glenwood's bottom-up manager selection philosophy and Man's managed account expertise, into a new, strong, comprehensive and integrated structure, underpinned by Man's capital strength, global distribution capabilities and structuring expertise. The new structure has been driven first and foremost by a thorough analysis of what both private investors and institutions want and need, in a rapidly evolving world. In serving the needs of investors for confidence and choice, the new business gives us access to a range of investor flows and economics, whilst maximising internal efficiency. All existing products and portfolios will continue to be managed according to their investment guidelines but will receive the investment management benefits that the new business will bring.

## Dividend

Based on the Group's earnings generation and business performance in the year and the strength of its balance sheet, the Board proposes to declare a maintained final dividend of 24.8 cents per share, giving an unchanged total dividend for the year of 44 cents per share.

## Outlook

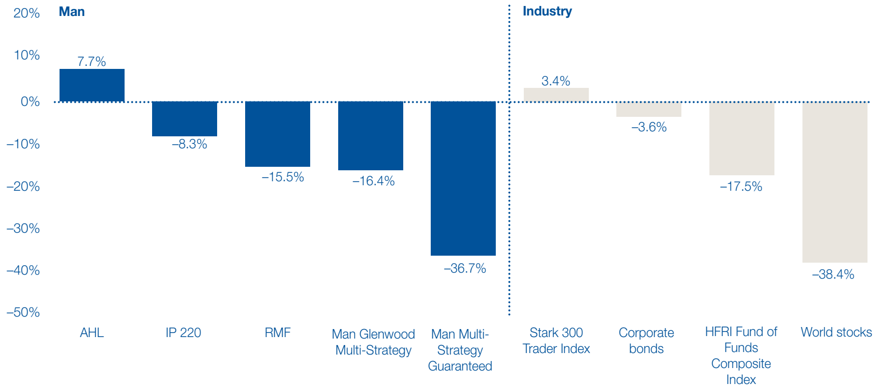
After the turmoil of 2008, our industry has shown signs of stabilisation in early 2009. A number of market commentators anticipate that industry funds under management will bottom-out at around $1 trillion during 2009, then regain upward momentum. With overall industry performance in positive territory for the year to date and outflows slowing, there are some signs in support of this view. However, it is clear that a major industry shake-out is underway, precipitating a sharp fall in the number of managers, led more by attrition than consolidation, as many mangers have not been able to survive the decline in assets. The factors underpinning these trends play to the strengths of Man's business model.

We have continued to invest in our business and sharpen our product focus to take advantage of markets and new opportunities. The launch of our new integrated hedge fund management business demonstrates where we see clear and wide-ranging potential for growth in market share, and the first product will be in the market during June 2009. We have taken further steps to reduce costs and rationalise products as part of this initiative. We have also separated our principal investing and seeding activities to take advantage of the clear opportunities in this area.

Investors of all types are reflecting on the turbulence of markets over the last two years and are looking for diversification opportunities within their portfolios offering an appropriate risk and return, and for investment firms who have scale and breadth. Institutional investor sales have remained muted since year end and redemptions, as announced in March, continued into April. Our recent private investor product offerings have focused on liquid strategies, in both guaranteed and non-guaranteed formats, with conservative and sustainable leverage. Private investor demand has been strong, with sales since year end totalling $2.6 billion, including around $1.5 billion across Asia Pacific. Funds under management at 26 May are estimated at $44 billion.

This is a period of significant opportunity in our industry. The lower level of current funds under management will result in lower management fee income in the coming year. We have addressed our cost base and have made a number of substantial changes to Man's business to reinforce our competitive advantage, and address future investor requirements and evolving markets. Man is well positioned for growth in market share.

**Performance in difficult markets**
Year to 31 March 2009



Business Review

# Questions for the Chief Executive

**This has been a difficult year for the hedge fund industry, and for Man. Here, Peter Clarke answers some of the questions asked most frequently by our institutional investors.**

## Industry

### Q. The hedge fund industry saw its first ever net outflows in 2008. Has the rationale for investing in hedge funds changed?

**A.** Hedge fund assets under management (AUM) fell by some 25% in calendar year 2008. In the first quarter of 2009, hedge fund performance returned to positive territory, which we see as a good leading indicator for a return to AUM growth.

We see the investment case for hedge funds as being very much intact, with the key themes of diversification and non-correlated returns continuing to resonate with investors. Hedge funds in general recover more quickly after a drawdown than conventional asset classes, and provide better liquidity than other alternative asset classes such as private equity and property. Man's strategy mix, with its weighting towards the managed futures style, excels at providing the liquidity, transparency and uncorrelated performance prized by investors.

PAGE 16
Industry Trends

### Q. Are lower management fee levels inevitable?

**A.** In our private investor business, Man has a long-term track record of delivering the attractive, uncorrelated returns investors are seeking from hedge funds. Thus, we do not expect fee pressure in this area.

In the fund of funds industry, there is ongoing management fee pressure. In Man's institutional business, this is partially offset by recent performance disparities between fund of funds offerings, with RMF outperforming the benchmark, and by our ability to deliver distinctive, customised solutions to institutional investors.

PAGE 70
Margin Analysis

### Q. How will greater regulatory scrutiny affect Man?

**A.** Greater regulatory scrutiny will clearly increase barriers to entry in our marketplace. Man is already fully regulated, on a consolidated basis by the FSA, and by national regulators wherever we have offices – currently we operate from 19 separate locations. As a consequence, we have the infrastructure and expertise in place to handle existing regulations and respond to increased regulatory scrutiny.

PAGE 16
Industry Trends

## Private investor business

### Q. Can you continue to deliver guaranteed products in an environment of constrained funding and low interest rates?

**A.** One of the key strengths of Man's business is our ability to adapt our product line to meet investor demands in changing market conditions. In the short-term, we will respond to investor demand by focusing our guaranteed product launches around AHL and other liquid content, to provide liquidity, transparency and performance, in a structure with low cash intensity and little to no reliance on external leverage. Looking more broadly, we will retain access to funding because the size of our operations makes us relevant to our funding providers, whose relationships with us extend beyond product funding into distribution, provision of guarantees and corporate relationships. Last but not least, the strength of our franchise in Japan demonstrates the attractiveness of our products in a low interest rate environment.

PAGE 22
Japan case study

### Q. Do you worry about over reliance on AHL?

**A.** The liquidity, transparency and uncorrelated returns provided by AHL and the managed futures style continue to be extremely popular with investors, and we see plenty of new potential for generating returns. Therefore, we are comfortable with the strategy of focusing product launches in the short-term around AHL. Our long-term objective remains to offer a broad range of investment styles to attract a higher proportion of investor assets.

PAGE 32
AHL

### Q. Your decision to de-risk the MGS product line caused a significant reduction in funds under management. Why did you do this?

**A.** The MGS product line was exposed to under-performing strategies, which continued to lose money until the end of 2008. So from the product investors' viewpoint, the MGS de-risk was a logical investment management decision which achieved its objective of protecting investor capital.

The MGS de-risk was the single largest contributor to the reduction in FUM this year. Reported FUM represents our total investment exposure – investment equity, notional exposure (principally in the futures markets) and external leverage – which meant that a steep reduction occurred when external leverage was removed and product content (including managed futures) was re-balanced to preserve product mandates.

It was testament to Man's infrastructure that we were able to achieve the de-risk in such an orderly fashion under extreme market conditions.

PAGE 31
MGS

## Institutional business

### Q. What impact has your involvement in the Madoff fraud had on your business?

**A.** Man had a $360 million indirect exposure to Madoff through its predominantly institutional fund of funds business, RMF. We worked hard to communicate the extent, implications and actions taken as a result of this exposure to our investors. Further, as part of our ongoing commitment continually to enhance and refine our due diligence procedures (either as a consequence of market events or evolving best practice) we have made a number of improvements to our underlying processes and procedures.

PAGE 28
RMF

### Q. Is the fund of funds model sustainable?

**A.** Yes. There will be continued demand for fund of funds that provide diversification benefits through strong due diligence, manager selection and combination, and risk management.

We are building an integrated hedge fund management business that combines the strengths of RMF, Glenwood and MGS, and will give us a highly competitive, large scale fund of funds offering.

## Shareholder returns

### Q. You have seen your share price decline by over 50% in the last financial year. How concerned are you?

**A.** As substantial shareholders ourselves, and with employee compensation heavily weighted towards share ownership, our interests are strongly aligned with those of our shareholders. We remain focused on generating long-term value by taking the right actions to protect and grow our franchise.

### Q. Is your current dividend sustainable?

**A.** The Board took the decision to maintain the current year's dividend at 44 cents per share based on Man's earnings generation and business performance in the year, and the strength of our balance sheet. These, along with earnings outlook, will remain the criteria by which future dividend decisions are made.

## People

### Q. How do you intend to retain and motivate your staff in an environment of lay-offs and reduced bonus payments?

**A.** Man is essentially a people business, and our employees have shown extraordinary commitment and professionalism through a challenging year. In March, we took the difficult decision to reduce headcount by 15% to reflect the reduction in funds under management. Nevertheless, Man remains an attractive and stimulating company to work for, with competitive remuneration, a strong reputation and a long-standing commitment to corporate responsibility, which our employees value. The launch of our new hedge fund management business will stimulate further change in our business, and I am delighted with the way the teams involved are responding to this latest challenge.

PAGE 36
People

Business Review

# Industry Trends and Competitive Environment

# Looking ahead – themes and trends

## The hedge fund industry is at a crossroads. Events over the past year have severely tested business models and strategies, and we see our industry undergoing a period of reformation, led by scale players such as Man.

Hedge funds have enjoyed explosive growth since 1990, both in terms of assets under management and number of managers, but these trends reversed sharply in 2008 **Graph 01**. We believe that funds under management will gradually recover and, in time, resume their upward trend. A major shake-out is under way. There is already strong evidence of a consolidation in favour of larger players, with a permanent reduction in the number of managers and concentration of assets among a few leading players.

**Graph 02**. Growth prospects remain good because, despite an overall downturn in performance in 2008, the value that hedge funds can add remains evident, particularly when the challenges facing other investments are taken into account. This provides a firm foundation for the industry as a whole but only those that are appropriately positioned in this new environment will prosper.

The competitive landscape is already reforming as a large number of hedge funds have closed their doors and many of the proprietary trading desks of major investment banks have been closed down or greatly reduced in scale. This has resulted in an overall shrinkage in the industry, in which only the strongest managers have survived to pursue their strategies in what is likely to be a far less competitive environment in future.

**The hedge fund value proposition will be reaffirmed**

It is widely acknowledged that hedge funds have delivered considerable value over the years, providing significant capital growth and protection. However, 2008 was, as a whole, one of the worst years for the industry. The mean performance disguises the full story as some sectors – notably managed futures – had one of their best years on record. Nevertheless, the industry needs to answer the charge that the hedge fund model has been damaged **Graph 03**.

Man firmly believes that hedge funds will continue to form an important segment of the investment world. Their flexibility and large diversity of styles and strategies mean that there are inherently more opportunities for hedge funds to deliver long-term risk-adjusted returns than traditional asset managers. This underpins their ability to recover more quickly from downturns. Hedge funds continue to produce beneficial capital protection and risk reduction through generally low correlation to traditional assets, demonstrating resilience even during the recent downturn – as they have, historically, during major bear markets **Graph 04**.

Already, the substantial repricing of risk in recent months has created highly attractive opportunities in several hedge fund styles.

**As the industry moves closer to the mainstream, consolidation will intensify**

Hedge funds are already adapting their business models and investment techniques to respond to the new financial environment.

Investors, whether institutional or private, are reassessing their requirements of investment managers in the light of recent events. There is increasing awareness of the importance of controlling non-financial risks, with particular emphasis on such factors as liquidity, transparency, security, manager pedigree, governance and sustainability. Scale brings benefits – and this shift favours the larger, well-established players such as Man.

The shift in investor priorities is likely to play into a long-established trend towards consolidation, as the bigger players continue to increase their market share. Nearly three-quarters of hedge fund assets worldwide are held by managers with over $1 billion under management. This trend is likely to continue as smaller businesses, which will struggle to provide the additional layers of regulatory compliance, infrastructure and resources that institutional and private investors are demanding, fall by the wayside or are absorbed. The medium- to long-term outlook for the survivors of this industry rebalancing, of which Man is a prime example, is very positive.

**Regulation will increase, benefiting better-resourced managers**

Increased regulatory controls have been a catalyst for the institutionalisation of the hedge fund industry over the past few years. Some of these changes have been driven by the industry itself, with Man at the forefront of introducing voluntary codes of conduct. At the same time, the financial crisis has inevitably brought more attention on hedge funds and heightened governance can be expected.

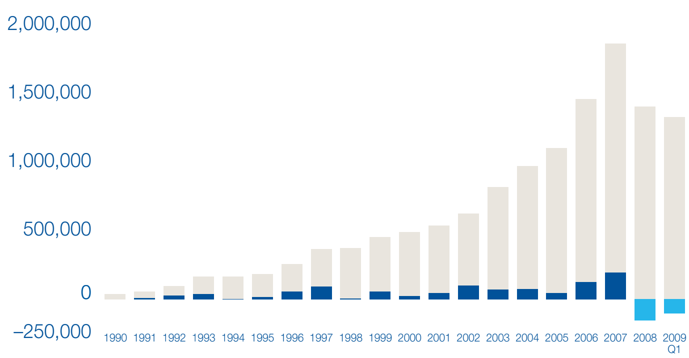
Man supports all efforts towards increasing market stability and the protection of investors. As active members of the Hedge Fund Standards Board in the UK and the working group for the Guide to Sound Practices for Fund of Hedge Fund Managers, we are long-standing advocates of the development of guiding principles for the industry. Man is already fully regulated, on a consolidated basis by the FSA, and by national regulators wherever we have offices – currently we operate from 19 separate locations. As a result, we welcome increased governance and institutionalisation of the industry, as this will lay the foundations for an even stronger hedge fund value proposition in the future. The industry will become more investor friendly, as greater accountability will foster the spread of ‘best business practices’.

**A more focused set of investment strategies will be successful**

Some styles and managers will find it hard to prosper in the new environment, particularly those that have traditionally relied on leverage to enhance returns. It is going to take some time for the credit markets to return to normal and so the easy availability of capital, which was a driving feature of previous years, is likely to be absent for the foreseeable future. We are already seeing evidence that investors are attracted more to styles that combine strong and persistent value creation with transparency and simplicity of the underlying investment proposition. At a business level, well-capitalised companies such as Man will be best placed to ride through the credit contraction – and our competitor base will continue to weaken as some business and investment models fail.

**As the hedge fund industry reshapes itself, Man stands to benefit from these prevailing trends – and will build on its reputation, capital strength, geographic spread and resources.**

**01 2008: hedge fund outflows driven by poor performance and forced liquidation**

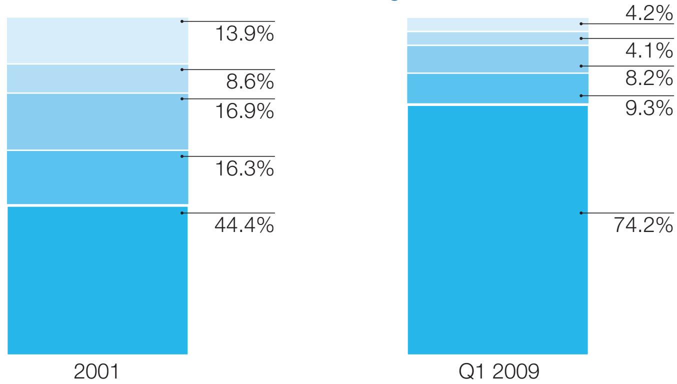



Asset flow
Hedge fund assets

Source: Hedge Fund Research

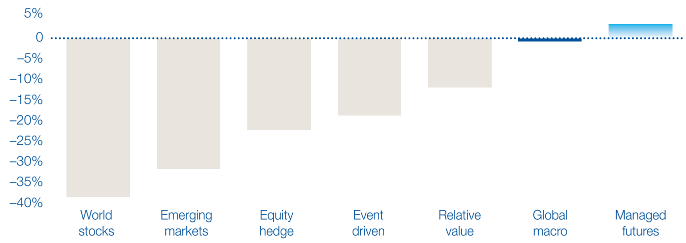
**02 Concentration of investment in large scale funds**

Fund assets
- > $1 billion
- $500 million to $1 billion
- $200 to $500 million
- $100 to $200 million
- < $100 million




Source: Hedge Fund Research

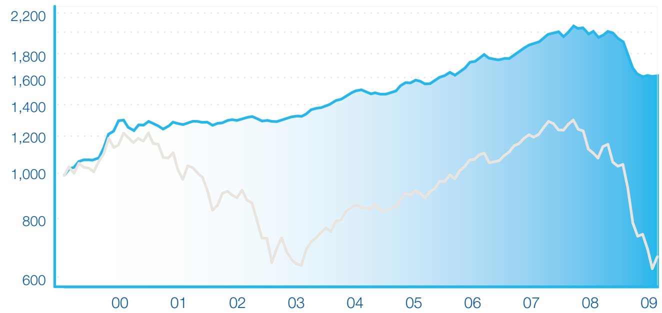
**03 Outperformance of managed futures and global macro strategies 1 April 2008 to 31 March 2009**




Source: Bloomberg and Stark & Co., Inc. There is no guarantee of trading performance and past performance is not necessarily a guide to future results. Please note that the HFRI and Stark 300 Trader index data over the past four months may be subject to change. Equity hedge: HFRI Equity Hedge (Total) Index. Event driven: HFRI Event Driven (Total) Index. Macro: HFRI Macro (Total) Index. Relative value: HFRI Relative Value (Total) Index. Emerging markets: HFRI Emerging Markets (Total) Index. Managed futures: Stark 300 Trader Index. World stocks: MSCI World Index hedged to USD (price return).

**04 Performance of fund of funds and world stocks 1 April 1999 to 31 March 2009**

World stocks
Fund of funds




Source: Bloomberg. There is no guarantee of trading performance and past performance is not necessarily a guide to future results. Please note that the HFRI index data over the past four months may be subject to change. World stocks: MSCI World Index hedged to USD (price return). Fund of funds: HFRI Fund of Funds Composite Index.

**Business Review**

# Our Global Scale

## Institutional Investor Business

Man's institutional investor business serves a diverse client base of pension plans, insurance companies, asset managers, joint venture partners and corporates, worldwide.

**Investor base**

> 250 institutions, principally in Switzerland, Germany and the UK.

**Distribution network**

> Dedicated sales force.

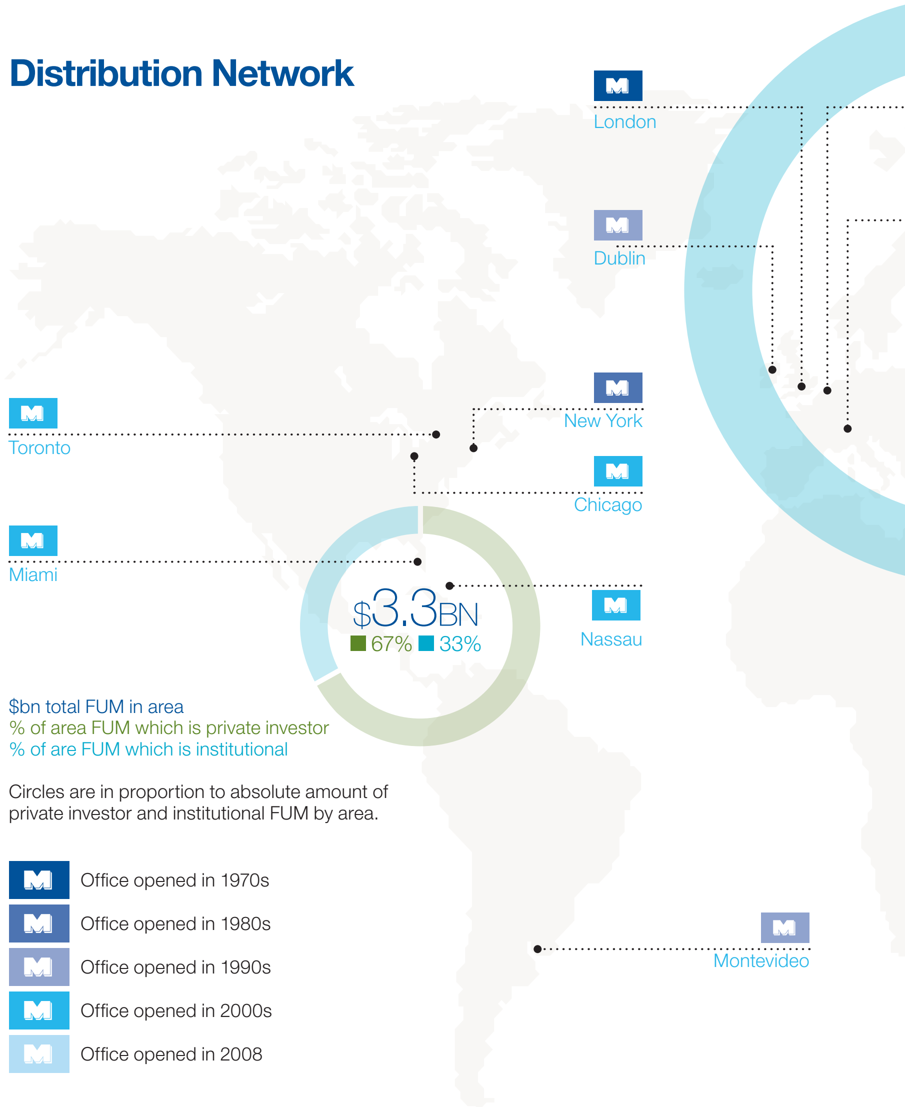
**Adaptable product range**

> Full range of products consisting of both diversified and strategy specific portfolios, as well as fully customised solutions.

Institutional investors faced significant challenges in 2008. Many were forced to sell assets to raise capital, with hedge funds at the more liquid end of the spectrum and therefore one of the first sources of liquidity, irrespective of performance. Man's institutional business inevitably suffered in these conditions, with institutional funds under management reducing from $31.1 billion to $19.0 billion. Nevertheless, we honoured our commitments to allow our investors to redeem when they needed to, and outperformed industry benchmarks.

PAGE 26
Institutional Investor Business

## Distribution Network




## RMF Four Seasons Strategies

RMF Four Seasons Strategies is our benchmark diversified institutional offering. Investors benefit from RMF's global presence, access to the capacity of leading hedge fund managers, manager selection and asset allocation expertise and risk management skills. It contains around 170 underlying managers representing five complementary hedge fund styles – equity hedge, event driven, global macro, managed futures and relative value – and targets returns uncorrelated with world stock markets. Since its launch in August 1999, RMF Four Seasons has delivered annualised returns of 4.5% compared to –4.4% for world stocks.

PAGE 27 RMF

**Performance** (annualised for Man's financial year)

| | % |
|---|---|
| 1YR | –15.5 |
| 3YR | –1.8 |
| **5YR** | **1.5** |

## Man AHL Diversified plc

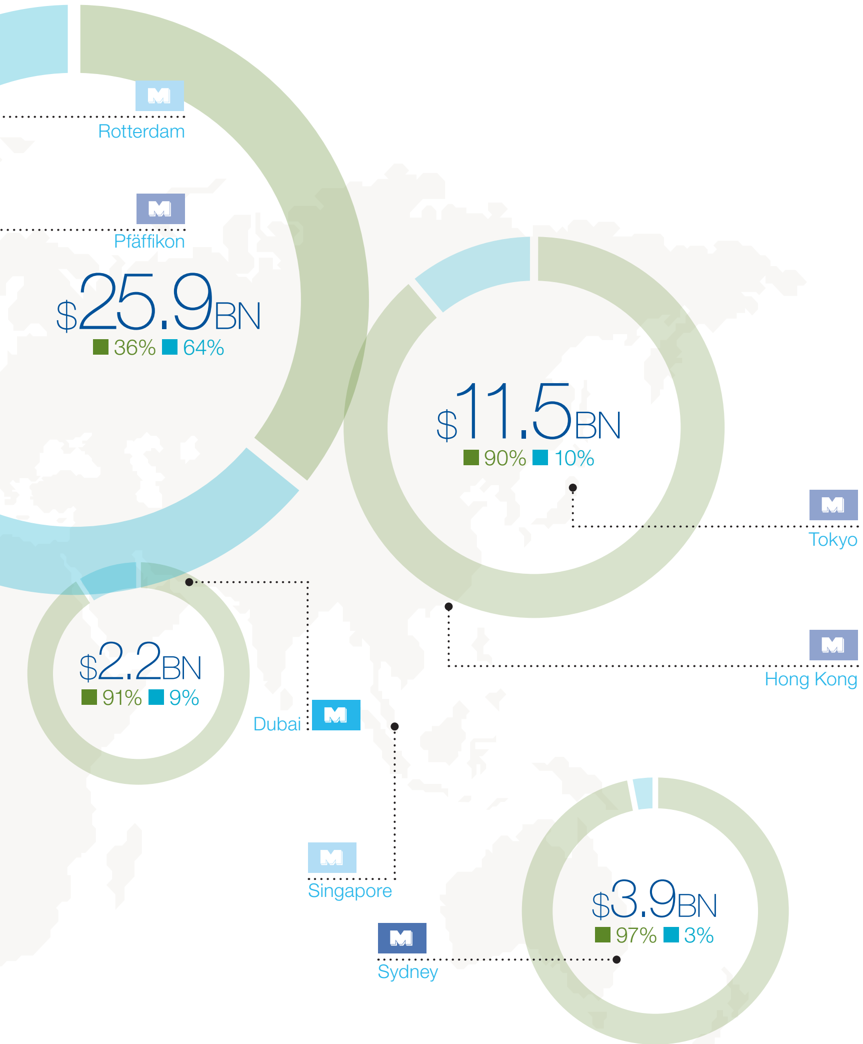
AHL is a world-leading quantitative investment manager specialising in systematic trading. It uses heavily researched trading systems to identify and profit from trends and other inefficiencies across a highly diversified portfolio of futures and other financial instruments. AHL content is marketed to private investors in guaranteed and open-ended formats, and to institutions. AHL's flagship Diversified programme has generated an annualised return of 18.9% since its launch in March 1996, and returned 33.2% in the 2008 calendar year.

PAGE 32 AHL

**Performance** (annualised for Man's financial year)

| | % |
|---|---|
| 1YR | 7.7 |
| 3YR | 15.6 |
| **5YR** | **13.3** |

Man AHL Diversified plc is valued weekly for comparative purposes: statistics have been calculated using the last weekly valuation for each month.




## Private Investor Business

Man's private investor business offers the prospect of good risk adjusted returns, with low correlation to traditional assets classes such as equities and bonds.

**Investor base**

> High net worth and mass affluent individuals.

> Introduced to Man products by bankers, financial advisers, brokers or asset managers.

**Distribution network**

> Dedicated distribution team of over 300 individuals, supporting our network of over 2,000 intermediaries.

**Adaptable product range**

> Guaranteed products provide principal protection, access to a blend of hedge fund styles, monthly liquidity and relatively low entry points.

> Open-ended products provide more concentrated access to single manager content such as AHL, with monthly liquidity, as well as to diversified and concentrated fund of fund offerings, either multi-strategy or theme/sector based.

Man's private investor business continued to see net inflows in extraordinarily difficult markets during 2008. Top of investors' agendas were performance, liquidity and principal protection, all of which were provided by Man's product range.

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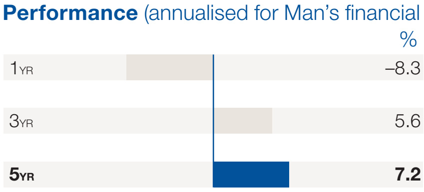
Private Investor Business

## Man-IP 220

Man-IP 220 is our global guaranteed private investor product and a flagship product in key areas of strength such as Japan. It contains blended content from managed futures manager AHL and fund of funds manager Glenwood to generate smoother overall performance. The product's capital guarantee ensures the return of at least the investor's initial investment at maturity. Since its inception in December 1996, Man-IP 220 has generated annualised returns of 14.2%.

PAGE 21 Man-IP 220

**Performance** (annualised for Man's financial year)



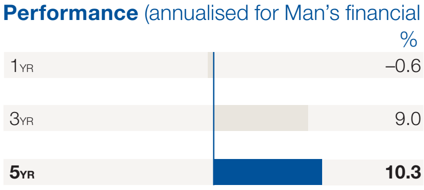

Represented by Man-IP 220 Ltd from 18 December 1996 to 31 December 2005 and Man-IP 220 Ltd – USD class bonds from 1 January 2006.

## Man OM-IP 220 Ltd

Man OM-IP 220 Ltd is our flagship product in Australia. Launched in August 1997 with a term of eight years, it has developed a stable investor base with 60% of investors electing to continue their investments for a further 10 years at the original maturity date in June 2005. Man OM-IP 220 Ltd has delivered a 15.6% compound annual return since launch.

PAGE 24 Australasia Case Study

**Performance** (annualised for Man's financial year)



## Business Review
# Private Investor Business

# A unique global franchise

**Man's private investor base has been the bedrock of our investment management business since the 1980s. Sourced through our network of intermediaries and other distribution partners, it is truly global.**

At the end of the financial year, Man had $27.8 billion under management in its private investor business. Investors are located in 80 countries, with the biggest concentrations being in Japan (25%), Asia ex-Japan (25%) and Europe (34%). There are also a significant number in the Middle East and Latin America.

The nature of this investor base is evolving. Although, traditionally, hedge funds were the preserve of the wealthy, recent years have seen a broadening-out of the investor profile, with products offering a lower initial investment threshold. This shift is part of the gradual incorporation of hedge funds into the investment mainstream, and we have seen a strengthening of this trend during the last financial year. There are a number of reasons for this.

### A solid investment proposition
Private investors look to hedge funds to provide medium-term capital growth, and to protect their capital during times of market downturn. This has become of increasing importance following the market dislocations of recent times. Hedge funds can achieve this through their ability to apply alternative methods of investing and trading to an extremely broad range of markets. In doing so, they tend to behave differently to investments based on traditional techniques and markets. This diversification can lead to smoother overall portfolio growth.

Importantly, the value proposition of hedge funds remains valid. Hedge funds encompass a wide diversity of styles, and we anticipate that the changing nature of the global financial markets will result in a refocusing of private investor assets towards certain types of styles and strategies. For instance, managed futures – which, through our manager AHL, have been a mainstay of our private investor product range for over 20 years – are likely to build on the excellent performance of last year.

### A proven and diverse product range
With over 25 years' experience in alternative investments, Man has a proven ability – which our private investors recognise – to produce investments that offer performance, diversification and security.

Man's product range is diverse in a number of ways. First, through our single manager and multi-manager investment businesses, we offer products forming a spectrum of risk/return objectives. Second, Man has long pioneered capital guarantee structures, and offers a range of these in addition to open-ended products. And, through innovative structures such as the highly successful Man-IP 220 series, we can offer investors the opportunity to benefit from a package of managers in a single product. This ability to design, structure and manage complex investment vehicles sets Man apart from much of its competition.

### An encouraging outlook
Despite the overall contraction in size of the hedge fund industry over the past twelve months, the outlook for Man's private investor business remains very positive. Over the years, we have pioneered the distribution model of opening offices in key regions, and using these as the base to form partnerships with local intermediaries and banks. With access to local and highly experienced intermediaries, the private investors in our products tend to have a superior understanding of their nature, and of how they fit into a diversified portfolio. The consequence of this is that both our distribution network and the end investors take a longer-term view than average, a fact demonstrated by our comparatively low redemption rates.

During the last financial year, we have continued to grow our presence in existing markets and expand into new ones, and have seen excellent results in a number of areas, in particular the Far East. Globally, we have expanded our intermediary network – which encompasses independent financial advisers as well as major financial institutions – from 2,100 to 2,200. We continue to work closely with many of the world's most reputable banks, some of whom not only distribute our products but provide capital guarantees and leverage. In Europe, in recognition of the growing importance of the onshore market, we opened a new office in the Netherlands, and plans are well under way to open another within the European Union during the next financial year.

Reputation, capital strength, security and the proven ability to perform in testing conditions – all these are valued by our private investors. A cornerstone of our business has been the understanding that we need to combine flexibility with consistency. In a dramatically changing marketplace, we look forward to continuing to serve our investor base and deliver differentiated performance.

**Private Investor Funds Under Management** – March 2009


| | | 2009 | 2008 |
|---|---|---|---|
| 1 | Asia Pacific | **50%** | 44% |
| 2 | Europe | **34%** | 39% |
| 3 | ROW | **16%** | 17% |

Focus on
# IP 220

## In difficult markets, we delivered three key benefits to our investors – performance, capital protection and liquidity.

**Christoph Möller**
**Global Head of Sales**

From left to right Christoph Möller (Sales), John Rowsell (Glenwood) and Tim Wong (AHL)

**Annualised return for Man-IP 220**

14.2%

**New private investor sales in 2008/9**

$11.3BN

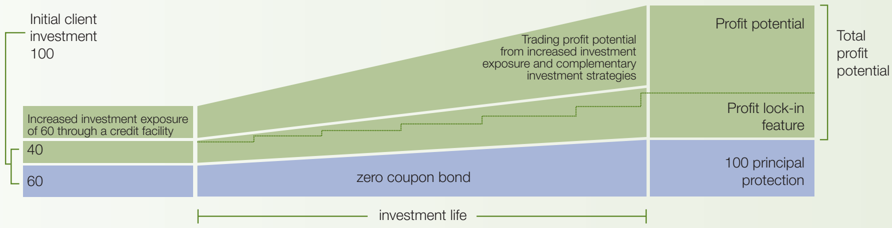
The first Man-IP 220 fund was launched in 1996. It represented a breakthrough in hedge fund structuring, and the ensuing series of funds has produced exceptional performance.

Man pioneered the capital guarantee structure in the mid 1980s, and launched a series of funds based on combining an investment in a single manager with some form of capital guarantee. A further development was to use external financing to allow for increased investment exposure.

This approach proved to be very successful. Man-IP 220 represented the next step: to combine more than one manager under this type of structure. Using two managers whose returns were produced in different ways allowed for a smoother overall performance. Man-IP 220 combines two of Man's managers: AHL, a managed futures business, and Glenwood, a fund of funds manager.

The product's investment exposure is enhanced by a mechanism which, through a combination of the efficient use of trading capital and credit facilities enables an investment exposure of 160 units for every 100 units invested. The product is then protected by a capital guarantee from a major bank, which assures the return of at least the investor's initial investment at a maturity date. In the case of US dollar denominated products, the collateral is in the form of US treasury bonds. In addition, a rising guarantee feature, which works through locking in profits, can act to increase the value of the guarantee. A further variation, particularly suited to low interest rate environments, is to offer an initial partial guarantee with profit lock-ins, to prevent the maturity of the product from becoming too long-dated.

Man-IP 220 has produced a compound rate of return of 14.2% per annum since inception in 1996. Importantly, this excellent long-term performance has been achieved in a variety of market conditions, including several major downturns in the global equity markets.



**Business Review**
**Private Investor Business continued**

# Japan
case study

# Strength through relationships

## Man is a leading provider of alternative investments to Japanese investors, specialising in marketing products mainly through joint ventures with leading financial institutions.

### Profile of Japanese investors in Man products
Our investor base comprises private investors, pension plans and financial institutions. To achieve maximum effectiveness in each of these market segments, Man's Japanese business teams up with leading distributors, securities brokers and banks in the private investor markets; trust banks for pension plans; and banks, securities brokers and discretionary investment advisers for financial institutions.

### Why do investors choose Man products?
Japanese investors generally have been strongly risk-averse in recent years and accustomed to minimal yields on cash deposits, with more than half of household savings held in very low interest bank deposits or cash. Although turmoil in the financial markets has temporarily dampened the trend, we expect a long-term shift from bank deposit to risk investment.

Other factors that play strongly in reassuring Japanese investors about Man include the long history of the business, its stability, its very substantial funds under management and superior performance.

### What is unique about our business in Japan compared to our competition?
The uniqueness of Man's Japanese business can be summarised as follows:

1) Covers all key client segments such as private investors, pensions and financial institutions with a highly experienced team of local staff.

2) Business leverage primarily through joint ventures with key distributors in each client segment.

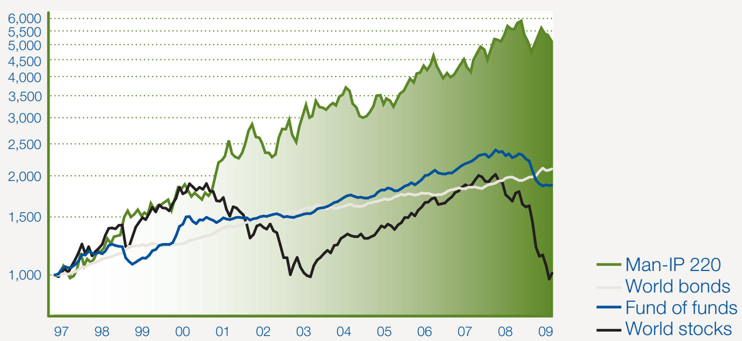
3) Emphasis on post-investment satisfaction by offering high-level client service such as regular reporting, pro-active response to clients and performance reporting sessions for private investors.

### Key growth opportunities
The long-term trend toward greater risk exposure in financial investment markets presents the potential for multi-billion dollar growth in alternative investments from private investors alone. To participate fully in the expected growth it is vital to support and educate distributors and investors.

As in other regions, managed futures have been a very popular area during the financial turmoil because of strong, non-correlated performance and this should continue, while stronger performance is awaited from hedge funds in general. We expect to focus on AHL, multi-manager CTA and global macro products in the near term. Longer term, we see good demand for other hedge fund styles and diversified fund of hedge funds.

### Pension plans and financial institution business
Good opportunities are evident in the pension plan and institutional sectors. During the financial crisis AHL has provided what can be seen as an insurance effect and it remains very appealing, leading to strong investment flow from pension plans. AHL has the strong advantage with financial institutions that it can satisfy the Basel II compliant disclosure requirements.

**Performance of IP 220**
18 December 1996–31 March 2009

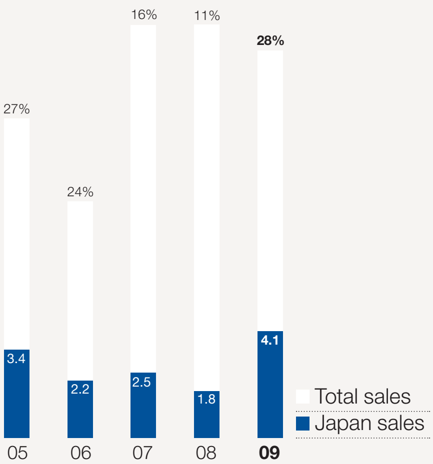


Shimpei Kanzaki (Marketing)

**Success in Japan depends on strong relationships, excellent client service and consistent performance. Man has been working for 20 years to build our franchise along these lines.**

**Hidehiko Hayashi**
**President, Man Investments Securities Japan Ltd**

**Japanese sales as a proportion of total sales ($bn)**




## **Japan** in brief

### Who the investors are
Private investors, high net worth individuals, pension plans and financial institutions.

### Average size of investments
Varies according to investor segment, distributor and product. For private investor products targeting the mass affluent market, the average is $70,000–100,000.

### Total funds under management
Man's Japanese business accounts for approximately $8 billion (March 2009) of the Group's total FUM.

### Sales force
The main role of Man's Japanese sales people is to establish relationships with financial institutions as distributors, propose products, plan marketing strategies, support marketing activities through study sessions and investor seminars, and offer post-investment services. We also selectively and directly promote our products to large financial institutions and cover major institutional clients such as banks, trust banks and insurance companies.

### Seminars and study sessions
More than 500 study sessions for distributors, plus investor seminars and performance reporting sessions were held in the 2008/9 financial year.

**Business Review**
**Private Investor Business continued**

# Australasia
## case study



# Rewards through experience

**Man has built a pre-eminent position in the Australasian market and is now the largest provider of structured alternative investment products for private investors in the region.**

### Fact File

**Investors** Individual investors, high net worth individuals and superannuation funds.

**Investors**

116,000

Over 116,000 investors in 34 funds in the past 13 years.

**Adviser network**

4,000

Over 4,000 advisers have sold Man OM-IP funds in Australasia.

### Profile of Australian investors in Man products

Investors in the Man OM-IP funds have traditionally been private investors, from individual retirement investors through to high net worth individuals, and pension funds. The business has grown through a strong history of fund performance, the support of financial advisers and banks and the efforts of our client service, sales and administration teams.

The Man OM-IP funds have a minimum investment of AU$5,000 ($3,500) and offer monthly liquidity with a capital guarantee and rising guarantee. It is these features, combined with the performance and diversification the funds provide, that have attracted over 116,000 investors in 34 funds in the past 13 years.

### Australian superannuation industry

The Australian investment industry is supported by regular flows of money coming from the compulsory superannuation legislation, where all Australian workers contribute 9% of their salary to their own pension plan. With the investment industry managing about $1 trillion, Australia has the fourth largest pool of pension assets in the world.

The sector is dominated by 575 superannuation funds with a total of $570 billion in assets. The balance is largely accounted for by nearly 600,000 self-managed super funds, typically run by wealthy individuals and families, with a combined AU$290 billion ($200 billion) in assets.

### Why do investors choose to invest in Man products?

Man's flagship product in Australia is the first IP 220 fund in the region – Man OM-IP 220 Limited. Launched in August 1997 with a term of eight years, 60% of shareholders elected to continue their investment for an additional 10 years after reaching the original maturity date in June 2005.

Each share in Man OM-IP 220 has grown from AU$1.00 in 1997 to AU$5.4466 at 31 March 2009, with a rising guarantee of AU$4.5987.

### Market trends

The Australian investment market has a significant number of investment managers and financial intermediaries. Some 600 managed funds are available to Australian investors. The past 10 years have seen a growth in aggregators – master funds and wrap accounts – that have become a one-stop shop for investors to choose their investment products from a menu. Man has developed open-ended fund products that can become an investment choice on these menus which will provide consistent investment inflows for the future.

### What's unique about our business in Australia compared to our competition?

Man pioneered the alternative investment and structured product sectors in Australia. Having been first to market with the Man OM-IP funds as early as 1997, Man has steadily grown its franchise in the Australasian region. With the funds having performed through various market conditions, Man's reputation has been enhanced, particularly through the current financial crisis.

### Key areas of focus/growth opportunities

The compulsory superannuation regime provides a consistently expanding investment pool in Australia. With a growing interest in alternatives and a large acceptance of the asset class in the Australian market, there are significant opportunities for Man to grow the Australian franchise. Key opportunities exist in the institutional market and with open-ended funds.

# Man OM-IP 220 at a glance

| | |
|---|---|
| AHL Diversified Programme | 100% |
| Glenwood Portfolio | 60% |
| Capital Guarantee | 100% |

Performance since August 1997

**Compound annual return**

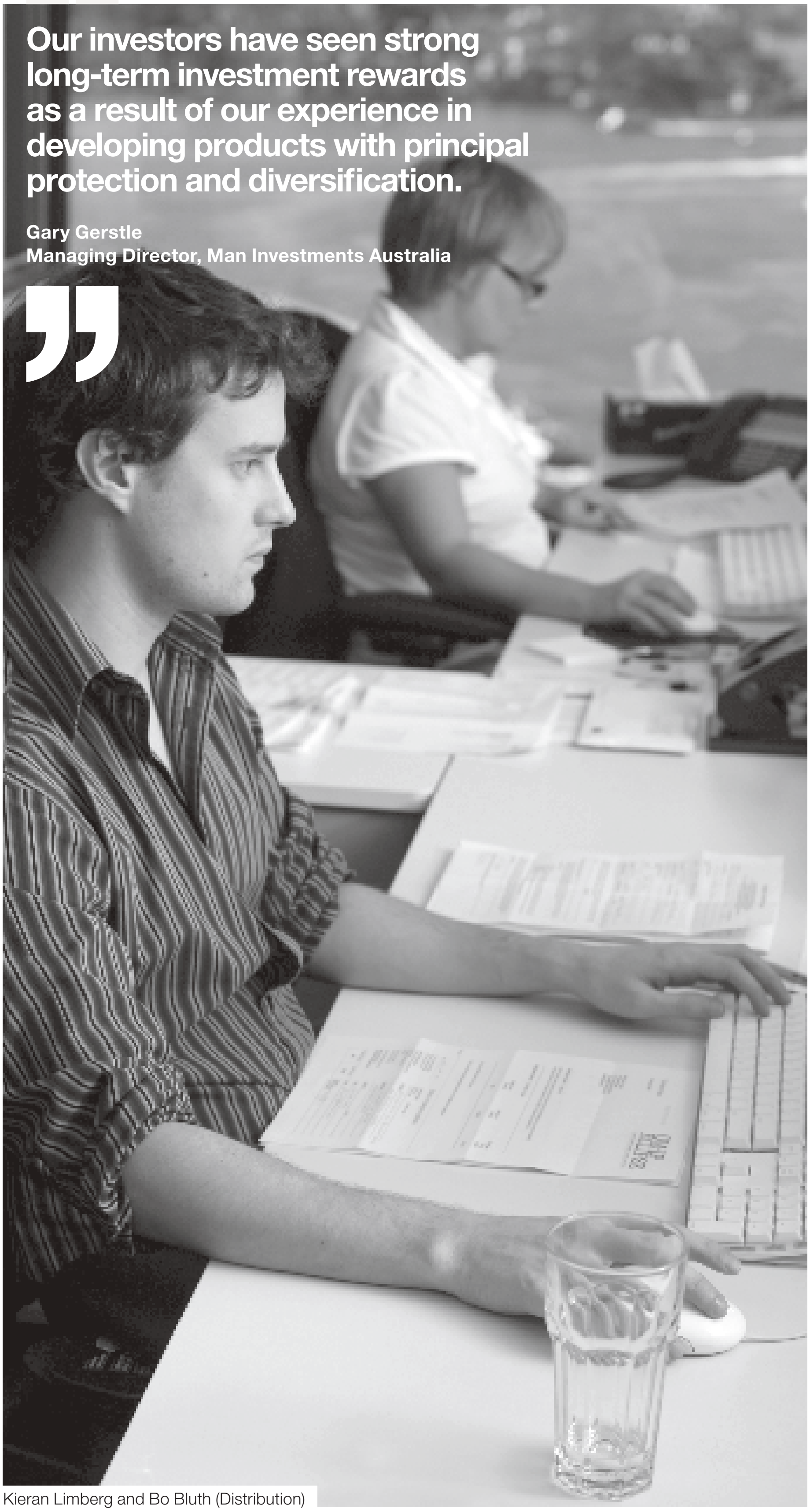
15.6%

**Total return**

444.7%

"Our investors have seen strong long-term investment rewards as a result of our experience in developing products with principal protection and diversification."

**Gary Gerstle**
**Managing Director, Man Investments Australia**



Kieran Limberg and Bo Bluth (Distribution)

Business Review

# Institutional Investor Business

# Meeting institutional needs

## Our institutional client base is truly diverse, encompassing pension plans, insurance companies, asset managers (including funds of funds, banks, family offices and endowments), joint-venture partners and corporations around the world.

Institutions began allocating to hedge funds in a meaningful way after the equity market downturn in 2000, to make up funding shortfalls or as an alternative to stocks as a long-term performance driver. To date they have favoured fund of hedge funds and tailor-made hedge fund solutions to align more closely performance to liabilities and provide a valuable source of diversification in their portfolios.

Historically, hedge funds have performed these tasks successfully, outperforming stocks with considerably lower volatility and offering a degree of diversification and downside protection during market downturns. Hedge funds' flexible approach to investment also makes them ideal tools for liability matching and for developing efficient and robust investment structures.

### Impact of 2008

Institutional investors and hedge fund models faced enormous challenges as credit markets ground to a halt in 2008. Institutions struggled with tightening liquidity, declining Tier 1 capital as their own shares and equity holdings contracted, and significant challenges to their earnings. Many responded by selling assets, including investments in hedge funds, to raise capital and to de-lever and de-risk their portfolios.

Hedge funds, for the most part, were in advance of the market as many had begun to reduce market exposure and leverage as early as 2007. Nevertheless, a large number of managers were unable to avoid the full force of the downturn as redemptions and de-leveraging led to the forced sale of assets in a buyer's market. Structural issues such as the bans on short-selling and the failure of some market counterparties (brokers and credit providers) also hurt some hedge fund models. In this environment, many hedge funds lost money and a number of strategic and operational issues came to light.

Despite recent events, hedge funds remain a very attractive asset class for institutional investors. While overall returns in 2008 were disappointing, hedge funds have historically delivered strong growth with a controlled level of volatility and have demonstrated the ability to recover quickly from drawdowns. Nevertheless, in future corporate investors will be playing close attention to:

- Operational control, particularly the management of counterparty relationships, credit facilities, leverage and liquidity;
- Transparency into the investment process so institutions can quantify their exposure to certain categories of risk across all of their portfolio;
- Risk management, with verifiable risk procedures and clear segregation between portfolio and managers;
- Liquidity, so that investors can access capital at need – this is likely to be met through extensive use of managed accounts; and
- Independent oversight using trusted external agencies to verify accounts and, potentially, provide risk reporting.

Future institutional investment in hedge funds will, as a consequence, become increasingly dependent on our ability to address these considerations. Institutions are also increasingly demanding end to end service providing access to information, a direct channel to the investment managers, detailed standardised reporting and prompt complaint and query handling.

### Addressing institutional requirements

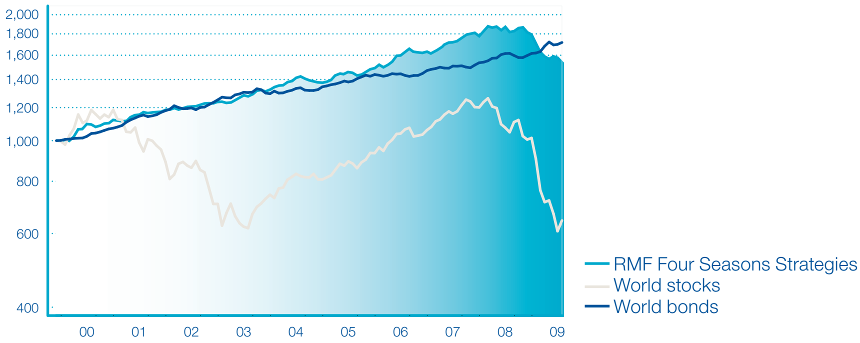
Man is particularly well equipped to adjust to this new paradigm. We already meet many of these requirements, offering an extensive managed accounts platform and a broad range of diversified, single style and niche fund of hedge fund portfolios as well as single-manager strategies.

We also are widely recognised for our ability to structure innovative and customised hedge fund solutions to meet specific investor tax or regulatory requirements or to engineer portfolios to target defined performance or market objectives. Our global service infrastructure, deep resources and institutional set-up enables the provision of an end-to-end service to clients.

New regulation and more stringent investor requirements will promote economies of scale and be a force for consolidation. Man's strong balance sheet and ability to lead the policy agenda means that we are likely to benefit from this process. Due to our scale, long industry experience and established relationships with other leading institutions, we are well positioned to respond to these changes and meet the evolving needs of institutional investors.

## Focus on
# RMF Products

**Four seasons performance**
18 December 1996–31 March 2009




Members of the RMF management team. From left to right – Stefan Scholz, Jaime Castan, Herbert Item, Reto Grau

**Institutional Funds Under Management** – March 2009


1 Switzerland 45%
2 Germany 10%
3 UK 16%
4 Benelux 6%
5 Rest of Europe 9%
6 Americas 6%
7 Asia Pacific 7%
8 Middle East 1%

The extensive and diverse RMF product range, with its strong track record dating back to 1992, provides tailored investment solutions to satisfy a broad range of institutional investor requirements. The product offering spans a wide spectrum, from the highly diversified RMF Four Seasons, to more concentrated products such as RMF Dynamic Selection.

**Business Review**
**Institutional Investor Business continued**

## Over time, we believe that the goodwill that we are building in these difficult times, the strong developing case for hedge funds and the general shift towards high quality, well financed managers with the ability to adapt will help us win new institutional business.

**Martin Keller**
**Head of Institutional Sales**

### Focus on due diligence
## Madoff

**Man announced in December 2008 that RMF had approximately $360 million invested indirectly in two Madoff-related funds.**

The Madoff fraud was a difficult experience; understandably, our clients are disappointed at the losses suffered.

We have met with investors involved in products that had Madoff exposure to discuss the circumstances of our allocation, and specifically the due diligence procedures we followed. Open communication has allowed investors to make a decision as to whether to continue or terminate their investment mandates. In a number of cases, we understand that investors have redeemed their investments as a direct result of the Madoff exposure. Other investors have performed additional due diligence to validate that the ongoing improvements we have made to our processes are satisfactory.

As part of our ongoing commitment continually to enhance and refine our due diligence procedures, we have made a number of improvements to our underlying processes and procedures. These can be summarised as follows:

> Heightening the scope of operational due diligence on a fund and manager where key service providers are affiliated either with the fund or manager, irrespective of the level and stringency of compensating controls;
> Additions to RMF's 'rejection criteria' for existing and future investments, which include transparency and custody-related considerations; and
> The use of managed accounts to create transparency and increase operational control over assets through custody, valuation and administration.

It is clear from the Madoff experience that our industry has been shaken by the fraud. Greater transparency and enhanced procedures in scrutinising managers are a necessary and obvious outcome of the situation.

### Focus on
## Investor Service

**Institutional investors have become increasingly familiar with hedge funds. As a result not only has their level of expertise grown but also so has their need for detailed, accurate and timely information.**

Bernadette Behrens and Donato De Feo (RMF)

### Demands of institutional markets

To keep up with the demands of ever more sophisticated clients, we have to evolve with them. Institutional investors rely on high standards of performance reporting and risk analysis. Our size and scale give us the ability to produce efficiently the level of reporting expected by institutional investors. Regular dialogue with distributors and institutional investors provides us with valuable feedback on products and strategies. In this way, our clients constantly challenge us to be better and we strive to exceed their expectations.

### Reporting and transparency

The quality of investor services is a key due diligence point that investors look to before they invest in one of our products. Our products have net asset values that are published either weekly or monthly, and scheduled redemption dates. The timeliness and the accuracy of performance information are key factors to maintain investor confidence in their investment decision. This is particularly important in turbulent markets when regular and timely performance reporting is essential for our institutional investors and distributors to ensure that investors have the most up to date information on their portfolios. This allows them to make informed decisions and valid choices between alternative strategies.

Considerable resources have been dedicated to ensuring that our reporting is second to none. Whilst the majority of investors consider the content of standard reports sufficient, a growing number of investors need more information. For this reason the production of reports has been split to gain maximum efficiency. One unit takes care of producing standard reporting using the latest technology and most up to date reporting programmes. This means dedicated teams in each investment manager have the capacity to take care of customised reporting. The extra effort required for these reports is not wasted on a handful of investors. If we feel that other clients could benefit from the same type of reporting, it is added to the standard range.

### Dedicated client service teams

Every institutional investor is unique – a Japanese pension fund has fundamentally different regulatory, performance, tax and other service requirements from a UK based insurance company. In recognition of this, Man has put specialised client service teams in place to meet these varied needs and provide prompt, accurate responses to the most demanding client requests and queries. From the outset, the philosophy of creating dedicated client service units was to provide more transparency to clients and more flexibility in responding to their demands. These units are integrated into the underlying investment businesses and act as the first point of contact with institutional clients as well as internal business functions such as product structuring and management, reporting, relationship management and the regional offices. We foster a culture of empathy, encouraging our people to put themselves in the client's shoes to anticipate their needs. In this way, we can ensure that we provide a consistently high level of service across the business and ensure we allocate resources where they are needed. Importantly, the expertise of these teams is available to the entire business and therefore benefits all our clients.

Business Review

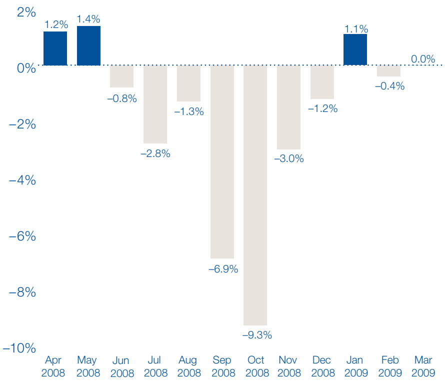
# Investment Management

# Performance in extreme markets

**Our 2008/9 financial year saw extraordinarily difficult conditions for hedge funds. An easing of the credit crisis in April and May was short-lived, and was followed by sharp sell-offs in global equity markets in June, July and August. This was just the beginning.**

September and October were the most devastating months for the financial industry in general and triggered widespread de-leveraging across the hedge fund industry. Hedge fund strategies such as relative value, which rely heavily on leverage, were affected most by the de-leveraging process. As de-leveraging accelerated during Q3 2008, more and more funds used gates to suspend or slow redemptions and fund of funds were faced with the challenge of balancing underlying manager suspensions and client redemptions. The hedge fund industry ended 2008 with its worst calendar year performance on record. 2009 has started more brightly, with the HFRI Fund Weighted Composite Index back in positive territory.

**Hedge Fund Performance**
2008/9 Financial Year



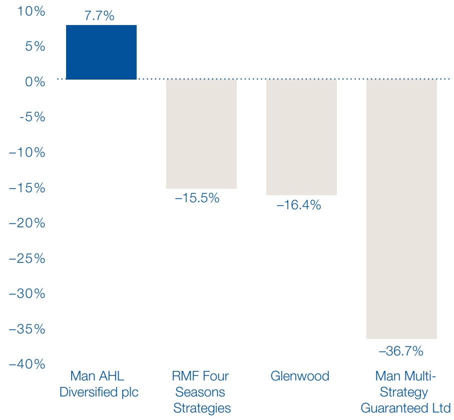

### Performance of Man's Investment Managers

Against this backdrop, there was significant variation in the performance of Man's investment managers.

Managed futures as an asset strategy and AHL in particular delivered stand-out performance, reinforcing the non-correlated nature and diversification benefits of this style.

PAGE 32
AHL

**Performance of Man's Investment Managers** 1 April 2008–31 March 2009




RMF, which specialises in developing and managing hedge fund portfolios tailored to the needs of institutional investors, outperformed fund of fund benchmarks, mainly due to its managed futures allocation. However, it suffered high levels of redemptions as investors took liquidity from those still able to provide it, regardless of performance.

Man Global Strategies (MGS), with more concentrated portfolios targeting higher returns and volatility, was negatively affected by market conditions. This led to an investment management decision in October to de-risk these portfolios by removing leverage, to protect investor capital.

Glenwood, whose portfolios are generally incorporated into private investor products such as IP 220 and OM-IP, was also hard hit by market events, given its overweight stance towards styles such as event driven and relative value.

In the course of the year, Man took a series of steps to refocus investment management activity as markets evolved.

The activities of Man ECO, launched in 2007 to develop opportunities in the environmental space, were substantially scaled back as the fall in the oil price reduced opportunities to generate absolute returns. However, RMF continues to allocate to environmentally themed funds on behalf of institutional investors.

Ore Hill, the US credit-focused manager in which Man owns a 50% equity interest, recapitalised its international and onshore US funds in the course of the year, and investors extended their redemption period. Pemba, the European credit manager which was acquired by Ore Hill, was re-integrated into Man under the auspices of RMF, reflecting reduced opportunities in structured credit and the need to focus Ore Hill on their main credit strategy. The main investment structures in Pemba will be managed to maturity by RMF.

Following the MGS de-risk, work began to combine MGS with Glenwood. These initiatives culminated in the decision to create a new hedge fund management business in March 2009, together with RMF, which is discussed in more detail on page 34.

## De-risking of Man Global Strategies – prudent investment management for the benefit of investors

The MGS strategies adopted a focused allocation to a group of managers consistent with achieving their targeted risk/return objectives. The leveraged allocations to relative value and event driven managers resulted in sudden investment losses in September and October as both of these strategies became similarly correlated and markets became illiquid. This led to an investment management decision in October to de-risk the MGS portfolios by removing leverage and triggered an associated rebalancing of MGS products, required to maintain an appropriate balance of investment styles within the investment mandate. The de-risking was facilitated by our managed account platform, which provided control over investors' assets during the liquidation process.

The overall effect of these actions was to reduce funds under management (FUM) in MGS products by $12 billion – the principal cause of FUM reduction for Man in the 2008/9 financial year.

From the perspective of MGS investors, the investment management decisions taken corresponded to their expectations: investment exposure was quickly and efficiently reduced; trading capital was preserved; and all capital guarantees remained effective in accordance with product terms. At the conclusion of the de-risking, a number of products had minimal trading capital and therefore will not continue with investment exposure. These products still have the full protection of the guarantee and in some cases investors will receive a return in excess of their original invested principal. At all times during the de-risking process, investors who chose to redeem their investments had their net asset values paid out in accordance with the terms of the products. A number of investors chose to switch their investment into other Man products. The remaining investors can either hold the product to maturity, redeem, or switch their investment at the regular monthly dealing day.

While the de-risking of the Man Global Strategies portfolio caused a sudden reduction in our funds under management, and an acceleration of amortisation of sales commissions, it is important to remember that our primary obligation as the investment manager is to our fund investors and the independent fund boards under our investment management mandate. The de-risking process was overseen by the independent fund boards who act in the interests of all investors in the product.

A consequence of the de-risking of the Man Global Strategies portfolio was the repayment of $4.8 billion of fund financing to the banks. This process was carefully orchestrated with the banks and the full amount of all outstanding financing was repaid on 31 December 2008 in accordance with the agreed plan. No bank suffered a loss on their financing to the funds. In a market environment where credit risk was a particular concern, we protected the banks and this has created significant credibility, not only for the funding structures but the process by which the funds systematically de-risk. This credibility places us in a unique position with our banking partners and allows us continued access to financing for the fund products.

From an investor's perspective, our actions were validated by the continued negative performance of event driven and relative value strategies in the remainder of 2008, which could have depleted investor capital had prompt action not been taken.

**Business Review**
**Investment Management continued**

## AHL

# Research-driven success

### AHL, founded in 1987, is a world leading quantitative investment manager specialising in systematic trading.

Our commitment to research has been the key factor contributing to our success, with AHL's flagship Diversified Programme returning 33.2% in the 2008 calendar year and 18.9% p.a. since inception to 31 March 2009. Current assets under management total $20.4 billion, making AHL one of the largest quantitative investment managers in the world.

The investment strategy employed by AHL is 100% systematic, using heavily researched trading systems to identify and profit from trends and other inefficiencies across a highly diversified portfolio of futures and other financial instruments. Diversification is central to AHL's approach, with systems analysing over 250 financial, currency and commodity markets daily across 36 global exchanges. New markets are continually being researched in order to diversify further AHL's programmes; markets that have been added in the recent past include credit derivatives, interest rate swaps and exchange traded funds. Trades are executed around-the-clock in either London or the new execution desk in Hong Kong.

Opened in April 2009, the Hong Kong desk enhances AHL's execution capabilities by providing a secondary trading hub outside the UK. The new desk enables AHL better to leverage local broker relationships in South East Asia and also to expand into new asset classes in this region of rapidly growing economic importance. The opening of the desk runs in parallel to the continuous research and development of AHL's electronic trading capabilities, where a great deal of development is being conducted from the Man Research Laboratory in Oxford.

The Man Research Laboratory (MRL) opened at the same time as the Oxford-Man Institute of Quantitative Finance (OMI) in September 2007. OMI, funded solely by Man, aims to be the world's leading institute for academic research into quantitative finance with a particular focus on alternative investments. In contrast to this, MRL undertakes commercial research into quantitative finance for the benefit of Man but shares the same premises as OMI, and is unique in the sense that no other finance company in the world has its own embedded research laboratory located within Oxford University. This close interaction means that AHL's researchers are exposed to the latest academic research through regular seminars and informal discussions. Since its launch, MRL has grown to include ten full time and visiting AHL researchers. High performance computing, trading model research and electronic trade execution are among areas currently being researched at the laboratory.

A number of MRL initiatives have already been implemented within AHL's mainstream investment management activities and have thus enhanced client investments. Due to their rapid growth, both OMI and MRL will move to new shared premises in autumn 2009 to accommodate further expansion. It is envisaged that the AHL Oxford team will make a significant contribution to ongoing research efforts in 2009 and beyond.

The new Hong Kong office and the expansion of the Man Research Laboratory underscore Man Group's continuing commitment to invest in the future of AHL. An additional 33 people were hired in 2008 as well as a further 10 in the first quarter of 2009. The majority of these new hires are researchers dedicated to the development of trading strategies, as well as the application of more advanced risk management systems and electronic execution technologies. Additional suitably qualified and experienced people will be hired in the future to ensure AHL maintains its leadership position in the field of quantitative investment management.

AHL recognises the importance of corporate governance and in 2008 became a founding signatory to the Hedge Fund Standards Board (HFSB) best practice standards. The industry recognised code consists of 25 standards divided into five categories, including disclosure, valuation, risk management, fund governance and shareholder conduct. These standards, combined with AHL being part of a FTSE listed and FSA regulated company, maximise the level of protection afforded to investors.

**AHL funds under management**
March 2009

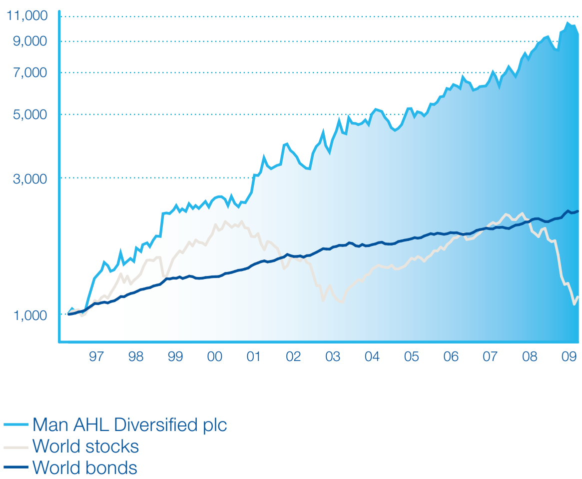
$20.4BN

Members of the AHL management team from left to right – Anthony Ledford, Riju Sathyan, Andre Rzym, Andy Hutton, Tim Wong, Mike Robinson, Steffan Berridge

### Uncorrelated performance in volatile markets

AHL's Diversified Programme returned 7.7% for the financial year 2009, with long and then short oil positions later in 2008 driving returns. Currency trading was also extremely profitable, with long US dollar positions adding to performance in calendar Q4. Some of these gains were given back in the first quarter of 2009, with range-bound prices and short-term reversals within the currency sector creating difficult trading conditions.

**Man AHL Diversified plc**
26 March 1996–31 March 2009



Business Review
# New Hedge Fund Management Business

# An integrated business for a changing investment landscape

As markets have changed, so have investor requirements for hedge fund investing. Performance continues to be an absolute requirement and the hedge fund value proposition remains compelling, but transparency, governance and risk management are now, more than ever, at the top of investors' agendas.

Herbert Item, Chief Investment Officer of the new business (left); John Rowsell, Managing Director of the new business (right)

The increasing call for transparency applies not just to the liquidity, security and application of assets, but to the way hedge fund businesses themselves are structured and run. What is essential is that investors have confidence in their selection of investment manager and choice in terms of how they access hedge fund returns. The twin principles of delivering confidence and choice underpin every aspect of the new business.

### The creation of a new business

Reflecting these changing investor requirements, in March 2009 Man announced the launch of a new hedge fund management business. The new business builds the strengths of RMF's infrastructure and disciplined investment process, Glenwood's bottom-up manager selection philosophy and Man's managed account expertise, creating a new, strong, comprehensive and integrated structure, underpinned by Man's capital strength, global distribution capabilities and structuring expertise.

The new business provides flexible and transparent access to the full spectrum of hedge fund investing for both institutional and private investors, from fund of fund portfolios to customised solutions and single manager access. It has been carefully designed to meet current industry concerns head-on as well as prepare for the investor preferences of the future.

Feedback on the new structure from investors, consultants, intermediaries, banks and other stakeholders has been overwhelmingly positive.

The new business will deliver three key benefits to investors:

> **confidence**
> **choice**
> **efficiency**

## Confidence

In the depth, breadth and access of the teams investing the assets:

- A deep pool of seasoned investment expertise, with an average of 16 years' industry experience across the senior management team.
- Global coverage combined with local market intelligence, with key centres in the US, UK, Switzerland and Asia.
- Access to the world's leading hedge fund managers, negotiated and set up by experienced teams, with developed relationships with the key broker and finance counterparties and over 15 years of trading platform know-how.

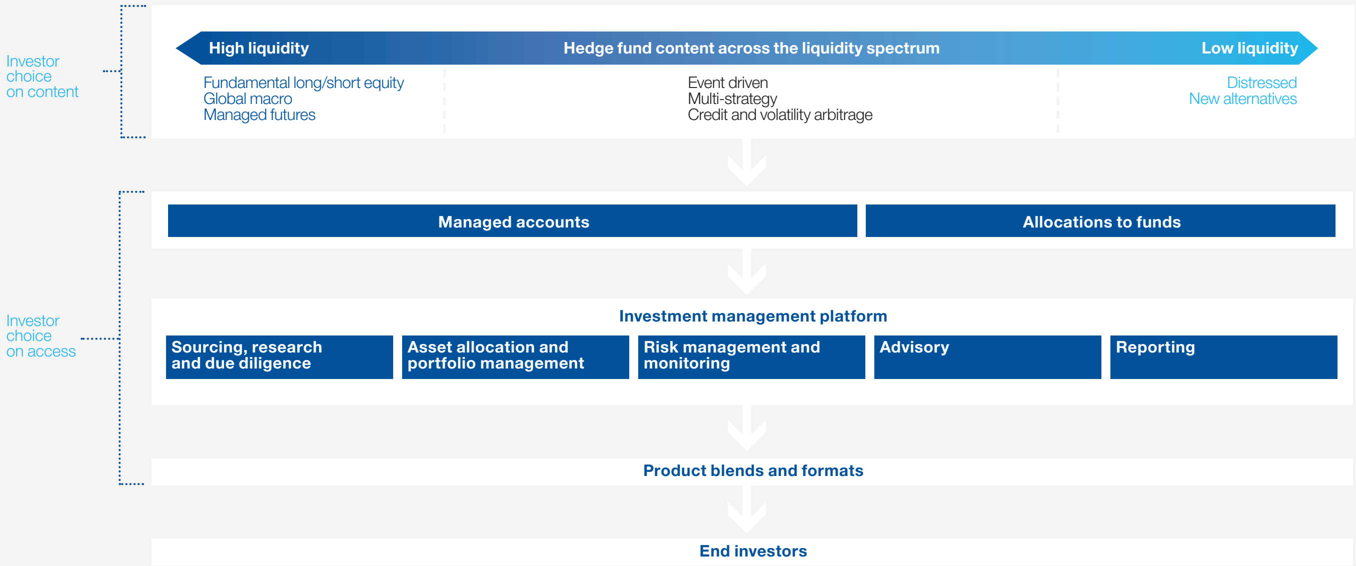
In the control of assets:

- Targeted use of managed accounts delivering enhanced control of liquidity, transparency and risk management.
- Strong checks and controls on manager due diligence, monitoring and portfolio performance.

In the way the business is structured and run:

- Enshrines risk management at the same level as investment management.
- Segregates manager seeding and investment allocation.
- Benefits from the security and stability of Man's business model, capital strength and discipline and long operating history in regulated markets worldwide.

## Breadth, flexibility and service




## Choice

Choice operates at a number of levels.

### Choice of content

Investors are increasingly looking at hedge funds not as a single homogenous block but as a range of different strategies, across a liquidity spectrum. While some styles such as equity long/short, global macro and managed futures suit frequent liquidity, others such as distressed may in fact lend themselves to private equity-style levels of liquidity. There is investment opportunity to be captured right across this spectrum, but investor sensitivity to illiquidity will dictate appetite across the range. The current prevailing atmosphere of investor caution suggests that portfolios modelled at the more liquid end of the spectrum are likely to benefit in the shorter term.

Man is well placed to cater for both the current and longer term preferences. The new business creates a more efficient structure to deliver the strength and breadth of the content of the whole firm to the end investor. An early example of a product from the new business is an open-ended combination of managed futures and global macro managers which will have access to broad manager pools and managed account relationships right across Man to create the optimal portfolio for a given risk/return objective.

We are well known for our leading position in the managed futures space, but this is complemented by recognised strengths across the style spectrum – for example, in March 2009 we won the Long/Short Equity Europe category for the second year running at the industry-recognised InvestHedge awards in New York.

At a time when many distributors are pointing to a dearth in supply of appropriate hedge fund product, we have at our disposal a broad range of content where we have deep understanding of the underlying strategies, facilitating the creation of the right products, for the right market at the right time.

### Choice of access

In the same way that the shades of the content spectrum are becoming more defined, so varying degrees of investor appetite for intermediation are becoming more distinct. At one end of the spectrum are institutional investors with developed in-house hedge fund monitoring capabilities perhaps seeking single manager access in a managed account format, alongside a prescribed level of reporting; at the other mass affluent investors looking for complete engineered products delivering attractive risk returns within a guaranteed framework.

Man has a long history of creating relevant portfolio blends, tailored solutions and structured products in a range of formats (onshore and international, closed and open-ended etc), but has typically delivered a single package of fiduciary services (encompassing sourcing, diligence, management and monitoring, reporting, use of managed account technology and so on). The structure of the new business will give us even greater flexibility to consider offering a more unbundled set of services which cater to specific intermediation preferences and monetise particular components or sets of components, provided that the associated economics make sense for both the investor and Man. It also provides a framework to think more creatively about customising basic core offerings, for example by adding risk overlays and portfolio specific hedging programmes.

## Maximising efficiency

In bringing together the best investment management talent and processes from across Man's fund of fund businesses, we have taken advantage of the opportunity to focus, refine and simplify. We have distilled the strongest elements of sourcing, due diligence, portfolio and risk management in a way which has preserved geographic reach and depth and continuity for existing mandates, but eliminated duplication and improved co-ordination in a new single entity. We would expect there to be some relatively modest savings through 2009/10, but importantly we believe that we will have refined our ability to convert promising content into attractive product swiftly and efficiently, which will contribute positively to margins over time.

Business Review
# Our Expertise – People

# Our people are our key asset

## Attracting the best people, motivating them to excel, retaining them and ensuring that they progress in their careers are fundamental to the sustainability of our business.

At the year-end, Man had a total of 1,765 permanent employees. Approximately 720 are based in London and 620 in Pfäffikon, Switzerland. The remainder are located around the world in regional operating centres, supporting our investment managers and servicing investors and distributors. We have a strong culture of moving people between regions to achieve broad sharing of ideas, processes and relationships. We actively promote internal mobility between our business areas to ensure that our people have the broadest sense of our whole business.

Regrettably, we had to reduce our permanent headcount by 15% in the latter part of the 2008/9 financial year to reflect reductions in funds under management. Nevertheless, our commitment to attracting, retaining and developing the best people remains as strong as ever.

### Culture
This extract from our recruitment literature demonstrates how we describe Man's culture.

'Man has a distinctive and deeply entrenched culture. We are strongly commercial, but the dominant traits are analysis and thought, rather than trading. People at Man tend to be understated, informal, personable and collegiate. They operate in a demanding work environment full of highly capable colleagues and are intensively competitive for the Company.

'Man people are clever and quick but not overpowering, and feel comfortable standing out from the herd. Our regular employee research indicates very high levels of pride in working for the Company, having the freedom to do the job well, and having management who listen to our ideas.

'This congenial and thoughtful culture in no way means that Man is not a ferociously ambitious business. Our ambition is to strengthen and grow our position as one of the world's leading alternative investment managers.'

### Corporate and social responsibility
Man's role as a major public company operating in the hedge fund world means that we put particular stress on good human resource management, corporate responsibility, legal support, compliance and investor relations. These aspects of the way we do business are important to our employees. Our approach to corporate and social responsibility is described in more detail on page 44, and our charitable activities are featured in the back cover flap of this Report.

### Remuneration policy
Our people directly influence our success as a business and the performance we achieve for our product investors and corporate shareholders. This contribution is recognised in their advancement within the Group and in their remuneration. Our remuneration is heavily performance based and reflects individual, business unit and Group performance. The Group's share programmes, which are an important part of total remuneration packages, ensure that our people think and act as long-term shareholders in the Company.

PAGE 53
Remuneration report

### Key person risk
Man's focus on quantitative, systematic investment styles make it very different from the 'star cultures' which prevail among many of our hedge fund peers. AHL, for example, has been operating successfully for over 20 years and is managed by a third generation management team. Nevertheless, we are conscious of the risk that key individuals may leave the business, with a loss of knowledge and expertise. To mitigate this, we operate merit based performance management and advancement systems, which give clarity and focus to our people's career prospects. We have a series of training programmes in place to identify and develop future leaders from within the business, and our flat management structure gives individuals opportunities to contribute and broaden their involvement. To enable our people to understand their career potential, we have an active succession planning process in place at all levels in the organisation.

### Employee engagement and support
Man Group's employment policy sets the framework for achieving the highest levels of performance by offering the provision of support, assistance and understanding to all our people.

Employees receive regular emails directly from senior management as well as e-bulletins, monthly business reports and business magazines via the Intranet.

We engage with our people through surveys which are transparently analysed and reported. Our UK and US employees are encouraged to invest in the business in which they work through a share-based savings incentive scheme.

Man's culture is grounded in mutual respect and inclusion irrespective of age, disability, gender, race, religion, sexual orientation or educational background. We offer tangible support to our people, which includes providing rehabilitation support for any employee who may have become disabled during their employment with us.


Peter Clarke, Tim Wong, Christoph Möller


Michael Robinson, Mike Wright, Tony Gurney


Herbert Item, John Rowsell


Kevin Hayes, Stephen Ross, Robert Aitken

**Geographic basis of permanent employees**


1 UK 41%
2 Switzerland 35%
3 US 9%
4 Asia 4%
5 ROW 11%

## The Management Committee oversees the operational management of our business, and is attended by the leaders of key business and functional areas. It meets monthly, generally in Switzerland.

**Peter Clarke** Chief Executive
Appointed Chief Executive in 2007 after serving as Finance Director and Company Secretary; joined Man in 1993. *Nationality: British*

**Robert Aitken** Compliance
Joined in 2003 from the Financial Services Authority after other operating roles in financial services. *Nationality: British*

**Tony Gurney** Marketing and Client Services
Joined in 2006 after operating roles in fund of hedge fund management, banking and consultancy. *Nationality: British*

**Kevin Hayes** Finance Director
Joined in 2007 after senior roles at Lehman Brothers and Ernst and Young.
*Nationality: British*

**Herbert Item** Chief Investment Officer – new hedge fund management business
Joined RMF in 1997 with 10 years of equity and derivatives trading experience. Appointed CIO of Man's integrated hedge fund management business in 2009, with responsibility for all investment functions.
*Nationality: Swiss*

**Christoph Möller** Sales
Joined in 1981 and moved to his current position in 2001 after roles in finance and product structuring. *Nationality: German*

**Michael Robinson** Human Resources
Joined in 2003 after senior roles at INVESCO and Henderson Global Investors and a career in the Royal Navy. *Nationality: British*

**Stephen Ross** Product Structuring and Financing; Legal
Joined in 2003 from Clifford Chance, where he was a Partner and Co-head of the Private Funds Group. *Nationality: British*

**John B. Rowsell** Managing Director – new hedge fund management business
Joined Glenwood in 2001 from McKinsey and Company. Appointed Managing Director of Man's integrated hedge fund management business in 2009, with responsibility for operations, product strategy, client services, proprietary trading and risk management.
*Nationality: Canadian*

**Tim Wong** AHL
Joined AHL in 1991 and moved to his current position in 2001. *Nationality: British*

**Mike Wright** Technology
Joined in 2007 after IT roles at Fidelity International and Willis Group.
*Nationality: British*

Business Review
# Our Expertise – Information and Technology

# Competitive advantage through IT

**Information and Technology (IT) have never been more central to our business. Our ability to maximise long-standing investments in technology differentiates us from less established investment managers.**

Mike Wright
Technology Director

**Technology permanent headcount**
March 2009


| | | |
|---|---|---|
| 1 | Development and delivery | 141 |
| 2 | Infrastructure | 93 |
| 3 | Other | 14 |

We build distinctive IT services and platforms across the Group in close collaboration with the business: IT project teams are normally co-located with business colleagues.

We use an 'agile' project methodology which delivers business value incrementally and frequently, to encourage business ownership and avoid the risks of large scale IT project delay and failure.

Our work is based around a vision for the Group's IT in 3–5 years time, leveraging modern architecture techniques and validated by leading industry experts.

We are constantly investing in the training and personal development of our people. Having hired the very best, we seek to stretch them by giving them bigger challenges and equipping them with the appropriate skills to meet them.

Looking back at the last year, we have made significant strides in improving the business value we obtain from our IT, both in terms of helping make us distinctive to our institutional investors and intermediaries, and by enhancing internal efficiencies.

We have made particular headway in three areas.

01

## Making technology a competitive asset for AHL

- Trading efficiency has been enhanced by delivering a wide range of trade execution strategies that maximise our ability to rapidly assume positions with minimal market impact.
- The time it takes to bring a new AHL model to market has been dramatically reduced. Researchers can put small scale exploratory models into trading quickly through a new tactical trading environment, while our full production-scale platform is undergoing a comprehensive review with major components being completely revamped.
- New technology is enabling new models; an innovative high-frequency price storage and analysis system is allowing our researchers to leverage existing trading models and create entirely new ones, based on a more granular view of the markets, processing hundreds of millions of prices a day.
- We have extended the global reach of AHL by establishing a trading presence in Hong Kong, maximising our ability to exploit opportunities emerging in Asian markets.

**I want our IT to be nimble enough to capture early mover business opportunities while scalable and standard enough to leverage across multiple product ranges and geographies. This will help make us distinctive to our investors.**

**Mike Wright**
**Technology Director**

**We are living in extraordinary times, with many exciting investment opportunities. We need innovative, flexible and reliable technology to help us capture them.**

**Tim Wong**
**AHL**

02

## Infrastructure and Security

We have been investing strategically in our **core technology infrastructure** to provide even faster and more stable platforms for our investment managers and staff. We continue to benchmark ourselves to global best practices and use third party experts to help prepare for future technology step changes.

There are four key aspects to this initiative:

> Automating the monitoring of our production IT services to minimise outages. Modern computers can often predict failures (similar to a car dashboard telling you when it will be time for the next service). We have used these facilities to reduce both the number and duration of failures.
> Upgrading the technical platforms for our e-commerce, AHL trading and other major systems to take advantage of improvements to processing power and data handling facilities.
> Extending our well-established video conferencing facilities to all offices globally. Usage has more than doubled in the past year, enabling us to collaborate effectively across the globe while reducing travel costs and our carbon footprint.
> Re-enforcing best practice processes for incident handling, change control and disaster recovery testing.

We have also continued our focus on **information security**, reflecting the fact that much of our business is based on electronic assets and data. We have a team of e-commerce and other security experts who continuously update our technical security measures, enabling us to:

> Apply security ‘patches’ on a timely basis.
> Upgrade our multi-level security and fraud protection mechanisms.
> Conduct regular penetration tests of our internet security.

03

## Creating a scalable global platform to support our new integrated hedge fund business

Whilst we are still in the early stages of forming our integrated hedge fund management business, we have already created a blueprint for a consolidated IT operating platform across the multi-manager businesses to enhance operational efficiency and leverage existing capabilities. This blueprint is based on extending the existing RMF suite of applications to work more globally, to handle a wider range of products, and to automate more elements of the business processes (from multi strategy investment management to the associated accounting and portfolio rebalance activities). It will also build out our existing managed account platform facilities. To minimise the delivery risk often seen with large scale IT projects, we have broken the work into several stages. The first two stages have been delivered:

> Migrate RMF’s fund accounting onto a leading industry third party package (Hedgesphere).
> Extend support for FX (foreign exchange) functionality.

In parallel, much work has been undertaken to make our data more consistent on a global basis, so helping standardise business processes and simplify reporting. This work is ongoing and will extend to build out the next generation of tools to enhance investment decision making.

Business Review
# Risk Management

# Fundamental to our business

**Strong risk management is integral to the investment management process for our fund products. Risk management is also an essential component in maintaining a high quality, sustainable business for our shareholders.**

Our approach is to identify, monitor and evaluate risk throughout the Group and to manage these risks within our risk appetite. We also maintain sufficient excess capital and substantial liquidity resources to give us flexibility both to continue to finance long-term growth and to operate the business effectively under market stress situations. In this regard market conditions during the last 12 months have provided a strong test of the robustness of Man's risk management processes and the strength of its balance sheet. Man has consistently maintained a regulatory capital surplus of around $1.5 billion during this period and has always had a buffer of excess liquidity of at least $3 billion.

## Risk management process

There are three key elements of our risk management process:

### The risk governance framework

- Establishing clear functional responsibilities and accountabilities and committee structures for the management of risk.
- Setting risk policies, delegated authorities and limits consistent with the risk appetite.
- Ensuring appropriate skills and resources are applied to risk management.

### The risk appetite of the Group

- Setting the overall tolerance for a risk-related loss in terms of quantitative and qualitative measures.

### Risk identification, measurement and mitigation

- Assessing the potential impact on Man of internal and external factors that might give rise to a direct or indirect loss or demand for liquidity.
- Using a range of methodologies including economic capital, value-at-risk, stress testing, scenario analysis and qualitative assessment to assess the potential impact and likelihood of the identified risks.
- The process of systematically monitoring and reporting on Man's risk profile against its risk appetite, exposures against limits, losses and other risk related incidents, compliance issues and the effectiveness of our internal controls.

## Risk governance – responsibility and accountability

The Board of Directors is ultimately responsible for the framework of risk governance and risk management. The Board is responsible for determining risk strategy, setting Man's risk appetite and ensuring that risk is monitored and controlled effectively. The Board of Directors has given delegated authority to two committees – the Risk Assurance Committee and the Finance Committee – to provide oversight across all risks faced by the business. The responsibilities and membership of these committees are explained in more detail in the Governance and Risk (Pillar 3 disclosures) section on the Group's website.

Senior management in the businesses are accountable for all risks assumed in their areas of responsibility and for the execution of appropriate risk management discipline within the framework of policy and delegated authority set out by the Board. The results of risk-taking decisions are reflected in the economics of the businesses assuming the risk. The principle of individual accountability and responsibility for risk management is an important feature of our corporate culture.

Day to day independent and objective assessment and monitoring of risk is provided by various risk control functions at the Group level and in business. These risk control functions include Group Risk, Finance, Legal, Compliance, Human Resources and Internal Audit. In addition, risk management functions reside within each business unit. There are formal reporting lines and segregation of duties for the key Risk, Compliance, Legal and Finance functions.

## Risk appetite

Risk appetite is the amount and type of risk that Man regards as appropriate for it to accept in order to execute its strategy. The Board regularly reviews and sets this in the form of 10 risk appetite statements, which it sets in the context of Man's strategy and the requirements of various stakeholders, including the regulatory framework in which we operate.

The risk appetite statements, which are summarised below, provide the benchmark against which Man's risk profile is reported, monitored and managed by the Board, Audit and Risk Committee, Finance Committee and Risk Assurance Committee. Risk appetite also forms the basis for the calibration and setting of the delegated authorities and financial limits for all aspects of market, credit, liquidity and operational risk.

The 10 risk appetite statements address both quantitative and qualitative aspects of risk taking.

The quantitative risk appetite statements address:

> maximum tolerance for market, credit and operational losses;
> the maintenance of a minimum credit rating level;
> minimum economic and regulatory capital surpluses;
> the maximum earnings volatility; and
> minimum excess liquidity resources to meet peak stressed liquidity requirements without the need to liquidate assets or raise capital.

The qualitative risk appetite statements address:

> regulatory risk;
> reputation risk;
> business mandate;
> operational risks in the execution of business plans; and
> risk related decision making, especially in relation to new business opportunities.

**Principal risks**
The principal risks faced by Man are:

> risk of poor performance of its fund products;
> risk of reduced availability and/or increased cost of leverage for certain fund products;
> liquidity risk relating to fund products;
> risk resulting from failures in operational processes in our investment management businesses;
> risk resulting from concentrations in investors and distribution capacity;
> risk of market risk losses on proprietary investments in hedge fund products; and
> risk that future regulatory change could make it more difficult to market alternative investment products to potential investors.

The Group's reputation may also be adversely affected in the event that any of these risks were to crystallise during the year.


Kevin Hayes, Robert Aitken, Stephen Ross (standing)

The principal risks are described in more detail in the tables on pages 42 and 43.

In addition to the principal risks discussed above, Man is exposed to other risks including:

> Risk of reduced investor appetite for the risk/return and diversification profile of alternative investment products, which could result in lower sales and higher redemptions for Man's products.
> Risk that poor fund performance and competitive pressure results in lower fees on our products. This risk may be higher in market conditions where absolute returns are lower and a given level of fees may absorb a higher proportion of the gross return.
> Risk that fiscal changes either make alternative investment products less attractive for private investors when compared with traditional investment products or increase the long-term effective corporate tax rate.
> Risk that as AHL's funds under management increase and as its investment exposure increases across the numerous instruments and markets in which it trades that it will be unable to sustain the returns that it has achieved historically. Despite an increase in AHL funds under management to over $20 billion, there is no evidence that this has yet happened.
> Risk of credit losses on loans to funds, exposures to bank and broker counterparties or in respect of trade credit insurance, reinsurance and retrocession policies written by its subsidiary Empyrean Re.
> Risk that income is reduced because of the impact of adverse movements on foreign exchange rates to the mismatch between non-dollar denominated costs and revenues.
> Risk that the Group's performance is adversely affected by the departure of key people.

Further information on Man's risk profile is contained in Note 9 to the financial statements.

## Business Review
## Risk Management continued

| Nature of risk | Quantification | Mitigation |
|---|---|---|
| **Under-performance of fund products**<br>Under-performance of our fund products compared with other investment products or with investor expectations could lead to lower sales and higher redemptions, thereby reducing funds under management and fee income. | KPIs of excess/shortfall of returns of fund products over benchmarks are shown on page 5. | > Wide range of investment products with different risk and return characteristics.<br>> 35% of Man's funds under management comprise principal guaranteed products, which give the investor confidence to stay invested long-term and to withstand short-term market volatility. |
| Negative fund performance reduces or could even eliminate performance fees and reduces management fees. | Currently, all our core investment managers are some way below performance fee high water marks and therefore it is unlikely that significant performance fee income will be earned in the 2009/10 financial year. | > In most financial years, the diversity of product range reduces the likelihood of all products being in drawdown at the same time.<br>> If a simultaneous drawdown does occur, the magnitutde and recovery time between styles results in a lower risk of a prolonged drawdown period. |
| **Availability of external leverage**<br>In the current market environment there is reduced appetite of financial counterparties to provide financing to support the leverage in fund products. Reduced availability of, or increased cost of, external leverage could reduce the returns on certain fund products.<br><br>Negative fund performance and/or increased volatility in fund performance can reduce the amount of external leverage available to certain fund products. | At the year-end drawn finance leverage was \$4.7 billion, with a further \$1.9 billion available. | > Funds have facilities with 15 banks, with various maturity dates.<br>> The fund products can reduce their use of external leverage or seek alternative trading strategies.<br>> Man is not committed to replace external financing, but has discretion to bridge financing to a fund. The amount of funding is subject to strict risk limits. |
| **Fund product financing**<br>The liquidity terms offered by certain of our fund products to investors in those products are better than the liquidity terms available to those fund products from their underlying investments. In the event of redemptions by investors in the fund products, the fund may need access to a bridging facility until the proceeds from the sale of underlying investments are received. If bridging is not available from an external bank, the fund may request Man to provide the necessary short-term bridging. The potential for, and size of, the liquidity gap increases to the extent that the managers of third party funds, in which our fund products have invested, impose gates or suspend redemptions. | The provision of funding for this purpose by Man is discretionary except where Committed Purchase Agreements (CPAs) are provided to certain fund products. CPAs to all products amounted to \$1.0 billion at 31 March 2009 (2008: \$2.7 billion).<br><br>Man's unutilised liquidity buffer of cash and undrawn committed facilities was \$4.8 billion at 31 March 2009, and did not fall below \$3.1 billion during the year. | > The amount of aggregate lending by Man is subject to strict limits to ensure that any lending is within our liquidity risk appetite.<br>> Use of managed accounts significantly reduces the risk of our fund products being exposed to liquidity restrictions by external managers.<br>> Man has substantial excess liquidity to enable it to meet the committed liquidity provision to its fund products. |
| AHL executes futures and options transactions on the world's largest futures exchanges. The exchanges require both initial and variation margin to be posted. In the event of substantial market movements, additional margin may be required and, to the extent that the fund products affected do not have sufficient cash, intra-day and short-term bridging may be required from Man until the funds' cash is released from the exchanges. | | > AHL can close positions and this would result in repayment of initial margin which would generate cash flow in the event that Man does not provide the bridging.<br>> Man has the discretion to fund short-term and intra-day AHL margin calls and maintains sufficient liquidity to be able to meet these calls if it chooses to do so. |

| Nature of risk | Quantification | Mitigation |
|---|---|---|
| **Operational risks**<br>Man could suffer losses due to operational risk and damage to its reputation arising from any failures in processes and procedures in its business. Examples of significant risks include fraud, mis-selling of products or errors in fund prospectuses, failures of due diligence or breach of investment mandate, technology failures and fund valuation errors.<br><br>An adverse effect on the Group's reputation as a result of a significant operational failure could result in lower sales and higher redemptions of our fund products. Lower fee income could exacerbate the negative impact of the direct operational loss.<br><br>The impact of Madoff is discussed on page 28. | The diversified economic capital requirement for operational risk at 31 March 2009 amounted to $337 million (2008: $210 million). Further information on economic capital is provided on page 73. | > Our culture emphasises the importance of effective risk management, strong internal controls, sound governance and a clear understanding of the competitive advantage and value of maintaining our reputation.<br>> We pay particular attention to operational and reputational risks relating to product suitability, sales practices at intermediaries and the accuracy of our valuation and investor reporting processes.<br>> Man aims to operate only through regulated intermediaries in all jurisdictions where investment advice is a regulated activity and continues to invest heavily in technology to improve its investor servicing.<br>> Strong risk due diligence procedures are applied in the single manager selection process, portfolio construction and ongoing risk monitoring. Risk management personnel, independent of the portfolio managers, have monitoring and risk management responsibility so that the risk management process operates appropriately within the investment managers.<br>> AHL is fully compliant with industry standards for disclosure, risk management, valuation, fund governance and market related issues, as determined and maintained by the Hedge Fund Standards Board.<br>> Independent valuation service providers are used for the valuation of our fund products and underlying third party managers where a managed account is in place. A dedicated team monitors the quality and reliability of administration and valuation service providers.<br>> Valuation Committee, chaired by the Chief Risk Officer of the investment management business, meets monthly to review and approve any issues relating to valuation.<br>> Significant resources are devoted to protecting the resilience of Man's information technology systems, including formal business continuity plans and remote data back-up and disaster recovery facilities for each of our key locations.<br>> Business continuity for our core activities is regularly tested to maintain effectiveness.<br>> The system of internal control is subject to regular review by Internal Audit, based on an audit programme approved annually by the Audit and Risk Committee of the Board. The programme covers the business areas and processes that are significant in terms of Man's risk profile and where there are key controls on which Man relies. |
| **Investor and distributor concentration**<br>There is a risk that the appetite for our products among a concentrated group of investors or distributors may change, resulting in a sudden reduction of funds under management and lower management and performance fees. | The top 10 institutional investors hold 20% of our FUM, and the top 10 private investor distributors account for 22% of our FUM. | > Breadth of products targeted to different market segments.<br>> Approximately 60% of our funds under management are from private investors and 40% from institutional investors. The redemption patterns of private and institutional investors have historically been somewhat different.<br>> Geographic diversification of investors and intermediaries. Our distribution partners have global size and scale or a local leadership position and are the largest financial institutions, wealth advisers and brokers. We currently have over 2,000 distributors globally.<br>> Our institutional investors are geographically dispersed and are among the largest banks, pension funds, insurance companies and asset managers. We have over 250 institutional investors (refer to the Distribution section for further details). |
| **Market risk on proprietary investments**<br>Adverse market movements could result in a loss on Man's proprietary investments in various fund products. | Total exposure at 31 March 2009: $718 million (31 March 2008: $1,279 million). See Note 9 (b) on page 94 for further details of market risk. | > Limits are placed on investments in funds, both at the level of the individual fund and in aggregate.<br>> A series of risk measures and limits relating to seed investments are reviewed regularly and exposures are reduced, if market conditions mean that there is no longer a business case for retaining the investment. |
| **Regulatory change**<br>There is a risk that future regulatory changes could make it more difficult to market alternative investment products to potential investors. Regulatory changes could also increase the capital that counterparties are required to hold for exposures to certain hedge fund products. This could adversely affect the availability and cost of funding for such products. | | > Dedicated regulatory compliance teams provide us with an infrastructure for handling regulatory change and their potential effects on our products. |

Business Review

# Corporate Responsibility

**Our Corporate Responsibility programmes continue to be grounded in research, are risk based and strive to evidence quantifiable added value to our franchises.**

**They focus on key non-financial risks which, if crystallised, could have a negative impact on the financial performance and health of our company.**

**The discipline of corporate responsibility is firmly embedded within our risk management agenda.**

### Five key areas of non-financial risk

Whilst the key areas of non-financial risk addressed by our Corporate Responsibility programme remain constant, the degree of attention we give each area in terms of analysis, mitigation and reporting very much depends on the overall market and economic contexts and the acuteness of the risks arising.

Our focus over the past year has therefore shifted more towards leadership and governance, our people and our marketplace – key areas in terms of reputational impact.

We remain committed to environmental matters, the communities in which our people live and work and our charitable activities. We will continue to invest appropriately in these areas because it is the right thing to do and to evidence good corporate citizenship to the extent that this aligns with the expectations and interests of our stakeholders and in particular our people.

### 1 Leadership and governance

Our Corporate Responsibility programmes have become further embedded into the fabric of our businesses and processes in as much as they are now, to a high degree, a key element of 'business as usual'. For example, Corporate Responsibility is represented on the Risk Assurance Committee which has direct oversight of all aspects of the risk management of the Group.

Our Corporate Responsibility policies, reports, and data are available to all employees of the Group as well as to the public through our internal and external web architecture.

Our Corporate Responsibility programmes, reports, web content and our climate change and related carbon neutrality initiatives continue to be externally accredited by The Virtuous Circle Limited and the results of their findings are made public.

### 2 Our people

Our ability to continue to attract and retain the most talented people represents our key non-financial risk and is fundamental to the ongoing sustainability of our company.

Understanding our people's expectations of us and being able to continue to deliver to those expectations are important in maintaining their loyalty and commitment.

We know from regular engagement with our people at all levels that achieving an appropriate work and life balance, particularly against the current market background, is particularly important.

Our training and leadership development programmes, regular personal performance appraisals and the refinement of our employee share participation schemes are important outcomes of this engagement.

The Corporate Responsibility team has structured a series of regular workshops held both in person and through the use of our enhanced video conferencing facilities which focus on work and life balance, employee and family health and diversity.

So far this year over 400 of our people have attended these seminars which have a enjoyed a 98% + positive rating in the formal post workshop evaluations.

### 3 Our marketplace

Our marketplace is a term encompassing all interactions with those of our stakeholders with whom we engage as investors in our company and our products.

Man Group considers the main areas in which it can apply its Corporate Responsibility principles of marketplace good governance and ethical conduct to be:

- Man Group's own investment practices.
- Due diligence and ongoing monitoring of third party fund managers and other third parties.
- Transparent dialogue with shareholders and investors in our products.

Ongoing compliance with:

- All relevant external (i.e. legislative and/or regulatory) requirements, including those relating to anti-money laundering and the fair treatment of investors.
- The investment guidelines (including investment strategies, restricted investments and other relevant terms) set out in the relevant fund prospectus (or individual customer/investor instructions or 'mandate').

please visit our dedicated Corporate Responsibility website for more information
**www.mangroupplc.com/cr**



225th Anniversary employee celebration at the Tower of London

- Adherence to the Group principles relating to due care towards all those who have an interest in our Group, be it financial or broader society.

Key elements of our progress in refining and improving our compliance architecture and processes year-on-year include:

- Annual application globally of screen based anti-money laundering training and testing.
- Introduction of a new module of screen based testing – Market Abuse – rolled out to relevant areas.
- Continued refinement of compliance key risk indicators for risk reporting.
- MiFID implementation concluded and new procedures embedded in the business.
- Key focus and follow up of any expression of dissatisfaction (globally) from investors in our products.
- Rollout of key risk indicators and initiatives to meet the Financial Services Authority's 'Treating Customers Fairly' requirements.

During this financial year Man Investments had no material regulatory breaches leading to enforcement action by a regulator.

### 4 Community

Continued support to the communities in which our stakeholders live and work remains a key element of our Corporate Responsibility strategy.

For the past two years Group donations to the Man Group plc Charitable Trust have been based on a formula which guarantees donations of no less than 0.5% of Group pre-tax profits.

During this year we have appointed a director of the Man Group plc Charitable Trust who brings a wealth of experience to the management of this important resource.

We know from recent research that our continued support of communities is a key differentiator in attracting the most talented people and remains of great interest to our own staff.

This is reflected in the encouraging 8% increase year on year in the number of our staff participating in our Give As You Earn (GAYE) schemes where the Trust matches up to $172.00 per employee per month.

The Trust will continue to fund opportunities for positive change in society by identifying where and how to make the greatest impact on people's lives.

We are also introducing a volunteering programme which will provide our people (initially in the UK) with paid leave to support those charities to which they are individually committed. The Trust will also provide volunteering opportunities through its supported charities.

Volunteering will also form a key element of our integrated approach to management development and training. This volunteering will focus primarily on mentoring vulnerable young people. Our senior executive volunteering programme will focus on addressing key societal challenges and peer influence.

### 5 Environment

Whilst our global carbon footprint is relatively small, we believe we have a responsibility to take account of our environmental impact and also to influence others through programmes which are appropriate to the scale and nature of our business and reflect our wider duties to society.

We remain a carbon neutral company through the acquisition of Gold Standard Certified Emission Reduction credits which have offset our prior year's emissions.

We continue to adopt a thought leadership position regarding climate related matters.

Our Corporate Responsibility team has presented at a number of influential climate related conferences where we have shared our programmes in a transparent manner.

A schools' climate engagement programme has been piloted very successfully to over 100 young people.

We have significantly improved our waste recycling rates and have replaced all plastic bottled and canned water in our offices with a purified water filtration system. Our non-recycled waste reduced by 27% and our recycled waste increased by 23% year on year.

We increased the number of videoconferencing facilities by 65% year on year.

We are also encouraged that our carbon footprint per employee reduced year on year and by over 44% since 2005.

### The future?

Our Corporate Responsibility focus in the coming year will continue to be on those areas which present the most significant potential risk to our Group and our franchise.

### Move to web-based Corporate Responsibility reporting

For this and future years our main Corporate Responsibility reporting will be web-based, supported by a short printed summary.

We believe that this will facilitate direct access by our stakeholders to information of specific interest to them. This approach is also in line with our commitment to the continued reduction of our carbon footprint.

We have therefore developed a dedicated Corporate Responsibility website, complete with a dashboard of data, which can be accessed at www.mangroupplc.com/cr.

Dow Jones Sustainability Indexes
Member 2008/09

We are particularly encouraged by our global leadership position in the index in the areas of risk management, compliance and corporate social responsibility reporting.

# Directors' Report

The directors submit their report, together with the audited financial statements for the year ended 31 March 2009 (the year).

### Principal activities, business review and results

Man Group plc (the Company) is the holding company for the Man group of companies (the Group) and is domiciled and incorporated in the United Kingdom. Details of the principal operating subsidiaries are set out on page 117.

The Company is required to set out in this report a fair review of the business of the Group during the year and of its position at the end of the year and a description of the principal risks and uncertainties facing the Group. This information can be found in the following sections of the Annual Report, which are incorporated by reference in this Directors' Report:

- Business Review, including forward facing statements within the Chief Executive's Review on pages 4 to 45.
- Financial Review on pages 67 to 73.

The directors have considered whether there are any contracts which are essential to the business and have concluded that there are none.

The Company's audited financial statements appear on pages 75 to 116.

### Dividends

The directors recommend a final dividend of 24.8 US cents per ordinary share giving a total of 44 US cents per ordinary share for the year. Subject to shareholder approval at the Annual General Meeting, the final dividend will be paid in sterling on 21 July 2009, at a rate of 15.47 pence per ordinary share, to shareholders on the register at the close of business on 3 July 2009. The shares will be quoted ex-dividend from 1 July 2009. The Dividend Reinvestment Plan will be available in respect of this dividend.

### Purchase of the Company's shares

During the year, the Company purchased in the market for cancellation 30.5 million of its ordinary shares of $3\frac{3}{7}$ US cents each at a total cost of $280 million.

All purchases were undertaken at share prices that would increase earnings per share. These transactions represented some 1.79% of the issued ordinary share capital at 31 March 2009. As at 28 May 2009, the Company had an unexpired authority from the previous year's Annual General Meeting to purchase further shares up to a remaining maximum of 141,197,351 ordinary shares.

### Directors

Biographical details of the current directors of the Company, who all held office throughout the year, are set out on pages 8 and 9. Stanley Fink also served as a director and Deputy Chairman during the year until his retirement on 10 July 2008.

In accordance with the Company's Articles of Association, Jon Aisbitt and Peter Clarke will retire by rotation at the 2009 Annual General Meeting and being eligible will offer themselves for re-appointment. Glen Moreno also retires at the Annual General Meeting this year and will not be seeking re-appointment.

### Directors' interests and indemnities

Details of directors' interests in the share capital of the Company are set out in the Remuneration Report on pages 63 to 65. There have been no changes in the directors' share interests between 31 March 2009 and the date of this Report.

At no time during the year did any director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings other than in the service contracts between each executive director and the Company. The Company has purchased and maintained throughout the year directors' and officers' liability insurance. The directors also have the benefit of the indemnity provisions set out in the Company's Articles of Association.

### Share capital and takeover related provisions

Following the implementation of paragraph 13, Part VII, Schedule 7 of the Companies Act 1985, (inserted by Section 992 of the Companies Act 2006), the Company is required to make the following disclosures which are not fully covered elsewhere in this Annual Report.

#### *Share capital*

Details of the Company's authorised and issued share capital as at 31 March 2009 are set out in Note 19 to the financial statements on page 107.

Details on the Company's Fixed Rate Perpetual Subordinated Capital Securities are set out in Note 21 on page 108.

A holder of ordinary shares of $3\frac{3}{7}$ US cents each in the capital of the Company is entitled to one vote per ordinary share held when a vote is taken on a poll and one vote only when a vote is taken on a show of hands.

The Deferred Dollar Shares have no voting rights and may only be transferred to the Company. Such buy-back is expected to take place in December 2009 in accordance with the terms of the B and C share schemes. The Deferred Sterling Shares have no voting rights and are freely transferable.

Subject to certain standard restrictions on transfer contained in the Company's Articles of Association, such as that the directors may decline to register a transfer of a share that is not fully paid up, there are no restrictions on the transfer of ordinary shares.

There are no securities carrying special rights with regard to control of the Company.

Fuller details of the rights and obligations attaching to shares are set out in the Company's Articles of Association.

#### *Substantial voting interests*

As at 21 May 2009 the following voting interests in the ordinary share capital of the Company, disclosable under the Disclosure and Transparency Rules of the Financial Services Authority had been notified to the Company:

| | % |
|---|---|
| AXA S.A. | 9.03 |
| Legal & General Plc and its subsidiaries | 6.28 |
| FMR LLC | 4.99 |
| Baillie Gifford & Co | 4.98 |
| BlackRock Group | 4.95 |

***Powers of directors***

The Company's Articles of Association give a power to the Board to appoint directors, but also require directors so appointed to retire and submit themselves for reappointment at the first Annual General Meeting following their appointment and for reappointment no later than the third Annual General Meeting after their last appointment. Shareholders may also appoint directors who are then subject to the same reappointment requirements at least once every three years. The Articles give the power to a director to appoint any person to be his alternate subject to the appointment of such person who is not another director being approved by the Board. Directors' and employees' employment contracts do not provide for compensation for loss of office or employment as a result of a takeover bid.

The Board is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes and the Company's Memorandum and Articles of Association. A copy of the Memorandum and Articles is available on request from the registered office of the Company. The Articles may be amended by special resolution of the shareholders.

***Credit facilities***

The Company acts as one of the guarantors of a number of Group companies which are the borrowers under a credit facility entered into in June 2007 with various financial institutions, pursuant to which the lending banks agreed to make available to the borrowers a multicurrency revolving facility and a dollar swingline advance facility for the repayment of an earlier facility and general corporate purposes. In the event of a change of control of the Company, any lending bank may propose such revised terms, if any, that it requires to continue participating in the facility. To the extent that the Company cannot agree such revised terms with the relevant bank, such bank may cancel the whole of its commitments and require the repayment of its outstanding advances under the facility.

***Employee share incentive schemes***

The Company's employee share incentive schemes contain provisions whereby, upon a change of control of the Company, outstanding options and awards would vest and become exercisable, subject (in the case of certain schemes only) to the satisfaction of any performance conditions at that time and/or any time pro-rating of options and awards.

***Significant agreements***

The directors are not aware of any significant agreements to which the Company and/or any of its subsidiaries is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

**Financial risk management**

Financial instruments are used by the Group in the ordinary course of business. A discussion of financial risk management objectives and policies is included in the Risk Management section of the Annual Report, on pages 40 to 43. Further quantification of the Group's exposures to financial risks is included in Note 9 to the financial statements, on pages 92 to 96.

**Credit payment policy**

It continues to be the Group's policy to honour all of its contractual commitments and this includes paying suppliers according to agreed payment terms.

The Company, being a holding company, had no external trade creditors at 31 March 2009 or 31 March 2008.

**Employees, corporate responsibility and charitable donations**

The Company's policies on employees, corporate responsibility and charitable donations are discussed on pages 36, 44 and on the inside back cover respectively.

During the year the Company committed $10 million (2008: $26 million) to the Man Group plc Charitable Trust and charity committees of our overseas offices.

During the year the Company did not make any political donations to any political party or other political organisation and did not incur any political expenditure within the meaning of Sections 362 to 379 of the Companies Act 2006.

By Order of the Board

**Kevin Hayes**
Company Secretary
28 May 2009

# Corporate Governance Report

The Board is committed to the highest standards of corporate governance to safeguard the interests of shareholders and other stakeholders. The following report describes how the principles contained in the Combined Code on Governance (the Code) have been applied by the Company during the year ended 31 March 2009 (the year). The Company has complied throughout the year with the best practice provisions set out in Section 1 of the Code subject to the exceptions highlighted in the report below.

### Board membership

The Board currently comprises the Chairman, Chief Executive and Finance Director, and five independent non-executive directors. Glen Moreno is currently the Senior Independent Director and Alison Carnwath has agreed to take over this role on his retirement at this year's Annual General Meeting. The Board is fully satisfied that, notwithstanding his long tenure of office, Glen continues to bring robust independence of thought and substantial challenge to Board debate. The Board draws great strength from the length of service, industry understanding and broad financial expertise of all its non-executive members and proposes to develop and refresh this knowledge and experience base with new recruitment in 2009. Biographical details of all the current directors of the Company are given on pages 8 and 9.

### Role of the Board

The role of the Board is to determine and review business direction and strategy, monitor executive performance, oversee the management of risk and internal controls, and ensure that the Company discharges its responsibilities to shareholders and other stakeholders. The Board has delegated responsibility for day-to-day management of the business to the Chief Executive, the Finance Director and their management team. The strategic, financial and risk authorities delegated by the Board, and those matters reserved for its decision, are documented and subject to regular review.

There is an effective working relationship between the Chairman and the Chief Executive based on a clear understanding of their separate roles. However, it has not been considered necessary formally to document this differentiation as required by the Code. The Chairman is responsible for the operation of the Board and the discharge of the Company's responsibilities to shareholders. The Chief Executive is responsible for running the Company's business. The Chairman is able to devote a significant amount of time to running the Board and has no other material business commitments.

### Board committees

The Board has delegated certain of its governance responsibilities to three dedicated committees, namely the Audit and Risk, Remuneration and Nomination Committees which are composed solely of non-executive directors. All the non-executive directors are currently members of all the committees. In addition, the Chairman is a member of the Remuneration Committee and Chairman of the Nomination Committee. The full terms of reference of all the committees are given on our website www.mangroupplc.com.

Summary terms of reference for and a report on the activities of the Audit and Risk and Nomination Committees are given later in this section of the Annual Report.

Summary terms of reference for and a report on the work of the Remuneration Committee are set out in the separate Remuneration Report on pages 53 to 65. This gives a full description of the Company's policy and practice on executive directors' remuneration and service contracts and explains how the Chairman's compensation and non-executive directors' fees are determined. It should be noted that the Chairman's compensation is considered by the Remuneration Committee which makes a recommendation to the Board for approval. It is considered that this is the most appropriate way of determining the Chairman's compensation, rather than allowing it to be set solely by the Remuneration Committee as provided by the Code.

### Board meetings

The Board holds at least seven formal Board meetings a year, of which at least one comprises a full day strategy review. In 2008/9, as a follow up to its full day strategy review, the Board devoted significant time within its regular Board meetings to reviewing progress on strategy implementation, with particular focus on the development of Man's new integrated hedge fund management business. Board conference calls, in which all Board members are invited to participate, are arranged to take forward and finalise matters such as trading statements which have previously been discussed in outline at a Board meeting. Appropriate arrangements have been put in place for dealing with urgent issues which arise unexpectedly between meetings. There is regular contact outside formal meetings between the Chairman and individual non-executive and executive directors. In addition, the non-executive directors take opportunities to discuss the Company's business without the presence of their executive colleagues. The table below indicates the number of meetings held during the year and individual directors' attendance.

### Directors' attendance at meetings

The numbers of Board and Board committee meetings held and attended by individual directors during the year were as follows:

| | Board meeting | Audit and Risk Committee | Remuneration Committee | Nomination Committee |
|---|---|---|---|---|
| Jon Aisbitt[1] | 7/7 | 6/6 | 3/3 | 2/2 |
| Alison Carnwath | 7/7 | 4/6 | 3/3 | 2/2 |
| Phillip Colebatch | 7/7 | 6/6 | 3/3 | 2/2 |
| Dugald Eadie | 7/7 | 6/6 | 3/3 | 2/2 |
| Stanley Fink[2] | 2/7 | | | |
| Glen Moreno | 7/7 | 6/6 | 3/3 | 2/2 |
| Patrick O'Sullivan | 7/7 | 5/6 | 3/3 | 2/2 |
| Peter Clarke[3] | 7/7 | | | |
| Kevin Hayes[3] | 7/7 | | | |

1 Jon Aisbitt is not a member of the Audit and Risk Committee and attends meetings by invitation only.
2 Stanley Fink retired from the Board on 10 July 2008.
3 Peter Clarke and Kevin Hayes are not members of the Audit and Risk and Remuneration Committees and attended meetings by invitation only.

### Board information and development

The process for contributing to and setting Board agendas has been formalised and streamlined during the year. Work on creating an annual rolling agenda of cyclical business is in hand. The timetable and process for the preparation, review and circulation of Board papers has been reviewed to ensure that full and timely information continues to be made available to Board members prior to meetings. Slide presentations are circulated in advance wherever possible. There is an annual programme for the rotation of Board meetings around the Company's main overseas locations to enhance the Board's understanding of the global business and give them the opportunity to meet local management teams. Work is planned to update current induction arrangements for new non-executive directors to include presentations by the heads of the principal fund products and business streams. All directors are aware that they may take independent professional advice at the Company's expense if they feel that circumstances warrant this. Appropriate directors' and officers' liability insurance is in place.

### Board evaluation

An external evaluation of the effectiveness of the Board was carried out earlier this year. This was led by an independent third party who engaged all Board members in a detailed review of Board governance, processes and culture supported by a structured questionnaire. There was a similar though less detailed review of the operation of the principal Board committees. A report on the key findings was presented to the Board for discussion and agreement on future actions. This year's evaluation also involved a confidential peer review of individual directors, feedback from which was discussed by the Chairman with each director individually. Feedback on the Chairman was discussed with him by the Senior Independent Director.

The evaluation revealed a number of key areas for focus during the coming year. These included a renewed emphasis on strategy review against the background of severe economic downturn, the continuing need for the Board to deepen their understanding of the marketplace in which the Group operates, increased oversight of executive director succession and senior management resource, a review of Board committee membership and the improvement of certain Board support functions.

### Conflicts of interest

In the course of last year, in anticipation of the coming into force of the Companies Act 2006 requirement for directors to avoid actual or potential conflicts of interest, the Board reviewed and authorised, in accordance with the Company's Articles of Association, a small number of external directorships and other business interests held by individual directors which might be regarded as giving rise to actual or potential areas of conflict. The most significant of these reported interests was Alison Carnwath's Chairmanship of MF Global.

In all cases where a potential conflict has been identified, it is Board policy that the director in question absents themself from any discussion of the area or issue which gives rise to the conflict and that no related papers or minutes of Board discussion are sent to them. All directors are aware of their continuing obligation to report any new interests or changes in existing interests which might amount to a possible conflict of interest in order that these may be considered by the Board and appropriate authorisations given.

### Board appointments

The process for the appointment of directors to the Board is led by the Chairman and the Nomination Committee. Details of this process are given in the report on the work carried out by the Nomination Committee during the year which follows this section.

Non-executive directors are appointed for an initial three year term which may be followed by a further three year term by mutual agreement. Any reappointment of a non-executive director beyond six years is subject to a challenging review of the director's contribution, taking account of the need for regular refreshing of non-executive expertise. Non-executive directors' letters of appointment indicate the approximate time commitment expected for the role and Board meetings are scheduled to maximise directors' availability for Company business. All directors are subject to reappointment by shareholders at the first Annual General Meeting after their appointment and at least once every three years after that. Non-executives who serve on the Board for more than nine years are subject to annual reappointment at the Annual General Meeting each year.

# Corporate Governance Report
continued

### Role and work of the Nomination Committee

The role of the Committee, which comprises all the non-executive directors and is chaired by the Chairman of the Board, is to:

> keep under regular review the size, composition, experience and skill set of the Board and identify, against the challenges facing the Company, any recruitment needs;
> prepare for agreement by the Board the competency and experience specification for individual director searches;
> identify and recommend to the Board, against the agreed specification, candidates for Board appointments;
> review the senior management development and executive director succession planning process to ensure the continuity of appropriate executive resource at and immediately below Board level.

In May 2008 the Committee reviewed and recommended to the Board proposals to seek shareholder approval for the reappointment of directors retiring at the 2008 Annual General Meeting. At the beginning of 2009 the Committee reviewed and updated its terms of reference and agreed an annual meeting schedule for the conduct of its work. Most recently, the Committee's focus has been on non-executive director search. This has involved reaching agreement on candidate profile, reviewing long and short lists drawn up by executive search consultants, and considering the interview process. Prospective candidates are interviewed by the Chairman, Chief Executive and Senior Independent Director and feedback shared with the Committee to inform their selection and recommendation to the Board of a preferred candidate. All Committee members are able to meet a preferred candidate if they so wish prior to the formal recommendation to the Board.

Later this year, in line with the new annual work programme, the Committee's focus will be on the review of executive director and senior management succession planning to ensure the continuing appropriateness of executive resource at and just below Board level.

### Role and work of the Audit and Risk Committee

The Committee comprises all the non-executive directors under the chairmanship of Dugald Eadie. Patrick O'Sullivan is considered to have recent and relevant financial experience.

The role of the Committee is to:

> review, prior to submission to the Board, the integrity of the Company's annual and interim results announcements and financial statements;
> make recommendations to the Board on the appointment and removal of the external auditors, agree the nature and scope of their work and review the effectiveness of their audit process;
> review annually the independence of the external auditors and the policy on their engagement to supply non-audit services;
> review and discuss with the external auditors their audit findings and recommendations and management's response;
> review Internal Audit reports and consider management's response to their recommendations; and
> review the effectiveness of the Company's internal control and risk management systems.

The Committee met six times during the year. All meetings were attended by the Chairman, Finance Director and Financial Controller. The Chief Executive attended the two meetings dedicated to the review of the draft Interim and Annual Reports. The Heads of Group Risk and Internal Audit and the external audit partner attended the other four meetings. A manager from within Group Risk acted as secretary to the Committee.

The Chairman of the Committee met separately with the Head of Internal Audit and with the external auditors on several occasions without the presence of any members of the executive management team and reported to the Committee on those discussions. The Committee met with the external auditors and the Head of Internal Audit once during the year without the presence of the executive management.

In addition to reviewing regular reports from the Finance Director, Financial Controller, Head of Internal Audit, Head of Compliance and Head of Risk as part of their routine work, other matters considered by the Committee during the year included:

> a review of the valuation and liquidity of fund positions;
> a review of the tax risk framework;
> a review of IT controls;
> a review of the accounting policy on the capitalisation of internal IT staff costs; and
> a review of the impairment of acquisition goodwill.

In relation to the Company's risk management processes, the Committee's focus during the year was on a number of key issues, including operational risks due to complexity of processes, valuation and liquidity of investments, governance of funds, organisation structure after the sale of MF Global, and capital and liquidity requirements of the Group.

The Committee considers the reappointment of the external auditors, including the rotation of audit partner, each year and also assesses their independence. As a safeguard to help avoid the objectivity and independence of the external auditors becoming compromised, the Committee has approved a formal policy governing the engagement of the external auditors to provide non-audit services. This policy precludes them from providing certain services (including book keeping, financial IT system design and implementation, financial appraisal and valuation, and internal audit work) and permits other limited services which are subject to low fee thresholds or which require prior approval from the Committee. Details of fees paid to the auditors for the year ended 31 March 2009 are set out in Note 4 (c) to the financial statements on page 89.

The Chairman of the Committee reports to the Board on matters discussed by the Committee after each meeting and on any recommended actions.

### Internal control and risk management

The Board has overall responsibility for the Company's systems of internal control and risk management and for reviewing their effectiveness. The Audit and Risk Committee provides oversight and independent challenge in relation to internal control and risk management systems.

The directors and senior managers of the Group are committed to maintaining high standards of control and a risk aware culture to safeguard the Company's assets, reputation and franchise. The Company's activities are subject to high levels of regulatory oversight in many jurisdictions and significant resources are allocated to ensure compliance.

The Board's role includes:

> setting the Company's risk appetite and overall risk management strategy;
> developing appropriate risk management and governance systems;
> establishing and maintaining effective monitoring of internal controls systems.

A fuller description of the Company's risk management processes, together with details of the principal risks faced, is given in the Risk Management section of this Annual Report. These processes have been in place throughout the year and up to the date of this Annual Report and have been regularly reviewed by the Board.

The Company's systems of internal control aim to safeguard assets, ensure that proper accounting records are maintained, and ensure that the financial information used in the business and published externally is robust and reliable. The systems are designed to manage key risks rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. They comply with the guidance given in 'Internal Control: Revised Guidance for Directors on the Combined Code' (the 2005 Turnbull guidance).

### *Review of internal controls*

The Board receives reports from the Risk Assurance Committee, Finance Committee and line management on the risks to the achievement of the Group's operational and financial objectives, together with assurance that the level of risk sustained is consistent with and being managed in accordance with the Company's risk appetite. Objective assurance on the operation and effectiveness of internal controls is provided by Internal Audit whose audit programme is targeted on the review and investigation of key risk controls. Further objective assurance on the effectiveness of risk controls is provided by other functions, including Group Risk, Legal and Compliance.

In addition to its ongoing monitoring of risk controls, the Board has conducted a specific year end review of the effectiveness of the Group's system of internal control and risk management during the year and for the period up to the date of this Annual Report. This review covered all controls – operational, financial and compliance – and risk management systems. As part of this, the Board received an overview from the Audit and Risk Committee on the internal control environment and in depth reports on specific incidents and circumstances of loss which had occurred during the year which might indicate a weakness in the control framework. The reports analysed the cause of the losses and explored the extent to which they represented a control failure. Measures to address significant weaknesses or failures in control suggested by the reports have been identified and confirmation has been received from management that the necessary remedial actions have been or are being implemented.

### Financial reporting and going concern

Explanations of the directors' responsibilities for preparing the financial statements are given on page 52 and the auditors' responsibility for reporting on those statements are given on page 74.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 67 to 73, and in the Risk Management section on pages 40 to 43. In addition, Note 9 to the financial statements includes, or references, the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources and as a consequence the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Rachel Rowson (Deputy Company Secretary), Jon Aisbitt (Chairman) and Miriam McKay (Head of Investor Relations).

### Communications with shareholders

### *Institutional investors*

Man undertakes a comprehensive programme of meetings and events for institutional investors and research analysts. In the year under review, this programme included some 250 investor meetings, preliminary and interim results presentations, and conference calls relating to interim management and pre-close trading statements. The Chairman attends results presentations to investors, and investor feedback and opinion is circulated at least quarterly to the Board. The Chairman and Senior Independent Director made themselves available for meetings with major shareholders in the course of the year, although demand for these meetings was low.

### *Private investors*

The Company likes to take the opportunity offered by the Annual General Meeting to communicate directly with private shareholders. The Chairman gave a first quarter trading update on the Company's business at the 2008 Annual General Meeting and this was followed by a brief presentation on the future of the business by the Chief Executive. Shareholders were invited to ask questions of the directors at the meeting itself and informally afterwards. It is proposed to build on this approach at the 2009 Annual General Meeting and develop further the opportunity for business discussion and dialogue with shareholders. All the formal aspects of the Annual General Meeting are conducted in accordance with the Combined Code provisions.

### Corporate website

In the course of the year, Man redesigned its corporate website to improve communication with a range of stakeholders, including institutional and private shareholders. Our website www.mangroupplc.com now includes information about the industry in which we operate, our strategy and business performance, corporate responsibility initiatives, careers opportunities at Man and key information for shareholders such as dividend payment schedules.

# Corporate Governance Report
continued

### Statement of directors' responsibilities
The directors are responsible for preparing the Annual Report, the Remuneration Report and the Group and the parent company financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements and the Remuneration Report prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

> select suitable accounting policies and then apply them consistently;
> make judgements and estimates that are reasonable and prudent;
> state that the Group financial statements comply with IFRSs as adopted by the European Union, and with regard to the parent company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
> prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors are also required by the Disclosure and Transparency Rules of the Financial Services Authority to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group and Company. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements and the Remuneration Report comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Each director confirms that so far as he/she is aware, there is no relevant audit information of which the Group's auditors are unaware, and that he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985. The directors are responsible for the maintenance and integrity of the Company's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Directors' statement pursuant to the Disclosure and Transparency Rules
The directors confirm that, to the best of each person's knowledge and belief:

> the Group financial statements prepared in accordance with IFRSs as adopted by the EU and the parent company financial statements as prepared under UK GAAP give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
> the management report contained in the Business Review includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

**Kevin Hayes**
Company Secretary
28 May 2009

# Remuneration Report

The directors submit their Remuneration Report for the year ended 31 March 2009. The information given on pages 62 to 65 is audited.

## Contents



## Summary

The Remuneration Report sets out the components of employee remuneration and policy, and the Company's arrangements on the remuneration of executive and non-executive directors and gives details of their remuneration packages (including share incentive scheme awards), service contracts and disclosable interests in the issued share capital of Man Group plc in respect of the year ended 31 March 2009 (the year). The report will be put to an advisory vote of the Company's shareholders at the Annual General Meeting to be held on 9 July 2009.

## Remuneration Committee – membership and terms of reference

The members of the Remuneration Committee at any time when remuneration for the year was considered were:

- Philip Colebatch (Chairman from 30 May 2008)
- Jon Aisbitt
- Alison Carnwath
- Dugald Eadie (former Chairman to 30 May 2008)
- Glen Moreno
- Patrick O'Sullivan

The Remuneration Committee reviewed and updated its terms of reference in March 2009. It is responsible for determining the total compensation for individual executive directors within the policy agreed by the Board and has oversight of the performance evaluations and compensation proposals for the most senior executives below Board level. It approves the annual objectives for executive directors and reviews their performance against these objectives. The Remuneration Committee determines the contractual termination terms for executive directors and approves any severance payments or arrangements. It also reviews and recommends to the Board the total compensation for the Chairman.

The Remuneration Committee reviews and approves the performance evaluation of senior management and approves their total annual compensation. It sets the performance conditions and vesting criteria attaching to share incentive plans and determines the extent to which these have been achieved each year.

The Remuneration Committee was assisted by and took advice during the year on the structure and level of remuneration from the Group Head of HR and the Chief Executive.

## Compensation philosophy

Man recruits highly intelligent and able people who are expected to perform to the best of their abilities, displaying the highest levels of professionalism and integrity, alongside their specialist skills and business management acumen. Compensation levels are set to reward such employees commensurate with their contribution to Company performance.

We have reviewed the Company's remuneration policies and processes to give assurance that the Company's policies are fit for purpose and are subject to a robust governance process.

## Overview of employee remuneration and policy

A summary of the total fixed and variable compensation costs for the Group for the last three years is given below.

| | **2009 $m** | 2008 $m | 2007 $m |
|---|---|---|---|
| Revenue (including gains/losses on investments at fair value) | **2,228** | 3,171 | 2,214 |
| Salaries and related personnel costs (fixed costs) | **213** | 203 | 165 |
| Discretionary cash bonus costs | **179** | 365 | 248 |
| Amortisation of prior years' share awards (IFRS 2 charge) | **71** | 71 | 43 |
| Total variable compensation costs | **250** | 436 | 291 |
| Total P&L compensation charge for the year | **463** | 639 | 456 |
| Compensation cost/revenue (%) | **20.8** | 20.2 | 20.6 |

As can be seen in the table, compensation as a percentage of revenue has remained fairly constant in the 20%–21% range. Revenue in 2009 was at similar levels to that recorded in 2007. However, the amortisation charge relating to deferred share awards from previous years was significantly higher in 2009 although this was offset by lower discretionary cash bonuses in 2009.

The total compensation package includes base salary, benefits and an annual discretionary bonus. The bonus award depends upon individual performance, risk management and the Company performance. In addition, key contributors and senior employees are invited to participate in the Company equity and fund product plans, enabling these employees to share directly in the success of the Company and investor products.

# Remuneration Report
continued

| Element | Objective | Performance/review period | Performance condition |
|---|---|---|---|
| Base salary | Reflects market value of role and individual's responsibility | Annual review | Skills and experience |
| Performance bonus | Incentive for individual and Group performance | Annual review | Employee contribution to business objectives including managing risk and performance against competencies |
| Share-fund-based incentives | Alignment of interest with long-term return to shareholders and interest of investors in various funds | Annual vesting over four years | Continued employment |
| Benefits | Based on local market practice and legislation | Annual review | Not applicable |
| Pensions | Provision of competitive post-retirement benefits | Annual review | Service related |

### *Base salary*
Base salary levels are established by reference to those prevailing in the employment market generally for employees of comparable status, responsibility and skills. Particular regard is paid to base salary levels within other leading companies in the financial services sector. These comparisons are made with the assistance of independent remuneration surveys. Salaries are reviewed annually.

### *Discretionary bonuses*
The bonus pool is determined by the profitability of the business for the financial year after a charge on surplus capital. The success of the business is therefore the direct driver of compensation levels – the greater the long-term success of the business the greater the rewards for employees. Employees are measured against both business objectives and competencies, with performance reviews to assess the employees' contribution and potential. Business objectives include building the sustainable profitability of the Company and managing risk within the governance framework. The purpose is to increase the effectiveness and potential of every Man employee by ensuring that individual objectives are aligned with overall business and department goals. Senior employees also receive part of their bonus in shares through the Man Group share plans to align them with the shareholders and the future performance of the Company.

Where applicable sales executives are eligible for sales commission based on assets raised. Following a policy review a number of changes have been made to commission arrangements effective 1 April 2009. From this date:

- To increase the discretionary component of compensation and to target a reduction in redemptions, 30% (previously 20%) of commission raised will be deducted and scored against achievement of target redemption levels and personal objectives;
- Commission payments will be made semi-annually (previously quarterly); and
- Commission will be deferred into Company shares in the Deferred Share Plan on a scale based on total compensation levels.

### *Benefits*
Core benefits are provided to all employees globally, and are driven by local regulations and market practice. While benefits are specific to location, they generally include retirement, medical cover, life and sickness assurance, and holiday benefits. On top of this, we provide our employees with a range of additional benefits according to local market. The Company also seeks to encourage employee share ownership as set out below.

### *Deferred incentive plans for senior employees excluding directors*

| Plan | Plan information | Additional information |
|---|---|---|
| Deferred Share Plan (DSP) | Participants will be awarded nil priced options over shares in Man Group plc subject to continuing service throughout the vesting period. This will align them directly with the interests of the shareholders. (There will be incremental vesting of 25% over four years. However, there are transitional provisions for awards in respect of 2008, 2009 and 2010 such that 10% of the award vests a year after grant, 15% of the award vests two years after grant, 20% of the award vests three years after grant with the balance of 55% vesting four years after grant.) | This replaces the Co-Investment scheme with effect from June 2008. This follows an extensive review by the Remuneration Committee and Board of long-term incentive plans in the market and the advice of external consultants.<br><br>The plan has been designed to attract, retain and motivate talent in an increasingly competitive specialist market. |
| Fund Product Plan (FPP) | Senior investment managers may elect to have up to 50% of their Deferred Share Plan award invested in one of the fund products in the area they manage. This is to align them with the investors in the Company products. In all other respects the FPP mirrors the DSP. | The senior investment managers will continue to receive at least 50% of their deferred award in the Man Group plc DSP so that they are also aligned with the interests of the shareholders. |
| Co-Investment Scheme | This is a long-term incentive scheme, designed to encourage senior employees to invest a proportion of their cash bonus by purchasing shares in the Company and to facilitate their retention. It is a matching scheme whereby the Group matches on an agreed basis the pre-tax amount of bonus invested in the scheme provided that the bonus investment shares are retained by the employee for three years. The matching award can be exercised for no payment after four years provided that the employee is still employed by the Group. The scheme operates on a four to one matching basis. The amount a participant can invest cannot exceed 100% of their bonus. | The Co-Investment scheme has been replaced by the Man Group plc Deferred Share Plan in 2008 and no further awards shall be made under this scheme. |

### *All employee share plans*

| Plan | Plan information | Additional information |
|---|---|---|
| UK Sharesave Scheme | All employee scheme, each participant permitted to save up to £250 per month to purchase Man Group plc shares at a discount. The option price is set at a 20% discount to the market value near the time the option is granted. | This is an HMRC approved scheme. Contracts are for three or five year periods. |
| US Stock Purchase Plan | All employee scheme, each participant permitted to save up to $500 per month from 2005 to purchase Man shares at a discount normally after a 24 month period. Subject to a restriction on transfer of one year following purchase. The option price is set at a 15% discount to the market value on the date of grant. | This is an Internal Revenue Code qualifying plan. |

### *Assisted purchase scheme*

The Group has established and contributes to a discretionary trust for the benefit of employees of the Group (including executive directors) to facilitate the acquisition of shares in the Company as long-term holdings. The current trustees, who are not connected with the Group, are Roanne Trust Company (Jersey) Limited and Trustcorp (Jersey) Limited. The trustees acquire shares in the market, which they will sell on at the prevailing market price on deferred payment terms. In the case of executive directors, such assistance is subject to prior approval by the Remuneration Committee. As at 31 March 2009, no directors were receiving such assistance.

# Remuneration Report
continued

### Executive directors' remuneration policy

The Group aims to attract, motivate and retain high calibre executive directors, and align executive remuneration with the interests of the shareholders by paying competitive base salary and benefits, together with bonus and long-term incentive awards which are linked to:

> the achievement of individual objectives, which are directly aligned to the strategy of the Group and building sustainable profitability;
> the achievement of the Group's key financial targets (as set out in the Financial Review);
> the creation of long-term shareholder value;
> ongoing oversight of a robust risk management framework;
> qualitative assessment of people leadership; and
> contribution to corporate and social responsibility.

The Company operates in the alternative investment management sector and is a constituent of the FTSE 100 index. The majority of the Company's competitors are unlisted. In the alternative investment management sector recruitment and retention of talent is critical and for this reason it is important that the remuneration structure is competitive and enables the Company to attract and retain high calibre executives and employees within this specialised sector. It is market practice in the alternative investment management industry for the total remuneration package of executives to contain a high proportion of variable pay which is closely aligned with the return to investors. For this reason, awards under the Company's incentive plans in Company shares constitute a large proportion of the executive directors' total remuneration. This aligns the interests of executive directors and senior executives with the Group's shareholders through the promotion and encouragement of share ownership, and is subject to return on equity and growth in diluted EPS performance targets.

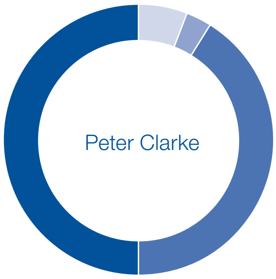
In assessing the competitiveness of remuneration, base salaries, bonuses and long-term incentives have been reviewed against available external market data. In addition, there is a review of internal relativities within the Company. These market and internal reviews cover the individual elements of compensation and total compensation. Whilst the fixed component of remuneration is sufficiently high to allow the Company to operate a flexible bonus policy, to retain incentivisation through the application of its remuneration policy on an annual basis, the Remuneration Committee seeks to give a high proportion of total compensation in the form of variable bonus payments and long-term incentives.

Given the existing share and option plans the Remuneration Committee has, as last year, consciously decided to maximise the non-cash component of executive directors remuneration permitted under the Plan Rules. Executive directors are required to invest 100% of the amount of their post-tax cash bonus in Company shares before being granted the PSP matching award which constitutes the majority of their long-term incentive award. As a result, as in 2008, in order to take up the PSP matching award the cash bonus must be invested in Company shares. These long-term incentives are subject to challenging performance conditions. The Remuneration Committee has not used its discretion this year to change previously established performance criteria. The performance conditions for the long-term incentive plans are earnings per share in excess of RPI and post-tax return on capital measured over a three-year performance period. The performance conditions are not linked to short-term share price movements. Instead, performance conditions are based on long-term creation of shareholder value. The performance targets to be met are absolute targets. They are not relative targets which are easier to achieve when comparator companies have poor results.

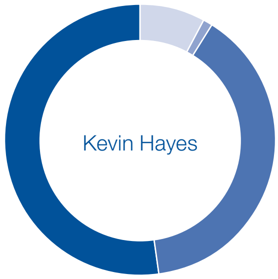
#### *Overview of remuneration elements for executive directors*

| Element | Objective | Performance period | Performance condition |
|---|---|---|---|
| Base salary | Reflects market value of role and individual's responsibility and skills and experience | Not applicable | Reviewed annually |
| Performance bonus | Incentive for achievement of personal goals and Company strategic and financial targets | Annual. A proportion or all of bonus must be deferred into shares with a three year holding period to receive a matching award in year four (see PSP) | Bonus subject to achievement of agreed personal objectives and Company strategic and financial targets |
| Performance Share Plan (PSP) | Incentivise long-term return to shareholders, support and encourage share ownership | Three year performance period plus one year restriction period dependent upon continued employment | Basic award plus matching awards subject to executive directors investing performance bonus into shares. Basic and matching awards are subject to post-tax return on average shareholders' equity targets |
| Executive Share Option Scheme (ESOS) | Incentivise sustained growth | Three year performance period | Growth in EPS (excluding performance fee income and exceptional items) |
| Pensions and benefits | Provision of competitive post-retirement and other benefits | Service related | Not applicable |

***Composition of executive directors' remuneration for year ended 31 March 2009***




| | |
|---|---|
| Salary | 6% |
| Pension and benefits | 3% |
| Cash bonus that may be deferred into Company shares | 41% |
| Deferred share and option awards* | 50% |




| | |
|---|---|
| Salary | 8% |
| Pension and benefits | 1% |
| Cash bonus that may be deferred into Company shares | 39% |
| Deferred share and option awards* | 52% |

* Deferred share and option awards to be granted in June 2009.

| Remuneration[2] | Peter Clarke 2009 $000 | Kevin Hayes 2009 $000 |
|---|---|---|
| Salary | 920 | 620 |
| Pension and benefits[3] | 484 | 56 |
| Cash bonus that may be deferred into Company shares[4] to be granted PSP matching deferred share award | 6,000 | 3,000 |
| Total | 7,404 | 3,676 |
| Deferred share and option awards[1, 4] subject to performance conditions | 7,447 | 3,978 |

1 The expected value of the PSP and ESOS is the fair value of the award calculated at the date of grant. The value shown is the June 2009 grant value. This is subject to performance conditions and figures assume 100% vesting. The performance conditions are very challenging and therefore it is possible that the value could be significantly below the value shown above. The PSP matching award is subject to matching by the directors and assumes 100% take up.
2 2009 amounts determined in US dollars.
3 Pension benefit for Peter Clarke represents the transfer value at 31 March 2009 of increase in accrued pension during the year (net of inflation).
4 The amount of the cash bonus post-tax must be deferred into Company shares to be granted the PSP matching deferred share award. Take up was 100% in 2008.

***Service contracts***

The Group has service contracts with its executive directors. The service contracts do not have a fixed term but provide for termination on the expiry of not more than 12 months' written notice by either party or at the end of the month during which Peter Clarke has attained the age of 60 and Kevin Hayes has attained the age of 65. The effective dates of the service contracts are: Peter Clarke 1 April 1997 and Kevin Hayes 31 May 2007. The service contracts contain no contractual entitlement to any fixed amount of bonus or right to participation in any of the Group's share-based incentive schemes, participation in which is at the Remuneration Committee's discretion. To protect the Group's business interests, executive directors' service contracts contain non-compete covenants designed to be applicable to the extent permitted under the law of the relevant jurisdiction. Under their service contracts, external appointments require Board consent. The executive directors' service contracts do not include any fixed provision for termination compensation. The treatment of equity awards on termination is covered under the relevant shareholder approved plan rules. The Remuneration Committee is mindful of the need to consider what compensation commitments, if any, are appropriate in the event of the termination of executive directors' service contracts, bearing in mind the Group's legal obligations and the individual's ability to mitigate their loss. The Remuneration Committee must approve in advance any proposed termination payments. As stated in the Directors' Report, the Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors.

***Base salary***

Base salary ranges are established by reference to those prevailing in the employment market generally for executives of comparable status, responsibility and skills. Particular regard is paid to base salary levels within other leading companies in the financial services sector and the need in many cases to secure the services of senior executives who have international experience and flexibility in job location. These comparisons are made with the assistance of available independent remuneration surveys. Salaries are reviewed annually. The previous and current base salaries for the Man Group executive directors are shown in the table below.

| | Peter Clarke | Kevin Hayes |
|---|---|---|
| Base salary at 1 June 2008 | $925,000 | $625,000 |
| Base salary at 1 June 2009 | $925,000 | $625,000 |

As a US dollar denominated Company, with effect from 1 June 2008 the directors' salaries were set in US dollars. Salaries were reviewed but no increase will be made at 1 June 2009.

# Remuneration Report
continued

### *Pension and benefit provision*
All executive directors are eligible to participate in the Group's pension arrangements generally operating in the jurisdiction in which they work. Alternatively, the Group will, at the executive director's request and subject to applicable limits and regulations, make a contribution of up to 10% of pensionable base salary to a private pension plan nominated by the director. Full information is provided in the Audited Remuneration Report. Other benefits provided are set out below.

| Provision | Policy |
|---|---|
| Private medical insurance | Family private medical insurance is provided |
| Life assurance | Provides a lump sum payment in event of death; this is set at 4 x base salary subject to a Notional Earnings cap of £123,600 |
| Permanent health insurance | Insurance provides 50% of base salary less state benefits in the event of inability to carry on normal duties |
| Holiday pay | 30 days paid holiday |
| Assisted purchase scheme | See page 55 |
| Other benefits | Flexible benefits are provided and can be purchased from base salary |

### *Performance related cash bonus*
All executive directors and senior executives are eligible for an annual performance-related cash bonus, which is non-pensionable. Although the Remuneration Committee does not consider it appropriate to establish any maximum percentage of base salary payable by way of annual bonus, total bonuses available across the Group for distribution to eligible employees (including executive directors) are determined by reference to the pre-tax profit after making certain adjustments, including a charge for the capital allocated by the Group to the operation of that business and any credit usage.

Bonuses for executive directors are discretionary. In considering the appropriate level of bonus for each director, the Remuneration Committee considers:

(a) Strategy assessment measured by the extent to which the individual has achieved Company strategic objectives;

(b) Financial assessment measured by the extent to which the Group has achieved its financial targets; and

(c) Qualitative assessment measured by the extent to which the individual has achieved their agreed personal objectives for the year.

The bonus of each executive director, as determined by the Remuneration Committee against these measures on an individual basis, is shown in the table on page 57. Bonuses for senior executives below Board level are discussed with the Remuneration Committee and reviewed by it.

Although the bonus is paid in cash, executive directors must defer a portion of the bonus into shares as a precondition of receiving conditional awards of matching shares under the PSP (see below). In 2008 the executive directors deferred 100% of their bonus to take up matching awards made available to them under the PSP.

### *Long-term share-based incentive schemes*
Man Group has always sought to facilitate significant equity ownership by directors and senior management, principally through schemes which encourage and assist the purchase of shares with their own money or by way of bonus deferral. The Board and employees worldwide together currently own an estimated 3% of the Company's share capital, either directly or through employee trusts established and funded for this purpose. The Board alone directly holds 1% of the issued capital. The Employee Trusts are included in the Group's consolidated financial statements.

Executive directors are currently eligible to participate in the PSP, Assisted Purchase Scheme and ESOS, in each case at the Remuneration Committee's discretion. Both the Board and the Remuneration Committee believe that it is inappropriate to use short-term share price movements as a measure of management performance; true long-term shareholder value will be created through long-term growth in EPS and the maintenance of high levels of post-tax return on capital. For this reason, these two measures form the basis of the performance criteria applicable to the Group's long-term share-based incentive schemes.

The Remuneration Committee is not aware of any listed companies of substantial size whose main business activities are comparable in nature and scale to that of Man Group, and accordingly the Remuneration Committee does not see any merit in trying to benchmark performance criteria against any other companies. The Remuneration Committee sets performance conditions to achieve absolute returns, not relative returns, for its shareholders.

The following is a summary of the long-term share-based incentive plans that are operated by the Group.

| Plan | Award level | Additional information |
|---|---|---|
| Performance Share Plan 2006 (PSP) | > Each year, participants are eligible to receive awards of performance shares up to a maximum of 100% of base salary.<br>> Additionally the PSP participants must invest part or all of their annual performance-related cash bonus in shares in the Company (bonus shares), in order to be provisionally allocated such number of additional shares as represents the amount of their investment gross of personal tax and social security liabilities (matching shares).<br>> In addition, shares purchased under the Assisted Purchase Scheme (see below) are eligible for an allocation of matching shares under the PSP on a one to one ratio. In the event of sale of any invested/purchased shares before the end of the three year performance period the number of matching shares will be reduced proportionally.<br>> For 2008, the executive directors were awarded PSP shares equivalent to 100% of base salary. In order to qualify for a matching award in 2008, the directors invested 100% of the amount of their post-tax annual bonus to take up the matching shares offered.<br>> No match under the Assisted Purchase Scheme was offered. | > Awards under the PSP are performance-related over a three year measurement period based on the level of post-tax return on average shareholders' funds (Return on Equity) achieved by the Group throughout that period.<br>> No award will be transferred unless the Group maintains an average annual Return on Equity of at least 20% across the performance period. For an average annual Return on Equity of 20%, 10% of the shares vest. Award shares will be transferred at levels above this on a linear sliding scale. Full benefits of an award can only be transferred when annual Return on Equity has averaged 30% or more. These targets are considered by the Remuneration Committee to be both challenging and appropriate given the regulated nature of the Group's business.<br>> Return on Equity, for this purpose, is defined as the post-tax profit for the year divided by the average of the monthly equity shareholders' funds.<br>> Entitlements are subject to an additional one year restriction on transfer to participants dependent upon continued employment with the Group. |

# Remuneration Report

continued

| Plan | Award level | Additional information |
|---|---|---|
| Executive Share Option Scheme 2001 (ESOS) | > Individual share option awards are subject to an annual cap of 200% of base salary.<br>> For 2008, the executive directors were awarded ESOS options equivalent to 200% of base salary. | > Options issued under the scheme may normally only be exercised between three and 10 years from the date of grant and are subject to the satisfaction of performance conditions.<br>> For all grants from June 2006 and onwards 50% of each option will vest if the Company's underlying EPS growth in the single three year performance period matches or exceeds the growth in RPI plus 5% per annum, with the entire option vesting at RPI plus 10% per annum.<br>> For all grants prior to June 2006, 50% of each option will vest if the Company's underlying EPS growth matches or exceeds the growth in RPI plus 3% per annum, with the entire option vesting at RPI plus 6% per annum.<br>> Performance criteria are calculated from the end of the financial year prior to the grant of option. No re-testing of the EPS performance targets will take place for options granted since 2005. Accordingly, if the targets attached to any option are not reached after three years, the option will lapse.<br>> The Remuneration Committee considers underlying EPS (that is earnings from net management fee income, which therefore excludes net performance fee income and exceptional items) to be an appropriate target. The effect of performance fee income is excluded as it can be volatile when comparing between accounting periods. |

***Long-term incentive plans performance conditions***

The performance conditions are measured on the performance achieved over a three year performance period. The shares and options subject to these performance conditions are set out in the Audited section of the Remuneration Report on pages 62 and 65.

The ROE for 2009 is 13.5% (see Financial Review on page 67) and underlying EPS is 42.0 cents. On this basis it will be correspondingly more difficult to achieve these maximum targets for vesting over the next two years. Therefore the Group still believes that performance conditions are challenging.

***PSP: status of award cycles subject to Return on Equity targets***

| Cycle | Threshold target | Target for maximum vesting | Average return on equity | % of maximum award vesting |
|---|---|---|---|---|
| 2003–2006 | 20% | 30% | 33.7% | 100% |
| 2004–2007 | 20% | 30% | 32.4% | 100% |
| 2005–2008 | 20% | 30% | 35.9% | 100% |
| 2006–2009 | 20% | 30% | 29.3% | 92% |

Note: PSP: performance is assessed over a three year period. Following the three year period awards are subject to one further year service before vesting.

***ESOS: status of award cycles subject to EPS growth targets (excluding net performance fee and exceptional items)***

| Cycle | Threshold target | Target for maximum vesting | EPS growth in excess of RPI | % of maximum award vesting |
|---|---|---|---|---|
| 2003–2006 | RPI plus 3% | RPI plus 6% | 30.2% | 100% |
| 2004–2007 | RPI plus 3% | RPI plus 6% | 34.4% | 100% |
| 2005–2008 | RPI plus 3% | RPI plus 6% | 34.9% | 100% |
| 2006–2009 | RPI plus 5% | RPI plus 10% | 9.4% | 50% |

## Non-executive directors' fees and terms of appointment

The fees of the non-executive directors are determined by the Board within the limits agreed by shareholders and set out in the Articles of Association. Non-executive directors receive a base fee for Board and Board Committee membership and additional fees for additional responsibilities as shown in the table below. They do not participate in any share option or share incentive schemes. Fees have been benchmarked to the market and no changes to fee levels were made during the year.

The Chairman's remuneration is recommended by the Remuneration Committee and approved by the Board. Neither the Chairman nor the non-executive directors take part in discussions or vote on their own remuneration.

Non-executive directors have formal letters of appointment. These do not contain any notice provisions or provision for compensation in the event of early termination. The Chairman has a contract with the Company which provides that his appointment as Chairman is terminable on three months' notice; there are no notice provisions relating to his appointment as director. The Board's policy is to appoint non-executive directors for an initial three year term, subject to retirement by rotation and reappointment by shareholders at the AGM, which may be followed by a further three years by mutual agreement. Any further extension will be by exception and will be subject to rigorous review. Any director serving for more than nine years is subject to annual retirement and reappointment by shareholders at the AGM. The initial date of appointment of the non-executive directors to the Board, the start date of their current term of appointment and their fee levels are given in the table below.

### *Non-executive directors' terms of appointment and fees as at 1 April 2009*

| | | | | Additional fees | | | |
|---|---|---|---|---|---|---|---|
| Name | Date of appointment to the Board | Start of current term of office | Base fee £000 | Chair of Audit and Risk Committee £000 | Chair of Remuneration Committee £000 | Senior independent director £000 | Total fee £000 |
| Jon Aisbitt (Chairman) | 20 August 2003 | 10 July 2006 | 450 | | | | 450 |
| Alison Carnwath | 24 January 2001 | 10 July 2007 | 75 | | | | 75 |
| Phillip Colebatch | 1 September 2007 | 9 July 2008 | 75 | | 10 | | 85 |
| Dugald Eadie | 29 January 2002 | 9 July 2008 | 75 | 20 | | | 95 |
| Glen Moreno[1] | 12 August 1994 | 9 July 2008 | 75 | | | 20 | 95 |
| Patrick O'Sullivan | 1 September 2007 | 9 July 2008 | 75 | | | | 75 |

1 Glen Moreno will be retiring from the Board at the 2009 AGM.

In May 2009 the Board reviewed the membership of the principal Board Committees and the structure and level of non-executive director fees against the work load and responsibilities of those Committees and emerging best practice. It was decided to move in the course of 2009/10 towards adopting a new fee structure based on differentiated membership of and remuneration for the Audit and Risk and Remuneration Committees as detailed below:

### *Proposed new structure of non-executive director fees to be introduced in 2009/10*

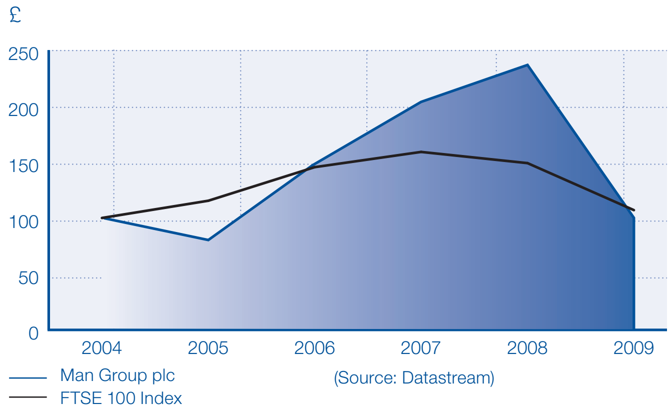
| | Committee membership | | | | |
|---|---|---|---|---|---|
| | Audit and Risk | | Remuneration | | Senior independent |
| Base fee (includes Nomination Committee membership) | Member | Chair[1] | Member | Chair[1] | director[2] |
| £65,000 | £15,000 | £15,000 | £10,000 | £15,000 | £10,000 |

1 In addition to the membership fee.
2 In addition to committee membership fees.

### *Performance graph*

The performance graph below compares the Company's total shareholder return performance against the FTSE 100 Index. The FTSE 100 comprises the 100 largest UK quoted companies by market capitalisation. It has been chosen because it is a widely recognised performance comparison for large UK companies. The graph shows the change in the hypothetical value of £100 invested in the Company's ordinary shares on 31 March 2004, compared with the change in the hypothetical value of £100 invested in the FTSE 100 Index, at 31 March in each year.

**Total shareholder return**



# Remuneration Report
continued

## Audited section of Remuneration Report
### *Directors' remuneration*
The remuneration of the directors listed by individual director is as follows:

| | 2009 Base salary $000 | 2009 Benefits $000[11] | 2009 Annual bonus $000 | 2009 Total $000[2] | 2008 Total $000[1] |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Peter Clarke | **920** | **23** | **6,000** | **6,943** | 14,449 |
| Kevin Hayes | **620** | **2** | **3,000** | **3,622** | 4,417 |
| **Former executive director** | | | | | |
| Kevin Davis[3] | **–** | **–** | **–** | **–** | 187 |
| 31 March | **1,540** | **25** | **9,000** | **10,565** | 19,053 |
| Sterling equivalent (£'000) | **896** | **15** | **5,969** | **6,880** | 9,490 |

1 2008 amounts converted to US dollars at the 2008 average FX rate.
2 2009 amounts determined in US dollars.
3 Kevin Davis retired from the Board 19 July 2007.

| | 2009 Fees £000 | 2009 Benefits £000[11] | 2009 Total fees £000 | 2008 Total fees £000 |
|---|---|---|---|---|
| **Non-executive directors** | | | | |
| Jon Aisbitt[4] | **450** | **–** | **450** | 299 |
| Alison Carnwath[5] | **75** | **–** | **75** | 78 |
| Phillip Colebatch[6,8] | **83** | **–** | **83** | 44 |
| Dugald Eadie[7] | **97** | **–** | **97** | 96 |
| Glen Moreno | **95** | **–** | **95** | 95 |
| Patrick O'Sullivan[8] | **75** | **–** | **75** | 44 |
| **Former non-executive directors** | | | | |
| Harvey McGrath[9] | **–** | **–** | **–** | 220 |
| Stanley Fink[10] | **125** | **8** | **133** | 482 |
| **31 March** | **1,000** | **8** | **1,008** | 1,358 |

4 Jon Aisbitt served as Chairman of the Audit and Risk Committee from 30 May 2007 to 1 September 2007. He was appointed Chairman of the Board on 1 September 2007.
5 Alison Carnwath retired as Chairman of the Audit and Risk Committee on 1 June 2007.
6 Phillip Colebatch was appointed Chairman of the Remuneration Committee on 30 May 2008.
7 Dugald Eadie was appointed as Chairman of the Audit and Risk Committee on 13 September 2007. He retired as Chairman of the Remuneration Committee on 30 May 2008.
8 Phillip Colebatch and Patrick O'Sullivan were appointed to the Board on 1 September 2007.
9 Harvey McGrath retired from the Board on 8 November 2007.
10 Stanley Fink retired as Group Chief Executive on 30 March 2007 and was appointed from that date as non-executive Deputy Chairman. He subsequently retired from the Board on 10 July 2008.
11 Benefits provided are car, medical and other benefits.

Retirement benefits accruing to Peter Clarke under a defined benefit pension scheme and contributions to money purchase schemes relating to other directors were as follows:

## Defined benefit scheme

| | Age | Accrued pension at 31 March 2009[1] £000 p.a. | Increase in accrued pension during the year £000 p.a. | Increase in accrued pension during the year (net of inflation) £000 p.a. | Transfer value at 31 March 2009 of increase in accrued pension during the year (net of inflation)[2] £000 | **Transfer value of accrued pension at 31 March 2009[2] £000** | Transfer value of accrued pension at 31 March 2008[2] £000 | Increase in transfer value over the year £000 |
|---|---|---|---|---|---|---|---|---|
| Peter Clarke[3] | 49 | 95 | 25 | 21 | 268 | **1,313** | 794 | 496 |

1 The accrued pension is the amount which would be paid if the director left service at 31 March 2009.
2 The transfer values have been calculated in accordance with the relevant professional guidance and legislation.
3 Peter Clarke made an employee salary sacrifice contribution of 5% base salary as at 1 June each year, which has been deducted in the above table.

## Money purchase schemes

| | **2009 £000** | 2008 £000 |
|---|---|---|
| **Executive director** | | |
| Kevin Hayes[1] | **31** | 30 |

1 Kevin Hayes made an employee salary sacrifice contribution of 15% base salary as at 1 June each year, which is not included in the above pension figures.

## *Shares under option under the Man Group Executive Share Option Scheme 2001[1]*

| | | Number of options | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Date of grant | 1 April 2008 | Granted during year | Exercised during year | 31 March 2009 | Option price | Earliest exercise date | Latest exercise date |
| **Executive directors** | | | | | | | | |
| Peter Clarke[2] | June 2005 | 254,238 | – | 254,238 | – | 236.00p | June 2008 | June 2015 |
| | June 2006 | 187,578 | – | – | 187,578 | 399.83p | June 2009 | June 2016 |
| | June 2007 | 155,575 | – | – | 155,575 | 578.50p | June 2010 | June 2017 |
| | June 2008 | – | 157,306 | – | 157,306 | 604.50p | June 2011 | June 2018 |
| Kevin Hayes | June 2008 | – | 106,288 | – | 106,288 | 604.50p | June 2011 | June 2018 |
| **Former executive directors** | | | | | | | | |
| Stanley Fink[3] | June 2004 | 294,270 | – | – | 294,270 | 261.67p | June 2007 | July 2009 |
| | June 2005 | 338,982 | – | – | 338,982 | 236.00p | June 2008 | July 2009 |
| | June 2006 | 216,588 | – | – | 216,588 | 399.83p | July 2008 | July 2009 |
| Chris Chambers[4] | June 2005 | 254,238 | – | 254,238 | – | 236.00p | June 2008 | Dec 2008 |

1 For all grants prior to June 2006, 50% of each option will vest if the Company's underlying EPS growth matches or exceeds the growth in RPI plus 3% per annum, with the entire option vesting at RPI plus 6% per annum. For all grants from June 2006 and onwards 50% of each option will vest if the Company's underlying EPS growth in the single three year performance period matches or exceeds the growth in RPI plus 5% per annum, with the entire option vesting at RPI plus 10% per annum. The options granted in 2004 and 2005 have fully met the performance criteria. Options granted in 2006 will vest at 50%.
2 Peter Clarke exercised his 2005 executive options on 12 June 2008 when the share price was 616.75 pence, giving a gain of £968,011.
3 Awards granted to Stanley Fink when he was an executive director.
4 Awards granted to Chris Chambers when he was an executive director. Chris Chambers exercised his 2005 executive options on 12 June 2008 when the share price was 616.75 pence, giving a gain of £968,011.

# Remuneration Report
continued

### *Share awards and matching awards under the Performance Share Plan[1]*

| | Performance Share Plan – share awards Number of awards | | | | | | |
|---|---|---|---|---|---|---|---|
| | Date of award | 1 April 2008 | Awarded during year[5] | Transferred during year[2] | Lapsed during year | 31 March 2009[3] | Transfer date |
| **Executive directors** | | | | | | | |
| Peter Clarke | June 2004 | 112,068 | – | 112,068 | – | – | June 2008 |
| | June 2005 | 133,164 | – | – | – | 133,164 | June 2009 |
| | June 2006 | 95,370 | – | – | – | 95,370 | June 2010 |
| | June 2007 | 76,567 | – | – | – | 76,567 | June 2011 |
| | June 2008 | – | 77,335 | – | – | 77,335 | June 2012 |
| Kevin Hayes | June 2008 | – | 52,253 | – | – | 52,253 | June 2012 |
| **Former executive directors** | | | | | | | |
| Stanley Fink | June 2004 | 149,418 | – | 149,418 | – | – | June 2008 |
| | June 2005 | 177,552 | – | 177,552 | – | – | June 2008 |
| | June 2006 | 110,124 | – | – | – | 110,124 | June 2009 |
| Chris Chambers | June 2005 | 57,276 | – | 57,276 | – | – | June 2008 |
| Kevin Davis | June 2005 | 92,789 | – | 92,789 | – | – | June 2008 |
| | June 2006 | 34,229 | – | – | – | 34,229 | June 2009 |

| | Performance Share Plan – matching awards Number of awards | | | | | | |
|---|---|---|---|---|---|---|---|
| | Date of award | 1 April 2008 | Awarded during year | Transferred during year[2] | Lapsed during year | 31 March 2009[4] | Transfer date |
| **Executive directors** | | | | | | | |
| Peter Clarke | June 2006 | 457,782 | – | – | – | 457,782 | June 2010 |
| | June 2007 | 810,714 | – | – | – | 810,714 | June 2011 |
| | June 2008 | – | 1,128,674 | – | – | 1,128,674 | June 2012 |
| Kevin Hayes | June 2008 | – | 327,110 | – | – | 327,110 | June 2012 |
| **Former executive directors** | | | | | | | |
| Stanley Fink | June 2004 | 1,120,656 | – | 1,120,656 | – | – | June 2008 |
| | June 2005 | 1,024,326 | – | 1,024,326 | – | – | June 2009 |
| | June 2006 | 1,398,780 | – | – | – | 1,398,780 | June 2009 |
| Chris Chambers | June 2005 | 46,674 | – | 46,674 | – | – | June 2008 |
| Kevin Davis | June 2006 | 232,757 | – | – | – | 232,757 | June 2009 |

1 No award will be transferred unless the Group maintains an average annual Return on Equity of at least 20% across the performance period. Awards will be transferred at levels above this on a linear sliding scale. Full benefits of an award can only be transferred when annual Return on Equity has averaged 30% or more. Entitlements are subject to an additional one year restriction on transfer to participants dependent upon continued employment with the Group. During the year, the 2004 awards vested at 100% and were transferred in June 2008. The 2005 awards will vest at 50% and will be transferred in June 2009.

2 On 12 June 2008 the following award shares under the PSP were transferred:
Peter Clarke: shares awarded in 2004 when the share price was 267.7 pence per share giving a market value at grant of £300,006;
Kevin Davis: shares awarded in 2005 when the share price was 234.3 pence per share giving a market value at grant of £217,404;
Stanley Fink: shares and matching shares awarded in 2004 when the share price was 267.7 pence per share giving a market value at grant of £3,399,988, and shares and matching shares awarded in 2005 when the share price was 234.3 pence per share, giving a market value at grant of £2,816,000;
Chris Chambers: shares and matching shares awarded in 2005 when the share price was 234.3 pence per share, giving a market value at grant of £243,554.
At transfer date the share price was 616.75 pence giving the following market values: Peter Clarke £691,179; Kevin Davis £572,276; Stanley Fink £15,245,764; and Chris Chambers £641,111.

3 Of the PSP shares outstanding at 31 March 2009, the following will be transferred in June 2009: Peter Clarke 133,164 shares; Kevin Davis 34,229 shares; Stanley Fink 110,124 shares.

4 Of the matching shares awarded under the PSP outstanding at 31 March 2009, the following shares will be transferred in June 2009: Kevin Davis 232,757 shares, Stanley Fink 1,398,780 shares.

5 In relation to shares awarded on 12 June 2008, the share price was 614.8 pence representing the five day average prior to that date.

### *Matching share awards under the Group's Co-Investment Plan*

| | Outstanding at 31 March 2008 | Awarded during year | Exercised in year | Outstanding at 31 March 2009 |
|---|---|---|---|---|
| Kevin Hayes[1] | 468,916 | – | – | 468,916 |

1 Kevin Hayes was granted matching awards under this scheme prior to his appointment as a director.

### *Directors' interests in ordinary shares of Man Group plc[1, 4]*

| | Number of shares | |
|---|---|---|
| | **31 March 2009** | 31 March 2008 |
| **Executive directors** | | |
| Peter Clarke[2] | **4,630,815** | 4,422,966 |
| Kevin Hayes[2] | **217,958** | 95,284 |
| **Non-executive directors** | | |
| Jon Aisbitt | **1,631,250** | 1,531,250 |
| Alison Carnwath | **198,335** | 184,771 |
| Phillip Colebatch | **–** | – |
| Dugald Eadie | **320,000** | 340,187 |
| Glen Moreno | **10,000** | – |
| Patrick O'Sullivan | **80,000** | – |
| **Former directors** | | |
| Stanley Fink[3] | **9,500,010** | 9,500,010 |

1 All of the above interests are beneficial.
2 Peter Clarke and Kevin Hayes also hold the following leveraged equity linked warrants relating to ordinary shares of $3^3/_7$ US cents in Man Group plc:
Peter Clarke: number of shares to which the warrants relate: 1,128,722, number of warrants purchased: 1,128,722, price per warrant: 57.59p; and
Kevin Hayes: number of shares to which the warrants relate: 260,474, number of warrants purchased: 260,474, price per warrant: 57.59p.
Each warrant purchased will entitle the holder to the payment, at the end of three years, of an amount representing a proportion of the difference between the strike price of the warrant and the average share price of Man Group plc ordinary shares over the three year period from the date of issue.
3 Interest as at 10 July 2008, the date Stanley Fink retired as a director.
4 There has been no change in the directors' interest in the ordinary shares of Man Group plc from 31 March 2009 to the date of this report.

The market price of the Company's shares at the end of the financial year was £2.19. The highest and lowest daily closing share prices during the financial year were £6.39 and £1.50 respectively.

For and on behalf of the Board

**Phillip Colebatch**
Chairman, Remuneration Committee
28 May 2009

# Five-year Record

| | 2009 $m | 2008 $m | 2007 $m | 2006 $m | 2005 $m |
|---|---|---|---|---|---|
| **Income statement – continuing operations** | | | | | |
| Profit before adjusting items | **1,243** | 2,079 | 1,301 | 1,154 | 720 |
| Adjusting items[1] | **(500)** | – | – | – | 195 |
| **Pre-tax profit** | **743** | 2,079 | 1,301 | 1,154 | 915 |
| Taxation | **(240)** | (362) | (191) | (194) | (132) |
| **Profit for the year on continuing operations** | **503** | 1,717 | 1,110 | 960 | 783 |
| **Income statement – discontinued operations** | | | | | |
| **Pre-tax profit** | **–** | 1,788 | 263 | 82 | 143 |
| Taxation | **–** | (35) | (89) | (28) | (41) |
| **Profit for the year on discontinued operations** | **–** | 1,753 | 174 | 54 | 102 |
| **Total profit for the year** | **503** | 3,470 | 1,284 | 1,014 | 885 |
| **Earnings per share (diluted)** | | | | | |
| Continuing operations (cents) | **28.4** | 90.2 | 55.4 | 48.3 | 38.8 |
| Continuing and discontinued operations (cents) | **28.4** | 182.0 | 63.9 | 51.0 | 34.5 |
| **Balance sheet ($m)** | | | | | |
| Net cash | **1,718** | 1,474 | 1,832 | 1,301 | 1,011 |
| Net assets | **4,192** | 4,711 | 4,563 | 3,577 | 2,712 |
| **Other statistics** | | | | | |
| Post-tax return on equity – continuing operations (%) | **13.5** | 41.6 | 32.2 | 36.0 | 29.8 |
| Ordinary dividend per share (cents) | **44.0** | 44.0 | 20.0 | 14.3 | 11.0 |
| Funds under management ($bn) | **46.8** | 74.6 | 61.7 | 49.9 | 43.0 |
| Average headcount – continuing operations | **1,776** | 1,731 | 1,548 | 1,364 | 1,129 |
| Average headcount – discontinued operations | **–** | 3,252 | 3,174 | 2,067 | 1,759 |
| Sterling/US dollar exchange rates | | | | | |
| Average | **0.5817** | 0.4981 | 0.5280 | 0.5600 | 0.5417 |
| Year-end | **0.6970** | 0.5043 | 0.5079 | 0.5759 | 0.5298 |

1 Adjusting items are those items presented separately on the face of the income statement by virtue of their size or nature – see Note 2 to the financial statements.

# Financial Review



### Key performance indicators and financial objectives

To measure our progress against our strategy we selected four Key Performance Indicators (KPIs) in 2008: growth in funds under management; growth in revenue; growth in diluted earnings per share; and post-tax return on equity. These KPIs are shown on pages 4 and 5 in the Strategy and KPIs overview section, together with two further KPIs, which we have added in 2009, being the excess/shortfall of our fund product performance compared to appropriate benchmarks for private investor products and institutional products. Growing earnings per share and maintaining a high level of post-tax return on equity continue to be the basis for the Group's financial objectives and are also the performance criteria used for the Group's long-term incentive schemes, as the Board believes that long-term shareholder value will be achieved through continued delivery of these objectives.

Earnings per share is a measure that encapsulates the primary drivers of financial performance for the Group. The earnings metric includes management and other fee income which is the measure of revenue that results from growing funds under management and performance fee income from the investment performance of the funds. The management of pre-tax margins as we grow demonstrates our ability to control our expense base. The denominator of average shares outstanding reflects our policy of share repurchases and cancellation. Return on equity is the measure to enable us to assess whether we are utilising shareholders' equity efficiently.

### Earnings per share

Adjusted diluted earnings per share on continuing operations for the year decreased 37% to 57.0 cents, compared to 90.2 cents for the prior year. Adjusting items in 2009 include the accelerated amortisation of MGS sales commissions (recorded in the first half), restructuring costs and impairment provisions relating to Ore Hill investments and the residual holding in MF Global. Further details can be found in Note 2 to the financial statements. Statutory diluted earnings per share on continuing operations declined 69% in the year to 28.4 cents.

As part of the Company's distribution policy shares are repurchased and cancelled using excess reserves. During the year 30.5 million shares were repurchased and cancelled at a total cost of $280 million. This was earnings enhancing, resulting in a 0.9% accretion to diluted earnings per share.

### Return on equity (ROE)

The Group's post-tax return on shareholders' equity for continuing operations for the year was 13.5% (2008: 41.6%). This excludes the loss arising on the residual interest in brokerage assets in 2009 (and the earnings, and the profit on sale, of MF Global in 2008), and the equity base excludes the residual investment in MF Global (and the proceeds from the sale in 2008). The average equity for the year was $4.4 billion (2008: $4.1 billion). The decrease in ROE is primarily the result of lower average FUM resulting in lower management fee income and lower performance fee income compared to the prior year. The ROE for 2009 is 20% higher than the Group's weighted average cost of capital of 11.2%. The performance criteria for the Performance Share Plan (PSP) awards to executive directors and senior management are based on the Group's average ROE over a three year period, with no award vesting unless the Group maintains an average annual ROE of at least 20% with full vesting only achieved if the average annual ROE reaches 30%. As a result of the lower ROE achieved in 2009, the 2006 PSP awards will vest below 100% and the 2007 and 2008 awards are likely to vest at lower levels than achieved historically.

### Funds Under Management (FUM)

FUM is a key driver behind the Group's results and prospects, as it forms the basis from which the Group's revenue is generated. Movements in FUM during the year are shown below:

| | Private Investor | | | | 2009 | 2008 |
|---|---|---|---|---|---|---|
| | Guaranteed $bn | Open-ended $bn | Total $bn | Institutional $bn | Total $bn | Total $bn |
| **Opening FUM – 1 April 2008** | **31.0** | **12.5** | **43.5** | **31.1** | **74.6** | **61.7** |
| Sales | 6.1 | 5.2 | 11.3 | 3.6 | 14.9 | 15.9 |
| Redemptions | (4.6) | (4.5) | (9.1) | (7.9) | (17.0) | (10.7) |
| Net sales | 1.5 | 0.7 | 2.2 | (4.3) | (2.1) | 5.2 |
| Investment movement | (1.8) | 0.3 | (1.5) | (5.1) | (6.6) | 5.6 |
| FX | (1.7) | (0.3) | (2.0) | (2.2) | (4.2) | 4.0 |
| De-risking | (12.1) | – | (12.1) | – | (12.1) | – |
| Other | (0.5) | (1.8) | (2.3) | (0.5) | (2.8) | (1.9) |
| **Closing FUM – 31 March 2009** | **16.4** | **11.4** | **27.8** | **19.0** | **46.8** | **74.6** |

# Financial Review
continued

### Sales and redemptions
A further analysis of sales and redemptions by half year is given below, together with redemption rates:

| **Private investor** | **H2 2009** | **H1 2009** | **H2 2008** | **H1 2008** |
|---|---|---|---|---|
| Sales ($bn): | | | | |
| • Guaranteed | 2.4 | 3.7 | 1.3 | 3.2 |
| • Open-ended | 1.8 | 3.4 | 2.3 | 1.0 |
| | 4.2 | 7.1 | 3.6 | 4.2 |
| Redemptions ($bn): | | | | |
| • Guaranteed | 2.6 | 2.0 | 1.9 | 1.3 |
| • Open-ended | 3.5 | 1.0 | 1.2 | 0.8 |
| | 6.1 | 3.0 | 3.1 | 2.1 |
| Annualised redemptions/average FUM (%): | | | | |
| • Guaranteed | 24.2 | 13.9 | 12.4 | 9.0 |
| • Open-ended | 54.7 | 15.0 | 21.0 | 16.5 |

| **Institutional** | **H2 2009** | **H1 2009** | **H2 2008** | **H1 2008** |
|---|---|---|---|---|
| Sales ($bn) | 0.5 | 3.1 | 4.3 | 3.8 |
| Redemptions ($bn) | 4.9 | 3.0 | 3.2 | 2.3 |
| Annualised redemptions/average FUM (%) | 42.8 | 20.7 | 21.7 | 17.3 |

The increase in private investor open-ended redemptions in the second half of 2009 followed strong sales in the first half and strong performance from AHL, which returned 8% in the financial year. This is a pattern that has often been seen in the past. Although the increase in private investor guaranteed redemptions was higher in the second half of 2009, the redemption rate increased significantly as a result of the decline in guaranteed FUM following the MGS de-risking exercise. Institutional redemptions also increased significantly in the second half of 2009 as investors looked to balance their portfolios and took liquidity where it was available.

### *Investment movement*
The investment performance of our investment managers is described in the Investment Management section starting on page 30.

### *FX impact*
FUM by currency

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **FUM $bn** | **FX gain/(loss) $bn** | FUM $bn | FX gain/(loss) $bn |
| US dollar | **24.1** | **–** | 46.3 | – |
| Euro | **14.7** | **(2.8)** | 20.1 | 3.0 |
| Australian dollar | **3.6** | **(0.9)** | 3.9 | 0.4 |
| Swiss franc | **1.2** | **(0.1)** | 1.5 | 0.3 |
| Japanese yen | **2.1** | **(0.3)** | 1.5 | 0.2 |
| Other | **1.1** | **(0.1)** | 1.3 | 0.1 |
| | **46.8** | **(4.2)** | 74.6 | 4.0 |

The table above shows that FUM reduced in the year as a result of the strengthening of the US dollar, in contrast to the previous year. This has also had an impact on our non-US dollar fee income in the year, which has been lower by approximately $23 million in US dollar terms as a result of movements in average exchange rates for 2009 compared to 2008, primarily in relation to the weakening of the Australian dollar. This impact has been offset by favourable exchange rate movements in relation to our operating costs, a significant proportion of which are denominated in sterling and Swiss francs. The weakening of sterling against the US dollar during the year, partly offset by the strengthening of Swiss francs, has reduced our costs in 2009 in US dollar terms by approximately $18 million.

### De-risking
The reduction of investment exposure across the MGS product range to protect investor capital and the associated product rebalancing, which was primarily undertaken in the third quarter of the financial year, has now been completed. This reduced FUM by $12.1 billion. Certain MGS products retain an ability to increase their investment exposure, and these will do so progressively from 1 April 2009. Further details on the MGS de-risking can be found on page 31.

### Other movements
These include: the net effect in the change of leverage relating to redemptions and prior year sales of $2.0 billion; maturities of $0.7 billion; return of capital of the China Methane Recovery Fund of $0.5 billion; restructuring of an Ore Hill fund of $0.4 billion; partially offset by the acquisition of our share of Ore Hill FUM of $0.8 billion.

## Review of Group Income Statement

Revenue for the year was $2,488 million, compared to $3,222 million in 2008, and included gross performance fees income of $627 million, a decrease of 47% compared to 2008. Within performance fees, AHL contributed $609 million and other managers earned $18 million. In terms of recognising performance fees, AHL fees typically are realised on a weekly or monthly basis, Glenwood typically monthly and RMF on an annual basis at 31 December in general. Currently all our investment managers are below performance fee high water marks and therefore it is unlikely that significant performance fee income will be earned in the year ending March 2010.

Gross management and other fees have decreased 8% to $1,861 million, as a result of: the average funds under management for the year declining 6% to $65.1 billion for 2009 from $69.3 billion for the prior year; and to a small fall in gross margins primarily caused by a shift in the proportion of total private investor FUM relating to the higher margined guaranteed products to slightly lower margined open-ended products (see further analysis on margins below).

Net losses on investments amounted to $260 million, which includes seeding and other investment losses of $287 million, net of a gain of $27 million on the sale of exchange shares in the first half. We hold seeding investments for various reasons including: to establish track records on products; to seed new alpha strategies; to seed single managers to test alpha generation; and to co-invest with institutional investors. An analysis of these investment losses is given below. The decrease in these investments from the prior year is the result of management action to reduce the overall level of the portfolio and as a result of losses.

| Seeding investments | Investment at March 2009 $m | Investment at March 2008 $m | Gain/(loss) in 2009 $m |
|---|---|---|---|
| RMF seeding | 294 | 460 | (78) |
| Ore Hill/Pemba seeding | 53 | 17 | (70) |
| Glenwood seeding | 90 | 37 | (15) |
| MGS seeding | 57 | 221 | (36) |
| AHL seeding | 52 | 78 | 3 |
| Other seeding | 75 | 207 | (32) |
| | 621 | 1,020 | (228) |
| Rebalancing | – | 54 | (25) |
| Secondary market | 46 | 158 | (13) |
| Sales support | 19 | 27 | (8) |
| Other Group investments | 32 | 20 | (13) |
| | 718 | 1,279 | (287) |

Sales commissions were $411 million (excluding the accelerated amortisation of MGS sales commissions) compared with $391 million for the prior year. Included in sales commissions is $240 million relating to upfront commissions (also known as placement fees), compared to $216 million in the prior year, and $171 million relating to trail commission (also known as servicing fees), which are down from $175 million in the prior year. Typically, upfront commissions are paid at a rate of 4% on investor money raised and trail commissions are paid at a rate of 0.5% of the product's net asset value, quarterly in arrears.

Excluding the restructuring costs (discussed in the section on Adjusted earnings below), compensation costs have decreased by $176 million to $463 million from $639 million in the comparable period, reflecting the decrease in discretionary employee bonus compensation partly offset by the impact of a higher headcount. Compensation as a percentage of revenue was 20.8% compared to 20.2% last year. We continue to maintain tight controls and significant cost flexibility in our total expense base and in particular compensation expense. Further details on the compensation costs for the year are given in the Remuneration Report on page 53.

Other costs amounted to $275 million, up from $238 million in the comparative period, as analysed in Note 4. The significant increase in technology costs during the year related to a number of strategic technology projects to increase the scalability and robustness of our infrastructure and to support growth of our business in the future. Some technology costs were incurred in the year in relation to the integrated hedge fund management business, and further costs relating to this project will be incurred in the 2009/10 financial year. To accomplish this we have grown our temporary headcount, as by using people on short-term contracts we can access the technical expertise we require while maintaining our cost flexibility.

Income from associates largely relates to our investment in BlueCrest, whose contribution to our profit consisted of $87 million of net performance fee income and $50 million of net management and other fee income.

Net finance income for the year was $20 million compared to $34 million last year, excluding interest income from the proceeds from the MF Global IPO ($56 million). Interest expense was $38 million compared to $55 million last year, reflecting the decrease in US dollar interest rates. Interest income on cash and cash equivalents was $58 million, compared with $89 million last year.

### *Adjusted earnings*

Adjusted earnings relate to the Group's profit excluding those material items which the directors consider should be presented separately on the face of the income statement, in order to aid comparability from period to period. These adjusting items are:

| | **2009 $m** |
|---|---|
| Accelerated amortisation of MGS sales commissions | **(107)** |
| Restructuring costs | **(37)** |
| Gain on disposal of 50% of subsidiary | **48** |
| Impairment of Ore Hill investments and goodwill | **(299)** |
| Loss arising from residual interest in brokerage assets | **(105)** |
| | **(500)** |

The accelerated amortisation charge of $107 million related to unamortised upfront sales commission associated with MGS products and was recorded in the first half. Following the decision to de-risk many of the MGS products to protect investor capital, it was considered unlikely that the capitalised commissions will be fully covered by future fee income and therefore a significant proportion of the capitalised commissions relating to these products has been written down.

The restructuring costs of $37 million comprise the redundancy costs associated with 272 permanent employees. Of the $37 million cost, $17 million relates to cash items and $20 million to non-cash items and of the cash items, $3 million was paid out by the year-end with the remainder being paid in the current financial year. Recognising the decrease in FUM, this cost-saving initiative was designed to reduce the Group's fixed cost base by $60 million on an annual run-rate basis.

# Financial Review
continued

**Review of Group Income Statement** continued
Following the transfer of a 50% interest in Pemba to Ore Hill's principals as part of the acquisition of a 50% interest in Ore Hill, a book gain of $48 million was recognised. Since this disposal, the credit markets have continued to deteriorate, which has severely affected the Pemba business. Accordingly, Pemba has been restructured and as part of this exercise, in February 2009, the Group took back its 50% shareholding from the Ore Hill principals at nil cost, with no further profit or loss arising.

This is offset by the recognition of an impairment charge of $214 million against the carrying value of the Ore Hill investment, following a deterioration in market conditions since the acquisition, and $75 million against the carrying value of the Group's interest in Ore Hill's Designated Investment portfolio. Further details of the gain and these impairments are included in Note 2 to the financial statements. In addition, the goodwill of $10 million relating to MTM was impaired.

Loss arising from residual interest in brokerage assets of $105 million primarily arose from the impairment of the Group's residual equity interest in MF Global (further details are given in Note 2).

Group profit before tax from continuing operations was down 64% to $743 million, reflecting a 62% decrease in net performance fee income to $358 million, a 23% decrease in net management fee income to $885 million compared to last year and non-recurring costs (adjusting items) of $500 million as detailed above. Adjusted Group profit before tax was down 40% to $1,243 million. Adjusted pre-tax margin was 52% compared with 64% last year, reflecting reduced performance fees partly offset by reduced compensation expenses.

The tax charge for the year amounts to $240 million. The effective tax rate on profits before the adjusting items is 20.3% (tax charge of $253 million on profit before the adjusting items of $1,243 million), compared with 17.4% last year. The prior year rate was lower principally as a result of favourable foreign exchange differences arising in the Group's Swiss entities, which did not recur in the current year. Additionally, in the current year the tax rate increased as a result of losses on seed investments, which are generally subject to lower tax rates, and a reduction in tax relief on employee share schemes, as a result of the fall in the Group's share price impacting on the related deferred tax asset. The effective tax rate for the year including the adjusting items is 32.3%. The primary reason for this higher rate is that in respect of the majority of the adjusting items, tax relief is not available or has not been recognised given the uncertainty of recoverability of the potential deferred tax asset.

***Revenue margins***
Gross management and other fees represent management fee income earned from funds under management, interest on loans to funds and other fees. Gross margins, before interest income earned from funds, are negotiated directly with institutional investors and distributors of the private investor products. These margins are also shown in the table below as this information is considered useful in analysing trends. Loans to funds are made to facilitate rebalance and investing activities. In the table below we have shown gross margins both including and excluding interest income earned on loans to funds.

Net margins are also shown to indicate the margin after deducting expenses (as explained below).

The gross management and other fees margin (before interest income) for private investors was 420bp, compared to 429bp for the prior year. The primary reasons for the reduction in the gross margin are:

> a switch in the relative proportion of total private investor FUM relating to guaranteed products (relatively higher margin) and open-ended products (relatively lower margin) such that the proportion of open-ended products has increased compared to the prior year (impact: 7bp); and
> reduced fee loads on some MGS products prior to the MGS de-risk exercise (impact: 2bp).

The gross margin (excluding interest income) on guaranteed products is approximately 427bp and approximately 365bp on open-ended products.

The gross management and other fees margin for institutional investors was 94bp, compared with 100bp in the prior year. The decrease in this margin is primarily a result of a reduction in management fee income as some of our larger, long-standing investors switched into new, lower fee earning products. Excluding the margin impact of known redemptions from significant institutional investors, the gross management and other fees margin for institutional investors would have been slightly lower at 90bp.

**Review of Group Income Statement** continued

The net management fees margin excludes net finance income, which principally relates to interest income earned on free cash deposits less finance costs on the Group's debt, and also the adjusting items, which are deemed to be non-recurring. The increase in compensation and other expenses has reduced net margins for private investors by around 11bp. This is partly the result of: a higher proportion of variable compensation being allocated to management fee income in periods of reduced performance fee income; and the acceleration of the amortisation charge relating to previously issued share awards. In addition, other expenses have increased, particularly in technology, to support the robustness of our infrastructure. Sales commissions have reduced the net margins for private investors by around 10bp, reflecting the higher amortisation charge on upfront sales commissions.

***Revenue margins***

| | **2009** | H1 2009 | 2008 | 2007 |
|---|---|---|---|---|
| **Average FUM in period ($bn)** | | | | |
| Private investor | **38.4** | 44.2 | 39.6 | 33.5 |
| Institutional | **26.7** | 31.5 | 29.7 | 23.7 |
| **Private investor** | | | | |
| Gross management and other fees[1] ($m) | **1,662** | 964 | 1,771 | 1,525 |
| Interest income earned from funds ($m) | **50** | 33 | 74 | 78 |
| Net management fee income[2] ($m) | **737** | 458 | 898 | 787 |
| Gross management fee margin (%) | **4.33** | 4.36 | 4.47 | 4.55 |
| Gross management fee margin before interest income from funds (%) | **4.20** | 4.21 | 4.29 | 4.31 |
| Net management fee margin (%) | **1.92** | 2.07 | 2.27 | 2.35 |
| **Institutional** | | | | |
| Gross management and other fees[1] ($m) | **252** | 146 | 297 | 269 |
| Net management fee income[2] ($m) | **128** | 71 | 157 | 147 |
| Gross management fee margin (%) | **0.94** | 0.93 | 1.00 | 1.14 |
| Net management fee margin (%) | **0.48** | 0.45 | 0.53 | 0.62 |

1 Includes management and other fee income from associates.
2 Net management fee income is before net finance income and excludes adjusting items.

# Financial Review
continued

### Review of Group Balance Sheet and Group Cash Flow Statement

Cash balances increased $485 million in the year to $2,361 million. Net of borrowings and issued debt the net cash position at year-end was $1,718 million, up from $1,474 million at the end of the prior year. The movement of cash is analysed in the cash flow statement and our liquidity position is discussed further below.

Trade and other receivables primarily relates to fee income. The decrease of $360 million from the prior year-end is largely offset by a decrease in trade and other payables, which primarily relate to commissions payments and accruals, including the compensation bonus accrual.

Investments in fund products comprises loans to fund products of $373 million (up $4 million from 2008) and other investments in fund products, primarily relating to seeding investments, of $718 million (down $561 million from 2008). Loans to fund products are exposed to credit risk whereas other investments (mainly seeding investments) are primarily exposed to market risk. An analysis of our seeding investments at the year-end is given in the table in the Group Income Statement section of this Financial Review on page 69. The decrease reflects our strategy to reduce balance sheet exposure in the current volatile market conditions and also arises as a result of losses in the year. In particular our exposure to MGS products is now significantly reduced.

The decrease in other investments to $184 million from $322 million at the end of the prior period is the result of the fall in value of our residual stake in MF Global and the sale of a large proportion of our remaining exchange shares, partly offset by the purchase of the Ore Hill DI portfolio. The investment in joint ventures and associates relates to BlueCrest ($217 million), Ore Hill ($59 million) and other smaller investments ($41 million).

Goodwill of $774 million at the year-end primarily relates to RMF ($621 million), with the remainder resulting from the acquisitions of Glenwood and our business in Australia. Note 15 to the financial statements includes sensitivity analysis around the impairment of goodwill. Although the FUM relating to RMF has declined significantly from last year-end to $16.1 billion, it is higher, and expected to remain so, than the $8.7 billion level at the time of our acquisition of RMF. Other intangibles include upfront sales commissions (now known as placement fees) which have decreased to $317 million from $427 million at the prior year-end, although this decrease is primarily the result of the accelerated amortisation of upfront sales commissions on MGS products taken in the first half of the financial year.

At 31 March 2009, shareholders' equity was $4.2 billion, compared to $4.7 billion at the prior year-end. Major increases in shareholders' equity during the period arose from the issue of $0.3 billion of perpetual capital securities and the retention of earnings during the year of $0.5 billion. This was more than offset by the payment of ordinary dividends in the year of $0.7 billion, consideration paid for share repurchases of $0.3 billion and adverse foreign currency translation adjustments of $0.3 billion.

Equity capital is maintained to absorb losses and to provide the Group with capital flexibility to grow the business. We calculate economic capital using a series of risk exposures and economic scenarios. In addition the Group is subject to the regulatory capital regime of the Financial Services Authority in the UK, the Group's primary regulator.

As at 31 March 2009 the Group's economic capital requirement was $825 million. The regulatory capital requirement amounted to around $1.0 billion.

#### *Regulatory capital*

As at 31 March 2009, the Group had excess regulatory capital of around $1.7 billion (2008: around $1.6 billion).

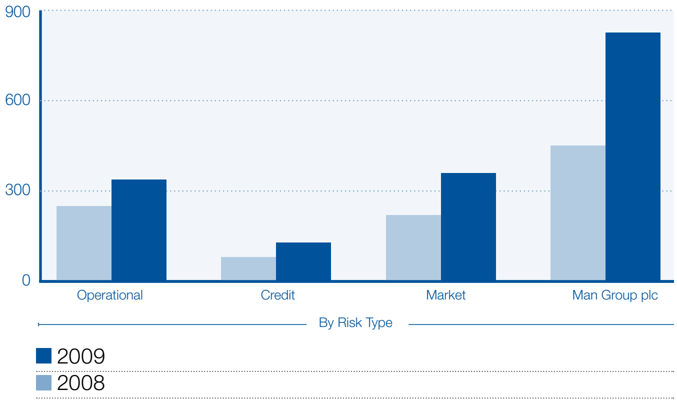
#### *Group's regulatory capital position*

| | **31 March 2009 $m** | 31 March 2008 $m |
|---|---|---|
| Permitted share capital and reserves | **3,843** | 4,028 |
| Innovative Tier 1 Perpetual Subordinated Capital Securities | **300** | – |
| Less goodwill and other intangibles: | | |
| – Goodwill on acquisitions of subsidiaries | **(774)** | (813) |
| – Goodwill on acquisitions of associates/JVs | **(277)** | (194) |
| – Commission intangible (FEL) | **(317)** | (427) |
| – Other intangibles | **(49)** | (36) |
| **Available Tier 1 Group capital** | **2,726** | 2,558 |
| Tier 2 capital – subordinated debt | **399** | 399 |
| Tier 2 capital – revaluation reserves | **–** | 74 |
| Material holdings deduction – MF Global residual holding | **(94)** | (221) |
| Other material holdings deductions | **(288)** | (191) |
| **Group Financial Resources** | **2,743** | 2,619 |
| Less Financial Resources Requirement (including Board cushion) | **(1,030)** | (1,007) |
| **Net excess of Group capital** | **1,713** | 1,612 |

## Review of Group Balance Sheet and Group Cash Flow Statement continued

### *Economic capital*

Economic capital is calculated according to the risk scenarios in relation to market, credit and operational risk. The calculation takes into account the diversification benefits within and between each risk category. Goodwill and investments in associates are considered to be supported by the equity of the Group. The economic capital is calculated at a 99.9% confidence interval which equates to maintaining an A– credit rating.




### *Liquidity*

The Group's strategy is to maintain sufficient liquidity to give it the flexibility to support the business through different market conditions and business cycles. The amount of the potential requirement for liquidity is modelled based on scenarios that assume stressed market conditions, including reduced bank advance rates, de-risking of FUM, investor redemption bridging requirements, gating by underlying managers and the risk of a substantial adverse move in AHL and the consequential request to fund margin calls in those structured products that include an AHL allocation. Although the majority of these liquidity requirements are discretionary, the Board believes it has sufficient liquidity to meet these stressed modelled scenarios.

Liquidity is available in the form of a committed syndicated bank facility and cash which is invested in short-term bank deposits. The Board reviews the Group's funding resources at each Board meeting and on an annual basis as part of the strategic planning process.

The Group's liquid resources include cash balances of $2.4 billion at 31 March 2009 (31 March 2008: $1.9 billion), and a committed syndicated loan facility.

At 31 March 2009, none of the $2.4 billion committed syndicated loan facility was drawn. The committed facility was drawn for 235 days during the year, with an average drawdown of $308 million and a maximum drawdown of $500 million. During the period $1.8 billion of this facility had its maturity extended by one year until June 2013. The balance continues to mature in June 2012 as originally contracted.

In May 2008, the Group issued $300 million of 11% Perpetual Subordinated Capital Securities. This qualifies as Innovative Tier 1 regulatory capital and is convertible into preferred stock which is also classified as Tier 1 regulatory capital. In August 2008 the Group issued $250 million (issued at a discount; proceeds amounted to $242 million) of 5 year senior notes under the Euro Medium Term Note Programme. This debt has a fixed coupon of 6.5%. These issuances are part of our strategy to diversify our funding and tier our capital structure.

The following table summarises the Group's available facilities (drawn and undrawn) by maturity as at 31 March 2009 based on final expected maturity.

| | | Maturity by period | | | |
|---|---|---|---|---|---|
| | Total $m | Less than 1 year $m | 1–3 years $m | 3–5 years $m | After 5 years $m |
| **Drawn** | | | | | |
| Subordinated FRN | 399 | – | – | – | 399 |
| EMTN programme: senior | 243 | – | – | 243 | – |
| Hybrid Tier 1 Securities | 300 | – | – | – | 300 |
| **Undrawn** | | | | | |
| Committed syndicated bank facility | 2,430 | – | – | 2,430 | – |
| Cash balances | 2,361 | | | | |
| **Total available liquidity (Cash plus undrawn committed facilities** | **4,791** | | | | |

The Group's available liquidity of $4.8 billion is considered to be sufficient to cover: the Group's current financial liabilities in excess of the Group's current receivables of $0.2 billion, as shown in Note 9 (a); the Group's current worst case obligations in relation to guarantees and commitments of $1.9 billion ($1.0 billion relates to committed purchase agreements); and the discretionary liquidity requirements as discussed above.

### *Group Cash Flow Statement*

The Group had a net cash position of $1.7 billion (excluding the hybrid instrument) at 31 March 2009 compared to a net cash position of $1.5 billion at prior year-end. Cash generated from operations for the year was $2.0 billion, compared with Group profit before tax for the year of $0.7 billion. The difference principally relates to a decrease in working capital requirements of $0.5 billion, income from associates and net finance income of $0.2 billion, and non-cash amortisation charges relating to sales commission and employee share awards of $0.4 billion and impairment charges of $0.4 billion. The increase in the Group's net cash position since the prior year-end is primarily the result of cash generated from operating activities ($1.6 billion) and cash realised from other financial assets ($0.2 billion), offset by the Ore Hill and Nephila acquisitions ($0.2 billion) and shareholder distributions of $1.0 billion (dividend and share buy-backs).

# Auditors' Report on the Group's Financial Statements

**Independent auditors' report to the members of Man Group plc**
We have audited the Group financial statements of Man Group plc for the year ended 31 March 2009 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense, the Principal Accounting Policies and the notes to the Group financial statements. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Man Group plc for the year ended 31 March 2009 and on the information in the Remuneration Report that is described as having been audited.

**Respective responsibilities of directors and auditors**
The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities on page 52.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and 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 Group financial statements.

The information given in the Directors' Report includes that information presented in the Business Review and Financial Review, which is cross referred from the principal activities, business review and results section of the Directors' Report.

In addition we report to you if, in our opinion, 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 Report reflects the Company's compliance with the nine provisions of the Combined Code (2006) 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 Group financial statements. The other information comprises only the Business Overview and the unaudited part of the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group 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 Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group financial statements 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 Group financial statements.

**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 March 2009 and of its profit and cash flows for the year then ended;
> the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
> the information given in the Directors' Report is consistent with the Group financial statements.

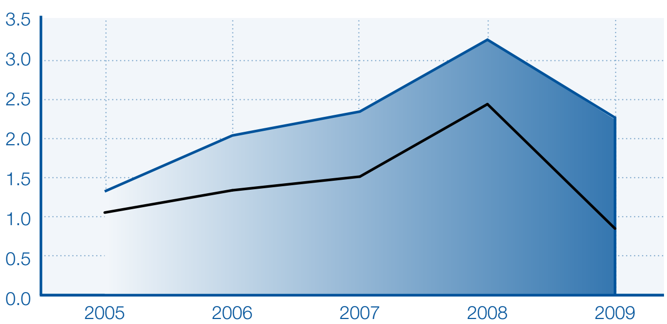
**PricewaterhouseCoopers LLP**
Chartered Accountants and Registered Auditors
London
28 May 2009

# Group Income Statement

For the year ended 31 March

| | Note | 2009 $m | 2008 $m |
|---|---|---|---|
| Revenue: | | | |
| Performance fees | | **627** | 1,192 |
| Management and other fees | | **1,861** | 2,030 |
| | | **2,488** | 3,222 |
| Gains/(losses) on investments at fair value | | **(260)** | (51) |
| Sales commissions | 1 | **(411)** | (391) |
| Accelerated amortisation of MGS sales commissions | 2 | **(107)** | – |
| Total sales commissions | | **(518)** | (391) |
| Compensation | 3 | **(463)** | (639) |
| Restructuring | 2 | **(37)** | – |
| Total compensation costs | | **(500)** | (639) |
| Other costs | 4 | **(275)** | (238) |
| Share of after tax profit of associates and joint ventures | 14 | **144** | 86 |
| Gain on disposal of 50% of subsidiary | 2 | **48** | – |
| Impairment of Ore Hill investments and goodwill | 2 | **(299)** | – |
| Loss arising from residual interest in brokerage assets | 2 | **(105)** | – |
| Finance income | | **58** | 145 |
| Finance expense | | **(38)** | (55) |
| Net finance income | 5 | **20** | 90 |
| **Profit before tax from continuing operations** | | **743** | 2,079 |
| Taxation | 6 | **(240)** | (362) |
| **Profit after tax from continuing operations** | | **503** | 1,717 |
| Discontinued operations – brokerage | 25 | **–** | 1,753 |
| **Profit for the year** | | **503** | 3,470 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **503** | 3,471 |
| Equity minority interests | | **–** | (1) |
| | | **503** | 3,470 |
| **Earnings per share** | 7 | | |
| **From continuing operations** | | | |
| Basic (cents) | | **28.7** | 92.8 |
| Diluted (cents) | | **28.4** | 90.2 |
| **From continuing and discontinued operations** | | | |
| Basic (cents) | | **28.7** | 187.7 |
| Diluted (cents) | | **28.4** | 182.0 |

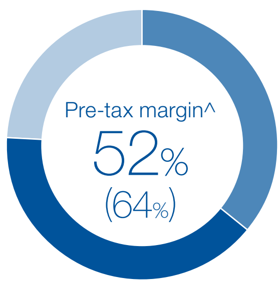
**Income* and profit before tax from continuing operations**
$bn




Income*
Profit before tax from continuing operations

* Income = Revenue plus gains/losses on investments at fair value plus share of associates' and joint ventures' profit

**Cost analysis and pre-tax margin^**
**2009** (2008)




| | |
|---|---|
| Sales commissions** | 36% (31%) |
| Compensation** | 40% (50%) |
| Other costs | 24% (19%) |

^ Pre-tax margin = Profit before tax† / Income*

* Income = Revenue plus gains/losses on investments at fair value plus share of associates' and joint ventures' profit

** Excluding accelerated amortisation of MGS sales commissions and restructuring costs which are presented separately on the face of the income statement (as detailed in Note 2)

† Profit before tax is the profit before tax from continuing operations before those material items presented separately on the face of the income statement (as detailed in Note 2)

# Group Balance Sheet

At 31 March

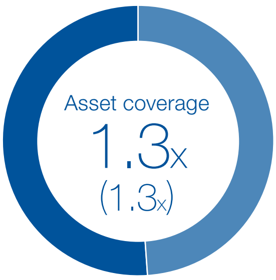
| | Note | **2009 $m** | 2008 $m |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 10 | **2,361** | 1,876 |
| Trade and other receivables | 11 | **413** | 773 |
| Investments in fund products | 12 | **1,091** | 1,648 |
| Other investments | 12 | **184** | 322 |
| Deferred tax | 13 | **–** | 22 |
| Investments in associates and joint ventures | 14 | **317** | 267 |
| Other intangible assets | 15 | **366** | 463 |
| Goodwill | 15 | **774** | 813 |
| Property, plant and equipment | 16 | **64** | 52 |
| **Total Assets** | | **5,570** | 6,236 |
| **LIABILITIES** | | | |
| Trade and other payables | 17 | **462** | 746 |
| Current tax liabilities | | **246** | 353 |
| Borrowings | 18 | **643** | 402 |
| Pension obligations | 3 | **13** | 24 |
| Deferred tax | 13 | **14** | – |
| **Total Liabilities** | | **1,378** | 1,525 |
| **NET ASSETS** | | **4,192** | 4,711 |
| **EQUITY** | | | |
| Capital and reserves attributable to shareholders | 19–22 | **4,191** | 4,710 |
| Equity minority interests | 20 | **1** | 1 |
| **Total Equity** | | **4,192** | 4,711 |

Approved by the Board of Directors on 28 May 2009

**Peter Clarke**
Chief Executive

**Kevin Hayes**
Finance Director

**Liquidity of assets 2009** (2008)




| | |
|---|---|
| Cash plus trade and other receivables (<12 months) | 49% (42%) |
| Other assets | 51% (58%) |

Cash = Cash and cash equivalents
Asset coverage = $\frac{\text{Total assets}}{\text{Total equity}}$

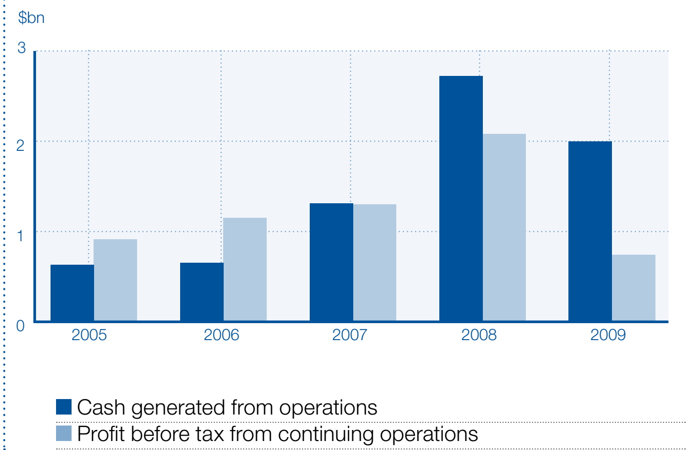
# Group Cash Flow Statement

For the year ended 31 March

| | Note | 2009 $m | 2008 $m |
|---|---|---|---|
| **Cash flows from operating activities – continuing operations** | | | |
| Cash generated from operations | 23 | **1,968** | 2,725 |
| Interest paid | | **(40)** | (32) |
| Income tax paid | | **(312)** | (324) |
| | | **1,616** | 2,369 |
| **Cash flows from operating activities – discontinued operations** | | **–** | (522) |
| **Cash flows from operating activities – total Group** | | **1,616** | 1,847 |
| **Cash flows from investing activities – continuing operations** | | | |
| Acquisition of subsidiaries and joint ventures, net of cash acquired | 24 | **(245)** | (18) |
| Purchase of property, plant and equipment | | **(38)** | (21) |
| Purchase of intangible assets | | **(250)** | (243) |
| Purchase of other investments | | **(172)** | (221) |
| Purchase of additional interests in joint ventures and associates | | **(17)** | – |
| Proceeds from sale of other investments | | **41** | 25 |
| Proceeds less costs from sale of Brokerage | 25 | **–** | 2,734 |
| Cash disposed on the IPO of Brokerage | 25 | **–** | (1,373) |
| Net proceeds from sale of Brokerage, net of cash disposed | | **–** | 1,361 |
| Interest received | | **60** | 146 |
| Dividends received from associates and other investments | | **141** | 78 |
| Proceeds from sale of associate | | **25** | – |
| | | **(455)** | 1,107 |
| **Cash flows from investing activities – discontinued operations** | | **–** | 44 |
| **Cash flows from investing activities – total Group** | | **(455)** | 1,151 |
| **Cash flows from financing activities – continuing operations** | | | |
| Proceeds from issue of ordinary shares | | **53** | 75 |
| Proceeds from issue of capital securities, net of issue costs | | **293** | – |
| Purchase of treasury shares | | **(280)** | (520) |
| Purchase of own shares by ESOP trust | | **(218)** | (145) |
| Disposal of own shares by ESOP trust | | **47** | 48 |
| Proceeds from borrowings net of issue costs | | **242** | – |
| Repayment of borrowings | | **–** | (758) |
| Return of net proceeds from sale of Brokerage | | **(67)** | (2,667) |
| Dividends paid to Company shareholders | | **(718)** | (578) |
| Dividend payments in respect of capital securities | | **(25)** | – |
| Dividends paid to minority interests | | **(1)** | – |
| **Cash flows from financing activities – total Group** | | **(674)** | (4,545) |
| **Net increase/(decrease) in cash and bank overdrafts** | | **487** | (1,547) |
| Cash and bank overdrafts at the beginning of the year | | **1,873** | 3,420 |
| **Cash and bank overdrafts at the end of the year – total Group** | | **2,360** | 1,873 |

For the purposes of the cash flow statement, cash and cash equivalents are net of overdrafts repayable on demand. These overdrafts are included in borrowings disclosed on the balance sheet. Overdrafts repayable on demand amounted to $1 million (2008: $3 million).

**Cash generated from operations vs profit before tax from continuing operations**



# Group Statement of Recognised Income and Expense

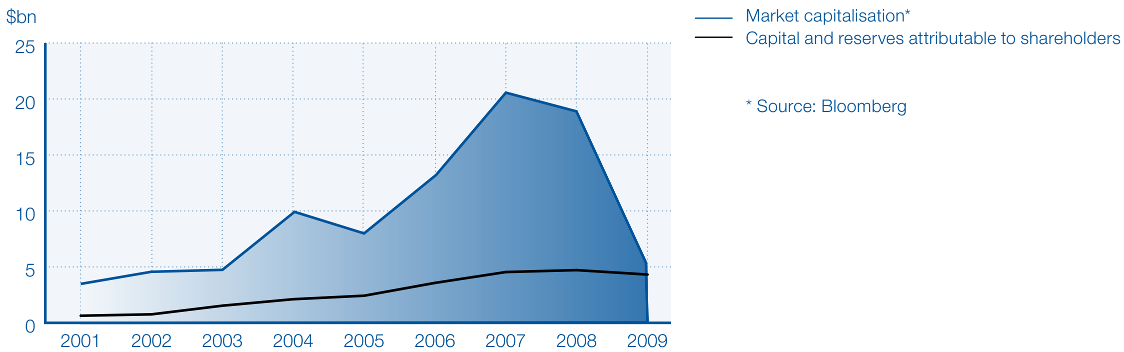
For the year ended 31 March 2009

| | Note | Shareholders of the Company $m | Minority interest $m | Total $m |
|---|---|---|---|---|
| Available-for-sale investments: | | | | |
| Valuation losses taken to equity | | (250) | – | (250) |
| Transfer to income statement on sale or impairment | | 172 | – | 172 |
| Cash flow hedge: | | | | |
| Valuation gains taken to equity | | – | – | – |
| Transfer to income statement in the year | | – | – | – |
| Foreign currency translation adjustments | 22 | (261) | – | (261) |
| Tax on items taken directly to or transferred from equity | | (6) | – | (6) |
| **Net expense recognised directly in equity** | | **(345)** | **–** | **(345)** |
| Profit for the year | | 503 | – | 503 |
| **Total recognised income and expense for the year** | 20 | **158** | **–** | **158** |

For the year ended 31 March 2008

| | Note | Shareholders of the Company $m | Minority interest $m | Total $m |
|---|---|---|---|---|
| Available-for-sale investments: | | | | |
| Valuation gains taken to equity | | 1 | – | 1 |
| Transfer to income statement on sale | | (81) | – | (81) |
| Cash flow hedge: | | | | |
| Valuation gains taken to equity | | 3 | – | 3 |
| Transfer to income statement in the year | | (6) | – | (6) |
| Foreign currency translation adjustments | 22 | 76 | 1 | 77 |
| Tax on items taken directly to or transferred from equity | | 30 | – | 30 |
| **Net income recognised directly in equity** | | **23** | **1** | **24** |
| Profit for the year | | 3,471 | (1) | 3,470 |
| **Total recognised income and expense for the year** | 20 | **3,494** | **–** | **3,494** |

**Market capitalisation and shareholders' funds**




* Source: Bloomberg

# Principal Accounting Policies



### Basis of preparation
The investment products we sell are issued by independent fund entities for which we act as the investment manager. The fund entities have independent boards of directors with independent governance and decision making powers. The fund entities' results, assets and liabilities are therefore separate from the Group and are not consolidated into the Group's financial statements.

The results of investment management activities are reflected in the Group's financial statements as performance fees and management and other fees, and associated receivables.

The investment performance of the fund products managed by the Group is detailed in the Business Review and Core Investment Manager sections of the Annual Report, and represents a key indicator of the Group's overall performance and future sustainability of results.

The objective of these consolidated financial statements is to explain the results for the year ended 31 March 2009 and the financial position of the Group on that date, together with comparative information.

The Group's principal activity is investment management and its Balance Sheet is presented using a liquidity format, as permitted by IAS 1 paragraph 51. The directors believe that this presentation is more relevant as the majority of the Group's assets are marked to current market values or will be realised within the next financial year.

The summary of significant accounting policies describes the accounting policies that are material in the preparation of the primary financial statements. Other accounting policies that relate to specific items in the financial statements have been incorporated within the relevant financial statement notes that provide details of the particular item.

Financial statement line items that are not material to the overall results or financial position have been aggregated with similar items and presented as one amount. A description of the types of items has been added where this is considered necessary to understand the aggregate line item.

Where appropriate, graphic presentations have been used to convey financial information. These are not part of the audited IFRS financial statements.

The financial statements should be read in the context of the overall Annual Report and cross references have been added to make navigation through the report easier.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations issued by either the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC) or their predecessors, as adopted by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of derivative financial instruments and certain financial assets that are available-for-sale or held at fair value through profit or loss. The consolidated financial statements have been prepared on a going concern basis, as discussed in the Corporate Governance report on page 51.

### Summary of significant accounting policies
The Group's principal accounting policies have been consistently applied to all the years presented in these financial statements.

### Impact of new accounting standards
A number of new standards, amendments to existing standards and interpretations have been issued, some of which are mandatory for the financial year beginning 1 April 2008, with the remaining becoming effective in future years.

The following amendments to existing standards and interpretations are effective for the financial year ended 31 March 2009:

IFRS 7 – 'Financial instruments: Disclosure' amendment and IAS 39 – 'Financial instruments: Recognition and measurement' amendments on reclassification of financial assets;
IFRIC 11 – 'IFRS 2 Group Treasury share transactions';
IFRIC 12 – 'Service concession arrangements'; and
IFRIC 14 – 'IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction'.

The impact of these amended standards and interpretations on these financial statements has not been significant. New standards issued that become effective in future years are considered in Note 31.

### Changes in presentation
In the financial statements for the year-ended 31 March 2008 gains/losses on investments at fair value of $51 million (charge) were reported within Revenue, as part of performance fees. In the financial statements for the year-ended 31 March 2009 gains/losses on investments at fair value of $260 million (charge) have been reclassified out of Revenue, and shown as a separate category on the face of the income statement. The comparatives have been restated accordingly.

In Note 4 (a), a detailed analysis of Other costs is included in the financial statements for the year-ended 31 March 2009, and a further breakdown of the 2008 comparatives has been provided.

### Income statement presentation
The Group presents separately on the face of the income statement in accordance with IAS 1 paragraph 86 those items which the directors consider material by virtue of their size or nature, in order to aid comparability from period to period. These items for the year ended 31 March 2009 are explained in Note 2 to the financial statements.

### Consolidation
Subsidiaries are all entities (including employee share ownership trusts) over which the Group has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are removed from consolidation from the date that control ceases. Inter-company transactions and balances between Group companies are eliminated.

# Principal Accounting Policies
continued

### Associates and joint ventures
Associates are all entities in which the Group holds an interest and over which it has significant influence but not control. Investments in associates are generally accounted for by the equity method of accounting and are initially recognised at cost, except for investments in certain fund entities (see below). Under the equity method, the Group's share of its associates' post-acquisition profits or losses after tax is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Where the Group has investments in certain fund entities over which it is able to exert significant influence but not control, these are classified as associates. The Group has applied the scope exclusion within IAS 28 'Investments in Associates' for mutual funds, unit trusts and similar entities and has classified such holdings as investments and measured them at fair value through the income statement in accordance with IAS 39.

Joint ventures are all entities in which the Group has joint control through a contractual arrangement. Investments in joint ventures through which the Group carries on its business are classified as jointly controlled entities and accounted for using the equity method, as described above.

Share of after tax profit of associates and joint ventures is shown before finance income and expense in the Group income statement as the directors consider that the associates and joint ventures form an important component of the Group's activities, rather than an investing activity.

### Acquisitions
The cost of an acquisition of a subsidiary or business is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as acquisition goodwill.

Goodwill is reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

### Foreign currency translation
#### *(1) Functional and presentation currency*
The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency and the currency in which the majority of the Group's revenue streams, assets, liabilities and funding is denominated. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

#### *(2) Transactions and balances*
Foreign currency transactions are translated into the relevant Group entity's functional currency using the exchange rate prevailing at the date of the transactions or, where it is more practical, an average rate over the relevant accounting period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### *(3) Translation of foreign operations*
The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets (including goodwill and fair value adjustments on the acquisition of a foreign entity) and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates for the relevant accounting periods;

(c) all resulting exchange differences are included in the cumulative translation adjustment reserve within equity.

### Investments
#### *(1) Classification*
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates, where permitted, this designation at each reporting date.

**(a) Financial assets at fair value through profit or loss**
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivative contracts are also categorised as held for trading unless they are designated as hedges.

**(b) Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable.

**(c) Available-for-sale financial assets**
Available-for-sale financial assets are non-derivative equity investments that are either designated in this category or not classified in any of the other categories.

#### *(2) Measurement*
Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method. Fair value gains and losses arising from changes in the fair value of available-for-sale investments are recognised as a separate component of equity until the investment is sold or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair values of investments in fund products are derived from the reported Net Asset Values (NAVs) of each of the fund products, which in turn are based upon the value of the underlying assets held within each of the fund products. The valuation of the underlying assets within each fund of fund product is determined by external valuation service providers (VSP) based on an agreed valuation policy and methodology. Whilst these valuations are performed independently of the Group, the Group has established oversight procedures and due diligence processes to ensure that the net asset values reported by the VSP are reliable and appropriate. The Group makes adjustments to NAVs where events or circumstances indicate that the NAVs are not reflective of fair value.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using appropriate valuation techniques. In these situations the valuation techniques used to calculate fair values include comparisons with similar financial instruments for which observable prices exist and discounted cash flow analysis. Further details of the methods used to obtain fair values for investments are included in Note 12.

#### *(3) Impairment*
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value of the asset below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on available-for-sale equity instruments are not reversed through the income statement.

### Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

### Income recognition
#### *(1) Revenue*
Revenue is recognised as follows:

**(a) Performance fees**
Performance fees are calculated as a percentage of the net appreciation of the relevant fund products' net asset value at the end of a given contractual period (referred to as the performance period). In accordance with IAS 18, performance fees are only recognised once they can be measured reliably. The Group can only reliably measure performance fees at the end of the performance period as the net asset value of the fund products could move significantly, as a result of market movements, between the Group's balance sheet date and the end of the performance period.

**(b) Management and other fees**
Management fees, which include all non-performance related fees and interest income from loans to fund products, are recognised in the period in which the services are rendered. Interest income from loans to fund products of $35 million (2008: $44 million) has been included in management and other fees on the basis that it is akin to management fees earned from fund products.

#### *(2) Gains/losses on investments at fair value*
Gains/losses on investments at fair value include fair value movements on seeding and liquidity investments, which are fair valued through the income statement.

#### *(3) Dividend and non-fund product related income*
Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time-apportioned basis using the effective interest method.

### Sales commissions
Upfront commissions (also known as placement fees) are payable to distributors and to employees when a fund product is first launched. The majority of commissions paid are capitalised and amortised over the period in which income from the fund product is expected to be earned in future periods. Trail commissions (also known as servicing fees) are payments made to distributors for ongoing services and are charged to the income statement in the period in which they are incurred.

### Compensation
Salaries and wages, including bonuses, are charged to the income statement in the period in which they are incurred. Bonuses are based on a formula that takes into consideration the profit attributable to the Company's shareholders. The fair value of equity-based compensation, including share awards and options granted, is recognised as an expense over the vesting period. Compensation costs incurred as part of the restructuring cost discussed in Note 2 (b) to the financial statements are accounted for in full at the time the obligation arises, following the communication of the formal plan in March 2009, and include payments in lieu of notice and enhanced termination costs, and charges arising from the acceleration of share-based payments.

### Current and deferred tax
The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Deferred tax liabilities are provided, using the liability method, on 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, except to the extent that deferred tax arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction affects neither accounting profit nor tax loss.

### Critical accounting estimates and judgements
In the preparation of the consolidated financial statements management is required to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances

# Principal Accounting Policies
continued

change. The areas where a higher degree of judgement or complexity arise, or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed below.

### *(1) Use of fair values (Note 12)*
The Group uses fair values to measure its investments in fund products and other investments on the balance sheet.

The fair values of investments in fund products are derived from the reported Net Asset Values (NAVs) of each of the fund products, which in turn are based upon the value of the underlying assets held within each of the fund products. The valuation of the underlying assets within each fund product is determined by external valuation service providers (VSP) based on an agreed valuation policy and methodology. Whilst these valuations are performed independently of the Group, the Group has established oversight procedures and due diligence processes to ensure that the net asset values reported by the VSP are reliable and appropriate. The Group makes adjustments to NAVs where events or circumstances indicate that the NAVs are not reflective of fair value.

There are certain other assets, for example the Ore Hill DI portfolio, where the Group establishes the fair value by using appropriate valuation techniques. In these situations the valuation techniques used to calculate fair values include comparisons with similar financial instruments for which observable prices exist and discounted cash flow analysis.

Given the uncertainty and subjective nature of valuing assets at fair value, it is possible that the outcomes within the next financial year could be different from the assumptions used and this could therefore result in a significant adjustment to the carrying amount of assets and liabilities measured using fair values. This is particularly the case where the Group establishes the fair value of assets by using appropriate valuation techniques.

### *(2) Treatment of fund entities of which the Group is the investment manager*
Certain subsidiaries of the Group act as the investment manager to a number of fund entities and in addition provide a number of other administrative services. Having considered all significant aspects of the Group's relationships with the fund entities, the directors are of the opinion that, although the Group may have significant influence over fund entities, the existence of the investment management contract and provision of other administrative services do not give the Group control over the fund entities. The key considerations taken into account in reaching this judgement include: the existence of independent, empowered boards of directors; the influence of investors; the investment management contract termination provisions; and, the arm's length nature of the Group's contracts with the fund entities.

### *(3) Goodwill and other intangible assets (Note 15)*
Goodwill is reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, based on value in use calculations prepared on the basis of management's assumptions and estimates of future cash flows and discount rates. An impairment review of the RMF goodwill suggested that there was a limited amount of headroom of discounted future net cash inflows over the goodwill balance and hence a sensitivity analysis in relation to the key assumptions used in the calculations is given in Note 15. The joint venture investment in Ore Hill was impaired, based on value in use calculations, using the key assumptions set out in Note 14.

The amortisation period of sales commissions, representing the Group's contractual right to benefit from future income from providing investment management services, is based on management's estimate of the weighted average period over which the Group expects to earn economic benefit from the investor being invested in each fund product. Management estimate that this period is five years in both the current and the comparative year.

### *(4) Taxation (Note 6)*
The Group is subject to income taxes in many jurisdictions. Judgement is required in determining estimates in relation to the worldwide provision for income taxes. There are transactions for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### Index to footnotes

# Notes to the Group Financial Statements

## 1. Sales commissions

| | 2009 $m | 2008 $m |
|---|---|---|
| Upfront sales commissions | **240** | 216 |
| Trail commissions | **171** | 175 |
| | **411** | 391 |

## 2. Income statement presentation

The material items which the directors consider should be presented separately on the face of the income statement by virtue of their size or nature, in order to aid comparability from period to period, are as follows:

| | 2009 $m |
|---|---|
| Accelerated amortisation of MGS sales commissions | **(107)** |
| Restructuring costs | **(37)** |
| Gain on disposal of 50% of subsidiary | **48** |
| Impairment of Ore Hill investments and goodwill | **(299)** |
| Loss arising from residual interest in brokerage assets | **(105)** |
| | **(500)** |

### *(a) Accelerated amortisation of MGS sales commissions*

As a result of the MGS de-risking process, an accelerated amortisation charge of $107 million ($86 million after adjusting for variable compensation) has been recognised in respect of upfront sales commissions associated with MGS products. Following the decision to de-risk many of the MGS products, the useful economic life of these products was reviewed and reduced. Therefore the amortisation has been accelerated.

### *(b) Restructuring costs*

In March 2009 the Group announced that it has implemented a plan to reduce the cost base of the business. The one-off compensation costs associated with this restructuring are reported as Restructuring costs.

### *(c) Gain on disposal of 50% of subsidiary/Impairment of Ore Hill investments and goodwill*

On 8 May 2008, the Group acquired a 50% interest in Ore Hill, a major US-based credit specialist fund manager. Simultaneously the Ore Hill principals acquired a 50% interest in Pemba Credit Advisers (Pemba), the European credit manager subsidiary of the Group. A gain of $48 million arose on the disposal of 50% of Pemba, which is included in the income statement. Since this disposal, the credit markets have continued to deteriorate, which has severely affected the Pemba business. Accordingly, Pemba has been restructured and as part of this exercise, in February 2009, the Group took back its 50% shareholding from the Ore Hill principals at nil cost, with no further profit or loss arising.

As a result of the deterioration in market conditions since the date of the acquisition of Ore Hill and the decrease in assets under management arising from significant redemptions during the period, the Group has recognised an impairment charge of $214 million against the carrying value of the Ore Hill investment. The assumptions used in the impairment review are discussed in Note 14. The discount rates used to perform the impairment exercise are higher than the rates used at the time of the acquisition as the discount rates applied are determined based on the current market conditions and reflect the deterioration in the financial markets and debt rates and the higher risk of returns as at 31 March 2009.

The carrying value of the Group's interest in Ore Hill's Designated Investment (DI) portfolio was reviewed for impairment as at 31 March 2009. The impairment charge booked as a result of this review was $75 million, which is included with the impairment against the Ore Hill investment within Impairment of Ore Hill investments and goodwill, together with a further $10 million charge relating to the impairment of MTM Capital goodwill.

### *(d) Loss arising from residual interest in brokerage assets*

As discussed in Note 12, following the disposal of its brokerage business the Group retained a residual investment in MF Global. These shares, which are classified as available-for-sale financial assets, have been reviewed for impairment as at 31 March 2009, following a significant decrease in the underlying share price, resulting in an impairment charge of $126 million being taken through the income statement. Other net gains of $21 million arose from the Group's residual interest in brokerage assets during the year.

# Notes to the Group Financial Statements
continued

## 3. Employees and compensation

| | 2009 $m | 2008 $m |
|---|---|---|
| Wages and salaries – fixed | **173** | 161 |
| – variable | **180** | 343 |
| Share-based payment charge | **71** | 71 |
| Social security costs | **19** | 46 |
| Pension costs | **20** | 18 |
| | **463** | 639 |

Further compensation costs of $37m were incurred in respect of the restructuring discussed in Note 2 (b) above, comprising $22 million in wages and salaries, and $15 million in accelerated share-based payment charges.

In addition to the amounts shown above, $62 million (2008: $39 million) of sales commissions relating to employees are included in the Group income statement charge for upfront sales commissions (Note 1).

### *(a) Wages and salaries*
Wages and salaries include the following:

#### (i) Bonus plans
The Group recognises a liability and an expense for cash bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders.

#### (ii) Share-based payments
These are detailed in section (b) of this Note.

#### (iii) Phantom equity-based compensation
The Group also operates 'phantom' cash-settled, equity-based compensation plans. The equity base is typically some of the fund products of which the Group is the investment manager. The fair value of the employee services received in exchange for the phantom equity awards is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards, remeasured at each reporting date until the settlement date is reached. The fair value of the awards equates to the fair value of the underlying fund products at the settlement date.

Average number of employees in continuing operations comprise:

| | 2009 Number | 2008 Number |
|---|---|---|
| UK | **720** | 743 |
| Switzerland | **643** | 597 |
| Other countries | **413** | 391 |
| Average number of employees – continuing operations | **1,776** | 1,731 |

### *(b) Share-based payments*
The Group operates equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the share awards and options granted is recognised as an expense, with the corresponding credit being recognised in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and options awarded/granted, excluding the impact of any non-market vesting conditions (for example, earnings per share and return on equity targets). Non-market vesting conditions are included in assumptions made on the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

All of the employee share awards and share option awards were made within the Group's share-based remuneration schemes. Details of these schemes may be found in the Remuneration Report on pages 55 to 60.

During the year, $86 million was charged to the income statement for equity-settled, share-based payment transactions (2008: $71 million) in respect of continuing operations.

### 3. Employees and compensation continued

The fair value of share options and awards at grant date is calculated using a 'binomial lattice' model that takes into account the effect of both financial and demographic assumptions. Financial assumptions include the future share price volatility, dividend yield, risk-free interest rate, and the best estimate outcome of non-market based performance conditions. Demographic assumptions include forfeiture and early vesting behaviours that are based upon historic observable data. The fair values per option and award granted during the year to employees, and the assumptions used in the calculations, are as follows:

| | Executive share option scheme | Other employee share option schemes | Performance share plan | Deferred share plan |
|---|---|---|---|---|
| Grant dates | 12/6/2008 | 1/7/2008–1/8/2008 | 12/6/2008 | 29/5/2008–8/12/2008 |
| Weighted average share price at grant date ($) | 12.19 | 12.29 | 12.19 | 7.84 |
| Weighted average exercise price at grant date ($) | 12.19 | 9.86 | – | – |
| Share options/awards made in the year | 263,594 | 424,126 | 1,585,372 | 15,851,785 |
| Vesting period (years) | 3 | 2–5 | 4 | 4 |
| Expected share price volatility | 30% | 30% | – | – |
| Dividend yield | 4% | 4% | 4% | 4–14% |
| Risk-free rate | 5.3% | 5.2% | – | – |
| Expected option life (years) | 7.7 | 3.3 | – | – |
| Number of shares/options assumed to vest | 263,594 | 322,180 | 1,585,372 | 14,404,677 |
| Average fair value per option/share granted ($) | 3.44 | 2.47 | 10.42 | 6.43 |

The expected share price volatility is based on historical volatility over the last 10 years. The expected option life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon US and UK (where appropriate) government bonds of a term consistent with the assumed option life.

It is assumed that the performance conditions applicable to the executive share option scheme and performance share plan will be met in full. For the executive share option scheme, it is assumed that 5% of options per year are subject to early exercise, and in addition, provided there is a gain of 50% on the exercise price, it is assumed that 50% of remaining option holders will exercise per year.

Movements in the number of share options outstanding are as follows:

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Number** | **Weighted average exercise price ($ per share)** | Number | Weighted average exercise price ($ per share) |
| Share options outstanding at 1 April | **6,268,005** | **5.26** | 11,915,571 | 4.24 |
| Granted | **687,720** | **10.60** | 1,561,677 | 10.53 |
| Forfeited | **(488,444)** | **9.06** | (1,123,824) | 6.31 |
| Exercised | **(1,868,032)** | **4.17** | (6,085,419) | 3.46 |
| Share options outstanding at 31 March | **4,599,249** | **7.09** | 6,268,005 | 5.26 |
| Share options exercisable at 31 March | **1,625,046** | **3.18** | 1,450,788 | 4.10 |

The weighted average share price during the financial year ended 31 March 2009 was $6.89 (2008: $11.04).

The share options outstanding at the end of the year have a weighted average exercise price and expected remaining life as follows:

| | **2009** | | | 2008 | | |
|---|---|---|---|---|---|---|
| Range of exercise prices ($ per share) | **Number of share options** | **Weighted average exercise price ($ per share)** | **Weighted average expected remaining life (years)** | Number of share options | Weighted average exercise price ($ per share) | Weighted average expected remaining life (years) |
| 2.00–5.00 | **1,981,266** | **3.29** | **2.5** | 2,849,988 | 3.98 | 3.2 |
| 5.01–7.00 | **1,346,962** | **5.93** | **5.1** | 803,256 | 5.62 | 3.0 |
| 7.01–9.00 | **1,271,021** | **8.10** | **5.9** | 1,392,708 | 7.94 | 6.6 |
| 9.01–11.00 | **–** | **–** | **–** | 405,221 | 9.43 | 2.8 |
| 11.01+ | **–** | **–** | **–** | 816,832 | 11.48 | 7.7 |
| | **4,599,249** | | | 6,268,005 | | |

# Notes to the Group Financial Statements
continued

### 3. Employees and compensation continued
Movements in the number of share awards outstanding are as follows:

| | 2009 Number | 2008 Number |
|---|---|---|
| Share awards outstanding at 1 April | **32,425,283** | 32,990,637 |
| Granted | **17,437,157** | 8,167,442 |
| Transferred | **–** | (21,312) |
| Forfeited | **(483,949)** | (526,789) |
| Vested | **(11,407,487)** | (8,184,695) |
| Share awards outstanding at 31 March | **37,971,004** | 32,425,283 |
| Share awards exercisable at 31 March | **2,055,199** | 1,282,890 |

Share options and awards attributable to employees subject to the restructuring plan (see Note 2 (b)) are shown as outstanding in the tables above, as the majority will vest in the next financial year.

#### *(c) Pension benefits*
The Group operates various pension plans throughout the world, including a number of defined contribution plans and two funded defined benefit plans. The Group's pension plans are funded through payments to trustee-administered funds, determined by periodic actuarial calculations. Other than pensions, the Group does not operate any other form of post-retirement benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. A defined benefit plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

#### (i) Defined contribution plans
For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contributions have been paid. The contributions are recognised as compensation when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Defined contribution pension costs for continued operations totalled $11 million (2008: $9 million).

#### (ii) Defined benefit plans
The two defined benefit plans operated by the Group are the Man Group plc Pension Fund in the UK (the UK plan) and the Man Group Pension Plan in Switzerland (the Swiss plan). The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The present values of the defined benefit obligations are determined using the projected unit credit method by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The defined benefit obligation for the UK plan is based on a funding valuation performed as at 31 December 2005, with results projected forward by independent qualified actuaries. The latest regular triennial valuation of the UK plan is being conducted as at 31 December 2008. The level of contributions paid by the Group to the UK plan will be reviewed once the results of this valuation are known and this may result in a revised level of contributions being agreed between the Group and the UK plan trustees is due effective 31 December 2008. Once the results of this valuation are known the funding of the plan will be reviewed by the Group and UK plan Trustees and contribution rates adjusted in accordance with recommendations made by the independent actuaries. The obligation for the Swiss plan was calculated as at 31 March 2009 by independent qualified actuaries. At 31 March 2009, the UK plan comprised 76% (2008: 83%) of the Group's total defined benefit pension obligations.

In accordance with the transitional provisions set out in IFRS 1 'First time adoption of international financial reporting standards', all cumulative actuarial gains and losses at the date of the Group's IFRS transition (1 April 2004) were recognised in full. Since 1 April 2004, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are not recognised in the current period unless the cumulative unrecognised gain or loss at the end of the previous reporting period exceeds the greater of 10% of the plan assets or liabilities. In these circumstances the excess is charged or credited to the income statement over the employees' expected average remaining working lives.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

## 3. Employees and compensation continued

The principal actuarial assumptions used in the valuations of the two plans as at 31 March 2009 were:

| | UK plan | | Swiss plan | |
|---|---|---|---|---|
| | **2009 % p.a.** | 2008 % p.a. | **2009 % p.a.** | 2008 % p.a. |
| Discount rate | **6.8** | 6.9 | **3.3** | 3.8 |
| Price inflation | **3.3** | 3.8 | **1.5** | 1.5 |
| Expected return on plan assets | **7.0** | 7.2 | **4.5** | 3.3 |
| Future salary increases | **3.3** | 6.4 | **2.5** | 5.0 |
| Social security increases | **–** | – | **3.0** | 1.8 |
| Pension in payment increases | **3.6** | 4.0 | **–** | – |
| Deferred pensions increases | **5.0** | 5.0 | **–** | – |

The expected return on plan assets is based on the market expectation at the beginning of the period for returns over the entire life of the benefit obligation. In the UK, investment market conditions suggest an expected return on equities of around 8.0% (2008: 8.3%), expected bond returns of around 5.3% (2008: 5.4%), expected return on hedge funds of around 8.0% (2008: 8.3%) and expected average return on other plan assets of around 4.2% (2008: 5.1%). In 2008, the Swiss plan was invested in an insurance contract, on which the expected return was 3.25%. This year, the Swiss plan investments were moved to a pension foundation, and Swiss investment market conditions suggest an expected return on equities of around 7.2%, expected bond returns of around 3.4%, expected returns on property of 4.4%, expected hedge fund returns of around 5.8% and expected average return on other plan assets of around 2.0%.

Mortality rates in the UK plan are assumed to be in line with the PNA00 tables projected by year of birth with allowance for future improvements in mortality rates in line with the medium cohort projections with a minimum rate of improvement each year of 1.0% for males and 0.5% for females. The table below sets out the implied life expectancy at age 60 for members currently aged 60 and for members reaching age 60 in 20 years' time.

| | Current life expectancy (years) | Life expectancy in 20 years' time (years) |
|---|---|---|
| Male aged 60 | 27.1 | 29.3 |
| Female aged 60 | 29.1 | 30.3 |

Mortality rates in the Swiss plan are assumed to be in line with the Swiss BVG 2005 standard table plus a 0.5% per annum allowance for increase in life expectancy from the date of the census underlying the table to the valuation date.

The amounts recognised in the balance sheet are determined as follows:

| | **2009 $m** | 2008 $m |
|---|---|---|
| Present value of funded obligations | **296** | 350 |
| Fair value of plan assets | **(248)** | (341) |
| Deficit | **48** | 9 |
| Unrecognised actuarial (losses)/gains | **(33)** | 19 |
| Unrecognised past service cost | **(2)** | (4) |
| Liability in the balance sheet | **13** | 24 |

The major categories of plan assets are:

| | **2009 $m** | 2008 $m |
|---|---|---|
| Equities | **77** | 115 |
| Bonds | **88** | 109 |
| Insurance policies | **–** | 48 |
| Hedge funds | **63** | 66 |
| Property | **9** | – |
| Other | **11** | 3 |
| | **248** | 341 |

The actual return on plan assets was:

| | **2009 $m** | 2008 $m |
|---|---|---|
| Return on plan assets | **(15)** | 10 |

# Notes to the Group Financial Statements
continued

### 3. Employees and compensation continued

The movement in the liability recognised in the balance sheet is as follows:

| | 2009 $m | 2008 $m |
|---|---|---|
| Pension liability at beginning of year | **24** | 21 |
| Currency translation differences taken through income statement | **(6)** | 1 |
| Other expenses charged to the income statement | **8** | 9 |
| Contributions paid | **(13)** | (7) |
| Pension liability at end of year | **13** | 24 |

The contributions expected to be paid during the financial year ending 31 March 2010 amount to $9 million, although this is subject to change when the regular triennial valuation of the UK plan currently being conducted as at 31 December 2008 is finalised.

The other expenses recognised in the income statement are as follows:

| | 2009 $m | 2008 $m |
|---|---|---|
| Current service cost (employer portion) | **6** | 8 |
| Interest cost | **20** | 20 |
| Expected return on plan assets | **(20)** | (22) |
| Amortisation of unrecognised past service cost | **1** | 2 |
| Past service costs | **4** | – |
| Settlement/curtailment | **(3)** | 1 |
| Total charge | **8** | 9 |

Changes in the present value of the defined benefit obligations are as follows:

| | 2009 $m | 2008 $m |
|---|---|---|
| Present value of funded obligations, 1 April | **350** | 409 |
| Currency translation difference | **(92)** | 13 |
| Current service cost (employer portion) | **6** | 8 |
| Interest cost | **20** | 20 |
| Employee contributions | **4** | 3 |
| Actuarial loss/(gain) | **18** | (57) |
| Actual benefit payments | **(10)** | (16) |
| Past service costs | **4** | – |
| Settlement/curtailment on disposal of brokerage business | **(4)** | (30) |
| Present value of funded obligations, 31 March | **296** | 350 |

The changes in the fair value of plan assets are as follows:

| | 2009 $m | 2008 $m |
|---|---|---|
| Fair value of plan assets, 1 April | **341** | 359 |
| Currency translation difference | **(85)** | 12 |
| Expected return on plan assets | **20** | 22 |
| Actuarial (losses) on plan assets | **(35)** | (19) |
| Employer contributions | **13** | 7 |
| Employee contributions | **4** | 3 |
| Benefits paid | **(10)** | (16) |
| Assets distributed on settlements | **–** | (27) |
| Fair value of plan assets, 31 March | **248** | 341 |

History of experience gains and losses:

| | 2009 | | 2008 | | 2007 | | 2006 | | 2005 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **$m** | **%** | $m | % | $m | % | $m | % | $m | % |
| Experience gain/(loss) arising on plan assets (% of plan assets) | **(35)** | **14.1** | (19) | 5.3 | 11 | 3.3 | 31 | 10.9 | 1 | 1.3 |
| Experience gain/(loss) arising on plan liabilities (% of the present value of plan liabilities) | **(11)** | **3.7** | – | 0.7 | (3) | 0.1 | (10) | 3.3 | – | 0.5 |
| Present value of plan liabilities | **296** | | 350 | | 409 | | 396 | | 335 | |
| Fair value of plan assets | **(248)** | | (341) | | (359) | | (324) | | (274) | |
| Plan deficit | **48** | | 9 | | 50 | | 72 | | 61 | |

## 3. Employees and compensation continued

### (d) Directors' remuneration

| | 2009 $000 | 2008 $000 |
|---|---|---|
| Emoluments | **13,872** | 21,780 |
| Gains made on transfer of share awards and exercise of share options in the year | **32,889** | 60,627 |
| Contributions to money purchase pension schemes (2009: one director; 2008: one director) | **53** | 60 |

One director is accruing retirement benefits under a defined benefit scheme (2008: one director).

Further information on individual directors' emoluments, options, share awards and loans is given in the Remuneration Report on pages 62 to 65, and included in the key management compensation disclosures on related parties (Note 27).

## 4. Other income statement disclosures

### (a) Analysis of other costs

| | 2009 $m | 2008 $m |
|---|---|---|
| Occupancy | **42** | 35 |
| Travel and entertainment | **21** | 19 |
| Technology | **31** | 16 |
| Communication | **16** | 12 |
| Consulting and professional services | **46** | 29 |
| Depreciation and amortisation | **39** | 27 |
| Charitable donations | **10** | 26 |
| Other | **70** | 74 |
| Total other costs | **275** | 238 |

Included in depreciation and amortisation above is $22 million (2008: $15 million) of depreciation of property, plant and equipment (see Note 16) and $17 million (2008: $12 million) of amortisation of other intangible assets (see Note 15).

### (b) Other disclosures

The following items have been included in arriving at Group profit before tax from continuing operations:

| | 2009 $m | 2008 $m |
|---|---|---|
| Foreign currency gains | **26** | 6 |
| Amortisation of sales commissions | **133** | 141 |
| Auditors' remuneration | **5** | 6 |
| Operating lease rentals | **19** | 25 |

Analysis of items included in discontinued operations is included in Note 25.

The details of remuneration received by the auditors' are analysed in section (c) below.

### (c) Auditors' remuneration

The remuneration received by the Group's auditors, PricewaterhouseCoopers LLP and its worldwide associates, was as follows:

| | 2009 $000 | 2008 $000 |
|---|---|---|
| Fees payable to the Company's auditors for the audit of the Company's financial statements | **941** | 894 |
| Other services: | | |
| The audit of the Company's subsidiaries pursuant to legislation | **2,430** | 2,681 |
| Other services pursuant to legislation | **696** | 570 |
| Other services relating to taxation | **696** | 337 |
| Services relating to corporate finance transactions | **19** | 742 |
| All other services | **493** | 710 |
| Total auditors' remuneration for continuing operations | **5,275** | 5,934 |
| Auditors' remuneration for discontinued operations | **–** | 7,887 |
| Total auditors' remuneration | **5,275** | 13,821 |

# Notes to the Group Financial Statements
continued

### 4. Other income statement disclosures continued
Fees payable for the audit of the Company's subsidiaries pursuant to legislation comprise the fees for the statutory audits of the subsidiaries. Other services pursuant to legislation largely related to services in relation to statutory and regulatory filings. These include the review of the Group's interim financial information under the Listing Rules of the FSA. Taxation services include compliance services and advisory services such as tax advice relating to transactions. Other services include work in connection with the management of the Group's pension liability and corporate restructuring. Within discontinued operations in the prior year, other services pursuant to legislation largely related to the MF Global F-1 registration document, and other services included advice in relation to the return of cash to shareholders.

### 5. Net finance income
Net finance income from continuing operations comprises:

| | **2009 $m** | 2008 $m |
|---|---|---|
| Finance income: | | |
| Interest on cash deposits | **42** | 128 |
| Finance fees | **6** | 5 |
| Other | **10** | 12 |
| | **58** | 145 |
| Finance expense: | | |
| Interest payable on borrowings | **(36)** | (33) |
| Amortisation of discount on issue of exchangeable bonds | **–** | (3) |
| Amortisation of issue costs on borrowings | **(2)** | – |
| Foreign exchange costs arising from the financing of sterling dividend payments | **–** | (15) |
| Fair value loss on interest rate swaps | **–** | (3) |
| Other | **–** | (1) |
| | **(38)** | (55) |
| Net finance income | **20** | 90 |

### 6. Taxation
Analysis of tax charge on continuing operations in the year:

| | **2009 $m** | 2008 $m |
|---|---|---|
| Current tax: | | |
| UK Corporation tax on profits of the year | **178** | 299 |
| Foreign tax | **58** | 73 |
| Adjustments to tax charge in respect of previous periods | **(15)** | (5) |
| Total current tax | **221** | 367 |
| Deferred tax (Note 13): | | |
| Origination and reversal of temporary differences | **15** | (6) |
| Adjustments to tax charge in respect of previous periods | **4** | 1 |
| Total tax charge | **240** | 362 |

Tax on items (credited)/charged to equity:

| | **2009 $m** | 2008 $m |
|---|---|---|
| Current tax: | **(15)** | (23) |
| Deferred tax | **12** | 4 |
| | **(3)** | (19) |

| | | |
|---|---|---|
| Effective tax rate | **32.3%** | 17.4% |
| UK nominal corporation tax rate | **28.0%** | 30.0% |

## 6. Taxation continued

The tax on the Group's total profit before tax is higher (2008: lower) than the amount that would arise using the theoretical effective UK tax rate applicable to profits of the consolidated companies, as follows:

| | **2009 $m** | 2008 $m |
|---|---|---|
| Profit before tax from continuing operations | **743** | 2,079 |
| Theoretical tax charge at UK rate – 28% (2008: 30%) | **208** | 624 |
| Effect of: | | |
| Overseas rates compared to UK | **(69)** | (215) |
| Share-based payments | **18** | 3 |
| Currency translation differences | **3** | (64) |
| Adjustments to tax charge in respect of previous periods | **(11)** | (4) |
| Impairment of Ore Hill investments and goodwill | **84** | – |
| Loss arising from residual interest in brokerage assets | **29** | – |
| Capital gains not subject to tax | **(10)** | – |
| Change in UK tax rate | **–** | 2 |
| Other | **(12)** | 16 |
| | **32** | (262) |
| Total tax charge | **240** | 362 |

## 7. Earnings per ordinary share (EPS)

The calculation of basic EPS is based on a profit for the year of $485 million (2008: $1,717 million) for continuing operations, and a profit for the year of $485 million (2008: $3,471 million) for continuing and discontinued operations. The calculation of basic EPS is based on 1,687,787,700 (2008: 1,848,517,328 ) ordinary shares, being the weighted average number of ordinary shares in issue during the year after excluding the shares owned by the Man Group plc employee trusts. During the year to 31 March 2008 each ordinary share of 3 US cents was consolidated on a 7 shares for 8 share basis following the return of capital to shareholders by means of a 'B' and 'C' share issue. The effect of the change in the number of shares was recorded prospectively.

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The diluted EPS is based on a profit for the year of $485 million (2008: $1,722 million) for continuing operations, and a profit for the year of $485 million (2008: $3,476 million) for continuing and discontinued operations. The calculation of diluted EPS for continuing and discontinued operations is based on 1,707,878,896 (2008: 1,909,455,999) ordinary shares, calculated as shown in the following table:

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Total number (millions)** | **Weighted average (millions)** | Total number (millions) | Weighted average (millions) |
| Number of shares at 1 April | **1,715.3** | **1,715.3** | 1,880.0 | 1,880.0 |
| Issues of shares | **23.2** | **7.9** | 126.2 | 96.3 |
| Share consolidation | **–** | **–** | (245.0) | (84.3) |
| Repurchase and cancellation of own shares | **(30.6)** | **(17.9)** | (45.9) | (31.2) |
| Number of shares at 31 March | **1,707.9** | **1,705.3** | 1,715.3 | 1,860.8 |
| Shares owned by employee trusts | **(28.9)** | **(17.5)** | (7.7) | (12.3) |
| Basic number of shares | **1,679.0** | **1,687.8** | 1,707.6 | 1,848.5 |
| Share awards under incentive schemes | **29.2** | **19.5** | 20.3 | 29.6 |
| Employee share options | **4.6** | **0.6** | 6.3 | 4.2 |
| Exchangeable bonds | **–** | **–** | – | 27.2 |
| Dilutive number of shares | **1,712.8** | **1,707.9** | 1,734.2 | 1,909.5 |

The reconciliation of EPS from continuing and discontinued operations, to EPS from continuing operations, is given in the table below:

| | **Year to 31 March 2009** | | | | Year to 31 March 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Basic post-tax earnings $m** | **Diluted post-tax earnings $m** | **Basic earnings per share cents** | **Diluted earnings per share cents** | Basic post-tax earnings $m | Diluted post-tax earnings $m | Basic earnings per share cents | Diluted earnings per share cents |
| Earnings per share on continuing and discontinued operations[1] | **485** | **485** | **28.7** | **28.4** | 3,471 | 3,476 | 187.7 | 182.0 |
| Discontinued operations | **–** | **–** | **–** | **–** | (1,754) | (1,754) | (94.9) | (91.8) |
| Earnings per share on continuing operations[1] | **485** | **485** | **28.7** | **28.4** | 1,717 | 1,722 | 92.8 | 90.2 |

The reconciliation from EPS on continuing operations to an adjusted EPS on continuing operations is given below for the current period.

# Notes to the Group Financial Statements
continued

### 7. Earnings per ordinary share (EPS) continued

| | Year to 31 March 2009 | | | |
|---|---|---|---|---|
| | Basic post-tax earnings $m | Diluted post-tax earnings $m | Basic earnings per share cents | Diluted earnings per share cents |
| Earnings per share on continuing operations[1] | 485 | 485 | 28.7 | 28.4 |
| Items for which EPS has been adjusted (see Note 2) | 500 | 500 | 29.6 | 29.3 |
| Tax on the above items | (13) | (13) | (0.7) | (0.7) |
| Adjusted Earnings per share on continuing operations | 972 | 972 | 57.6 | 57.0 |

1 The difference between profit after tax from continuing operations and basic and diluted post-tax earnings for the year-ended 31 March 2009 is the adding back of the finance expense in the period relating to the Fixed Rate Perpetual Capital Securities totalling $18 million post-tax at 28% (see Note 22). The difference between basic and diluted post-tax earnings on total and continuing operations for the year-ended 31 March 2008 is the adding back of the finance expense in the period relating to the exchangeable bonds ($5 million post-tax).

### 8. Dividends

| | **2009 $m** | 2008 $m |
|---|---|---|
| **Ordinary shares** | | |
| Final dividend paid for 2008 – 24.8 cents (2007: 12.7 cents) | **423** | 250 |
| Interim dividend paid for 2009 – 19.2 cents (2008: 19.2 cents) | **295** | 328 |
| Dividends paid during the year | **718** | 578 |
| Proposed final dividend for 2009 – 24.8 cents (2008: 24.8 cents) | **416** | 423 |

Dividend distribution to the Company's shareholders is recognised directly in equity and as a liability in the Group's financial statements in the period in which the dividend is paid or, if required, approved by the Company's shareholders.

The proposed final dividend recommended by the Board is payable on 21 July 2009, subject to shareholder approval, to shareholders who are on the register of members on 3 July 2009. Dividends on ordinary shares are declared in US dollars but paid in sterling.

| | **2009 $m** | 2008 $m |
|---|---|---|
| **Fixed rate perpetual subordinated capital securities** | | |
| Dividends paid during the year | **25** | – |

The $25 million of dividends paid during the year on fixed rate perpetual subordinated capital securities relate to the $300 million US$ RegS Fixed Rate Perpetual Subordinated Capital Securities issued in May 2008 (see Note 21).

### 9. Financial risk and capital management
***Financial risk management***
A qualitative analysis of the financial risks arising from the Group's activities is included in the Risk Management section on pages 41 to 43 of this Annual Report.

**(a) Liquidity risk management**
The Group's strategy is to maintain sufficient liquidity to give it the flexibility to support the business through different market conditions and business cycles. The amount of the potential requirement for liquidity is modelled based on scenarios that assume stressed market conditions, including reduced bank advance rates, de-risking of FUM, investor redemption bridging requirements, gating by underlying managers and the risk of a substantial adverse move in AHL and the consequential request to fund margin calls in those structured products that include an AHL allocation. Although the majority of these liquidity requirements are discretionary, the Board believes it has sufficient liquidity to meet these stressed modelled scenarios.

The Group finances its operations using the cash flow generated by its operations, a committed syndicated bank facility and finance raised in the capital markets.

At 31 March 2009 the Group had a committed bank facility of $2.43 billion (2008: $2.83 billion), which was undrawn, and total debt of $650 million (2008: $400 million).

## 9. Financial risk and capital management continued

The table below analyses the Group's financial assets, liabilities and commitments. The amounts disclosed in respect of trade and other receivables, financial liabilities and guarantees and commitments are the contractual undiscounted cash flows.

**Year ended 31 March 2009:**

| Financial assets | Less than 1 year $m | 1–5 years $m | Over 5 years $m |
|---|---|---|---|
| Cash and equivalents | **2,361** | **–** | **–** |
| Investments in fund products | **958** | **133** | **–** |
| Other investments | **132** | **52** | **–** |
| Trade and other receivables | **307** | **47** | **69** |
| Derivative financial investments | **10** | **–** | **–** |
| | **3,768** | **232** | **69** |

| Financial liabilities | Less than 1 year $m | 1–5 years $m | Over 5 years $m |
|---|---|---|---|
| Borrowings, including interest | **(32)** | **(354)** | **(434)** |
| Trade and other payables | **(450)** | **(12)** | **–** |
| Derivative financial instruments | **(7)** | **–** | **–** |
| | **(489)** | **(366)** | **(434)** |

| Guarantees and commitments | Less than 1 year $m | 1–5 years $m | Over 5 years $m |
|---|---|---|---|
| Financial guarantees and commitments: | | | |
| Committed purchase agreements | **(954)** | **–** | **–** |
| MF Global brokerage account | **(50)** | **–** | **–** |
| Intra-day credit facility | **(400)** | **–** | **–** |
| Loan facilities provided to the funds | **(177)** | **–** | **–** |
| AHL FX Trading guarantee | **(24)** | **–** | **–** |
| Empyrean Re guarantee | **(238)** | **–** | **–** |
| Operating lease commitments | **(20)** | **(77)** | **(478)** |
| | **(1,863)** | **(77)** | **(478)** |

Year ended 31 March 2008:

| Financial assets | Less than 1 year $m | 1–5 years $m | Over 5 years $m |
|---|---|---|---|
| Cash and equivalents | 1,876 | – | – |
| Investments in fund products | 1,648 | – | – |
| Other investments | 322 | – | – |
| Trade and other receivables | 722 | 51 | 76 |
| | 4,568 | 51 | 76 |

| Financial liabilities | Less than 1 year $m | 1–5 years $m | Over 5 years $m |
|---|---|---|---|
| Borrowings, including interest | (18) | (62) | (448) |
| Trade and other payables | (738) | (8) | – |
| Net settled derivative financial instruments | (1) | – | – |
| | (757) | (70) | (448) |

| Guarantees and commitments | Less than 1 year $m | 1–5 years $m | Over 5 years $m |
|---|---|---|---|
| Financial commitments: | | | |
| Committed purchase agreements | (2,654) | – | – |
| MF Global brokerage account | (400) | – | – |
| Loan facilities provided to the funds | (214) | – | – |
| Empyream Re guarantee | (548) | – | – |
| Operating lease commitments | (28) | (64) | (32) |
| Other contracted expenditure not provided for | (8) | (17) | – |
| | (3,852) | (81) | (32) |

The maturity of the floating rate notes ($400 million) has been reclassified in the comparative period, for consistency with 31 March 2009, to reflect the contractual maturity date of 22 September 2015.

The operating lease commitments as at 31 March 2009 above include the agreements for lease contracts for the new headquarters at Riverbank House, London (25 years) and the UK Data Centre, Woking (10 years).

# Notes to the Group Financial Statements
continued

### 9. Financial risk and capital management continued

Further explanation of financial guarantees and commitments are included in section (d) below, including separate disclosure of the commitments arising from Empyrean Re.

During the year there were $15 million net realised and unrealised gains arising from derivative financial instruments (2008: $42 million net gains). The notional value of forward foreign exchange contracts is $73 million (2008: $287 million). The notional value of the foreign exchange swaps is $881 million (2008: $1,182 million). Details of the Empyrean Re credit default swap are disclosed separately below. All contracts mature within one year.

#### (b) Market risk management

*(i) Investment in fund products*

The Company invests in early stage managers as part of its ongoing business to build investment capacity. These investments are generally held for less than one year, at which point the investment is redeemed and either investor funds allocated, or the account closed.

The Group calculates the market risk on these investments using a value at risk (VaR) methodology using a one month time horizon, at a 95% confidence interval. The increase in the VaR in 2009 compared with 2008 reflects the higher average level of seed investments and the increase in historical volatilities.

| | | | | **2009** | | | | | 2008 |
|---|---|---|---|---|---|---|---|---|---|
| | **VaR** | | | | | VaR | | | |
| **Other investments in fund products $m** | **Close $m** | **Average $m** | **Maximum $m** | **Minimum $m** | Other investments in fund products $m | Close $m | Average $m | Maximum $m | Minimum $m |
| **718** | **53** | **90** | **120** | **53** | 1,279 | 70 | 59 | 72 | 51 |

*(ii) Residual investment in MF Global and other assets*

The Group's residual investment in MF Global ($94 million) and exchange shares ($28 million) are held as available-for-sale financial assets, where gains and losses arising from movements in the share price are recorded in the available-for-sale reserve within equity. An impairment charge of $126 million was recorded through the income statement for the year, in respect of the Group's residual investment in MF Global (see Note 2).

The market risk on the holdings in MF Global and exchange shares, using a VaR methodology with a one month time horizon and at a 95% confidence interval is $30 million and $9 million respectively (2008: MF Global $51 million, exchange shares $20 million).

The Group owns an investment in Ore Hill's DI portfolio, which holds long-term interests of a less liquid nature in a number of underlying entities. This investment is classified as available-for-sale, based on the fair value of the interests in the underlying companies. The carrying value at year-end of $52 million is stated after the impairment charge of $75 million, discussed in Note 2 (c).

The market risk on the holdings in the Ore Hill DI portfolio, using a VaR methodology with a one month time horizon and at a 95% confidence interval is $23 million (2008: not held).

*(iii) Foreign exchange and interest rate risk*

The Group's net assets are exposed to the effect of movements in the exchange rate on financial assets and liabilities where balances are not denominated in the functional currency of the subsidiary. The main foreign exchange sensitivity is to fluctuations in the US dollar exchange rate against sterling, euro and Swiss franc balances. The Group, from time to time, puts in place short-term foreign currency contracts to hedge these costs. At 31 March 2009, a 10% strengthening/(weakening) of the US dollar against all other currencies, with all other variables held constant, would have resulted in a foreign exchange loss/(gain) of $12 million, with a corresponding impact on equity.

In respect of those of the Group's monetary assets and liabilities which earn/incur interest indexed to floating rates, as at 31 March 2009, a 50bp increase/(decrease) in interest rates, with all other variables held constant, would have resulted in a $10 million increase/(decrease) in net interest income, with a corresponding impact on equity.

#### (c) Credit risk management

Financial assets subject to credit risk are as follows:

| | Note | **2009 $m** | 2008 $m |
|---|---|---|---|
| Cash and cash equivalents | 10 | **2,361** | 1,876 |
| Included in trade and other receivables: | 11 | | |
| Derivative financial instruments | | **10** | 1 |
| Other receivables | | **345** | 754 |
| Amounts owed by fund products | 12 | **373** | 369 |
| | | **3,089** | 3,000 |

The average month-end balance of amounts owed by fund products during the financial year ended 31 March 2009 was $778 million (2008: $691 million).

The maximum credit risk exposure is equivalent to the carrying value of the balances shown. The MF Global facility and Empyrean Re commitments are disclosed separately in section (d) below.

## 9. Financial risk and capital management continued

*(i) Counterparty credit rating*

The Group's counterparties are externally rated and amounts owed by fund products are rated using an internal rating methodology.

At 31 March 2009 the counterparty rating of the Group's financial assets subject to counterparty risk and neither past due nor impaired was as follows:

| **31 March 2009** | AA- or better % | A+ to A- % | BBB+ to speculative % | Not rated % |
|---|---|---|---|---|
| Amounts owed by fund products | 6 | 71 | 23 | – |
| Trade and other receivables | 15 | 37 | 6 | 42 |
| Derivative financial instruments < 1 year | 26 | 73 | – | 1 |
| Cash and cash equivalents | 8 | 92 | – | – |
| Weighted average | 9 | 83 | 3 | 5 |

| 31 March 2008 | AA- or better % | A+ to A- % | BBB+ to speculative % | Not rated % |
|---|---|---|---|---|
| Amounts owed by fund products | 66 | 34 | – | – |
| Trade and other receivables | 32 | 12 | 2 | 54 |
| Derivative financial instruments < 1 year | – | – | – | 100 |
| Cash and cash equivalents | 92 | 7 | – | 1 |
| Weighted average | 74 | 11 | – | 15 |

*(ii) Ageing and impairment of financial assets*

| **31 March 2009** | Neither past due nor impaired $m | Past due but not impaired 0-6months $m | 6-12 months $m | > 1 year $m | Impaired $m |
|---|---|---|---|---|---|
| Amounts owed by fund products | 373 | – | – | – | – |
| Trade and other receivables | 328 | 11 | – | 5 | 1 |
| Derivative financial instruments < 1 year | 10 | – | – | – | – |
| Cash and cash equivalents | 2,361 | – | – | – | – |
| | 3,072 | 11 | – | 5 | 1 |

| 31 March 2008 | Neither past due nor impaired $m | Past due but not impaired 0-6months $m | 6-12 months $m | > 1 year $m | Impaired $m |
|---|---|---|---|---|---|
| Amounts owed by fund products | 369 | – | – | – | – |
| Trade and other receivables | 697 | 44 | 6 | 7 | – |
| Derivative financial instruments < 1 year | 1 | – | – | – | – |
| Cash and cash equivalents | 1,876 | – | – | – | – |
| | 2,943 | 44 | 6 | 7 | – |

No significant impairments were recorded on items exposed to credit risk in either the current or comparative financial years.

*(iii) Concentration of credit risk*

At 31 March 2009, the Group's single largest counterparty exposure is $608 million held with an 'A' rated bank (2008: $450 million). The largest loan to a fund product was $39 million (2008: $44 million). The amount of these exposures can change significantly each month.

### (d) Financial guarantees and commitments

*(i) Committed purchase agreements*

In respect of some of its structured products, the Group has made a commitment to provide monthly liquidity for some of their underlying investments in fund products, which otherwise have only quarterly liquidity, by purchasing these shares. This commitment allows these structured products to rebalance their portfolios and offer monthly redemption terms to investors.

# Notes to the Group Financial Statements
continued

### 9. Financial risk and capital management continued

The Group's commitment at 31 March 2009 covers investments in existing fund products totalling $954 million (2008: $2.65 billion). The decrease during the year is principally because of the de-risking of MGS fund products and the consequent reduction in underlying funds under management subject to CPAs. At 31 March 2009, the aggregate risk of loss to which the Group was exposed in relation to committed purchase agreements amounted to $96 million (2008: $87 million) at a one year 99.9% confidence level, taking into account the contingent nature of these exposures and the probability of a loss being incurred on any resulting holding.

*(ii) MF Global brokerage account*

MF Global has put in place a $50 million daylight overdraft facility for certain funds which is guaranteed by the Group. This guarantee has a 364 day term and can be cancelled on any day by giving notice prior to 10am. Under normal circumstances, the Group has no exposure to the guarantee at the end of any given day.

*(iii) Intra-day credit facility*

The Group guarantees an external $400 million intra-day credit facility, used to settle the majority of the funds' payments. Under normal circumstances, the Group has no exposure to the guarantee at the end of any given day. In prior years this facility was supported within the MF Global brokerage account which has been reduced from $400 million to $50 million accordingly.

*(iv) Loan facilities provided to fund products*

The Group provides committed loan facilities to the MAST structures. These are collateralised fund obligations (CFOs) providing financing support to a range of Man structured products. The facilities exist to provide liquidity and bridging facilities rather than to provide permanent leverage. The Group manages the CFO portfolios to ensure that sufficient underlying investments are liquidated to meet ongoing fee and coupon payments. As a result, drawings are infrequent and small in relation to the facilities available. Utilisation under these facilities at the financial year end was as follows:

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Commitment $m** | **Utilisation $m** | Commitment $m | Utilisation $m |
| MAST 2 | **25** | **–** | 25 | – |
| Man Glenwood Asset Holdings (MAST 2/3) | **152** | **–** | 189 | – |
| | **177** | **–** | 214 | – |

Otherwise all of the loan facilities which the Group provides to its fund products are uncommitted.

*(v) AHL FX trading guarantee*

The Group guarantees all unfilled margin requirements with respect to AHL FX trading. Margins are filled daily, two days in arrears. At any time the Group is exposed to the unfilled margin over the previous two days. As at 31 March 2009 the Group's exposure under this guarantee was $24 million and the average month-end balance was $28 million.

*(vi) Commitments made by Empyrean Re*

Empyrean Re used to write short-term trade credit insurance and reinsurance on a global basis. Although it ceased to write new business in August 2008 it remains exposed to credit risk during the 'run off' period in the event that losses resulting from defaults by the underlying obligors in each reinsurance contract exceed the deductible under that contract.

Empyrean Re manages credit default risk by actively monitoring the creditworthiness of the underlying obligors and maintaining exposures within limits. The portfolio risk is modelled taking into account each reinsurance contract (including deductibles, limits, coinsurance and reinstatements) using a proprietary quantitative model. Capital market transactions are undertaken to maintain the portfolio within a risk-based limit. Empyrean Re primarily employs Moody's KMV Expected Default Frequency (EDF) to determine the probability of default (PD) and the rating.

Credit exposures at 31 March 2009 are $238 million (2008: $548 million). Approximately 14% of Empyrean Re's credit exposures have a rating equivalent to 'A–' or better. No single exposure is greater than $80 million. The expected loss is nil, although the economic capital requirement at a 99.9% confidence interval is $52 million. Empyrean Re has in place a credit default swap held with an 'A+' rated bank. The fair value as at 31 March 2009 was $3.6 million.

#### (e) Capital management

The Group monitors its capital requirements through continuous review of its regulatory capital and economic capital, including monthly reporting to Finance Committee and the Group Board. The Group has been in compliance with the Regulatory Capital requirements at all times during the year.

The Group's Financial Resources at 31 March 2009 are $2,743 million (2008: $2,619 million), as set out in the table in the Financial Review on page 72.

#### (f) Fair value of financial assets and liabilities

Fair value is equivalent to book value for all financial assets and liabilities, except for borrowings where the fair value represents the effects of changes in underlying market interest rates and credit spreads. The comparison of fair value to book value for borrowings is shown in Note 18. All other significant classes of financial assets and liabilities are held at fair value, or are held on a short-term basis, such as amounts owed by fund products.

### 10. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks.

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **Overnight $m** | **1–90 days $m** | **Total $m** | Overnight $m | 1–90 days $m | Total $m |
| Cash at bank and in hand | **261** | **19** | **280** | 332 | 21 | 353 |
| Short-term deposits | **10** | **2,071** | **2,081** | 1,358 | 165 | 1,523 |
| | **271** | **2,090** | **2,361** | 1,690 | 186 | 1,876 |

### 11. Trade and other receivables

| | **2009 $m** | 2008 $m |
|---|---|---|
| Trade receivables | **99** | 209 |
| Current tax assets | **16** | 10 |
| Prepayments and accrued income | **172** | 287 |
| Amounts owed by employees | **26** | 34 |
| Other receivables | **100** | 233 |
| | **413** | 773 |

Amounts owed by employees are provided under the Assisted Purchase Scheme as described in the Remuneration Report on page 55. The carrying values of loans to employees are based on cash flows discounted using an effective interest rate of 6.1% (2008: 5.3%). Included in other receivables are fair value gains arising from derivative financial instruments of $10 million (2008: $1 million), and a $10 million premium for the option to acquire the residual 75% in Nephila Capital Ltd. (see Note 24).

At 31 March 2009, $15 million (2008: $22 million) of amounts owed by employees are expected to be settled after more than 12 months. Included in other receivables are $35 million (2008: $34 million) that are expected to be settled after more than 12 months.

Included in other receivables, and prepayments and accrued income, are balances of $17 million (2008: $22 million), and $42 million (2008: $115 million) respectively, that relate to fee income receivable from fund products, that meet the definition of an associate entity (see Note 14) and are included in the disclosures on related parties (see Note 27).

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in other expenses in the income statement.

The Group has not used allowance accounts to record individual impairments.

Financial risk disclosures with respect to trade and other receivables may be found in Note 9.

### 12. Investments in fund products and other investments

***Investments in fund products:***

**Amounts owed by fund products**

The Group makes available both committed and uncommitted short-term loans to fund products, immediately following their launch, with the intention of providing temporary funding until more permanent financing structures are put in place with external providers. Accordingly, the amount of loans to fund products will vary from one period to the next as a consequence of the net effect of the level of sales in the period less the quantum of the external re-financing initiative in the period.

Loans to funds are classified as loans and receivables and are carried at amortised cost using the effective interest method. Floating rate interest is received on loans to funds.

**Other investments in fund products**

Investments in fund products are 'seeding' investments, 'liquidity' investments to aid investors wishing to buy and sell investments in the fund products, or investments in the equity and debt tranches of collateralised products which are the result of contractual obligations to facilitate external investment in fund products and external fund financing. The majority of these investments are not held for the long-term and there are frequent changes in the aggregate amount of the Group's ownership of investments. The majority of other investments in fund products are held at fair value through the income statement.

The fair values of investments in fund products are derived from the reported Net Asset Values (NAVs) of each of the fund products, which in turn are based upon the value of the underlying assets held within each of the fund products. The valuation of the underlying assets within each fund product is determined by external valuation service providers (VSP) based on an agreed valuation policy and methodology. Whilst these valuations are performed independently of the Group, the Group has established oversight procedures and due diligence processes to ensure that the net asset values reported by the VSP are reliable and appropriate. The Group makes adjustments to NAVs where events or circumstances indicate that the NAVs are not reflective of fair value.

# Notes to the Group Financial Statements
continued

## 12. Investments in fund products and other investments continued

***Other investments:***

**Residual stake in MF Global**

Following the disposal of its brokerage business in July 2008 (see Note 25) the Group retained a residual investment in MF Global. These shares are classified as available-for-sale financial assets.

MF Global is listed on the NYSE and the fair value of the investment in MF Global is determined by the quoted bid price at the balance sheet date. The cumulative decrease of $126 million in fair value below cost has been treated as an impairment as at 31 March 2009 and therefore taken through the income statement for the year (see Note 2 (d)).

**Investment in Ore Hill DI portfolio**

The Group owns an investment in Ore Hill's DI portfolio, which holds long-term interests of a less liquid nature in a number of underlying entities. This investment is classified as available-for-sale, and fair value is determined by reference to the value of the interests in the underlying companies. The carrying value at year-end of $52 million is stated after the impairment charge of $75 million (see Note 2 (c)).

**Exchange shares**

Exchange shares are equity instruments that provide the holder the same rights to an exchange as a market seat membership. Exchange shares are classified as available-for-sale financial assets.

The fair values of listed exchange shares are determined by the quoted bid price at the balance sheet date. The fair values of unlisted exchange shares and memberships are determined using the exchange's internal auction process, where the last traded price is used to establish the fair value.

| **31 March 2009** | **Financial assets at fair value through profit or loss $m** | **Available-for-sale financial assets $m** | **Loans and receivables $m** | **Total $m** |
|---|---|---|---|---|
| Investments in fund products comprise: | | | | |
| Amounts owed by fund products | **–** | **–** | **373** | **373** |
| Other investments in fund products | **715** | **3** | **–** | **718** |
| | **715** | **3** | **373** | **1,091** |
| Other investments comprise: | | | | |
| Residual stake in MF Global | **–** | **94** | **–** | **94** |
| Investment in Ore Hill DI portfolio | **–** | **52** | **–** | **52** |
| Exchange shares | **–** | **28** | **–** | **28** |
| Other equity investments | **–** | **10** | **–** | **10** |
| | **–** | **184** | **–** | **184** |

| 31 March 2008 | Financial assets at fair value through profit or loss $m | Available-for-sale financial assets $m | Loans and receivables $m | Total $m |
|---|---|---|---|---|
| Investments in fund products comprise: | | | | |
| Amounts owed by fund products | – | – | 369 | 369 |
| Other investments in fund products | 1,275 | 4 | – | 1,279 |
| | 1,275 | 4 | 369 | 1,648 |
| Other investments comprise: | | | | |
| Residual stake in MF Global | – | 221 | – | 221 |
| Exchange shares | – | 85 | – | 85 |
| Other equity investments | – | 16 | – | 16 |
| | – | 322 | – | 322 |

Investments in fund products are generally held for less than 12 months: of the $1,091 million balance as at 31 March 2009, $131 million are considered less liquid, and are expected to be realised after more than one year. Included in amounts owed by fund products are balances totalling $40 million (2008: $99 million) that relate to fund products that meet the definition of an associate entity (see Note 14) and are thus included in the disclosure on related parties (Note 27).

Financial risk disclosures with respect to these investments are given in Note 9.

## 12. Investments in fund products and other investments continued

### Income statement classification

Gains/(losses) on investments of $260 million for the financial year include losses of $287 million on investments held at fair value through the income statement (2008: $51 million), and a gain of $27 million on available-for-sale financial assets, relating to the sale of exchange shares (2008: $nil).

Total impairment on available-for-sale financial assets taken through the income statement for the year totalled $201 million (2008: $nil), arising from the impairments of MF Global and Ore Hill's DI portfolio.

## 13. Deferred tax

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets where it is probable that these amounts will be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the balances related to tax levied by the same taxation authority, and there is an intention to settle the balances net.

The movement on the deferred tax account is as follows:

| | 2009 $m | 2008 $m |
|---|---|---|
| **At 1 April** | **22** | 54 |
| Currency translation differences | **(5)** | 3 |
| Income statement (charge)/credit | **(19)** | 5 |
| Equity: | | |
| Available-for-sale investments | **2** | 8 |
| Cash flow hedges | **–** | 1 |
| Share-based payments | **(14)** | (11) |
| Other revenue reserves | **–** | (2) |
| Transfers to discontinued operations | **–** | (36) |
| **At 31 March** | **(14)** | 22 |
| | | |
| Comprised of: | | |
| Deferred tax assets | **5** | 52 |
| Deferred tax liabilities | **(19)** | (30) |
| **At 31 March** | **(14)** | 22 |

The asset ($5 million) and liability ($19 million) balances above have been presented net on the balance sheet on the grounds of materiality, giving a net deferred tax liability of $14 million (2008: net deferred tax asset of $22 million).

No provision has been made for withholding tax and UK corporation tax which may arise in the event of overseas subsidiaries and associates distributing their remaining reserves, where there is no current intention to remit these reserves to the UK. The amount of unrecognised deferred tax relating to losses is an asset of $12 million (2008: $13 million). In addition, a deferred tax asset of $92 million ($2008: $nil) has not been recognised in respect of temporary differences, principally arising from the impairment of the Group's investment in Ore Hill, detailed in Note 2, as it is not considered probable that taxable profits will be available against which the deductible temporary differences can be utilised.

An analysis of the gross deferred tax asset and liability balances is as follows:

| Deferred tax assets: | 2009 $m | 2008 $m |
|---|---|---|
| Pension and other employee entitlements | **6** | 7 |
| Share-based payments | **10** | 45 |
| Fair value losses | **4** | 7 |
| Other | **6** | 16 |
| | **26** | 75 |

# Notes to the Group Financial Statements
continued

## 13. Deferred tax continued

| Deferred tax liabilities: | 2009 $m | 2008 $m |
|---|---|---|
| Fair value gains | **(7)** | (16) |
| Share-based payments | **(16)** | (10) |
| Goodwill and other intangibles | **(10)** | (22) |
| Other | **(7)** | (5) |
| | **(40)** | (53) |

The amount of deferred tax asset expected to be recovered after more than one year is $15 million (2008: $59 million). The amount of deferred tax liabilities expected to be settled after more than one year is $29 million (2008: $49 million).

The deferred tax credit/(charge) in the income statement comprises the following temporary differences:

| | 2009 $m | 2008 $m |
|---|---|---|
| Pension benefits | **(2)** | (2) |
| Share-based payments | **(19)** | (2) |
| Fair value gains/losses | **(2)** | – |
| Goodwill and other intangibles | **8** | (5) |
| Other | **(4)** | 14 |
| | **(19)** | 5 |

## 14. Investments in associates and joint ventures

Associates are all entities in which the Group holds an interest and over which it has significant influence but not control.

Gains and losses on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the entities. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

| | 2009 $m | 2008 $m |
|---|---|---|
| **At 1 April** | **267** | 258 |
| Currency translation differences | **(74)** | 9 |
| Acquisitions | **314** | 23 |
| Additions | **56** | – |
| Share of post-tax profit | **144** | 86 |
| Dividends received | **(140)** | (71) |
| Impairment of Ore Hill (see Note 2 (c)) | **(214)** | – |
| Disposals | **(28)** | (35) |
| Conversion from subsidiary | **3** | (3) |
| Conversion to subsidiary | **(2)** | – |
| Reclassifications to available-for-sale investments | **(9)** | – |
| **At 31 March** | **317** | 267 |

The Group has one principal investment in an associate, BlueCrest Capital Management. The directors consider that to give full particulars of all associate undertakings would result in a statement of excessive length, and have taken advantage of the s.231(5) exemption. Details of all associates will be annexed in the Company's annual return. Further details are given in Principal Group Investments on page 117.

The disposal in the year ended 31 March 2008 was in relation to the restructuring of the Group's investment in BlueCrest, which resulted in the Group's holding reducing from 25% to 23%. The Group's holding in BlueCrest increased back to 25% following the acquisition of additional equity in February 2009.

The investment in BlueCrest is carried at $217million (2008: $226 million). The movement in the year relates to currency movements and the purchase of the additional equity shareholding in February 2009. This is tested for impairment by comparing the carrying value of the investment with its recoverable amount on an annual basis at the balance sheet date. A value in use basis is used to calculate the recoverable amount by estimating the future cash flows for net management fee income only and discounting them at an appropriate risk-adjusted pre-tax discount rate. The discount rate applied is 15% and net management fee income is assumed to grow at 10% per annum for five years, with no growth in perpetuity. As a result of these calculations, no impairment was identified.

BlueCrest Capital Management has a statutory accounting reference date of 30 November. In respect of the year ended 31 March 2009, this company has been included based on audited statutory accounts drawn up to 30 November 2008 and taking into consideration the management accounts in the subsequent period from 1 December 2008 to 31 March 2009.

**14. Investments in associates and joint ventures** continued

On 8 May 2008, the Group acquired a 50% interest in Ore Hill, a major US-based credit specialist fund manager, for $272 million. Simultaneously the Ore Hill principals acquired a 50% interest in Pemba Credit Advisers (Pemba), the European credit manager subsidiary of the Group. In February 2009, the Group's equity interest in Pemba increased back to 100%, through a deemed re-acquisition of its original 50% shareholding, at nil cost, with no further profit or loss arising.

The recoverable amount of the Ore Hill investment as at 31 March 2009 was considered to be the value-in-use, which was assessed using a discounted cash flow approach, based on a five year forecast by management factoring in modest sales, and expected outflows, fee margins, cost estimates and target fund performances of between 12% and 15% per annum. Cash flows for future years were estimated using growth assumptions which are significantly below targeted performance in perpetuity, which management considered appropriate for the purposes of the impairment review exercise. Pre-tax discount rates of 18% for management fees and 29% for performance fees, were used, reflecting current market conditions and the single-manager nature of the business.

As a result of this review at 31 March 2009 an impairment of $164 million was booked against the carrying value of the Ore Hill investment, which is in addition to a $50 million impairment booked in September 2008 (see Note 2 (c)). Reducing assumed fund performance to 10% per annum would increase the impairment charge by $15 million.

On 6 June 2008 the Group acquired a 25% interest in Nephila Capital Ltd. for $40 million in cash, funded from the Group's existing resources. The Group also paid $10 million for the option to buy the residual 75% of Nephila Capital Ltd. no earlier than 15 April 2010 at a fixed multiple of earnings. Nephila is an alternative investment manager specialising in the management of funds which underwrite natural catastrophe reinsurance and investing in insurance-linked securities and weather derivatives.

The investments in Ore Hill and Nephila have been treated as joint venture investments as the Group has joint control through a contractual arrangement.

Additions relate to investments made in previously acquired joint ventures and associates and include $50 million of additional investment in BlueCrest, and $6 million of initial investment in Ore Hill. Management have completed an exercise to determine the fair values of the assets and liabilities acquired, the difference between these and the consideration represents goodwill. The amounts are included in the overall carrying values as tested for impairment.

The summarised aggregate financial information of joint ventures and associates where equity accounting is applied is as follows:

| Joint ventures – year ended 31 March 2009 | Current assets $m | Non-current assets $m | Current liabilities $m | Non-current liabilities $m | Income $m | Expenses $m | Weighted average interest held % |
|---|---|---|---|---|---|---|---|
| Ore Hill | 4 | 2 | (3) | – | 15 | (16) | 50 |
| Nephila Capital Ltd | 8 | 5 | (2) | – | 44 | (30) | 25 |
| Other joint ventures where equity accounting is applied | 3 | – | – | – | 3 | (2) | 29 |
| | 15 | 7 | (5) | – | 62 | (48) | |

| Associates – year ended 31 March 2009 | Assets $m | Liabilities $m | Revenues $m | Pre-tax profit/(loss) $m | Weighted average interest held % |
|---|---|---|---|---|---|
| BlueCrest Capital Management | 449 | (53) | 837 | 699 | 24 |
| Other associates where equity accounting is applied | – | – | 88 | 36 | 15 |
| | 449 | (53) | 925 | 735 | |

In the case of Ore Hill, Nephila Capital Ltd and BlueCrest Capital Management, arrangements exist which mean that Man does not necessarily receive a share of the assets, liabilities, income and expenses of the entities exactly in line with its percentage equity interest or partnership share held.

As detailed in the accounting policy note for associates and joint ventures, the Group has investments in certain fund entities over which it is able to exert significant influence but not control, which are classified as associates. The Group has not provided summary financial information for these associates because the information would be of excessive length and is not considered meaningful for the user of the accounts.

| Year ended 31 March 2008 | Assets $m | Liabilities $m | Revenues $m | Pre-tax profit/(loss) $m | Weighted average interest held % |
|---|---|---|---|---|---|
| BlueCrest Capital Management | 465 | (118) | 918 | 782 | 23 |
| Other associates and joint ventures where equity accounting is applied | 324 | (148) | 235 | 110 | 21 |
| | 789 | (266) | 1,153 | 892 | |

# Notes to the Group Financial Statements
continued

## 15. Intangible assets
Intangible assets include the following items:

### *(i) Goodwill*
Goodwill represents the excess cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or business at the date of acquisition. Goodwill on acquisitions of subsidiaries and businesses is included in intangible assets. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to equity prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

### *(ii) Sales commissions*
Sales commissions are paid to distributors and to employees. In many instances, upfront sales commission is paid to distributors and to employees when a fund product is first launched, and is based on the amount of investors' monies introduced. This upfront commission is an incremental cost that is directly attributable to securing investors in fund products from which the Group earns income based on an investment management contract with the relevant fund. Accordingly an intangible asset is recognised in accordance with IFRS, representing the Group's contractual right to benefit from future income from providing investment management services. The carrying value of this intangible asset is based on the value of the initial upfront commission payments made to distributors and employees less an amortisation charge.

The amortisation period of upfront sales commissions is based on management's estimate of the weighted average period over which the Group is expected to earn economic benefit from the investor being invested in each fund product. Management estimates that this period is five years in both the current and the comparative year.

All unamortised upfront sales commission is subject to impairment testing each period to ensure that the future economic benefit arising from each fund product is in excess of the remaining unamortised commission. Where it is not, the unamortised portion is written down as a charge to the income statement.

### *(iii) Other intangible assets*
Other intangible assets principally include computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (three to five years).

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development and associated employee costs. Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives (not exceeding three years).

For all intangible assets:

- The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
- Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

Amortisation of sales commissions is included in the sales commissions line in the income statement and amortisation of other intangibles is included in other expenses. Impairment losses, if any, relating to sales commissions are included in sales commissions in the income statement and impairment losses, if any, relating to other intangibles are included in other expenses.

## 15. Intangible assets continued

| | Goodwill $m | Other intangible assets: Sales commissions $m | Other intangible assets: Other Intangible assets $m | Other intangible assets: Total $m |
|---|---|---|---|---|
| **Cost:** | | | | |
| **At 1 April 2008** | **813** | **858** | **66** | **924** |
| Currency translation difference | (29) | – | – | – |
| Acquisition of subsidiary or business | 1 | – | – | – |
| Additions | – | 217 | 33 | 250 |
| Disposals/redemptions | – | (147) | (9) | (156) |
| **At 31 March 2009** | **785** | **928** | **90** | **1,018** |
| **Amortisation and impairment:** | | | | |
| **At 1 April 2008** | **–** | **(431)** | **(30)** | **(461)** |
| Currency translation difference | (1) | – | – | – |
| Disposals | – | 60 | 6 | 66 |
| Accelerated amortisation on MGS (see Note 2 (a)) | – | (107) | – | (107) |
| Amortisation | – | (133) | (17) | (150) |
| Impairment | (10) | – | – | – |
| **At 31 March 2009** | **(11)** | **(611)** | **(41)** | **(652)** |
| **Net book value at 31 March 2009** | **774** | **317** | **49** | **366** |
| Cost: | | | | |
| At 1 April 2007 | 785 | 763 | 40 | 803 |
| Currency translation difference | 12 | – | 1 | 1 |
| Acquisition of subsidiary or business | 16 | – | – | – |
| Additions | – | 217 | 26 | 243 |
| Disposals/redemptions | – | (122) | (1) | (123) |
| At 31 March 2008 | 813 | 858 | 66 | 924 |
| Amortisation: | | | | |
| At 1 April 2007 | – | (358) | (16) | (374) |
| Currency translation difference | – | – | (2) | (2) |
| Disposals | – | 68 | – | 68 |
| Amortisation | – | (141) | (12) | (153) |
| At 31 March 2008 | – | (431) | (30) | (461) |
| Net book value at 31 March 2008 | 813 | 427 | 36 | 463 |

Goodwill has an indefinite useful life, is not subject to amortisation and is tested annually for impairment. Other intangible assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement in the period in which it occurs at the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

### *(a) Impairment tests for goodwill*

Goodwill is allocated to cash-generating units equivalent to each of the Group's acquisitions. The carrying amounts are presented below:

| | **2009 $m** | 2008 $m |
|---|---|---|
| Glenwood | **76** | 76 |
| RMF | **621** | 621 |
| Man Investment Nederland | **1** | – |
| Man Investments Australia | **76** | 100 |
| MTM Capital | **–** | 16 |
| | **774** | 813 |

# Notes to the Group Financial Statements
continued

**15. Intangible assets** continued
The most significant amount of goodwill relates to RMF. This cash generating unit is also the one where there is most objective evidence that the goodwill may be impaired as RMF's funds under management (FUM) have declined from $28.7 billion at 31 March 2008 to $16.1 billion at 31 March 2009 and further significant redemptions are expected in the first half of the year ending 31 March 2010. At the date of acquisition RMF's FUM was $8.7 billion. The 'value in use' of the RMF goodwill was assessed at the year-end by applying a discounted future cash flow model, which used as a basis the detailed budget for the financial year ending March 2010, which factored in expected sales, redemptions, fee margins, performance and cost estimates. Cash flows for future years were generated assuming modest growth assumptions (below those we would normally target), which management considered appropriate for the purposes of the impairment review exercise. A pre-tax discount rate of 12% was used for net performance fee income, higher than last year to reflect that current market conditions are more challenging than those assumed a year ago but also given that a reasonable amount of conservatism has already been built into the underlying cash flows. A pre-tax discount rate of 20% was used for net performance fee income. The result of the 'value in use' calculation suggests that there is a small amount of headroom over the goodwill balance and therefore no impairment charge was considered appropriate.

Sensitivity analysis has been performed on the assumptions for this discounted cash flow analysis, with the following results:

> If the performance return was 5% in the financial year ending 31 March 2010, instead of the assumed 7% return, there would be a shortfall of discounted fee income over the goodwill balance of approximately $5 million;
> If redemptions were $500 million higher in the 2009/10 financial year, there would be a shortfall of discounted fee income over the goodwill balance of approximately $15 million; and
> If the discount rates were increased by 1% for net management fee income there would be a shortfall of discounted fee income over the goodwill balance of approximately $25 million.

The discounted future cash flows used to generate the 'value in use' for Glenwood and Man Investments Australia are based on the budget for the financial year ending March 2010 and management's best estimates for future periods. Pre-tax discount rates for net management fee income of 12% and 15% are applied to Glenwood and Man Investments Australia respectively. The result of the 'value in use' calculations suggests there is a significant amount of headroom over the respective goodwill balances.

As a result of these calculations, no impairment was identified.

***(b) Intangible assets with finite useful lives***
No indications of impairment were evidenced during the year, other than the charge taken in the first half of the year relating to the accelerated amortisation of MGS sales commission (see Note 2 (a)).

**16. Property, plant and equipment**
All property, plant and equipment is shown at cost, less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenditures are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

> Buildings life of the lease
> Equipment 3–10 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

## 16. Property, plant and equipment continued

| | Leasehold land and buildings $m | Equipment $m | Total $m |
|---|---|---|---|
| **Cost:** | | | |
| **At 1 April 2008** | **17** | **123** | **140** |
| Additions | 2 | 36 | 38 |
| Disposals | – | (11) | (11) |
| **At 31 March 2009** | **19** | **148** | **167** |
| **Aggregate depreciation:** | | | |
| **At 1 April 2008** | **(8)** | **(80)** | **(88)** |
| Charge for year | (3) | (19) | (22) |
| Disposals | – | 7 | 7 |
| **At 31 March 2009** | **(11)** | **(92)** | **(103)** |
| **Net book value at 31 March 2009** | **8** | **56** | **64** |
| Cost: | | | |
| At 1 April 2007 | 16 | 103 | 119 |
| Additions | 1 | 20 | 21 |
| At 31 March 2008 | 17 | 123 | 140 |
| Aggregate depreciation: | | | |
| At 1 April 2007 | (6) | (67) | (73) |
| Charge for year | (2) | (13) | (15) |
| At 31 March 2008 | (8) | (80) | (88) |
| Net book value at 31 March 2008 | 9 | 43 | 52 |

## 17. Trade and other payables

| | **2009 $m** | 2008 $m |
|---|---|---|
| Trade payables | **17** | 10 |
| Amounts owed to associates | **–** | 2 |
| Other taxation and social security costs | **6** | 30 |
| Accrued expenses | **219** | 374 |
| Redeemable preference B shares (Note 19) | **–** | 67 |
| Other categories of payables | **220** | 263 |
| | **462** | 746 |

At 31 March 2009, fair value losses arising from derivative financial instruments of $7 million (2008: $2 million) are included in other payables. Included in trade and other payables at 31 March 2009 are balances of $12 million (2008: $1 million) that are expected to be settled after more than 12 months.

Accrued expenses largely relate to staff bonuses. Included in other categories of payables is $100 million (2008: $100 million) in relation to share buy-backs contractually undertaken with a third-party investment bank on behalf of the Group. A $7 million accrual has been made in the current financial year with respect to dilapidation costs of the London offices. The move to new London premises is expected to occur in 2011 (see Note 9 (a) for operating lease commitments in respect of these premises).

## 18. Borrowings

In July 2007, the Group's $2.275 billion committed syndicated revolving loan facility was replaced with a similar five year facility of $2.43 billion. The existing facilities may only be withdrawn in the event of specified events of default. The Group's facilities are outlined in the 'Liquidity' section of the Financial Review on page 73.

The subordinated floating rate notes consist of $400 million Eurobonds issued 21 September 2005 and due 22 September 2015. The interest rate is US dollar LIBOR plus 1.15% until 22 September 2010 and thereafter is US dollar LIBOR plus 1.65%.

# Notes to the Group Financial Statements
continued

**18. Borrowings** continued

On 1 August 2008 the Group issued $250 million Fixed Rate Notes under the $3 billion Euro Medium Term Note (EMTN) Programme of Man Group plc dated 21 December 2007. The Fixed Rate Notes mature on 1 August 2013 and the interest rate is 6.5% per annum payable semi-annually in arrears up to and including the maturity date.

| | 2009 $m | 2008 $m |
|---|---|---|
| Bank loans and overdrafts | 1 | 3 |
| Fixed rate notes | 243 | – |
| Floating rate notes – subordinated debt | 399 | 399 |
| | 643 | 402 |

The maturities of borrowings at their contractual maturity dates are as follows:

| | 2009 $m | 2008 $m |
|---|---|---|
| Amounts falling due: | | |
| Less than one year | 1 | 3 |
| Between one and two years | – | – |
| Between two and five years | 243 | – |
| More than five years | 399 | 399 |
| | 643 | 402 |

The maturity of the floating rate notes has been reclassified in the comparative period, for consistency with 31 March 2009, to reflect the contractual maturity date of 22 September 2015.

The carrying amounts and fair values of the Group's borrowings are as follows:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | Fair value $m | Carrying amounts $m | Fair value $m | Carrying amounts $m |
| Bank loans and overdrafts | 1 | 1 | 3 | 3 |
| Fixed rate notes | 225 | 243 | – | – |
| Floating rate notes – subordinated debt | 208 | 399 | 385 | 399 |
| | 434 | 643 | 388 | 402 |

The effective interest rates at the balance sheet dates were as follows:

| | 2009 % | 2008 % |
|---|---|---|
| Bank loans and overdrafts | 1.8 | 6.5 |
| Fixed rate notes | 7.3 | – |
| Floating rate notes – subordinated debt | 2.5 | 3.9 |

There were no related interest rate swaps in place in the current or prior year.

Except for the $250 million Fixed Rate Notes shown above, all of the Group's borrowings are subject to floating rate charges.

The undrawn committed facilities available are:

| | 2009 $m | 2008 $m |
|---|---|---|
| Expiring in one year or less | – | 330 |
| Expiring beyond one year | 2,430 | 2,500 |
| | 2,430 | 2,830 |

## 19. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Own shares held through an ESOP trust are recorded at cost, including any directly attributable incremental costs (net of income taxes), and are deducted from equity attributable to the Company's equity holders until the shares are transferred to employees or sold. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

Contracts entered into with a third party to buy back the Company's shares during a close period give rise to an obligation for the Group. This obligation is included in trade and other payables and deducted from equity on the balance sheet for the value of the maximum number of shares that may be purchased under the contract with the third party. If the number of shares repurchased by the third party is not the maximum then there is a reversal through equity for that amount. Any changes in the share price from the date of the contract are taken through the income statement.

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | **Number** | **$m** | Number | $m |
| Authorised | **2,362,500,000** | **81** | 2,362,500,000 | 81 |
| Allotted and fully paid | **Number** | **$m** | Number | $m |
| **As at 1 April** | **1,715,269,486** | **59** | 1,880,067,290 | 57 |
| Issue of shares: | | | | |
| Employee share awards/options | **5,650,788** | **–** | 9,664,534 | – |
| Exchangeable bonds | **–** | **–** | 116,366,171 | 3 |
| Shares issued in business combinations | **17,523,209** | **1** | – | – |
| Share consolidation | **–** | **–** | (244,968,490) | – |
| Purchase and cancellation of own shares | **(30,546,992)** | **(1)** | (45,860,019) | (1) |
| **As at 31 March** | **1,707,896,491** | **59** | 1,715,269,486 | 59 |

Ordinary shares have a par value of $3\frac{3}{7}$ US cents per share (2008: $3\frac{3}{7}$ US cents per share). All issued shares are fully paid.

There remain outstanding at 31 March 2009, options to acquire 3,704,307 (2008: 4,773,520) ordinary shares granted under the Executive Share Option Scheme 2001, options to acquire 839,522 (2008: 1,430,229 ) ordinary shares granted under the Inland Revenue approved sharesave scheme and options to acquire 55,420 (2008: 64,256 ) ordinary shares granted under the US Internal Revenue Code qualifying Employee Stock Purchase Plan, enabling certain directors and members of staff to acquire ordinary shares between 2008 and 2017, at prices ranging from $2.65 to $8.85.

During the year, the Company repurchased 30,546,992 (2008: 45,860,019) ordinary shares at a total cost of $280 million (2008: $520 million). These repurchased ordinary shares were treated as cancelled upon delivery to the Company.

During the year ended 31 March 2008, the remaining 247,860 of the Group's exchangeable bonds were converted into 116,366,171 ordinary shares.

In addition to the ordinary shares, as part of the return of cash to shareholders following the sale of the brokerage business, on 26 November 2007, the Company issued 916,298,711 B shares and 1,043,449,209 C shares out of equity. The B shares were created by reducing the merger reserve by $722 million and share premium by $561 million. The B shares are classified for accounting purposes as a liability instrument and are included in trade and other payables (see Note 17). The C shares were created out of share premium. Of the issued B shares, 868,609,694 were cancelled upon payment of cash to shareholders and $1,216 million was transferred from revenue reserves to capital reserves to maintain the share capital. During the year ended 31 March 2009 the remaining 47,689,017 B shares were cancelled on payment of cash to shareholders and $67 million was transferred from revenue reserves to capital reserves to maintain the share capital. Subsequent to the payments to shareholders from the C shares, all the outstanding C shares were deferred and have no further rights, and are expected to be repurchased for 1 US cent and cancelled in December 2009.

Following shareholder approval at an EGM held on 23 November 2007 and the fulfilment of all conditions, each ordinary share of 3 US cents was consolidated on a seven for eight basis, effective on 26 November 2007. Following this share consolidation, shareholders maintained the same percentage interest in the issued share capital as before and rights attaching to the ordinary shares remain unaffected.

On 29 July 2004, 50,000 unlisted deferred sterling shares with a par value of £1 per share were issued. These shares are necessary to continue to comply with Section 118 of the Companies Act 1985, following the redenomination of the ordinary share capital into ordinary shares of 18 US cents each on that date. The deferred sterling shares have no rights to participate in the profits of the Company, no rights to attend, speak or vote at any general meeting and no right to participate in any distribution in a winding up except for a return of the nominal value of the shares after the return on the nominal amount paid up on every other class of share and the distribution of £100,000,000,000 to every other holder of every other class of share. It is intended that these shares will always be held by a director of the Company.

# Notes to the Group Financial Statements
continued

## 20. Movement in capital and reserves

| | Equity attributable to shareholders of the Company | | | | |
|---|---|---|---|---|---|
| | Share capital and capital reserves $m | Revaluation reserves and retained earnings $m | Total $m | Minority interest $m | Total $m |
| **At 1 April 2008** | **2,125** | **2,585** | **4,710** | **1** | **4,711** |
| Total recognised income and expense | – | 158 | 158 | – | 158 |
| Purchase and cancellation of own shares | – | (277) | (277) | – | (277) |
| Close period share buy-back programme | – | (3) | (3) | – | (3) |
| Conversion of exchangeable bonds | – | – | – | – | – |
| Perpetual capital securities issued | 300 | (23) | 277 | – | 277 |
| Share-based payment | 53 | (73) | (20) | – | (20) |
| Cancellation of B shares | 67 | (67) | – | – | – |
| Business combinations | 64 | 1 | 65 | – | 65 |
| Transfer | (1) | 1 | – | – | – |
| Dividends | – | (718) | (718) | (1) | (719) |
| **At 31 March 2009** | **2,608** | **1,584** | **4,192** | **–** | **4,192** |
| At 1 April 2007 | 1,883 | 2,656 | 4,539 | 24 | 4,563 |
| Total recognised income and expense | – | 3,494 | 3,494 | – | 3,494 |
| Purchase and cancellation of own shares | – | (516) | (516) | – | (516) |
| Close period share buy-back programme | – | (4) | (4) | – | (4) |
| Conversion of exchangeable bonds | 233 | 218 | 451 | – | 451 |
| Share-based payment | 75 | (6) | 69 | – | 69 |
| Issue and cancellation of B shares | (67) | (2,667) | (2,734) | – | (2,734) |
| Business combinations | – | (11) | (11) | (23) | (34) |
| Transfer | 1 | (1) | – | – | – |
| Dividends | – | (578) | (578) | – | (578) |
| At 31 March 2008 | 2,125 | 2,585 | 4,710 | 1 | 4,711 |

## 21. Share capital and capital reserves

| | Share capital $m | Perpetual subordinated capital securities $m | Share premium account $m | Merger reserve $m | Capital redemption reserve $m | Equity component of exchangeable bonds $m | Total $m |
|---|---|---|---|---|---|---|---|
| **At 1 April 2008** | **59** | **–** | **841** | **–** | **1,225** | **–** | **2,125** |
| Issue of ordinary share capital | – | – | 53 | – | – | – | 53 |
| Ordinary shares issued in business combinations | 1 | – | 63 | – | – | – | 64 |
| Perpetual subordinated capital securities | – | 300 | – | – | – | – | 300 |
| Purchase and cancellation of own shares | (1) | – | – | – | 1 | – | – |
| Cancellation of B shares | – | – | – | – | 67 | – | 67 |
| Transfer between reserves | – | – | – | – | (1) | – | (1) |
| **At 31 March 2009** | **59** | **300** | **957** | **–** | **1,292** | **–** | **2,608** |
| At 1 April 2007 | 57 | – | 962 | 722 | 7 | 135 | 1,883 |
| Issue of ordinary share capital | – | – | 75 | – | – | – | 75 |
| Purchase and cancellation of own shares | (1) | – | – | – | 1 | – | – |
| Issue and cancellation of B shares | – | – | (561) | (722) | 1,216 | – | (67) |
| Conversion of exchangeable bonds | 3 | – | 365 | – | – | (135) | 233 |
| Transfer between reserves | – | – | – | – | 1 | – | 1 |
| At 31 March 2008 | 59 | – | 841 | – | 1,225 | – | 2,125 |

On 7 May 2008 the Group issued $300 million US$ RegS Fixed Rate Perpetual Subordinated Capital Securities ('Capital Securities'). The Capital Securities consist of $300 million principal with a perpetual maturity date with optional par redemption at the Group's discretion on 7 May 2013 and any coupon date thereafter, subject to FSA consent. On any coupon date the Group may exchange or vary the Capital Securities for Qualifying non-innovative Tier 1 Securities (e.g. perpetual non-cumulative preference shares). The interest rate is 11% per annum quarterly in arrears and is deferrable at the discretion of the Group. The Capital Securities have been classified as equity on the basis that the securities are irredeemable except at the option of the Group, and coupon payments and principal repayments can be deferred indefinitely at the option of the Group.

### 21. Share capital and capital reserves continued

The increase in the capital redemption reserve during the year arose from the transfer of $67 million from revenue reserves to capital reserves to maintain the share capital, following the cancellation of B shares and return to shareholders, as discussed in Note 19 above.

The merger reserve related to the acquisition of the RMF Investment Group in May 2002.

### 22. Revaluation reserves and retained earnings

The available-for-sale reserve represents the unrealised change in the fair value of available-for-sale investments. The cash flow hedge reserve represents the net gains on effective cash flow hedging instruments that will be recycled to the income statement when the hedge transaction affects profit or loss. These reserves are not distributable.

The cumulative translation adjustment reserve comprises cumulative foreign exchange adjustments arising on the consolidation of subsidiaries with non-US dollar functional currencies. These adjustments, which were set to zero as at the Group's transition date for IFRS (1 April 2004), will be recycled through the income statement on disposal of foreign currency subsidiaries. The amount recycled to the income statement for the year ended 31 March 2009 was a debit of $3 million (2008: $11 million credit).

In addition, the $126 million cumulative decrease in the value of MF Global, and the $75 million decrease in the value of the Ore Hill DI portfolio since its acquisition during the financial year, which had been recorded through the available-for-sale reserve, have been treated as impairments and recycled through the income statement during the year (see Note 2 (c) and (d)).

| | Available-for-sale reserve $m | Cash flow hedge reserve $m | Own shares held by ESOP trust $m | Cumulative translation adjustment $m | Profit and loss account $m | Total $m |
|---|---|---|---|---|---|---|
| **At 1 April 2008** | **74** | **–** | **(58)** | **129** | **2,440** | **2,585** |
| Currency translation difference | – | – | 16 | (277) | – | (261) |
| Purchase and cancellation of own shares | – | – | – | – | (277) | (277) |
| Movement in close period share buy-back obligations | – | – | – | – | (3) | (3) |
| Hybrid issue costs | – | – | – | – | (7) | (7) |
| Share-based payments charge for the period | – | – | – | – | 86 | 86 |
| Purchase of own shares by ESOP trusts | – | – | (186) | – | (32) | (218) |
| Disposal of own shares by ESOP trusts | – | – | 67 | – | (8) | 59 |
| Fair value gains taken to equity | (250) | – | – | – | – | (250) |
| Current credit taken to reserves | – | – | – | – | 6 | 6 |
| Deferred tax credit/(charge) taken to reserves | 2 | – | – | – | (14) | (12) |
| Taxation taken to equity with respect to capital securities | – | – | – | – | 9 | 9 |
| Transfer to income statement on impairment | 201 | – | – | – | – | 201 |
| Transfer to income statement on sale | (29) | – | – | – | – | (29) |
| Transfer between reserves | – | – | – | – | 1 | 1 |
| Acquisition of business | – | – | (2) | – | – | (2) |
| Disposal of business | – | – | – | 3 | – | 3 |
| Dividends | – | – | – | – | (718) | (718) |
| Dividends with respect to capital securities | – | – | – | – | (25) | (25) |
| Return of cash | – | – | – | – | (67) | (67) |
| Profit for the year | – | – | – | – | 503 | 503 |
| **At 31 March 2009** | **(2)** | **–** | **(163)** | **(145)** | **1,894** | **1,584** |

# Notes to the Group Financial Statements
continued

### 22. Revaluation reserves and retained earnings continued

| | Available-for-sale reserve $m | Cash flow hedge reserve $m | Own shares held by ESOP trust $m | Cumulative translation adjustment $m | Profit and loss account $m | Total $m |
|---|---|---|---|---|---|---|
| At 1 April 2007 | 120 | 2 | (117) | 81 | 2,570 | 2,656 |
| Currency translation difference | – | – | (1) | 59 | 18 | 76 |
| Purchase and cancellation of own shares | – | – | – | – | (516) | (516) |
| Close period share buy-back programme | – | – | – | – | (4) | (4) |
| Conversion of exchangeable bonds | – | – | – | – | 218 | 218 |
| Share-based payments charge for the period: | | | | | | |
| – continuing operations | – | – | – | – | 71 | 71 |
| – discontinued operations | – | – | – | – | 20 | 20 |
| Purchase of own shares by ESOP trusts | – | – | (86) | – | (59) | (145) |
| Disposal of own shares by ESOP trusts | – | – | 146 | – | (98) | 48 |
| Fair value gains/(losses) taken to equity: | | | | | | |
| – continuing operations | (23) | 3 | – | – | – | (20) |
| – discontinued operations | 24 | – | – | – | – | 24 |
| Current tax (charge)/credit taken to reserves: | | | | | | |
| – continuing operations | – | – | – | – | 23 | 23 |
| – discontinued operations | – | – | – | – | (1) | (1) |
| Deferred tax (charge)/credit taken to reserves: | | | | | | |
| – continuing operations | 8 | 1 | – | – | (13) | (4) |
| – discontinued operations | 26 | – | – | – | (14) | 12 |
| Transfer to income statement on sale: | | | | | | |
| – continuing operations | (1) | (6) | – | – | – | (7) |
| – discontinued operations | (80) | – | – | – | – | (80) |
| Transfer between reserves | – | – | – | – | (1) | (1) |
| Disposal of business | – | – | – | (11) | – | (11) |
| Dividends | – | – | – | – | (578) | (578) |
| Return of cash | – | – | – | – | (2,667) | (2,667) |
| Profit for the year: | | | | | | |
| – continuing operations | – | – | – | – | 1,717 | 1,717 |
| – discontinued operations | – | – | – | – | 1,754 | 1,754 |
| At 31 March 2008 | 74 | – | (58) | 129 | 2,440 | 2,585 |

### 23. Cash generated from continuing operations

| | **2009 $m** | 2008 $m |
|---|---|---|
| Profit for the year | **503** | 1,717 |
| Adjustments for: | | |
| – Income tax | **240** | 362 |
| – Gain on sale of subsidiary | **(48)** | – |
| – Finance income | **(58)** | (145) |
| – Finance expense | **38** | 55 |
| – Share of results of associates and joint ventures | **(144)** | (86) |
| – Loss/(gain) on disposal of an associate | **11** | (16) |
| – Depreciation of tangible fixed assets | **22** | 15 |
| – Amortisation of intangible fixed assets | **257** | 153 |
| – Share-based payments expense | **86** | 71 |
| – Fair value gains on available-for-sale financial assets | **(29)** | (1) |
| – Impairment of Ore Hill investments and goodwill | **299** | – |
| – Loss arising from residual interest in brokerage assets | **143** | – |
| – Net losses on financial instruments | **96** | 18 |
| – (Increase)/decrease in provisions | **(2)** | 9 |
| – Other non-cash movements | **92** | 52 |
| | **1,506** | 2,204 |
| Changes in working capital: | | |
| – Decrease in receivables | **297** | 493 |
| – Decrease/(increase) in other financial assets | **465** | (226) |
| – Increase/(decrease) in payables | **(300)** | 254 |
| **Cash generated from operations** | **1,968** | 2,725 |

Changes in working capital include the repayment of inter-company balances owed by the discontinued operation to the continuing Group at the time of the IPO.

## 24. Acquisitions

### *Year ended 31 March 2009*

On 8 May 2008, the Group acquired a 50% interest in Ore Hill, a major US-based credit specialist fund manager. Simultaneously, the Group sold a 50% holding in Pemba Credit Advisers, the European credit manager subsidiary of the Group, to Ore Hill's principals to bring together the businesses of the two credit managers. Since this disposal, the credit markets have continued to deteriorate, which has severely affected the Pemba business. Accordingly, Pemba has been restructured and as part of this exercise, in February 2009, the Group took back its 50% shareholding from the Ore Hill principals at nil cost, with no further profit or loss arising.

On 6 June 2008 the Group acquired a 25% interest in Nephila Capital Ltd. for $40 million in cash, funded from the Group's existing resources. The Group also paid $10 million for the option to buy the residual 75% of Nephila Capital Ltd. no earlier than 15 April 2010 at a fixed multiple of earnings. Nephila is an alternative investment manager specialising in underwriting natural catastrophe reinsurance and investing in insurance-linked securities and weather derivatives.

The assets and liabilities arising from the acquisitions in the period are as follows:

| | Ore Hill | | Other | |
|---|---|---|---|---|
| | Book value $m | Provisional fair value $m | Book value $m | Provisional fair value $m |
| **Assets** | | | | |
| Cash and cash equivalents | 6 | 6 | 3 | 3 |
| Trade and other receivables | 1 | 1 | 21 | 14 |
| Management contracts | – | 120 | – | – |
| Other intangible assets | – | 10 | – | – |
| Property, plant and equipment | 2 | 2 | – | – |
| **Total assets** | 9 | 139 | 24 | 17 |
| **Liabilities** | | | | |
| Trade and other payables | (7) | (7) | (15) | (15) |
| **Total liabilities** | (7) | (7) | (15) | (15) |
| **Net assets** | 2 | 132 | 9 | 2 |
| Net assets – apportionment at 25% | | – | | 1 |
| Net assets – apportionment at 50% | | 66 | | – |
| **Share of net assets acquired** | | 66 | | 1 |
| Goodwill on acquisition | | 206 | | 41 |
| **Total net assets** | | **272** | | **42** |

| | $m | $m |
|---|---|---|
| **Purchase consideration** | | |
| Cash paid | 198 | 41 |
| Shares in Pemba Credit Advisers | 45 | – |
| 2,166,448 ordinary Man Group shares issued | 24 | – |
| Acquisition costs | 5 | 1 |
| **Net consideration** | **272** | **42** |

| | |
|---|---|
| Net consideration for Ore Hill and other acquisitions above | 314 |
| Less: Consideration paid in shares in Pemba Credit Advisers | (45) |
| Less: Consideration paid in Man Group shares | (24) |
| **Total cash consideration** | **245** |

The fair value of the ordinary Man Group shares issued and to be issued is based on the share price as at the date of the transaction.

In the interim accounts as at 30 September 2008, net consideration for the acquisition of Ore Hill was stated at a provisional value of $288 million, including contingent consideration of 1,444,309 ordinary Man Group shares at a fair value of $16 million. As at 31 March 2009, this contingent consideration is no longer considered payable, and net consideration and goodwill have been reduced accordingly.

The management contracts and other intangible assets of Ore Hill were independently valued by a third party using a value-in-use approach. The key assumptions used included post-tax discount rates of 15% for management fees and 24% for incentive fees, and a useful economic life of management contracts of 11–13 years.

The investments in Ore Hill and Nephila Capital Ltd have been treated as joint venture investments as the Group has joint control through contractual arrangements.

### *Year ended 31 March 2008*

On 27 April 2007 the Group acquired 100% of MTM Corporate Finance Limited and 80% of MTM Capital Partners Limited, a fund management business, for $15 million. The Group also acquired the option to buy the residual 20% of MTM Capital Partners Limited on the third anniversary of the transaction at fair market value. On 13 March 2008 the Group acquired the remaining 50% shareholding in Man-Drake Capital Management Limited, a trading adviser, for $3 million. This business is now in liquidation.

# Notes to the Group Financial Statements
continued

## 24. Acquisitions continued
The assets and liabilities arising from the acquisitions are as follows:

| | Book value $m | Fair value $m |
|---|---|---|
| Other intangible assets | 1 | 1 |
| Trade and other receivables | 7 | 7 |
| Trade and other payables | (3) | (3) |
| Net assets acquired | 5 | 5 |
| Conversion of joint venture | | (3) |
| Goodwill on acquisition | | 16 |
| | | 18 |

| | |
|---|---|
| Purchase consideration: | |
| Cash paid | 18 |

## 25. Disposals
As part of the Ore Hill Pemba transaction set out in Note 24, on 8 May 2008 the Group sold a 50% holding in Pemba Credit Advisers, the European credit manager subsidiary of the Group, to Ore Hill's principals. In February 2009, the Group took back its 50% shareholding from the Ore Hill principals at nil cost, with no further profit or loss arising.

As a result of the above transactions, the Group did not control Pemba between 8 May 2008 and 27 February 2009.

The sale of 50% of shares in Pemba Credit Advisers at a value of $45 million in May 2008 led to the disposal of $5 million of cash held on the Group's balance sheet which related to Pemba Credit Advisers. The profit of $48 million on the disposal of Pemba was based on net book value at the time of sale of $2 million and $5 million of foreign exchange differences previously taken to reserves.

***Discontinued operations***
On 19 July 2007 the Group disposed of its brokerage business, renamed 'MF Global', through an IPO on the New York Stock Exchange. Its results, up to the date of separation, are presented in these financial statements as a discontinued operation.

The IPO resulted in the disposal of 81.4% of the share capital of MF Global, giving rise to a gain on sale of $1.7 billion. The residual shareholding held by the Group has been reclassified as an available-for-sale investment and carried at fair value, with fair value movements taken to the available-for-sale reserve within equity. The fair value of the residual holding was $94 million at 31 March 2009 (see Note 12).

The net proceeds of $2.7 billion received from the separation of MF Global were returned to shareholders through a B and C share scheme, undertaken on 26 November 2007.

In April 2009, MF Global claimed $30 million relating to certain financial adjustments arising from the MF Global IPO in July 2007. At that time, Man Group and MF Global agreed a process for concluding a final and binding settlement of all financial adjustments relating to the IPO. That process was concluded in March 2008 and, based on legal advice, we do not consider that Man Group has any further liability. Man is committed to resolving any dispute in accordance with the arbitration mechanism agreed by both parties, and has therefore referred the matter to arbitration.

The post-tax result of the discontinued operation for the year ended 31 March 2008 was shown as a single amount on the face of the Group income statement. In determining the post-tax result of the discontinued operation only those central costs eliminated on disposal were allocated to the discontinued operation.

The net assets of the brokerage business at the date of disposal were as follows:

| | 18 July 2007 $m |
|---|---|
| Property, plant and equipment | 51 |
| Intangible assets | 317 |
| Other non-current investments | 317 |
| Investments in associates | 13 |
| Trade and other receivables | 46,755 |
| Short-term investments | 18,247 |
| Cash and cash equivalents | 1,429 |
| Trade and other payables | (65,818) |
| Taxation | (23) |
| Short-term borrowings and overdrafts | (56) |
| Deferred taxation liabilities | (7) |
| Equity minority interests | (23) |
| Net assets | 1,202 |

### 25. Disposals continued

Results for the discontinued operation for the period 1 April–18 July 2007 comprised:

| | 18 July 2007 $m |
|---|---|
| Revenue | 750 |
| Cost of sales | (421) |
| Net operating income (a) | 2 |
| Administrative expenses (b) | (260) |
| Operating profit from discontinued operations | 71 |
| Net finance income (c) | 8 |
| Profit before tax from discontinued operations | 79 |
| Taxation | (35) |
| Profit on disposal (d) | 1,709 |
| Profit after tax from discontinued operations | 1,753 |

| | 18 July 2007 $m |
|---|---|
| (a) Included in other operating income are exceptional items relating to: | |
| Gain on sale of NYMEX seats | – |
| Income received from a legal settlement | – |
| (b) Included in administrative expenses are the following staff costs: | |
| Wages and salaries | (248) |
| Share-based payments | (20) |
| Pensions | (6) |
| (c) Net finance income: | |
| Finance income | 70 |
| Finance expense | (62) |
| | 8 |
| (d) Profit on disposal: | |
| Consideration | 2,921 |
| Net assets disposed | (938) |
| Disposal costs, including underwriting fees and termination costs | (274) |
| | 1,709 |

Included in share-based payments in 2008 were $13 million of accelerated costs arising from the disposal of the brokerage business.

Earnings per share from discontinued operations comprise:

| | 2008 |
|---|---|
| Basic | 94.9c |
| Diluted | 91.8c |

### 26. Contingent liabilities

On 28 February 2008, MF Global announced that it had incurred a significant credit loss. Following this disclosure a number of plaintiffs filed class action law suits in the US Federal Court against the Group, MF Global, certain of its officers and directors, and certain underwriters asserting various causes of action arising out of the US initial public offering. The consolidated class action complaint alleges claims under certain sections of the US Securities Act of 1933 and alleges, among other things, that the public disclosure documents for the offering contained false and misleading statements concerning risk management and trading risk controls at MF Global. The plaintiffs seek compensatory damages, rescission and attorneys' fees and expenses. On 12 January 2009 the Group, along with all of the other defendants, filed Motions to Dismiss the consolidated complaint. Briefing on the motions was completed on 13 April 2009. No hearing date has been set. The directors believe that the Group has substantial defences to the action and intend to defend the case vigorously.

# Notes to the Group Financial Statements

continued

### 27. Related party transactions

The following transactions were carried out with related parties:

#### *(a) Transactions and balances with related entities*

During the year the following categories of related entity relationships occurred:

| Entity type | Description of relationship | Description of transactions |
|---|---|---|
| Associates and joint ventures | Investor and trading adviser | Seeding and liquidity investments, loans to fund products, external re-financing guarantees, asset management performance, management and other fees, brokerage commissions, and interest and dividend income. |

Sales/(purchases) of services with related parties during the financial year, excluding key management compensation:

| | **2009 $m** | 2008 $m |
|---|---|---|
| Asset Management: | | |
| Performance fee income | **122** | 480 |
| Management and other fee income | **336** | 668 |
| Interest income | **–** | 1 |
| Dividend income | **–** | – |
| | **458** | 1,149 |

All transactions between related parties are carried out on an arm's length basis.

Year-end balances arising from sales/purchases of services with related parties during the financial year, excluding key management compensation:

| | **2009 $m** | 2008 $m |
|---|---|---|
| Receivable from related entities | **99** | 236 |
| Payable to related entities | **–** | (21) |

#### *(b) Key management compensation*

The total compensation and other benefits to those directors and employees classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Group, are as follows:

| | **2009 $000** | 2008 $000 |
|---|---|---|
| Salaries and other short-term employee benefits | **17,983** | 47,173 |
| Post-employment benefits | **906** | 365 |
| Share-based payments | **10,800** | 22,563 |
| | **29,689** | 70,101 |

Information concerning individual directors' compensation and other benefits is given in the audited part of the Remuneration Report on pages 62 to 65.

### 28. Employee trusts

The accounts of the employee trusts have been consolidated in these financial statements. The employee trusts are controlled by independent trustees and their assets are held separately from those of the Group.

Contributions to the employee trusts are determined by the Board annually. The contribution made in respect of the current year was $64 million (2008: $125 million).

At 31 March 2009 the net assets of the employee trusts amounted to $108 million (2008: $273 million). These assets include 28,887,776 (2008:7,684,546) ordinary shares in the Company. These shares are recorded at cost and shown as a deduction from shareholders' funds. Other assets were primarily cash and receivables from employees in connection with the purchase of shares in the Company. The trustees of one of the employee trusts waived all but 0.01p of the interim dividend for the year ended 31 March 2009 on each of 22,192,216 of the ordinary shares registered in its name at the relevant date for eligibility for the interim dividend (2008 interim: 6,456,153 shares) and all but 0.01p of the final dividend for the year ended 31 March 2008 on each of 15,332,879 of the ordinary shares registered in its name at the relevant date for eligibility for the final dividend (2007 final: 8,240,155 shares).

## 29. Exchange rates

The following US dollar rates of exchange have been used in preparing these financial statements.

| | Year-end rates | | Average rates | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| Euro | **0.7528** | 0.6336 | **0.7023** | 0.7053 |
| Sterling | **0.6970** | 0.5043 | **0.5817** | 0.4981 |
| Swiss Franc | **1.1396** | 0.9935 | **1.1017** | 1.1591 |

## 30. Segmental analysis

### *(a) Primary format – business segments*

The Group's continuing operations are in one business segment, Investment Management. There are no other significant classes of business, either individually or in aggregate.

### *(b) Secondary format – geographical segments*

Although the Group's principal offices are located in London, Pfäffikon (Switzerland) and Chicago, investment management income is generated from where the fund product entities, on which fees are earned, are registered. The analysis of revenue, assets and capital expenditure by geographic region, for continuing operations, is given below:

**Revenues**

| | **2009 $m** | 2008 $m |
|---|---|---|
| Europe | **323** | 657 |
| The Americas | **1,693** | 2,190 |
| Asia-Pacific | **472** | 375 |
| Continuing operations | **2,488** | 3,222 |
| Discontinued operations | **–** | 750 |
| | **2,488** | 3,972 |

**Assets**

| | Assets | | Capital expenditure | |
|---|---|---|---|---|
| | **2009 $m** | 2008 $m | **2009 $m** | 2008 $m |
| UK | **1,315** | 1,604 | **52** | 32 |
| Switzerland | **3,415** | 3,524 | **225** | 224 |
| Other countries | **840** | 1,108 | **11** | 8 |
| Continuing operations | **5,570** | 6,236 | **288** | 264 |
| Discontinued operations | **–** | – | **–** | 18 |
| | **5,570** | 6,236 | **288** | 282 |

Total assets and capital expenditure (purchase of property, plant and equipment and intangible assets) are allocated based on where the assets are located.

## 31. New accounting standards

The following accounting standards and amendments to standards have been issued by the IASB but are not effective for the year ended 31 March 2009 and have not been applied in preparing these financial statements. The directors do not expect that the adoption of the following standards and amendments to standards in future periods will have a material impact on the results or financial position of the Group.

IFRS 8 'Operating segments' was issued in November 2006 and is required to be adopted by the Group for reporting in its financial year ending 31 March 2010. The new standard adopts a 'management approach' under which segmental information is to be disclosed on the same basis as that used for internal reporting purposes.

IAS 23 (Revised) 'Borrowing costs' was issued by the IASB in March 2007 and is required to be adopted by the Group for reporting in its financial year ending 31 March 2010. The amendment to the standard requires the compulsory capitalisation of borrowing costs directly attributable to the acquisition, construction or production costs of a qualifying asset.

IAS 1 (Revised) 'Presentation of financial statements' was issued by the IASB in September 2007 and is required to be adopted by the Group for reporting in its financial year ending 31 March 2010. The amendment to the standard requires the preparation of a statement of comprehensive income either to replace or to complement the current income statement. In addition, restatements or reclassifications of comparative balance sheet information will include a restatement of the opening balance sheet of the comparative period.

# Notes to the Group Financial Statements
continued

**31. New accounting standards** continued

IFRS 3 (Revised) 'Business combinations' and IAS 27 (Revised) 'Consolidated and separate financial statements' on acquisition accounting were issued by the IASB in January 2008 and, subject to approval from the EU, are required to be adopted by the Group for reporting in its financial year ending 31 March 2011. The revisions to IFRS 3 and IAS 27 are applied prospectively and will result in changes to the accounting policies in relation to future acquisitions.

The IASB issued an amendment to IFRS 2 'Share-based Payment' in January 2008. The amendment, which is required to be adopted by the Group for reporting in its financial year ending 31 March 2010, clarifies that vesting conditions comprise only service conditions and performance conditions, and specifies the accounting treatment for a failure to meet a non-vesting condition.

The IASB issued amendments to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation', in February 2008. The amendments are required to be adopted by the Group for reporting in its financial year ending 31 March 2010.

The IASB issued amendments to IFRS 7, Improving Disclosures about Financial Instruments, in March 2009 introducing a three-level hierarchy for fair value measurement disclosure, as well as enhanced disclosure of liquidity risk. These amendments are effective for accounting periods starting on or after 1 January 2009, and will be implemented in the Group's disclosure on financial instruments in its financial year ending 31 March 2010.

The IASB issued various Improvements to IFRSs in April 2009. These comprise twelve amendments to existing standards, on issues which the IASB considers not of an urgent nature, but necessary, with required implementation dates for Group reporting purposes through to its financial year ending 31 March 2011.

The following IFRIC interpretations issued recently will first apply to the Group in its financial year ending 31 March 2010 and future periods:

- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers (for transfers received on or after 1 July 2009).

The directors do not expect that the adoption of these interpretations will have a material impact on the results or financial position of the Group.

# Principal Group Investments

The names of the principal investments of Man Group plc, together with the Group's interests in the equity shares, are given below. The country of operation is the same as the country of incorporation and the year-end is 31 March (unless otherwise stated).

In accordance with s.231 (5) of the Companies Act (1985) the information below is provided solely in relation to principal operating subsidiaries. Details of all subsidiaries, associates and joint ventures will be annexed to the Company's Annual Return.

| | Country of incorporation | Effective Group interest % |
|---|---|---|
| **Principal operating subsidiaries** | | |
| **Asset Management** | | |
| Man Investments Limited | England | 100 |
| Man Investments AG | Switzerland | 100 |
| Glenwood Capital Investments LLC | US | 100 |
| RMF Investment Management | Switzerland | 100 |
| **Group holding companies** | | |
| Man Group UK Limited[1] | England | 100 |
| E D & F Man Limited | England | 100 |
| Man Investments Holdings Limited | England | 100 |
| Man Group Holdings Limited | England | 100 |
| Man Ultraviolet Limited | England | 100 |
| **Group treasury company** | | |
| Man Investments Finance Limited | England | 100 |
| **Principal associates** | | |
| BlueCrest Capital Management Limited[2] (hedge fund manager) | England | 25 |

1 Direct subsidiary.
2 Year-end is 30 November, which was BlueCrest's accounting year-end at the date of acquisition.

# Auditors' Report on the Parent Company Financial Statements

### Independent auditors' report to the members of Man Group plc

We have audited the parent company financial statements of Man Group plc for the year ended 31 March 2009 which comprise the Balance Sheet and the notes to the Company financial statements. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Man Group plc for the year ended 31 March 2009 on page 74.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 52.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that information presented in the Business Review and Financial Review, which is cross referred from the principal activities, business review and results section of the Directors' Report.

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 read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Business Overview, the Corporate Governance Report and the unaudited part of the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company 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 parent company financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the 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 parent company financial statements and the part of the Remuneration Report 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 parent company financial statements and the part of the Remuneration Report to be audited.

### Opinion

In our opinion:

> the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009;
> the parent company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
> the information given in the Directors' Report is consistent with the parent company financial statements.

**PricewaterhouseCoopers LLP**
Chartered Accountants and Registered Auditors
London
28 May 2009

Financial Performance

# Company Balance Sheet

At 31 March

| | Note | 2009 $m | 2008 $m |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 2 | **1,545** | 2,292 |
| **Current assets** | | | |
| Debtors | 3 | **4,010** | 3,121 |
| Cash and cash equivalents | | **10** | – |
| **Creditors** – due within one year | | | |
| Other creditors and accruals | 4 | **(113)** | (196) |
| **Net current assets** | | **3,907** | 2,925 |
| **Creditors** – due after one year | | | |
| Borrowings | 5 | **(642)** | (399) |
| **Net assets** | | **4,810** | 4,818 |
| **Equity shareholders' funds** | 7 | **4,810** | 4,818 |

Approved by the Board of Directors on 28 May 2009

**Peter Clarke**
Chief Executive

**Kevin Hayes**
Finance Director

# Notes to the Company Financial Statements

## 1. Accounting policies

***Basis of preparation***

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the UK issued by the Accounting Standards Board and with the requirements of the Companies Act 1985 (the Act).

The Company reviews and updates its accounting policies, in accordance with the requirements of Financial Reporting Standard (FRS) 18 'Accounting Policies' on a regular basis. The Company has adopted FRS 29 and has taken advantage of the exemption from providing further financial risk disclosures.

***Profits of the Company***

The profit for the financial year dealt with in the Company was $511 million (2008: $4,260 million). In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account has not been presented for the Company.

There are no recognised gains and losses other than the result for the year and hence no statement of recognised gains and losses for the Company has been presented.

***Foreign currencies***

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction, or, where it is more practical, an average rate for the week or month for all transactions in each foreign currency occurring during that week or month (as long as the relevant exchange rates do not fluctuate significantly). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in other operating income and losses in the profit and loss account.

***Subsidiary undertakings***

The Company's shares in subsidiary undertakings are stated in the balance sheet of the Company at cost less provision for any impairment incurred.

***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

***Share-based payments***

Although the Company does not incur a charge, the issuance by the Company to its subsidiaries of an award over the Company's shares represents additional capital contributions by the Company in its subsidiaries. An additional investment in subsidiaries results with a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the awards issued spread over the underlying awards' vesting periods.

***Dividends***

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements, and directly in equity, in the period in which the dividend is paid or approved by the Company's shareholders, if required. Dividends received from subsidiary undertakings are recognised in the period in which they are received.

***Cash flow statement***

The Company need not present a cash flow statement in accordance with FRS 1 (revised) as it has taken the exemption from publishing its profit and loss account and related notes under Section 230 of the Companies Act 1985.

***Deferred taxation***

Deferred tax is recognised on all timing differences where the transactions or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. A deferred tax asset is only recognised to the extent that it is more likely than not that it can be recovered. The Company does not discount its deferred tax position as the effect would not be material.

***Segmental reporting***

The Company, being an investment holding company, only has one segment.

***Share capital***

Contracts entered into with a third party to buy back the Company's shares during a close period gives rise to an obligation for the Company. This obligation is included in other creditors and deducted from equity on the balance sheet for the value of the maximum number of shares that may be purchased under the contract with the third party. If the number of shares repurchased by the third party is not the maximum then there is a reversal through equity for that amount. Any changes in the share price from the date of the contract are taken through the profit and loss account.

## 1. Accounting policies continued

***Financial instruments***

The Company provides full financial instruments disclosures in accordance with IFRS 7 in its consolidated financial statements. Details can be found in Note 9 to the consolidated financial statements. Consequently the Company has taken advantage of the exemption in FRS 29 from providing further financial instruments disclosures.

***Related party transactions***

The Company provides full related party disclosures in its consolidated financial statements. Details can be found in Note 27 to the consolidated financial statements. Consequently the Company has taken advantage of the exemption in FRS 8 not to disclose related party transactions with other members of Man Group plc.

## 2. Fixed asset investments

| | **2009 $m** | 2008 $m |
|---|---|---|
| **Investments in subsidiaries** | | |
| At 1 April | **2,292** | 1,686 |
| Additions | **–** | 535 |
| Disposals | **(833)** | – |
| Share-based payment charge | **86** | 71 |
| **At 31 March** | **1,545** | 2,292 |

Details of the principal Group subsidiaries and associates are given on page 117. The disposal represents the transfer of the Company's total holding in EDFM Investment Ltd, to another Group subsidiary at book value.

## 3. Debtors

| | **2009 $m** | 2008 $m |
|---|---|---|
| **Amounts falling due within one year** | | |
| Amounts owed by subsidiaries | **4,008** | 3,115 |
| | **4,008** | 3,115 |
| **Amounts falling due after one year** | | |
| Deferred taxation (Note 6) | **2** | 6 |
| | **2** | 6 |
| **Total debtors** | **4,010** | 3,121 |

## 4. Other creditors and accruals

| | **2009 $m** | 2008 $m |
|---|---|---|
| **Amounts falling due within one year** | | |
| Taxation | **–** | 7 |
| Other creditors | **101** | 100 |
| Redeemable preference B shares | **–** | 67 |
| Accruals | **12** | 22 |
| | **113** | 196 |

Details of the redeemable preference B shares are provided in Note 19 to the consolidated financial statements.

## 5. Borrowings

| | **2009 $m** | 2008 $m |
|---|---|---|
| **Amounts falling due after more than one year** | | |
| Fixed rate notes | **243** | – |
| Floating rate notes | **399** | 399 |
| | **642** | 399 |

The floating rate notes consist of $400 million Eurobonds issued 21 September 2005 and due 22 September 2015. The interest rate is US dollar three-month LIBOR plus 1.15% until 22 September 2010 and thereafter is US dollar three-month LIBOR plus 1.65%.

On 1 August 2008 the Group issued $250 million Fixed Rate Notes under the $3 billion Euro Medium Term Note (EMTN) Programme of Man Group plc dated 21 December 2007. The Fixed Rate Notes mature on 1 August 2013, and the interest rate is 6.5% per annum payable semi-annually in arrears up to and including the maturity date.

# Notes to the Company Financial Statements
continued

## 6. Deferred taxation

| | **2009 $m** | 2008 $m |
|---|---|---|
| Deferred taxation arising during the year in respect of other timing differences | **2** | 6 |

## 7. Equity shareholders funds

| | Share capital $m | Share premium account $m | Capital reserve $m | Merger reserve $m | Capital securities $m | Profit and loss account $m | Total $m |
|---|---|---|---|---|---|---|---|
| **At 1 April 2007** | **57** | **962** | **142** | **722** | **–** | **1,904** | **3,787** |
| Currency translation difference | – | – | – | – | – | 16 | 16 |
| Issue of ordinary share capital | – | 75 | – | – | – | – | 75 |
| Purchase and cancellation of own shares | (1) | – | 1 | – | – | (516) | (516) |
| Conversion of exchangeable bonds | 3 | 365 | (135) | – | – | 218 | 451 |
| Share-based payments charge | – | – | – | – | – | 71 | 71 |
| Close period share buyback programme | – | – | – | – | – | (4) | (4) |
| Transfer between reserves | – | – | 1 | – | – | (1) | – |
| Issue and cancellation of B shares | – | (561) | 1,216 | (722) | – | (2,677) | (2,744) |
| Retained profit | – | – | – | – | – | 4,260 | 4,260 |
| Dividends | – | – | – | – | – | (578) | (578) |
| **At 31 March 2008** | **59** | **841** | **1,225** | **–** | **–** | **2,693** | **4,818** |
| Currency translation difference | – | – | – | – | – | – | – |
| Issue of ordinary share capital | 1 | 116 | – | – | – | – | 117 |
| Purchase and cancellation of own shares | (1) | – | 1 | – | – | (277) | (277) |
| Perpetual subordinated capital | – | – | – | – | 300 | (7) | 293 |
| Taxation taken to equity with respect to capital security | – | – | – | – | – | 8 | 8 |
| Share-based payments charge | – | – | – | – | – | 86 | 86 |
| Close period share buyback programme | – | – | – | – | – | (3) | (3) |
| Transfer between reserves | – | – | (1) | – | – | 1 | – |
| Issue and cancellation of B shares | – | – | 67 | – | – | (67) | – |
| Retained profit | – | – | – | – | – | 511 | 511 |
| Dividends | – | – | – | – | – | (718) | (718) |
| Dividends with respect to capital securities | – | – | – | – | – | (25) | (25) |
| **At 31 March 2009** | **59** | **957** | **1,292** | **–** | **300** | **2,202** | **4,810** |

The authorised, allotted and fully paid share capital of the Company is detailed in Note 19 to the consolidated financial statements.

The issue of the perpetual subordinated capital securities is discussed in Note 21 of the consolidated financial statements.

At 31 March 2009, the capital reserve comprises a capital redemption reserve of $1,292 million. For further explanation, see Note 21 in the consolidated financial statements.

## 8. Directors' remuneration

Details of the directors' remuneration are given in Note 3 (d) to the consolidated financial statements, and in the Remuneration Report on pages 62 to 65 of the Annual Report.

## 9. Statutory and other information

There are no employees of the Company (2008: nil). The directors of the Company were paid by another Group company in 2009 and 2008.

Shares in the Company are awarded/granted to directors and employees through the Group's share schemes. Details relating to these share awards/grants are given in Note 3 (b) to the consolidated financial statements and in the Remuneration Report on pages 55 to 60.

## 10. Guarantees

The Company has entered into a number of guarantees on behalf of certain funds. Further details are available in Note 9 (d) of the Group's consolidated financial statements.

# Shareholder and Company Information

### Annual shareholder calendar
***Company reporting***

| | |
|---|---|
| Interim results announced | November |
| Final results announced | May |
| Annual Report published | June |
| Annual General Meeting | July |

***Dividends paid***

| | |
|---|---|
| Interim | December |
| Final | July |

### Shareholder enquiries
The Group's Registrar, Equiniti, maintains Man Group's share register. For enquiries about your shareholding please write to them at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, or telephone 0871 384 2112*, Text tel: 0871 384 2255*, quoting Ref No 874. Callers from outside the UK should telephone +44 121 415 7592.

Alternatively, you can check your shareholding and dividend payments and update your details by logging on to Equiniti's website www.shareview.co.uk/shareholders/. To do this, you will need your shareholder reference number shown on your dividend tax voucher or share certificate.

### Corporate website
Man has redesigned its corporate website to improve communication with a range of stakeholders, including institutional and private shareholders. The website www.mangroupplc.com now includes information about the industry in which we operate, our strategy and business performance, corporate responsibility initiatives, careers opportunities at Man and key information for shareholders such as dividend payment schedules. You can also download current and past Annual and Interim Reports under the 'Investor Relations' section of the website.

### Electronic communications
The Company now offers shareholders the opportunity to receive documents via e-communications. To sign up for e-communications, rather than receive hard copy documents in the post, please log on to www.shareview.co.uk/shareholders/; all you need is your shareholder reference number. We will then notify you by email when shareholder communications are available on the Group's website www.mangrouppplc.com.

### Interim Report
As part of our e-communications programme, we have decided not to produce a printed copy of our Interim Report. Instead the Interim Report will be published on our website and will be available from early November each year. If at that time you would like us to send you a hard copy, please email shareholder@mangroupplc.com, telephone 020 7144 1000 or write to us at the address mentioned on the following page giving your full name and address.

### Dividend payments made direct to your bank account
If you currently have your dividends paid by cheque, you can, if you wish, request that they be paid direct to your bank account or building society account on the day that the dividend is paid. This is convenient and helps reduce the risk of cheques becoming lost in the post. The associated tax voucher is still sent direct to your registered, or other previously designated, address.

If you live overseas, an Overseas Payment Service is available via Equiniti www.shareview.co.uk/shareholders/ for certain countries. This may make it possible to receive dividends direct into your bank account in your local currency.†

### Dividend Reinvestment Plan (DRIP)
The Group offers a DRIP for shareholders wishing to buy shares with their cash dividend. The final date for joining or leaving the DRIP in relation to the 2009 final dividend is 3.00pm on 3 July 2009. Instructions received after this date will be applied to the next dividend. Any queries on the DRIP, including requests for the DRIP terms and conditions and DRIP Mandate, should be addressed in the first instance to the dedicated Equiniti helpline on 0871 384 2268*. Alternatively, copies of these documents may be downloaded from the Man Group website under the 'Dividends' section of 'Shareholder Information'.

### 2009 final dividend dates

| | |
|---|---|
| Ex dividend date | 1 July 2009 |
| Record date | 3 July 2009 |
| AGM | 9 July 2009 |
| Payment date | 21 July 2009 |
| DRIP Certificates received/CREST accounts credited | 27 July 2009 |

Historical dividend information is available on the Man Group website under 'Shareholder Information'.

### Multiple accounts on the share register
If you have received multiple copies of shareholder documents, this means that there is more than one account in your name on our share register. This may be because your name or address appear slightly differently on each account. As our Registrars are not allowed to amalgamate the accounts without your written consent, please write to them at the above address quoting full details of the accounts you wish to consolidate.

### Share dealing service
The Group has arranged the following service for use in the UK to buy or sell Man Group plc shares:

Equiniti Financial Services Limited www.shareview.co.uk/dealing/
For telephone dealing call 08456 037 037 between 8.00am and 4.30pm Monday to Friday.

### Corporate ISA
For details of the Man Group plc corporate ISA managed by Equiniti, please contact the Equiniti ISA helpline on 0871 384 2244*.

† Please note that a payment charge would be deducted from each individual payment made before conversion into your local currency.
* Calls made to 0871 numbers are charged at 8p per minute from a BT landline, other telephone providers' costs may vary.

# Shareholder and Company Information
continued

### Unsolicited investment advice
Shareholders may receive unsolicited phone calls or correspondence concerning investment matters which imply a connection to the Company. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk investments. Shareholders are advised to be very wary of any such approach, including offers to buy shares at a discount or offers of free reports on the Company.

If you receive unsolicited investment advice, make sure you get the correct name of the person and organisation and check that they are properly authorised by the FSA before getting involved. You can do this at www.fsa.gov.uk/pages/register/.

### Unsolicited mail
You may also receive unsolicited mail from a variety of commercial organisations who have obtained your address from our publicly available share register. If this is the case, please contact The Mailing Preference Service (MPS) at FREEPOST 29 LON20771, London W1E 0ZT, England.

Tel: 0845 703 4599 email: mps@dma.org.uk or register on-line at www.mpsonline.org.uk.

Registering with the MPS will stop most unsolicited consumer advertising material.

### *Registered office and Company number*
Man Group plc
Sugar Quay
Lower Thames Street
London
EC3R 6DU
Telephone: 020 7144 1000
Fax: 020 7144 1923

Registered number: 2921462

# The Man Group plc Charitable Trust

**Lesley King-Lewis,** Director (right)
**Lisa Clarke,** Grants Manager and Trust Secretary (left)

**Our continued support to those in need will be even more important in this difficult economic climate.**

**Peter Clarke**
**Chairman, Man Group plc Charitable Trust**

As the newly appointed Director of the Man Group plc Charitable Trust (the Trust), I am delighted to report on this year's activities. The Group paid $20.6 million to the Trust and charity committees of our overseas offices. $10.1 million was spent on charitable donations during the financial year 2008/9. The Trust is currently holding $8.9 million in reserve to meet current and forward commitments. The Trust accounts for its activities in sterling and is therefore subject to exchange rate fluctuation against the US dollar. In this current economic climate we believe it is prudent to build a strategy based on a consistent level of giving.

A wide range of charities were supported throughout the year covering our key areas: empowering disadvantaged young people through education; the arts; and sport. Charities covering literacy, medical, vulnerable populations and the environment were also funded. We continued to support Merlin, a specialist medical and humanitarian aid agency. This year we funded their emergency responses to the cyclone in Burma, the hurricane in Haiti, the conflict in Georgia and the cholera outbreak in Zimbabwe.

The Trustees have approved a new strategic plan for 2009/10. Our aim is to identify where and how we can deliver the greatest impact to make the most difference to people's lives. We have therefore refined our grant giving to the following four key areas:

> Disadvantaged youth – to tackle exclusion and reduce poverty of aspiration;
> Literacy and numeracy – to improve skills of young people and adults;
> Vulnerable populations – to improve the lives of the elderly, homeless and those suffering from addiction, domestic violence and mental health issues; and
> Disaster relief – to support international disasters.

We will continue to fund small to medium size charities in areas that often receive little public support and those that can effect real change in the communities in which we live and work.

The Annual Charity chosen by our employees was the Anthony Nolan Trust and we would like to thank the 35 employees who signed up to their bone marrow donor register and to everyone who helped match the Trust's £100,000 donation, raising a further £100,000 over the year. Our new Annual Charity for 2009/10 will be the Alzheimer's Research Trust and we look forward to working with them through our volunteering and fundraising activities next year.

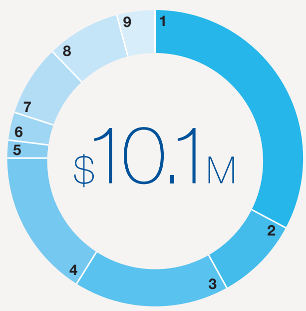
Man has a long history of philanthropic engagement and we would like to thank all of our employees who volunteered their time and donated to so many charities over the year via their Give As You Earn accounts and the Trust's sponsorship matching scheme.

I look forward to working with everyone next year to make a real difference to the lives of the most vulnerable and deprived in our community. Our support will be even more vital in this difficult economic climate.

**Lesley King-Lewis**
Director, Man Group plc Charitable Trust



**Group charitable donations in 2008**




1. Young people – 33%
2. Literacy – 9%
3. Vulnerable – 17%
4. International – 16%
5. The Arts – 2%
6. Medical – 3%
7. Environment – 8%
8. Other – 8%
9. Employee related – 4%

## Our charities

### 1. Anthony Nolan Trust – Annual Charity
Man's London Annual Charity for 2008/9 was the Anthony Nolan Trust. It is the only UK charity to provide life-saving donors for patients in need of bone marrow transplants. They received a one-off donation from the Trust as well as further donations from employee fundraising activities throughout the year.

### 2. Every Child a Chance Trust
The Trust continued its support to the Every Child Counts numeracy intervention programme, which supports the 35,000 children a year who have the greatest difficulties with mathematics. Early problems with mathematics lead to life-long disadvantage and effective early intervention is key to addressing this issue.

### 3. Action on Elder Abuse
The Trust made a three year commitment to Action on Elder Abuse, which works to protect and prevent the abuse of vulnerable older adults. Over 100,000 older people in the UK are being physically assaulted, and over 42,000 are experiencing sexual abuse. Action on Elder Abuse is calling for the same urgency to be given to the abuse of older people as is given to child abuse and domestic violence, with the same protective measures in place.

### 4. The Royal National Institute of Blind People (RNIB)
The Trust continued to support the RNIB's Talking Book Service which brings the joy of reading to the blind and partially sighted. The Trust's grant enabled the RNIB to record the shortlisted titles of the 2008 Man Booker Prize.

### 5. Beatbullying
The Trust supported multi award-winning Beatbullying, a charity which empowers young people to lead anti-bullying campaigns, preventing bullying in schools and communities across the UK.

### 6. SolarAid
SolarAid aims to combat two of the biggest threats to humanity – climate change and global poverty – by bringing clean, renewable power to the poorest people in the world. The Trust has committed to donate some $2 million to SolarAid over four years.

1

The ANTHONY NOLAN Trust
Taking back lives from leukaemia







## Sponsorship

### The Man Booker Prize
The Man Booker Prize, which has been sponsored by Man Group plc since April 2002, celebrated its 40$^{th}$ anniversary in 2008. There were a number of events to mark this milestone including a display of archive material at the Victoria and Albert Museum and a 'Best of the Booker' competition which was won by Salman Rushdie with *Midnight's Children*, the 1981 Prize winner. The annual 2008 Man Booker Prize, the judges for which were chaired by Michael Portillo, was awarded to first-time Indian novelist Aravind Adiga for *White Tiger*. There were 112 entries for the Man Booker Prize in 2008. It retains its position as one of the most sought after literary prizes for fiction.

Man Group plc

## Head Office

### London

Man Group plc
Sugar Quay
Lower Thames Street
London EC3R 6DU
United Kingdom
**Tel** +44 (0)20 7144 1000

### Chicago

Glenwood Capital Investments LLC
123 North Wacker Drive
Suite 2800
Chicago IL 60606-1743
USA
**Tel** +1 312 881 6800

### Dubai

Man Investments Middle East Ltd
5th Floor, West Wing
The Gate, Dubai International Financial Centre
PO Box 73221
Dubai
United Arab Emirates
**Tel** +971 4 3604999

### Dublin

Man Corporate Services (Ireland) Ltd
Harcourt Building
Harcourt Street
Dublin 2
Ireland
**Tel** +353 1 647 0000

### Hong Kong

Man Investments (Hong Kong) Ltd
Suite 1301, Chater House
8 Connaught Road Central
Hong Kong
**Tel** +852 2521 2933

### Miami

Man Investments Inc
20900 NE 30th Avenue
Miami, FL 33180
USA
**Tel** +1 305 914 8900

### Montevideo

Man Investments AG
La Cumparsita 1373 Office 801
Post Code: 11200
Montevideo
Uruguay
**Tel** +598 2 902 2016

### Nassau

RMF Investment Management –
Nassau Branch
One Montague Place
Penthouse 4th Floor
East Bay
Nassau
The Bahamas
**Tel** +1 242 394 9251

### New York

Man Investments Inc
1 Rockefeller Plaza
16th Floor
New York, NY 10020
USA
**Tel** +1 646 452 9700

### Pfäffikon

Man Investments AG
Etzelstrasse 27
8808 Pfäffikon SZ
Switzerland
**Tel** +41 55 417 60 50

### Rotterdam

Man Investments Nederland BV
Beurs-World Trade Center
19th Floor
Beursplein 37
3011 AA Rotterdam
The Netherlands
**Tel** +31 10 2051260

### Singapore

Man Investments (Singapore) Pte. Ltd
One George Street, #17-03
Singapore 049145
**Tel** +65 6845 1966

### Sydney

Man Investments Australia Ltd
Level 21 Grosvenor Place
225 George Street
Sydney NSW 2000
Australia
**Tel** +61 2 8259 9999

### Tokyo

Man Investments Securities Japan Ltd
Imperial Tower 16F, 1-1-1
Uchisaiwaicho, Chiyoda-ku
Tokyo 100-0011
Japan
**Tel** +81 3 3519 3880

### Toronto

Man Investments Canada Corp.
70 York Street, Suite 1202
Toronto Ontario
M5J 1S9
Canada
**Tel** +1 416 775 3600

www.mangroupplc.com