

# 2010 Annual Report

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## Man Group plc

Strategy  
Performance  
Sustainability



Business Overview

# Description of the Business

*Man is a world-leading alternative investment management business. With a broad range of funds for institutional and private investors globally, we are known for differentiated performance, innovative product design and strong distribution relationships.*

Man’s expertise lies in a unique combination of investment management, risk management, product structuring, global asset gathering and investor services.

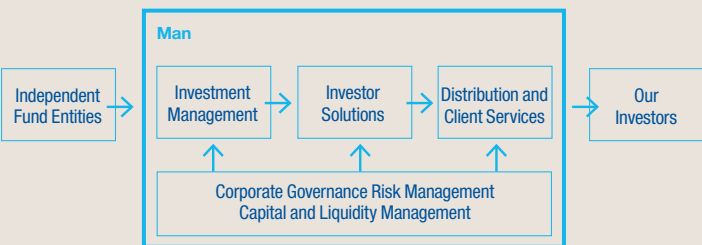
We earn management fee income linked to our funds under management, and performance fee income when these funds outperform. Our global scale enables us to access and serve multiple markets, and to achieve strong operating margins.

Our commitment to governance and risk management and our strong capital position give confidence to our investors and business partners and contribute to the sustainability of our business. 🌱

The overall purpose of this Annual Report is to explain our **strategy**, discuss our recent **performance** and illustrate the **sustainability of our business model**. 🌱

We have made a number of changes to the Annual Report from the prior year to improve the transparency of the Group’s reporting and reduce complexity as appropriate. Further explanation of the changes to the financial statements can be found in the basis of preparation section, which is at the beginning of the footnotes to the financial statements.

Our Business Model



## Signposts

We use the following symbols to point to sources of further information and to illustrate the sustainability of our business.

- Web links to supplementary online information
- PG – more information within this document

🌱 An important illustration of business sustainability



Business Overview

# Our Business Model

Man has a unique and sustainable business model, focused on creating and preserving wealth for our private and institutional investors. Our investment management capabilities are based on systematic, quantitatively orientated single manager and fund-of-funds expertise.

We have a strong team of financing and product structuring experts, who adapt our products and solutions to the needs of investors and regulators worldwide. Our unique distribution network gives us broad and balanced geographic reach. Our business is permeated by a strong commitment to the highest standards of corporate governance, risk management, capital and liquidity management.

## Independent fund entities

The investment products we sell are powered by independent fund entities for whom Man acts as the investment manager.

The fund entities' investment performance, assets and liabilities are therefore separate from Man and are not consolidated into Man's financial statements. The fund entities pay us management fees and performance fees.

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). We earn management fees, at a fixed percentage based on FUM, for managing the funds' gross asset exposure.

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 investor's continued allocation to the product and retains for us management and performance fee income.



## Man

### Investment Management

**AHL** runs a series of managed futures investment programmes using systematic trading models that have been extended and refined over more than 20 years. 📈

The managed futures trading approach is predominantly trend-following, meaning that it seeks to profit from movements in the price of instruments independent of whether the price is rising or falling.

AHL uses statistical analysis to identify pricing inefficiencies in hundreds of financial instruments traded on highly-regulated exchanges around the world. A disciplined trading and execution function, which operates around-the-clock, seeks to capitalise on these opportunities as efficiently as possible in real time. → PG 12

**Man Multi-Manager** provides access to an approved list of over 150 independent fund entities across the full spectrum of hedge fund opportunities through actively managed thematic offerings and more diversified portfolios. The control, transparency and enhanced risk management provided by our extensive managed accounts platform is a key differentiator. → PG 14

**Affiliate Managers** Man holds a number of strategic investments in affiliated managers to provide additional sources of diversified return. These include:

- BlueCrest, a multi-strategy manager
- Ore Hill, a credit-focused manager
- Nephilia, which specialises in the reinsurance industry

### Investor Solutions

Over the past 20 years Man has structured one of the largest suites of blended alternative investment products and solutions in the world, meeting a broad spectrum of client performance, legal, taxation, regulatory, principal protection and risk management needs. 📈

Our global team of financing and product structuring experts works closely with the investment managers and client service team to develop a wide range of off-the-shelf and bespoke investment vehicles tailored to a wide range of client needs.

These include:

- onshore or offshore investment vehicles
- UCITS III compliant funds
- open-ended or close-ended vehicles allocating to single managers or multi-manager portfolios
- capital guaranteed/principal protected structures

Our structuring capabilities generate additional fees particularly for guaranteed products. → PG 20



### Corporate Governance and Risk Management

The Board is committed to the highest standards of corporate governance and risk management to safeguard the interests of our investors, shareholders and other stakeholders. Our governance and risk management framework is critical to the sustainability of our business model. 📈

2,200  
Distributors  
worldwide



## Our Investors

### Private Investors

Man has \$26.8 billion of private investor funds under management. We target the mass affluent investor segment, where new onshore regulated products are making diversified, risk adjusted hedge fund returns available to an expanding global market.

We achieve a gross management fee margin of over 4% of FUM in our private investor business, reflecting the premium attached to private investor products with strong performance and long track records.

\$26.8BN  
Private Investor  
FUM

### Institutional Investors

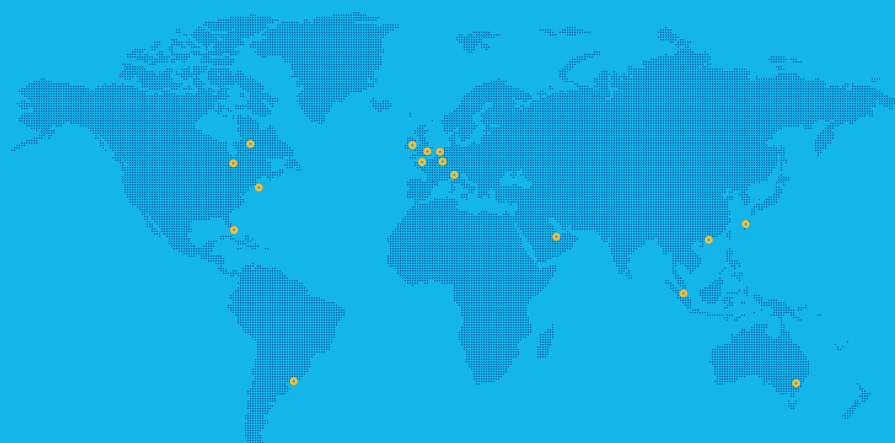
Man has \$12.6 billion of institutional funds under management from around 250 institutional clients – predominantly pension funds, insurance companies, banks, asset managers, sovereign wealth funds and endowments.

We achieve gross management fee margins of around 1% in our institutional business.

\$12.6BN  
Institutional Investor  
FUM

### Distribution and Client Services

We distribute our products and solutions to private investors via a unique global network of intermediaries, and directly to institutions. Intermediaries are rewarded through sales commission.



Man works in partnership with its clients to ensure that they receive the highest possible level of investment service and to meet their transparency, liquidity and performance needs.

Our longstanding network of regional offices, which places our staff close to our investors, is a unique asset which provides differentiated client service. 📍 → PG 18

#### Reporting

Detailed reporting can be provided in both standard and customised format designed specifically to meet the requirements of both private and institutional investors.

#### Client service

Our customer service teams include specialised relationship managers, client service professionals embedded in the investment management teams, a network of regional offices, centralised support teams as well as external service providers. This network, supported by reporting experts, can provide rapid and informed responses to client queries.



### Capital and Liquidity Management

Our excess capital and liquidity resources gives us flexibility to support and grow our business across market cycles. 📈

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## Business Overview

# Highlights 2010

*Man remains soundly profitable and well capitalised in a period of profound change. We have taken decisive action to strengthen our position as an industry leader.*

### Funds under management (FUM)

**\$39.4BN**

Split between private investor FUM of \$26.8bn and institutional FUM of \$12.6bn.

### Profit before tax

**\$541M**

Comprises net management fee income of \$463m, net performance fee income of \$97m and adjusting items of -\$19m. In total, down 27% from \$743m in the prior year, reflecting lower average FUM and negative performance at AHL, our largest fund.

Profit before tax and adjusting items down 55% from \$1,243m to \$560m. Adjusting items relate to restructuring costs (\$53m), partially offset by the profit on the sale of our residual holding in MF Global (\$34m). Adjusting items in prior year were a negative \$500m.

### Sales

**\$8.3BN**

Private investor sales down 41% to \$6.7bn, largely as a result of negative AHL performance in H2. Private investor net inflows, after redemptions, remained positive at \$2.0bn. Institutional sales remained muted at \$1.6bn with \$8.1bn of redemptions as investors continued to seek liquidity, giving a net institutional outflow of \$6.5bn.

### Pre-tax margin

**39%**

Profit before tax and adjusting items as a percentage of revenue plus net income from associates and JVs and gain/loss on investments and other financial instruments. 52% last year.

### Post-tax return on shareholders' equity

**10.1%**

Down from 13.5% in the prior year.

### Diluted earnings per share

**24.8 cents**

Down 13% from 28.4 cents in the prior year. Adjusted diluted earnings per share down 55% to 25.5 cents from 57.0 cents.

### Available liquidity resources

**\$5.6BN**

Consisting of cash (\$3.2bn) 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 17.20 pence per share, up 11% from prior year. Total dividend for the year of 44 cents per share – same as prior year, although in sterling terms, up 6%.

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## Business Review

# Chairman's Review

*The financial year 2009/10 saw widespread questioning and analysis of the factors which had led to the financial crisis of 2008/09, global debate on regulatory reform and a sharp focus on the proper role, functioning and behaviours of company boards.*

Against this background, we have continued to strengthen and broaden the skill set and experience of our Board and to review and develop the way we govern the Company and communicate with investors.

### Board development

Following closely on the retirement of Glen Moreno and the succession of Alison Carnwath as Senior Independent Director in July, the Board was joined by two new non-executive directors, Ruud Hendriks and Fred Jolly. Both individuals were recruited to enrich the Board with broader investment management and client development experience and were appointed following an extensive search and thorough interview process. Together they bring a valuable diversity of view to Board debate and decision making. Ruud has life long experience of working within large organisations developing products for the institutional investor. Fred is a seasoned builder of businesses with entrepreneurial vision and approach. Both received an extensive and in-depth induction from our fund management, product structuring and corporate teams to help leverage their knowledge and contribution to the business.

### Board governance and investor communications

The Board also benefited during the year from the added value offered by strengthened corporate functions. The Secretariat has been instrumental in streamlining Board Committee focus and membership, improving governance and delivering effective process. Investor Relations have facilitated a series of meetings at which I was able to hear at first hand the feedback and concerns of our major investors and give them a sense of the dynamic of the Board and its thinking. Our HR function has supported the Remuneration Committee's major and detailed review of the structure of our executive director remuneration and the

development of proposals tailored to Man's business model.


### Executive reward

Executive reward continues to be a subject of widespread legitimate concern and earlier this year the Remuneration Committee conducted an extensive consultation with major shareholders on the new structures they had developed. We believe that the new performance measures adopted for our incentive schemes are vital value drivers for the business and that the substantial increase in the deferred element of our Executive Directors' compensation structure serves to strengthen their focus on long-term success and alignment with shareholders.

### Strategy development


Strategy development was a recurrent and important theme in my meetings with investors. Our Board strategy reviews have progressed from being budget centred and informed by detailed management presentation to being driven by an agenda set by Board members themselves which looks to the longer-term direction and time horizon of the business.

In 2009, the Board oversaw the integration of the fund of funds business to protect our customer franchise. In May 2010, I was delighted to announce Man's proposed acquisition of GLG. The combination of our two businesses will create a powerful new group with enormous potential, marrying GLG's highly regarded expertise in discretionary investing with Man's quantitative skills and world class distribution and product structuring. Importantly, it will result in a significantly enhanced product offering for investors and a more diversified source of income for shareholders. My Board colleagues and I unanimously believe that this is a very exciting transaction and have strongly recommended it to shareholders. In addition,

through 2010 we will be overseeing important initiatives to ensure we realise the full potential of AHL, develop other quantitative styles and optimise our fund operating model. 

### Capital and dividends

Investors were also very interested in our plans for the use of our surplus capital and future dividend policy. The strength of our balance sheet sustained the business well during the downturn. It has enabled us to maintain the total dividend for 2009/10 at the previous year's level and has given us a strong financial base from which to explore long term expansion opportunities. Provided that our strong regulatory capital and liquidity profile is preserved, our overwhelming conviction strategy has always been to invest in future growth. The proposed acquisition of GLG delivers squarely on this strategy.

In parallel to the proposed acquisition of GLG, we have reviewed our dividend policy, the guiding principle being that our dividend should be rebased at a sustainable level. We have brought forward our decision on the level of full year dividend for 2010/11 and have announced our intention to recommend a total dividend of at least 22 cents per share for that year. Our intention is to adopt a progressive dividend policy from here forward. 

### Risk management

2010 will see greater focus on another area of concern for investors and regulators alike, the management of risk. The Board has always determined the Company's risk appetite in quantitative and qualitative terms and has reserved for its consideration and decision any proposed business developments which have the potential to threaten or breach those limits. We will, however, be reviewing, in the context of the Walker and FSA recommendations, the way in which we discharge our oversight of the identification, management and mitigation of risk within the business. This will include a review of how we oversee both corporate risks and those arising in the investment management process and consideration of the respective roles and activities of the Audit and Risk Committee and the full Board.

### Board culture

Much has been made of the importance of Board behaviours as a significant contributory factor in recent corporate failures and various studies have been commissioned to provide guidance in this area. While robust structures



**Jon Aisbitt our Chairman** 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.

and protocols are essential for the promotion of good governance, it is the orchestration and interplay of well informed individuals with diverse personalities, experiences and outlooks which is the bigger influence on the effectiveness of Boards and their decision making. Comments made in the course of this year's Board evaluation highlighted the contribution and challenge of our non-executives, particularly those new to the Board, and the positive impact of an effective Chairman/Chief Executive relationship. My aim as Chairman is to build and develop this key relationship based on an appropriate balance of business knowledge, support and challenge and to foster in the boardroom a culture of open and candid debate which questions received wisdom and where no subject is off limits.

### Succession planning

In our recent Board evaluation, succession planning was once again identified as a key business enabler and target for further development. It is essential that we have the right people in the right roles to create and deliver a sustainable business, both at Board level and as supporting senior management resource. The promotion of management depth and ambition must be a key area of focus. We are working to recruit additional top level investment management expertise to strengthen our current capability and to develop a robust succession plan for the executive team. 🍏

### Sustainability

Ensuring the sustainability of the business and winning the trust of our shareholders and stakeholders are fundamental to the role of the Board and the success of Man. We are fully engaged in the debate with our regulators on the development of a robust risk and control framework and a proportionate response to current reviews and proposals for the governance of our sector. We also recognise the need to contribute to the economic growth of the community at large and to help build prosperity for the future. Transparency and open communication are an essential part of good governance and corporate responsibility. Our aim in this report is to give a clear account of how we ran the business in 2009/10 and of how we plan to deploy and develop our strengths to deliver our objectives in 2010/11. 🍏

**Jon Aisbitt**  
Chairman

## Man's acquisition of GLG

*On 17 May this year, we announced our proposed acquisition of GLG. GLG is a leading global multi-strategy investment manager with around \$24 billion in FUM and a low style correlation to managed futures. The transaction would position Man as the industry leader in liquid, alternative investment strategies with FUM of \$63 billion. 🍏*

We believe the transaction is compelling for our fund investors, for our employees and for our shareholders. For our investors, the combination will provide comprehensive and compelling investment solutions worldwide, providing the acumen and flexibility investors are seeking in today's rapidly changing markets. For employees, we believe the combined firm will be a magnet for industry talent, with investment teams benefitting from more diverse sources of client assets and distribution teams able to bring broader offerings to market. Shareholders will access strategic and commercial benefits through

- The combination of two established investment management businesses with complementary investment strategies and the integration of their sales, structuring and operations teams
- A complementary geography of distribution franchises and fund investors, offering the opportunity to market products into new markets and to new groups of investors
- The potential of the enlarged group to add significant incremental funds under management through combining GLG's investment offering with Man's structuring and distribution expertise
- The low correlation of performance between the quantitative investment style of Man and the discretionary investment style of GLG, creating new high margin products for distribution and providing greater stability in performance fee prospects.
- A combined product offering, with an emphasis on liquid strategies, well positioned to benefit from the expected continued growth in onshore products globally

- The subsequent organic build out of discretionary investment strategies by the combined business

GLG's three principals – Noam Gottesman, Pierre Lagrange and Emmanuel Roman – will receive substantially all their consideration in Man shares and they have undertaken, for a number of years, to hold these shares and to continue to be substantial investors in GLG funds, underscoring their confidence and commitment in the combined firm.

Man has identified annual potential cost savings of approximately \$50 million, with one third expected to be achieved in the financial year ending in 2011 and the balance expected in the first six months of the financial year ending in 2012. As stated in the announcement dated 17 May 2010, the acquisition is expected to be earnings accretive in the financial year ending in 2012 and earnings neutral in the financial year ending in 2011.

The transaction will require the approval of Man and GLG shareholders and is subject to the usual regulatory approvals. We are targeting formal completion of the transaction by the end of September of this year.

Further details of the transaction and on GLG are set out in the press release dated 17 May 2010 and the related presentation on the Man Group website. Man shareholders will, in due course, receive a circular inviting them to a meeting to approve the transaction.

## Business Review

# Strategy and Objectives

### *What is our core purpose?*

To create and preserve investor wealth through the long term, differentiated returns offered by our unique brand of alternative investment management

### *What is our overriding goal?*

To be the leading alternative investment manager globally

### *What are our key objectives?*

- Through our investment management decisions, to deliver superior long-term performance → **PG 12, 14**
- To create products and portfolio solutions which are constantly attractive to new and existing investors worldwide → **PG 20**
- To cultivate strong partnerships with intermediaries and institutions, supported by excellent customer service → **PG 18**
- To be a leader in risk management, governance and business sustainability → **PG 22**

### *How will we achieve these objectives?*

#### **Priorities for 2011**

- Harness new single manager content by executing on acquisitions/stakes → **PG 02**
- Invest in AHL to ensure that we capture the programme's full potential → **PG 12**
- Maximise Man Multi-Manager by rebuilding scale and profitability → **PG 14**
- Deepen our Distribution reach, specifically in onshore regulated markets and across institutions worldwide → **PG 18**
- Maintain focus on efficiency by continually evaluating our cost base → **PG 06**

### *What are the key resources needed to achieve our objectives?*

#### **People, Information and Technology**

- Man invests heavily in attracting and retaining the best people → **PG 26**
- Information and Technology investment is focused on AHL trading efficiency, the Multi-Manager platform and client service → **PG 12, 14, 18**

### *What are the values which guide our corporate behaviour?*

- Ambition
- Entrepreneurialism
- Integrity
- Open communication
- Collaboration → **PG 26**

### *What is our ambition for the future?*

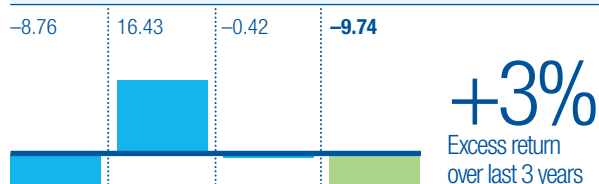
To earn a place in every investor's portfolio



## Key Performance Indicators (KPIs)

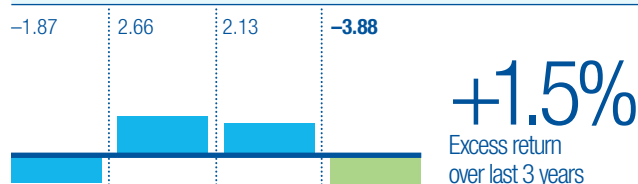
Our financial and non-financial KPIs illustrate and measure the direct relationship between the experience of our fund investors, our economic performance and delivery of shareholder value. They are set in agreement with the Board and used on a regular basis to evaluate progress against our key objectives. Our KPIs this year capture the adverse effects of extraordinary market conditions, negative fund performance and significant institutional redemptions.

### Outperformance vs. benchmark – private investor %



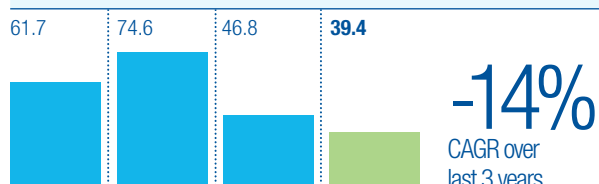
**Measures our ability to deliver superior long-term performance for private investors.** Returns for Man's flagship IP220 product compared to a benchmark represented by 100% Stark 300 Trader Index and 60% HFRI Fund of Funds Composite Index. Man IP220 is composed of allocations to the AHL Diversified Programme and Man Multi-Manager. 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 – Institutions %



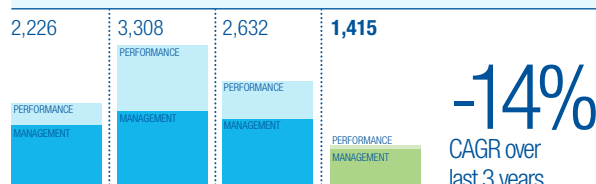
**Measures our ability to deliver superior long-term performance for institutions.** Returns for Man Four Seasons Strategies compared to the HFRI Fund of Funds Composite Index.

### Growth in funds under management (FUM)



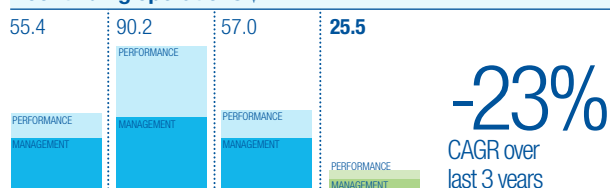
**Measures our ability to create products and portfolio solutions which are constantly attractive to new and existing investors, worldwide.** FUM decreased by 16% in the year. The principal drivers were net outflows in our institutional business and negative AHL investment performance.

### Growth in gross revenue plus income from affiliates \$m



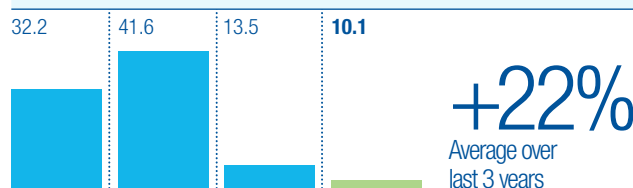
**Measures our ability to supply attractive products with margins and customer service levels that support our strong partnerships with intermediaries and institutions.** Gross revenue fell by 46% in the year, reflecting a 30% decline in gross management fee income in line with the fall in average FUM, and an 88% decline in gross performance fee income. Gross management fee margins were in line with the prior year.

### Growth in adjusted diluted earnings per share – continuing operations ¢



**Measures the overall efficiency and sustainability of our business model, for the benefit of our shareholders.** Adjusted diluted earnings per share declined by 55% in the year, reflecting the decrease in profits.

### Post tax return on shareholders' equity (ROE) %



**Measures the efficiency with which we invest or return our capital.** 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.

## Business Review

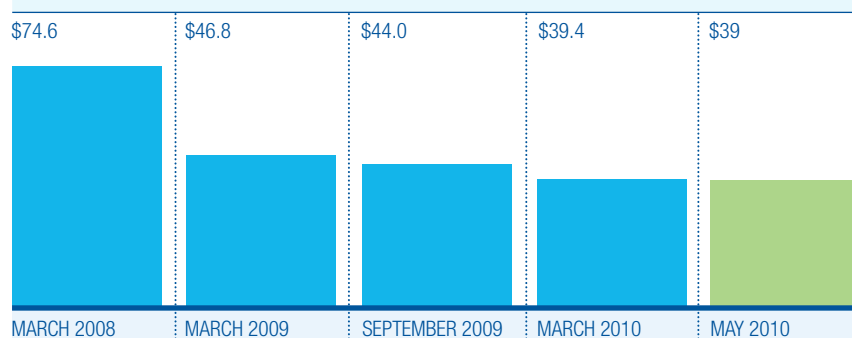
# Chief Executive's Review

*The last two years have seen a permanent change in the hedge fund landscape, with investors focused more than ever on transparency, governance and liquidity as well as performance. Man has taken decisive action to reflect these changes in our business – actions which were given added impetus by redemptions from institutions seeking liquidity and a period of negative performance at AHL. These factors led to a reduction in assets under management and a sizeable fall in profits in 2010, and mean that our expectations for 2011 remain measured.*

*We have restructured our Multi-Manager business around the transparency offered by managed accounts, built our global business in onshore regulated products and continued to invest in AHL. The result is a reshaped and rejuvenated Man. We have plenty still to do, but our position at the vanguard of industry change has deepened our competitive advantage. In May 2010, we announced the proposed acquisition of GLG Partners, Inc. in a transaction which gives Man high quality discretionary investment management capability in strategies with a low correlation to AHL. Broadening our range of diversified, liquid strategies for the benefit of our investors, the new business also provides a platform for the build out of further discretionary investment management styles. The hedge fund industry is primed for a new wave of allocations, and we are well placed to strengthen our position as an industry leader.*

### Funds under Management (FUM)

\$ billion



Following the liquidity and performance challenges of 2008 and early 2009, the last 12 months have been a time of consolidation and rebuilding for many hedge fund styles. While the overall trajectory was upward across a range of markets (in particular equities), the day-to-day picture was more complex. Markets rallied and reversed, with many oscillating in a narrow range, as confidence in the recovery was repeatedly tested.

At Man, assets stabilised at around \$39 billion in March 2010. In the first half of the financial year, strong sales reflected very positive managed futures performance in 2008. These were more than offset by institutional redemptions, as Man worked hard to maintain liquidity for institutional investors – a commitment which enhanced our reputation. In the second half of the financial year, weaker AHL performance adversely affected funds under management, with muted sales and reductions in product investment exposures.

Lower average assets over the period, \$42.6 billion compared to prior year \$65.1 billion, translated into lower net management fee income of \$463 million. Performance fees were modest at \$97 million, 27% of the prior year. The combined effect saw profits before tax and adjusting items of \$560 million, down from \$1.2 billion the previous year.

As we entered the new financial year, funds under management began to recover, AHL performance improved and we announced \$1.5 billion of new institutional mandates, which will be included in FUM over the coming months. Funds under management at 25 May are estimated at \$39 billion, broadly unchanged from \$39.4 billion at financial year end.

A sense of caution remains evident among institutional and private investors. The recovery in the hedge fund industry's assets under management was driven by performance rather than flows. Nevertheless, my frequent conversations with our investors, partners and peers lead me to believe that investor appetite for hedge fund investment is rebuilding, with high-end institutional investors in particular looking to reallocate to hedge funds. The two seminal investment management years of 2008 and 2009 have emphatically underscored the long term investment proposition of hedge funds: attractive diversifying returns, actively managed downside risk and lower levels of volatility. In order for the rationale of hedge fund investing to translate into allocations, new standards need to be achieved across the

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*This remains a period of significant opportunity in our industry and I believe that Man's business continues to benefit from an enduring competitive advantage, founded on performance over the mid to long term, powerful global distribution and structuring capability, financial strength and effective business management. We will continue to build patiently upon these foundations, with a strong expectation over the coming years that we will grow assets and market share.*



## Business Review Chief Executive's Review continued

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*Trading conditions for AHL improved notably in the run-up to year end, with AHL up around 5.4% in March. If sustained, we would expect continued positive AHL performance to be a significant catalyst for improved sales, unlocking the potential of a broad geographic range of opportunities currently in the pipeline.*

industry. Prerequisites are enhanced transparency, control of assets and flexibility in portfolios that translates into performance, along with demonstrable financial strength and business sustainability. There is also a genuine requirement for transparent, locally regulated product formats. Much of the activity this year at Man has been geared to meeting these expectations. I pay tribute to the significant effort from our employees across the firm to ensure we have adapted to address these evolving requirements, without losing focus on performance and client service.


### *AHL: challenging trading conditions; increased confidence*

The process of markets finding their feet through 2009 was a challenging one for managed futures managers such as AHL. Difficult trading conditions were driven by an unusual combination of factors, including central bank intervention and record government bond issuance, changing views on inflation and deflation, fluctuating risk appetite and conflicting commodity-related supply and demand signals. There were some more stable price trends from which AHL was able to profit over the period, notably in equities. The net effect however was negative, with AHL ending the financial year down 7.7%, with around three quarters of that loss the result of extreme moves in currencies, bonds and interest rates in the month of December.

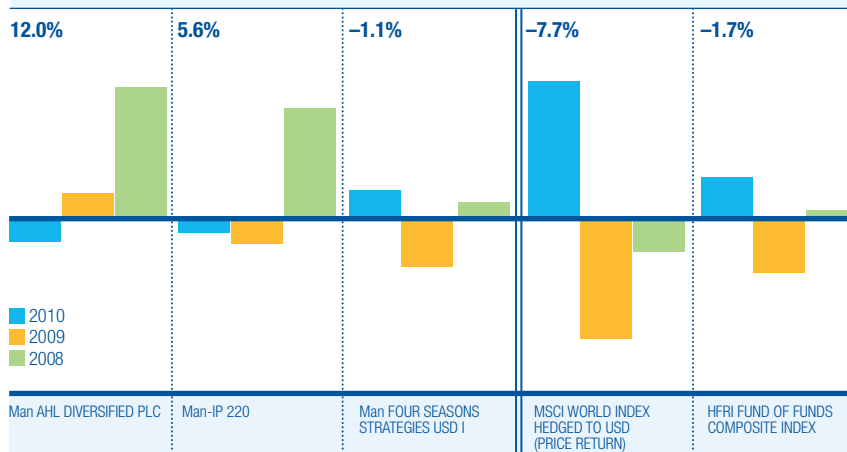
Trading conditions for managed futures improved notably in the run up to the end of the financial year, with AHL up around 3.5% in the calendar year to 17 May 2010. If sustained, we would expect positive AHL performance to

be a significant catalyst for improved sales, with the potential to open up a broad range of opportunities across the geographic spectrum.

AHL's impressive 20-year track record is interspersed with reversals and retrenchments, that managed futures strategies typically experience in periods of drawdown. We have always encouraged investors to look at AHL as a medium-term investment, with an average holding period for AHL-based products of at least three to five years. Over the medium and longer term, AHL provides attractive rates of return with a low correlation to other asset classes. For example, the three year annualised return to 31 March 2010 for Man AHL Diversified Plc, our largest fund, is up 12.0%, while world stocks (represented by MSCI World Stock Index) were down 7.7% over the same period. 

Our long-term investors continue to see real value in the diversification benefits that managed futures provide, and we are investing significantly in AHL's people and systems to ensure that we realise the full potential of this unique asset. AHL's research headcount has more than doubled in the last two years, and in March 2009 we opened a new trading desk in Hong Kong. In August 2009, both AHL's Oxford research laboratory and the co-located academic research institute moved to new premises to accommodate significantly enlarged teams. Partially as a result of our collaboration with Oxford University, we entered 2010 with a very rich research pipeline, applying AHL's trading methodology to a wider range of systematic strategies.  [PG 12](#)

### Annualised returns over three years



\$1.5BN

*New mandate wins  
which we will convert  
into FUM this year.*

### *Multi-manager: reconfigured proposition validated by new mandate wins*

Outside managed futures, other styles – notably credit, event driven and equity long/short – enjoyed positive rebounds from their 2008 lows. Our multi-manager business, with its emphasis on active management, generated good positive risk-adjusted returns. Our award-winning thematic offerings saw strong performance, most notably our Emerging Market Opportunities Fund (up 34% in calendar year 2009) and Energy Fund (up 9.5% in the same period).

Across our more diversified multi-manager offerings, we maintained a conservative stance in our overall positioning, seeking to protect investors from the many downside risks which persisted through 2009, with Man Four Seasons Strategies ending the financial year up 8.8%. In broad terms, our multi-manager portfolios underperformed the beta-driven markets of 2009, having outperformed in 2008, giving an annualised three year performance broadly in line with peer group, but with lower levels of volatility.

Having announced the planned re-configuration of our multi-manager business at the end of the previous financial year, we implemented this swiftly in the first quarter. By July, we had consolidated our broad multi-manager capabilities into a single business, enshrined risk management at the same organisational level as investment management and revalidated our investment process, testing our new business proposition with investors and advisers through the summer. In October the Fitch rating agency validated the new business by conferring on us an M2+ rating, the highest given any multi-manager business. In our last financial quarter we secured around \$1.5 billion of new mandate wins, including a notable cornerstone investment programme of up to \$1 billion with the Universities Superannuation Scheme, the UK's second largest private sector fund. These new mandates are expected to register as increased FUM over the coming months as the relevant investment management set ups are put in place.

The successful attraction of new mandates to the multi-manager business reflects significant use of managed accounts as a mechanism for efficiently accessing hedge fund alpha. Managed accounts have been high on the industry agenda throughout the last financial year and are a key component of our multi-manager offering. The multi-manager

business currently has over \$7 billion in managed account format, making Man one of the largest providers in the world. Man's unique managed account proposition is built upon our experience, independence and portfolio construction and structuring capabilities. Our multi-disciplinary teams engage closely with investors and their advisers to understand their specific investment needs and are able to design relevant investment solutions for them. These core skills have been instrumental in securing our new mandates and in delivering our strategic objective of creating attractive investment solutions for new and existing investors, worldwide.

There is a strong forward pipeline of prospects across geographies, typically from sophisticated institutions with developed views on underlying hedge fund strategies who have moved beyond conventional diversified fund-of-fund or style fund based offerings. We believe that these institutions represent an important market segment. Investors in the earlier stages of bringing hedge funds into their portfolios or with fewer dedicated internal hedge fund resources will continue to value a more packaged approach. By addressing the needs of both segments, we will rebuild the scale and profitability of our Multi-Manager business. → PG 14

### *Onshore momentum from investors and regulators*

Over the year, we continued to expand our onshore product range to serve the strong investor demand for liquid, regulated investment products (mainly from private investors, but with some institutional interest, notably in Europe) and to access new markets worldwide. Onshore regulated products form the vast bulk of our open-ended offering, which dominated private investor sales over the last financial year.

Man is part of a small group of alternative asset managers who have cultivated strong partnerships with investors, intermediaries, regulators and others over many years. These partnerships enable us to raise assets onshore, as well as internationally. Over the period we launched two new AHL UCITS funds in Europe, one designed specifically for the UK market. Other initiatives include a Europe-wide equity long/short fund; further onshore Australian and Canadian products; a pioneering onshore Brazilian product; and a ground-breaking fund of futures fund in Taiwan. In practice, Man has been significantly ahead of the industry in onshore markets for some time – providing portfolios to meet

## *Q&A with Peter Clarke*

A comprehensive question and answer session can be found on the Man Group Online Annual Report.

→ [www.mangroupplc.com](http://www.mangroupplc.com)





## Business Review

### Chief Executive's Review continued

exacting local regulatory standards and investor requirements without compromising the value of the underlying investment proposition. Examples include Man AHL Diversified Futures Limited – our \$1.4 billion regulated onshore Hong Kong futures fund which was first approved for public distribution in 1998. The launch of new onshore, regulated products brings access to diversified, risk adjusted hedge fund returns to a broader market, and presents opportunities to expand our investor base. ①

#### Regulatory expertise and capital strength

The real momentum for onshore, regulated solutions is a combination of investor 'pull' and regulatory 'push'. The need for our industry to be well regulated, transparent and investor friendly is one we have consistently championed. Our experience, scale and resources enable us to secure our position as a leader in risk management and governance. The significant international debate around regulatory policy which has characterised much of the year is, of course, ongoing. After a flurry of initial consultations and in some cases relatively hurried draft legislation, the process of refining the proposed measures into directives which are practical, competitive and above all in the best interests of investors has been arduous. Maintaining global consensus has proved challenging with a consequent risk of emerging regionalised approaches which are fragmented and inconsistent. What is evident is that the overwhelming regulatory momentum at market, manager and product level is for an industry which is robust, open and with a maturity in approach and stature consistent with its important role in global markets.

Man has for a long time been both transparent and regulated – as befits our UK-listed status – and we have the expertise, relationships and

infrastructure to adapt and operate successfully in virtually any likely policy outcome. ②

Our financial strength gives confidence to our regulators as well as to investors and counterparties. We ended the period with a regulatory capital surplus of \$1.5 billion and net cash balances of \$1.7 billion and we have continued to exercise financial discipline in cost management and in the targeted use of our balance sheet to support key business lines. Our capital resources positioned us strongly to address opportunities in our industry and invest further in our business. ③

Demand for greater access to hedge fund exposure which is liquid, onshore and transparent has been a significant driver in our strategy to broaden the sources of return we offer our investors. I commented throughout the year on our appetite in particular for the equity long/short styles and related discretionary investment management adjacencies. Besides the complementary characteristics of equity and equity long/short with AHL (in terms of low correlation), these are clearly styles which are well suited to existing onshore formats and an effective bridge to wider mass affluent audiences.

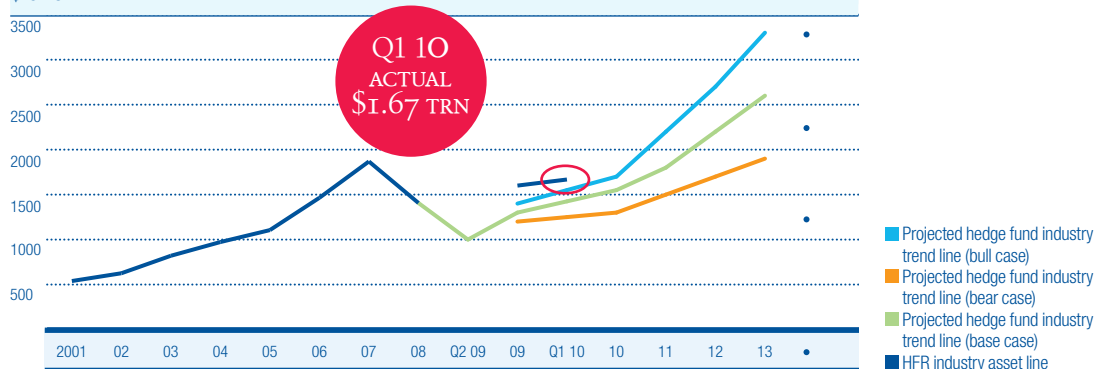
On 17 May 2010 we announced the proposed acquisition of GLG, a leading global multi-strategy investment manager with around \$24 billion in FUM and a low style correlation to managed futures. In putting our capital to work in this powerful transaction, we are squarely delivering on our strategy and GLG is an excellent fit. More detail on the proposed transaction is set out in the Chairman's Review and commentary on the potential financial effects of the transaction are included in the post balance sheet event note in the Financial Statements.

#### Outlook

The hedge fund industry as a whole has regained momentum and there is genuine potential for a new wave of asset growth. Base case industry estimates of \$2.6 trillion in industry assets by the end of 2013 look ambitious, but achievable. There are two key drivers. Firstly, the prospect of significant institutional allocations, with confidence and trust returning, in tandem with greater appreciation of the role different hedge fund strategies can play in addressing longstanding structural challenges such as liability mismatches. Secondly, a more general shift in the mass affluent markets to a similar understanding of the benefits of hedge fund techniques – namely more active management of downside risk and more varied ways of capturing upside potential – which then translates into an appetite for intuitive and accessible formats.

**We start the year with an asset base at a much lower level than prior years and with modest expectations on performance fees, given the 2009 AHL drawdown. However, we have entered a period of significant opportunity in our industry and I believe that Man's business continues to benefit from a strong competitive position, founded on performance over the mid to long-term, powerful global distribution and structuring capability, financial strength and effective business management. Our proposed acquisition of GLG will further strengthen our competitive position and Man will continue to build upon these foundations, with a strong expectation over the coming years that we will grow assets and market share. ④**

**Graph 2 – Potential for industry growth**  
\$ billion



## Key achievements in 2010

Launched Man Multi-Manager, an integrated hedge fund management business.

Expanded Man's managed accounts platform, with over \$7 billion of FUM now in managed account format.

Doubled AHL's research resources and opened a new trading desk in Hong Kong.

Launched onshore regulated products in Europe, Asia and the Americas.

## Strategic priorities for 2011

Harness new single manager content by executing on acquisitions/stakes. → PG 02

Invest in AHL to ensure we capture the programme's full potential. → PG 12

Maximise Man Multi-Manager by rebuilding scale and profitability. → PG 14

Deepen our Distribution reach, specifically in regulated onshore markets and across institutions worldwide. → PG 18

Maintain focus on efficiency by continually evaluating our cost base.



### **Our ability to deliver these priorities is dependent above all on our people.**

Ambition, entrepreneurialism, integrity, open communication and collaboration are the defining qualities of Man's culture. Together with my management team, I am committed to continuing to attract talent to the firm, incentivising people appropriately and giving them opportunities to grow. In my frequent visits to Man offices worldwide, I am constantly impressed by the level of engagement our people show. I am confident that we have the right people to take advantage of the opportunities that lie ahead and deliver on our strategic priorities for the benefit of our investors.

## Business Review

# Investment Management – AHL

*After a very successful 2008, last year proved to be a much more challenging trading environment for the trend following community.*

At AHL, we gave back a small part of our 2009 financial year gains in the course of the FY 2010. Early in the 2009 financial year a number of strong trends developed, most notably the rise in oil prices to over \$140 per barrel and the subsequent steep fall, but a lack of clear trends in FY 2010 made trading difficult. At 31 March 2010, AHL was 12.9% below its high watermark for earning performance fee income.

Trading conditions were particularly difficult in the bond sector, with energy and agricultural markets also generating losses. Despite the broadly unfavourable market environment in 2009, AHL did find opportunities within equities, interest rate and credit markets which helped offset some of the losses incurred from other sectors.

Negative performance is always disappointing. However, given the volatility level targeted by AHL, it is to be expected that drawdowns like that of 2009 will be encountered at times.

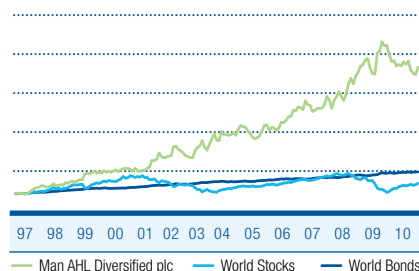
The magnitude of last year's losses is commensurate with the types of drawdowns AHL has experienced in the past and is also well within statistical expectations.

We encourage investors to look at AHL as at least a three to five year investment, over which time frame managed futures has consistently delivered superior, uncorrelated returns compared to traditional equity classes. The two-year period which encompasses the credit crisis is a case in point. Over 2008 and 2009, AHL Diversified plc returned +10.7%, compared to -22.0% for the MSCI World Stocks Index. The ability to generate a positive return during one of the greatest financial crises in over 50 years reinforces the diversification benefits AHL offers to investors.

**Investment in research & technology**  
Driving AHL's excellent long-term returns is a world class research team and advanced trading infrastructure, which saw continued

### Performance Comparison

31 March 1996 – 31 March 2010



significant investment and development throughout the course of 2009. 15 people were added to AHL's research team, following the 27 new hires in 2008. AHL's research team now numbers 73, out of a total team of 116, which is one of the largest research teams in the managed futures industry. With this larger resource comes a richer research pipeline, and in 2008 and 2009 AHL made significant trading model developments, some of which are in the process of being deployed into client programmes.

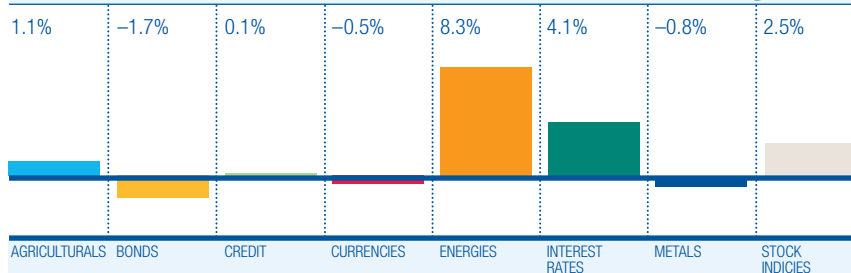
Current research areas include developing new momentum predictors to enhance the quality of our signals. A new suite of momentum models using a predictor/optimiser framework has been rolled out and will receive an increased portfolio allocation in the coming months. The use of fundamental data is also being researched, which gives AHL a richer information set to advise trades whilst providing a source of uncorrelated returns.

All new trading ideas are extensively researched and rigorously tested before being introduced into client trading. As new strategies successfully transition into the final stages of development, one of the final checks is to test them in live trading with proprietary capital. This is a prerequisite before any strategy can trade with client capital, ensuring that only the very best trading ideas are deployed in clients' accounts.

AHL's pursuit of research excellence is shown more publicly by our unique collaboration with the University of Oxford, which continues to expand and develop. Currently there are 10 full time AHL researchers based at the Man Research Laboratory (MRL) co-located within the Oxford-Man Institute of Quantitative Finance (OMI). In 2009 the OMI held over 100 seminars, conferences and workshops presented by world leading academics. These seminars and the co-location of the MRL in the

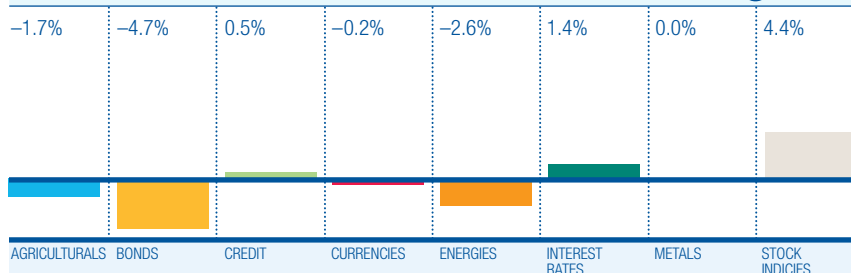
### Financial Year 2009 Attribution Analysis

Total return **13.1%**



### Financial Year 2010 Attribution Analysis

Total return **-3.0%**



same purpose designed building have raised AHL's profile within the academic world and provided us with unique access to leading scholars across a range of disciplines. As a result, we often gain very early exposure to the latest academic developments before they reach open publication. Our close links with the University have also afforded us the opportunity to recruit many of the best and brightest graduates into AHL. 🍀

All of AHL's research areas are now represented in the MRL, with specialists particularly in the areas of automated trade execution and trading model development working jointly with their counterparts in our London office. Extensive work has been devoted to developing adaptive trade execution algorithms, and these have been deployed in 80 or so of the markets AHL trades, leading to significantly reduced transaction costs. Over the last year a major research project spanning both our London and Oxford offices was undertaken. The output of this is the next generation of

systematic trading models, which are just entering our client portfolios. As a measure of the success of our Oxford initiative, in August 2009 both the OMI and MRL moved into larger shared premises.

Like the MRL, AHL's trade execution desk in Hong Kong continued to expand in 2009. The presence in Hong Kong enables AHL's execution traders and researchers to build stronger relationships with broker counterparties in the region, which has led to significant enhancements to our execution throughout the Asia region's markets. It also puts AHL in a strong strategic position to capitalise on innovations in Asian markets. 🍀

Investment in technology is an integral component of AHL's success, and several advances were made during the last financial year. Trading systems were upgraded and moved into a state-of-the-art global data centre located outside of London, while research computing facilities were increased three-fold. In addition, significant investments were made

to improve AHL's research technology, which have resulted in the faster delivery of new strategies. All of these advancements have increased the robustness and resilience of AHL's infrastructure, which is integral to the continued operational efficiency of AHL.

### Looking to the future

AHL will continue to invest in its resources and capabilities by hiring outstanding people across multiple geographic locations and further developing our research, trading and technology infrastructure. Our continuous investments in research, technology and our people have been key components in driving AHL forward over the past two decades. These factors and the considerable recent improvements to our trading programmes demonstrate how we continue to lead innovation in the managed futures industry and will go a long way to securing our continued success in the years ahead.

## AHL explained



Tim Wong  
CEO, AHL

AHL is a world-leading managed futures manager, with assets under management totalling \$21 billion and over 20 years of trading experience.

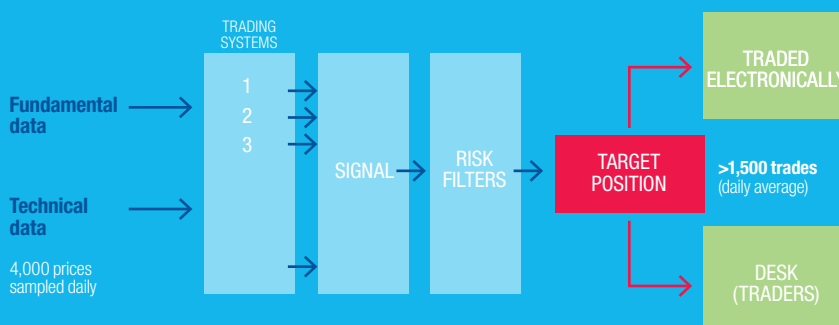
Investment decisions are 100% systematic, with systems sampling over 4,000 prices daily in order to identify and profit from trends across a broad range of sectors, including currencies, bonds, stocks, energies, interest rates, metals, agriculturals and credit. This high degree of diversification means that the allocation to each position is small, which helps to control risk within portfolios.

Risk control is of paramount importance, with portfolios targeting a level of volatility rather than return. Risk is controlled in real-time by a

dynamic volatility process applied across all positions, which reduces position sizes as volatility increases and vice versa. In addition a variety of risk measures such as VaR, stress testing and leverage are monitored daily to ensure portfolios stay within pre-defined limits.

Trades are executed either electronically using AHL's proprietary trade execution platform or by the 21 strong team of non-discretionary execution traders. On average around 1,500 trades are executed daily using a network of over 60 executing brokers. 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.

### Systematic trading process



## Business Review

# Investment Management – Multi-Manager

*In March 2009 Man announced the launch of Man Multi-Manager – an integrated hedge fund management business with a strengthened investment proposition.*

Man Multi-Manager was designed to fulfil two clear strategic objectives.

- 1) To launch an integrated investment management business, combining the strengths of Man's three multi-strategy operations – Glenwood, MGS and RMF.
- 2) To expand Man's managed account (MAC) platform and make this core component of Man's product offering available to a wider range of private and institutional investors.

By July 2009 the integrated business had become operational, with a new organisational structure and enhanced investment process in place to meet the evolving requirements of our investors.

In October, Fitch Ratings assigned Man's Multi-Manager business an 'M2+' rating, the highest ranking achieved by a fund of hedge fund group.

Man Multi-Manager has attracted significant interest from investors and has a growing pipeline of new mandates. In our last financial quarter, we secured around \$1.5 billion of new mandate wins.

### Investment strategy

Man Multi-Manager is founded on the core proposition that long-term investment success comes from achieving the right balance between uncovering opportunities and managing risk. We seek to add value through the full market cycle, relying on the deep experience of our senior investment professionals, asset allocation, bottom-up research, and active portfolio management. Our aim is to provide investors with attractive long-term, risk-adjusted returns, achieved through controlled risk-taking across multiple portfolio dimensions, with a focus on downside deviation. Our investment philosophy combines a structured, process-driven approach with qualitative judgement and agility, counterbalanced by various risk controls and quantitative analysis.

The Multi-Manager business has one of the largest hedge fund research teams in the industry with analysts averaging 13 years of investment experience based in Chicago, London, New York, Singapore and Switzerland. The selection process is supported by a proprietary software application which serves as a central information repository to create a structured, consistent approach across all research stages. Drawing on a broad network of industry contacts, the hedge fund research team identifies high-calibre managers with the ability to generate alpha on a consistent basis. The team establishes contact with about 300-400 managers each year as part of their new manager sourcing efforts, and maintains an approved list of over 150 managers, around half of which are allocated through managed accounts. 

### Managed accounts

For more than 12 years, Man has built its managed account capabilities as an investor. This is a key differentiator to the flow-driven business of competing providers.

MACs are a separate legal entity, owned by the investor, in which the hedge fund manager's involvement is restricted to the role of investment advisor, with third party service providers performing the operational and custodial duties. In addition to greater control of assets and transparency, MACs enable investment policy and risk guidelines to be framed to meet the needs of individual investors. Furthermore, enhanced terms of engagement may include preferential liquidity, authority limits and special termination clauses relative to the 'master' fund on which the MAC is based. Consequently, there are numerous benefits to institutional investors in choosing a partner with deeply established MAC capabilities.

Man uses MACs as part of our broader investment strategy, only investing with managers where the strategy and terms will contribute positively to Man's overall portfolio

management capabilities. Man's strong investment brand and global scale provide significant competitive advantage when negotiating for scarce MAC capacity. During the course of the 2009/10 financial year the Multi-Manager business launched 28 new MACs and by March 2010 had over \$7 billion run across 74 accounts.

Man's managed account offering is


- Investment led: resulting in high quality of approved managers and low levels of tracking error
- Independent: allowing best in class third party service providers to be selected by Man's operational and risk specialists
- Scalable: the resources available across Man allow investors a full breadth of investment strategy and access choice

The successful expansion of Man's MAC capabilities as part of an integrated Multi-Manager business has allowed us to deliver investment solutions with transparent access to a broader range of private and institutional investors. 

### Client offering

The Multi-Manager business provides a comprehensive client offering, a range of advisory solutions and support services tailored to meet specific investor requirements.

Both private and institutional investors are able to allocate to 'off-the-shelf' portfolios, such as Man Transparency, that allocate capital to a selection of managed accounts which is actively managed according to Man's strategic and tactical asset allocation process. Investors receive detailed risk reporting on aggregated exposures, daily estimates, weekly performance statistics and monthly liquidity.

Institutional investors have the additional flexibility of allocating to customised portfolios designed to meet their specific risk/return objectives and the structuring requirements of regional markets, both onshore and offshore. These bespoke portfolios can also be created for investors that want the ability to co-manage by having input into asset allocation and manager selection decisions, while benefiting from Man's infrastructure, industry knowledge and risk insight. These tailor-made advisory solutions are becoming the model of choice in local markets ranging from Italy and Germany in Europe to Korea and Taiwan in Asia. Products can be built to meet cross border and local regulations such as UCITS III. 



66

*The multi-manager business provides a comprehensive client offering, from ready-made portfolios through customised solutions to direct access to Man's managed accounts infrastructure.*



#### Multi-Manager Benchmarks: Performance to 31 March 2010

Product Type		Annualised Returns		Risk (3 years)	
		3 years	5 years	Annualised Volatility	Worst Drawdown
Highly Diversified	Man Four Seasons Strategies	-1.1%	2.8%	6.6%	-18.1%
Diversified	Man Dynamic Selection	3.8%	6.0%	6.4%	-9.5%
Thematic	Man Commodity Strategies	2.2%	9.2%	6.5%	-10.5%
Structured product	Man IP220 USD-class bonds	5.7%	7.7%	17.4%	20.8%
World Stocks	MSCI World Total Return Index	-7.7%	1.0%	22.2%	-53.6%
Hedge Fund Industry	HFRI Funds of Funds Composite Index	-1.7%	2.9%	7.7%	-22.2%
	HFRX Investable Global Hedge Fund Index	-3.2%	0.9%	8.9%	-25.2%

A further level of customisation has been developed over the course of 2009–10 to provide large, sophisticated institutional investors with direct access to Man's managed account infrastructure and experience. In January 2010 Man was selected by the Universities Superannuation Scheme (USS), the UK's second largest private-sector fund, as the preferred provider for a mandate that could potentially reach around \$1 billion. → PG 20

#### Risk management

Risk management is a pervading culture rather than simply a component of the investment process. Man's significant resource dedicated to the function drives our ability to deliver transparency, liquidity and control to investors.

We take a holistic approach to risk management, which is applied to our market, credit, liquidity, financial and operational risks throughout the multi-manager business. Risk management is fully integrated into the investment process with dedicated teams working together to ensure a structured approach at all levels. Risk Management's reporting lines are completely independent from investment management.

One of the factors in successfully enhancing the transparency our investors receive has been thorough risk reporting. We seek to provide investors with a clear picture on the

fundamental questions surrounding their investments

- Return information and attribution – what are the sources of returns?
- Risk information and attribution – what are the sources of risks?
- Time Perspective – what is the current level, its monthly change and its history?

#### Active portfolio management and performance

All portfolios are structured to optimise returns for the level of risk taken across the market cycle and to limit potential downside during adverse market conditions. Portfolios are constructed to three specific mandates

- 1) Discretionary portfolios
- 2) Guided asset allocation
- 3) Structured products.

Over the course of the year the Man Multi-Manager has delivered performance in line with its targeted low-beta, diversified approach. In general this approach saw it underperform in the beta-driven markets of 2009 but outperform in 2008, giving an annualised three year performance in line with its peer group, but with lower levels of volatility.

Our dedication to research and portfolio management across all hedge fund styles has meant that thematic portfolios have delivered strong performance, with the Emerging Market Opportunities Fund and the Energy Fund recently winning industry awards.

① **John Rowsell**  
Managing Director – Man Multi-Manager

② **Herbert Item**  
Chief Investment Officer – Man Multi-Manager

## Business Review

# Industry Trends and Competitive Environment

## Transitioning back to growth – the industry positions for a second wave of allocations.

### Performance-led recovery for the industry as a whole

From a funds under management (FUM) low point of around \$1.3 trillion at the end of March 2009, the industry began a sustained, performance-led recovery to end March 2010 with FUM of \$1.67 trillion.

Over the period, the industry saw net outflows of around \$14 billion, but was able to regenerate momentum through performance. The return of liquidity and counterparty confidence to the markets enabled managers across many styles to record strong performances in 2009. Fund of fund index performance was up 11.5% over calendar year 2009, with notable style contributions from equity long/short (+24.5%) and event driven (+25.0%).

Into 2010, the picture has been more mixed, as a differentiated recovery continues. The dispersion trade is now firmly centre stage as managers across styles look to exploit differentials between corporates, commodities, currencies and nation states. Investors are showing preferences for styles which are nimble, pragmatic and liquid. Equity hedge and event driven were the main beneficiaries of calendar first quarter 2010 flows.

Our own research into hedge fund managers' trading activities over the last year has shown

that returns have been generated across a wide range of positions, sectors and regions with no single theme dominating aggregate risk exposures in our multi-manager portfolios. There has been no one-way beta bet on the equity market rally, or sovereign default, and some of the best performing strategies have constructively and methodically sought out undervalued securities or arbitrated mispricings. In a post crisis and more normally functioning market, experienced managers have maintained overall lower gross exposures and modest long to net neutral positions. With the retrenchment of bank's trading desks and fewer peers for competition, there are fewer market participants to trade greater opportunities.

Not all funds have shared equally in the recovery. By the end of 2009, an estimated 2,000 funds had liquidated since the inception of the financial crisis. There has been a shake-out, with pre-2008 industry participants now in three groups.

- Those that have not made the grade
- Those who benefited from a performance lifeline, but remain under-prepared for the changed investment landscape
- A select group of firms who are able to demonstrate multiple year track records, institutional quality infrastructure and the confidence of counterparties and regulators.

It is notable that the bulk of inflows in the first three months of 2010 were concentrated with firms greater than \$5 billion (5.1% of all funds), which now manage over 62% of industry capital.

### The benefit of perspective and the early signs of a second 'wave' of hedge fund allocations

Above all, recent events have enabled investors to put 2008 performance into perspective and have decisively re-affirmed the defining characteristic of hedge fund investing: to take advantage of multi-directional market opportunities, while actively managing downside risk.

On a three year annualised basis until the end of March 2010, fund of hedge fund index performance is down 1.7% with an annualised volatility of 7.7%, while world stocks are down 7.7% with an annualised volatility of 19.6%. The picture is stronger still for individual styles. Over the same period, AHL, as a leading exponent of the managed futures style, is up 12% with an annualised volatility of 16.5% and with a correlation to world stocks of -0.25 over three years.

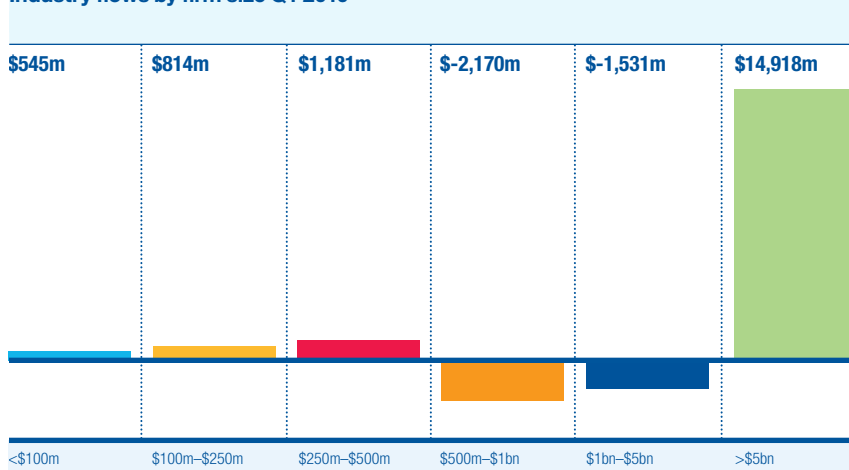
For private investors looking at portfolio diversification and newly mindful of stock market volatility, as much as for pension schemes, insurance companies and university endowments looking at longer term liabilities and funding gaps, the compelling nature of the risk/return profile of hedge fund styles and hedge fund investing techniques is beginning to drive renewed interest. Throughout the period, survey evidence has underscored this. For example, in February 2010, 80% of North American investment consultants, representing around \$5.6 trillion of assets under management, predicted strong or moderate search activity in relation to hedge funds and fund of funds.

We have begun to see this trend underscored by allocations. Man itself towards the end of the period announced \$1.5 billion in new investment mandates from institutions seeking to marry a conviction view on hedge funds, with the benefits of Man's managed account platform.

### Building trust and confidence to unlock allocations


For investors to re-engage with the asset class, it is clear that they need to develop similar levels of trust and confidence in allocating to hedge fund styles as they have in allocating to more traditional investments in equities and bonds.

Industry flows by firm size Q1 2010



Key to generating and maintaining this trust and confidence are:

- Enhanced transparency
- Security of assets
- Control and flexibility in portfolios (often with high levels of liquidity)
- Well understood and locally regulated product formats
- Demonstrable financial strength
- Business sustainability on the part of managers

Managed accounts have been a key tool in delivering the first three of these and the focus of significant industry commentary throughout the year. Man's managed accounts offering is investment led, independent and scaleable, and positions us well to benefit from industry-wide increases in FUM in MAC format. 

→ PG 14

Providing hedge fund investment exposures in established formats and brands familiar to investors from their more traditional investment allocations has been a further much publicised theme over the period.

UCITS, a pan European regulated product format with a global market size of around \$7 trillion, has been a particular focus for commentary. While much of the media focus has been on UCITS, in practice 'onshoreisation' of hedge fund content is a global phenomenon. Man's worldwide local presence positions us well, as new territories develop frameworks to allow a wider audience to access hedge fund benefits.  → PG 20

### *An industry which is transparent, regulated, and investor friendly*

In parallel to renewed investor momentum behind the institutionalisation of the asset class, regulators too have been looking to put hedge funds on the same footing as more traditional asset management businesses.

### *Transparency on hedge fund activity*

First and foremost and in a move which mirrors investor requirements for greater transparency, regulators have sought increased disclosures on hedge fund activities and operations. Regulators have sought more and more co-ordinated information on trading activity, for example the information sharing arrangements announced in 2009 by the UK and US regulators.

Man has participated in the UK FSA's hedge fund survey since inception and welcomes the moves to co-ordinate information-gathering around the world. Consistent standards in this area will increase regulator understanding whilst mitigating the operational and compliance cost for managers. We believe that the enhanced levels of manager regulation and transparency will place a premium on operational strength and experience.

### *Regulating hedge fund managers*

At the global, regional and individual country level there has also been an increased call for more uniform regulation of hedge fund managers with recent examples including G20 Communiqués, the European proposals for an Alternative Investment Fund Manager Directive (AIFMD) and the US draft bills on financial sector reform. We have also seen an increased focus on internal governance (for example, the UK's Walker Review).

As a long-standing listed entity, Man Group has followed the highest standards of corporate governance for many years. We welcome proportionate and considered regulation. We have operated through regulated management entities in a number of jurisdictions for many years, and welcome increased co-ordination in the regulation of managers across different jurisdictions.

### *Trading centralised and on-exchange*


The financial crisis and collapse of Lehman saw a renewed focus on trading, particularly in relation to OTC derivatives. Concerns were raised most notably regarding transparency and the lack of centralised clearing. We have now seen proposed legislation in the US, with the EU soon to follow, regarding moves towards on-exchange trading and centralised clearing – developments which could provide benefits to market participants, provided the details are worked out effectively. This will place a premium on the operational capability to match the complexities of any new regulations.

### *The challenge of co-ordinating regulatory initiatives and the impact of adjacent legislative proposals*

There have been examples over the period of differing regional approaches to similar policy challenges. April 2010's G20 Communiqué reaffirmed the importance of international co-ordination, if the policy approach to a global industry like hedge funds is to be effective.

The regulation of hedge funds takes place within a much broader regulatory context, with notable focus on the banking industry. Proposals include enhanced regulatory capital rules and the introduction of banking taxes and levies. It is important that these measures do not penalise hedge fund managers, impose disproportionate burdens on them, nor crucially confuse the role of asset managers with that of banks.

### *A new era of asset management*

The past year has done much to restore the performance credentials for hedge funds over the medium term. There is an increasing recognition that different hedge fund styles have varying performance, volatility and liquidity characteristics, but that the common thread is a revitalised, sophisticated approach to the markets, which is built around a managed approach to risk. Momentum is building for hedge funds to earn a place in every investor's portfolio. 

Becoming widely accepted modern asset managers by meeting the expectations and requirements of investors and regulators in multiple jurisdictions around the world represents both a challenge and a tremendous opportunity for the hedge fund community.



1 Stephen Ross  
General Counsel

2 Robert Aitken  
Head of Compliance

## Business Review

# Growing our Investor Base

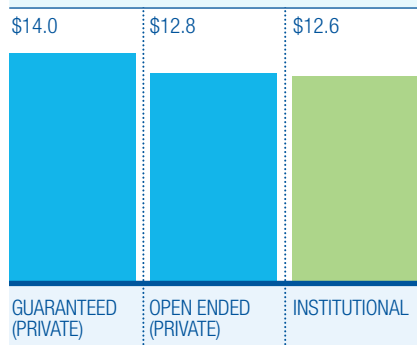
*In the aftermath of the global financial crisis investors and their advisors have become extremely cautious. As a consequence, the credibility of counterparties has been called into question and their conduct during the crisis has become the subject of intense scrutiny.*

“

*Our business is about identifying the right solution for each market and client segment so as to meet their relevant needs in an effective manner. Our locally focussed approach and the ability to recognise the long term potential of fledgling markets, allied with our world class product structuring and dedication to client servicing, position us well to expand both our investor base and assets under management.*

**Christoph Möller**  
Global Head of Sales

**Funds under Management (FUM)**  
\$ billion




Man has been far from immune to the effects of the financial crisis, but has emerged with its strong investment brand intact. We worked hard to maintain liquidity for our clients, and to sustain close relationships with excellent client service and proactive communication. Man has the experience, financial strength, infrastructure and scale to take advantage of the new opportunities that have arisen as a by-product of the crisis and the ensuing industry consolidation. We are confident that the manner in which we have reacted to the crisis, the way the business is positioned, our ability to deliver the right products and our international sales presence will result in significant asset growth.

### Private investor trends

While Man's guaranteed products proved to be generally robust throughout the crisis, this was not necessarily the case across the industry as a whole. As a consequence, market perception has been tarnished. With time, we expect to see renewed demand for robustly structured products from reputable providers, but the current appetite remains muted.

By contrast, the sale of open-ended products has proved much more encouraging. Given difficult trading conditions for CTAs (Commodity Trading Advisors), AHL sales slowed down in the second half of the year. However, there are experienced investors who appreciate that previous drawdowns have provided attractive entry points and the outlook for fund inflows is improving.

Continuous active dialogue with our clients is crucial to building and maintaining relationships and our extensive global presence remains key to our success. The ability to respond promptly – in local market hours – fosters closer working relationships with our partners. Our sales force backed by experienced in-house client service teams – 600 people in total worldwide – are in

constant contact with existing and potential clients. In Japan for example, up to 100 product seminars are conducted prior to a product launch, and around 200 performance reporting sessions are run every year. This is a resource-intensive but differentiated approach. 

Conducting business locally provides us with a good feeling for the individual needs of regional investors, which is important when one considers the significant increase in demand for onshore regulated formats. This, coupled with the depth of Man's structuring experience and execution capabilities, means that we are well placed to benefit from the expansion of this sector. While Man has a long track record of reaching onshore markets, including areas such as Japan, Australia, Canada, Switzerland and Hong Kong, the new wave of 'onshorisation' has been significant and we are well placed to participate.

There are numerous initiatives in this area. We have been able to deliver AHL in a UCITS format which opens up exciting new market opportunities for us in Europe and beyond, given the international recognition afforded to this format. We are also launching a European focused long/short equity product and have others in the pipeline. UCITS has meaningfully opened up the UK onshore market to us and we have other lucrative onshore jurisdictions firmly within our sights. We were also recently the first company to launch an onshore regulated investment fund in Taiwan. Additionally, we have been able to reach the Brazilian onshore market through a product launched with local partners and, having been briefly sidelined due to regulatory changes, we have re-established a firm foothold in the potentially lucrative mass retail market in Canada. New structures are also in place to tap segments of the Australian onshore market which are not already covered.

The onshore market usually means moving out of the private placement space and into the mainstream retail arena, where barriers to entry are high and there are complexities surrounding product structures, such as the need to provide stipulated liquidity terms. A comprehensive level of pre and post sale client service is also required. The core attributes at the nucleus of the Man business model mean that we are ideally placed to overcome such obstacles and establish a competitive presence in this fast-moving market segment.





**Christoph Möller**, Global Head of Sales

### *Institutional trends*

Increasing investor appetite for managed accounts (MACs) has been a dominant feature in our institutional business in the last year. By virtue of Man's long-standing industry presence and excellent reputation, the business continues to benefit from a strong negotiating position in securing scarce capacity and MAC agreements. Throughout the year, Man has focused on the ongoing development of its MAC capabilities while continuing to adhere to a 'quality over quantity' philosophy. 📈

In addition to concerns over transparency, the 12 month period has been one in which institutional investors have increasingly focused on the mechanics of investment. Man is singularly placed to add value in respect of more sophisticated reporting and the delivery of educational materials through its exceptional resources in quantitative analysis, risk management and client service.

In terms of strategic developments, it has been a busy period, with a number of new initiatives and developments having already borne fruit while others will promote future asset-gathering. In Europe, Man formed a strategic alliance with Credit Suisse, which harnesses our investment management experience while utilising Credit Suisse's knowledge of their clients' structuring requirements and financing expertise. Man has also sought to cement its position in the US with new senior appointments taking responsibility for institutional sales and private clients. In Japan, we have been successful with single manager distribution to institutions, particularly pension funds. Beyond Japan, Asia is seen as a largely untapped market for providers of alternative investments and considerable energy has been devoted to a series of events in Hong Kong, Singapore and Korea, where opportunities in managed futures, equity long/short and distressed strategies were highlighted. Man ends the year with \$1.5 billion of new institutional mandates, which are to be included in funds under management in the coming quarters.

## *New market case study: How Man was first into Taiwan*



On 10 August 2009 Man, together with its strategic partner Cathay Securities Investment Trust, launched the first fund of futures funds to retail investors in Taiwan – known as the Cathay-Man Fund. This followed almost two years of intensive work with both Cathay and the Securities and Futures Bureau (SFB) to structure a fund which would comply with new futures fund regulations.

In accordance with those regulations, the structure of the Cathay-Man Fund had to be an onshore New Taiwan dollar denominated trust that must invest in five or more publicly available futures funds.

As Man has offered AHL funds to retail investors in jurisdictions such as Hong Kong, Australia, New Zealand, Ireland, Guernsey and Japan since 1996 we were in a unique position to be able to structure the Cathay-Man Fund to comply with these regulations.

Working in conjunction with Cathay in discussions with the regulator, Man played an important role in explaining AHL, including the use of leverage, risk management and extensive support infrastructure. Given that discussions took place with the global financial crisis as their backdrop, the regulator needed to be provided with commensurate levels of comfort to allay investor concerns.

The Cathay-Man Fund has been distributed through Cathay's extensive distribution network and was also supported by securities companies, retail banks and insurance companies. Extensive training was provided to all these distribution channels as most had not had any previous dealings with Man products.

The Cathay-Man Fund was the first fund of futures funds to be approved under the new regulations allowing onshore distribution to retail investors and it generated a great deal of interest in the media, as well as from financial intermediaries. At the end of the initial two week offer period, subscriptions of \$163 million had been received by Cathay.

The fund has provided Man with an opportunity to work with a new strategic partner in Taiwan and provide retail investors with access to the AHL Diversified Programme. We were delighted with the success of this first onshore product in Taiwan and look forward to further co-operation with our new strategic partner in this country. 📈

**For a video interview with Tim Rainsford, Head of Sales ex. Japan**  
→ [www.mangroupplc.com](http://www.mangroupplc.com)

**\$163M**

*The Cathay-Man Fund  
raised over \$160 million  
in 10 days.*



Business Review

## Investor Solutions

*Man has one of the most extensive ranges of alternative investment products and solutions in the world, with expertise to tailor to a wide range of client needs. Here are some of this year's most significant developments.*

### US – tailored institutional solution

Man formed a partnership with a large institution which primarily invests in single managers and holds in excess of \$50 billion in total assets. Under the terms of the relationship, Man provides strategic counsel and industry guidance, with the initial solution comprising a portfolio of managed futures and global macro strategies. The scope of the mandate was subsequently extended to include a customised portfolio of real assets (commodities, energy and real estate), with the funds under consideration rising to \$500 million from an initial \$100 million.

1 Anthony Lawler  
Co-Head of Portfolio Management

2 Felicitas Mendrzyk  
Investment Writer, Marketing



## Europe – UCITS: a globally recognised brand

Until recently, many investors wishing to access alternative investment strategies have been prevented from doing so because of high minimum contributions, long lock-up periods and offshore fund domicile. The UCITS III framework addresses most of these issues, simultaneously expanding the range of options available and enhancing diversification potential for many investors.

We expanded our UCITS business in 2010 with Man AHL Trend and Man AHL Diversity, UCITS III versions of our successful AHL programme. Most recently, a fund providing exposure to first class equity long/short managers trading European equities has been launched, which complements our Multi-Manager offering and allows us to offer a compelling alternative to traditional long-only equity strategies.

The expansion of our UCITS funds range reflects Man's ability to combine hedge fund structuring and legal expertise with a deep knowledge of the evolving UCITS framework, which we have been actively developing since the launch of our first UCITS product in 2008.

From a strategic perspective, the expanded distribution potential conferred by UCITS products constitutes a major opportunity for Man to increase assets under management. As they are classified as 'mutual funds' from regulation and settlement perspectives, UCITS hedge funds can be marketed through mainstream channels and fund platforms, opening up a new segment of the intermediary network for Man to penetrate. In the aftermath of the events of 2008 and the 'lost decade' for (long-only) equity investment, the mutual fund market is seeking a viable alternative to traditional funds and this appetite for alternative strategies is shared by the intermediary community.

Non-European investors now view UCITS III as a high quality global brand, and UCITS funds are increasingly seeing interest from investors in Hong Kong, Singapore, Taiwan and the US. Man, through its extensive distribution network, is therefore exploring opportunities and strategies to promote our UCITS funds outside Europe. 📈

## UK – managed account based institutional solution

We reached a three-year agreement with the Universities Superannuation Scheme, the UK's second largest private-sector pension fund, to allocate up to \$1 billion through Man's managed account platform. Man will provide advisory services in hedge fund research, operational due diligence and risk management, with the client maintaining responsibility for manager selection.

The mandate was awarded following a rigorous selection process, with the client citing Man's impressive risk management processes and depth of expertise as being key factors in their decision.

## Australia – business expansion

Man has built a pre-eminent position in the Australasian market, with over 116,000 investors in 34 funds and compound annual returns of 15.6% from its flagship Australian product – Man OM-IP 220 Limited. It is now the largest provider of structured alternative investment products for private investors in the region and benefits from an expanding institutional business.

Recently, Man has extended its product offerings in Australasia by structuring and

launching a series of open-ended and non-guaranteed funds, as well as developing on-shore Australian unit trusts.

The Australian investment industry is supported by regular flows of money stemming from the compulsory superannuation legislation, which requires all Australian workers to contribute 9% of their salary to their own pension plan. As such, private investors are very receptive to alternative strategies and this constitutes a significant growth opportunity for Man. 📈

## Business Review

# Risk Management

*One of Man's key objectives is to be a leader in risk management, governance and business sustainability. Risk management is an essential component of both the investment management process for investors in our fund products and in our approach to 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 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.*

*There are three key elements of our risk management process:*

### **The risk governance framework**

- Establishing clear functional responsibilities, 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 risk appetite of Man in terms of the amount of risk considered appropriate in order to execute our strategy.

### **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 the risk profile against risk appetite, exposures against limits, losses and other risk related incidents, compliance issues and the effectiveness of our internal controls.

## Risk Governance

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 risk appetite
- 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. The Committees comprise senior management from the business and support areas. These Committees provide oversight across all risks faced by the business.

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 control functions at the Group level and in the business. These control functions include Group Risk, Finance, Legal, Compliance, Human Resources and Internal Audit. In addition, risk management functions reside within each business unit, with formal reporting lines and segregation of duties for the key risk, compliance, legal and finance functions.

## Risk Appetite

Risk appetite is a description of the amount of risk that Man regards as appropriate for it to accept in order to execute our strategy. The Board regularly reviews their risk appetite in the context of Man's strategy and the requirements of various stakeholders, including the regulatory framework in which we operate.

The risk appetite provides 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 risk appetite statements address both quantitative and qualitative aspects of risk:

In quantitative terms:

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

In qualitative terms the Board's assessment of:

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

In the course of its regular review of risk appetite, the Board reduced its tolerance for market risk losses and risk limits were reduced to reflect this.

## Risk Identification

The risks that could have a material consequence to the Group are classified as: Business risk, Liquidity risk, Market risk, Credit risk, and Operational risk.


The discussion of liquidity, market, credit and operational risk is covered in the notes to the Group financial statements on pages 57, 47, 67 and 69 respectively.

## Business risks

Market, credit and liquidity risks describe the financial statement effects of these risks on Man's on and off balance sheet exposures. Potentially the more significant risks arise not from these exposures but in the operation of the investment management business. The investors' assets are not shown on our balance sheet, however the sustainability of our business is driven by the growth of their assets as represented by funds under management. Business risk is the risk that our market leadership position may be eroded resulting in the future profitability of the Group being reduced or the sustainability of its franchise becoming impaired. The description of the Business risks that could have a material effect on the sustainability of our business are described below. By their nature business risks are less quantifiable and therefore we have

indicated the steps we take to mitigate the effects of these business risks.

## Investor Appetite

Extreme events in financial markets can cause a change in investor appetite for alternative investment products. Reduced investor appetite could lead to lower sales and higher redemptions of our fund products. Over 20 years of experience and long track record demonstrate our ability to deliver long-term cross cycle returns that are differentiated from the returns of other assets. We have a targeted set of products that offer investors a range of risks and returns depending on their risk appetite including some products with guarantees which ensure capital preservation. Our investment in client services ensures that there is active and timely communication with investors to provide them with the appropriate information to make confident investment decisions. 

## Fund Performance


Negative fund performance results in lower funds under management and lower management fees, as well as reduced or no performance fees. It can also trigger the de-gearing of certain fund products, leading to lower investment exposure and further reductions in management fees. Underperformance of fund products in a particular style compared with other investment products could also lead to increased redemptions and lower future sales, thereby reducing funds under management



## Business Review

### Risk Management continued

and management, as well as performance fees. To mitigate this risk we develop our private investor products with three important features: investment diversification through selection of leading investment managers, ongoing operational and risk management and robust analytical portfolio selection processes, and, in the case of guaranteed products, principal guarantees provide that the investors' initial investment will be returned at maturity. As part of the initial and ongoing due diligence process the portfolios are tested against a variety of market conditions so that they remain resilient and robust across cycles. The guaranteed products, which comprise 35% of Man's funds under management have a principal guarantee component which gives the investor confidence to stay invested long-term and to withstand short-term market volatility.

For institutional investors we offer a wide range of investment products with different risk and return characteristics so that, as their investment risk appetite changes, they can switch products and stay invested. This product diversification together with interactive investor services helps mitigate the risk of increased redemptions in periods of poor performance. 

In most financial years, the diversity of our product range reduces the likelihood of all products being in drawdown at the same time. If a simultaneous drawdown occurs, the magnitude and recovery time between styles results in a lower risk of a lengthy period before performance fees resume. Nevertheless we are more dependent on revenues from the managed futures style of alternative investments and AHL accounts for approximately 65% of Man's revenues and, therefore, our earnings are particularly sensitive to the performance of this family of funds. Market environments in which there are no clear trends in asset prices have an adverse effect on AHL performance.

#### Risk management process in the investment manager

If the investment managers fail to perform the risk management services on behalf of the fund products effectively, Man could be exposed to litigation risk and reputation risk. This risk is mitigated by strong risk controls and due diligence procedures which are applied in the due diligence processes of manager selection, portfolio construction and ongoing risk monitoring. Risk management personnel, independent of the Investment Managers, have risk management responsibility to monitor that the risk management process operates

appropriately within the investment manager and in accordance with the investment management mandate. The increased use of managed accounts enables the risk management process to be performed at the security and investment strategy level thereby enhancing the detail to which the monitoring and risk management process can be performed.

#### Product profitability

We operate in a competitive environment and therefore are subject to market dynamics which could lead to a reduction in historical product profit margins. Our business model, however, gives us flexibility to mitigate the effects of this risk. Our focus on top quartile investment management capacity aims to deliver out-performance by our products as a result of which they enjoy continued demand by investors. The provision of quality investor services in the form of investment reporting and research are value adding services for investors in our products. We constantly look to develop new investment opportunities and to develop new products so that we can ensure that the breadth of our product range is differentiated and attractive to potential investors. 

The costs of our distribution network, comprising our institutional sales force and our distributors, are variable costs linked to sales volumes and funds under management. A significant portion of our compensation cost base is represented by discretionary bonus which is variable with the Group's financial performance. Tight budgetary controls exist in the business to ensure that increases in costs are matched to corresponding increases in sales and revenues. The overall variability of our cost base allows us to react quickly to short and medium-term downturns to preserve product and profitability levels.

#### Investor concentration

We distribute our products to a broad range of institutional and private investors across the major regions of the world. We mitigate investor concentration risk through the continued growth and diversification of our distribution network, and through having a breadth of products targeted to different segments of the market.

Approximately 68% of our funds under management are from private investors and 32% from institutional investors. We maintain offices in our major markets to ensure close contact with our investors and distributors. We select distribution partners that have

global size and scale or a local leadership position. Our distributors are the largest financial institutions, wealth advisors and brokers. We currently have over 2,200 distributors globally. The top 10 distributors account for 38% of private investor funds under management.

Our institutional investors are geographically dispersed and are among the largest banks, pension funds, insurance companies and asset managers. We have over 200 institutional investors. The top 20 institutional investors account for 74% of institutional funds under management.

Our largest institutional investors often have multi-year agreements with regards to specific capacity and fees. As these agreements expire and are renegotiated, funds under management and/or fees may be reduced. Through the continued performance of our fund products, our ability to offer unique access to investment management capacity and quality client services we endeavour to retain these investors and the level of fees.

#### Regulatory changes

Regulatory authorities globally are actively considering changes to the regulation of the financial sector in the aftermath of the financial crisis. Regulatory changes may affect the alternative investment management sector either directly or indirectly through, for example, reducing the risk appetite of the counterparties to our fund products. Such changes could also increase the costs of structuring, distributing and managing fund products. 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 and also affect trading in various markets in which our fund products invest.

We operate in a highly regulated environment and therefore constantly monitor that our products and sales practices are compliant with regulations. Our dedicated regulatory and compliance teams provide us with an infrastructure and source of competitive advantage as they enable our products to be robust and provide us with speed to market for our new product launches globally. The diversity of our product offering and geographical spread of our investor base also mitigates the effect of some regulatory changes. 



Further discussion of regulatory changes is given in the Industry trends section on page 17.

#### Reduced financial leverage and increased cost

In the current market environment there is a risk of a reduced appetite of financial counterparties to provide financing to support the leverage in fund products. Reduced availability of or increased cost of external financing could reduce the returns on certain fund products. It could also increase the potential demand for Man to provide funding to these fund products.

At the year-end drawn external finance leverage was \$2.6 billion, with a further \$1.2 billion available.

To mitigate this risk we facilitate a process whereby the fund products borrow directly on a basis that is recourse only to the assets of the fund product and on defined maturity terms. The financing is provided by a wide group of large financial institutions many of whom also distribute the products and hold the principal guarantees. The financing process is managed so that maturity dates of the financings are staggered. These fund products are designed to operate within defined liquidity parameters

so that external financing is provided to the products on a dynamic basis. If the fund product were to incur a significant performance loss the fund would be systematically de-leveraged to preserve the investors' capital which is subordinate to the financial counterparties' lending.

The cost of financing is included in the performance of the funds; if this cost increases, investment managers may have to reduce leverage or seek alternative trading strategies. In addition, we can issue many of the structured products in an open-ended, unleveraged format if required. The use of managed accounts by our investment managers assists in the rational optimisation of funding within the fund product. In addition, our strategy of combining managed futures (which trade on margin) with other investment styles allows for the efficient provision of leverage into the products.

These strategies mitigate the effects of short and medium-term decreases in financing appetite and the impact on performance of the cost of leverage.

#### Fiscal changes


The fiscal treatment of alternative investment products varies by jurisdiction. In certain jurisdictions the current fiscal treatment of the products does not make them attractive for private investors when compared to traditional investment products. As a general trend we continue to see the tax authorities in certain jurisdictions moving towards treating alternative investment products on the same fiscal basis as traditional investment products.

This trend is favourable to our business, however it is possible that it could reverse and negatively impact the growth of our business.

As a global leader in investment management we develop products to meet the specific requirements of investors in different regulatory and fiscal jurisdictions. Our structuring, compliance and legal teams are located in the major regions to ensure that our products are continuously compliant. As a result we have a range of on-shore and off-shore products suited to meet the fiscal and investment needs of our private investors. The breadth of our products and global spread of our investors and our worldwide distribution capability mitigates the financial effect that a negative change in any particular jurisdiction might have.

#### Loss of key individuals

Our people are a key asset. There is a risk that key individuals leave the business resulting in a loss of knowledge or expertise. To enable our people to understand their career potential we have an active performance management and succession planning process in place. We have a strong employer brand which means that when we have to recruit from outside the Group, our leadership position within the industry makes us a preferred employer.

Attracting the best talent, motivating them to excel, retaining them and ensuring that they progress in their careers is fundamental to the sustainability of our business and our leadership position. 

The size and scale of our distribution network, the span of our investment management capacity and the breadth of our product range reduce our reliance on any key individuals to generate performance. Our management has significant expertise in each of their respective areas. They also understand, as a cultural imperative, the need to identify and advance the next generation of leaders through succession planning and mobility. Many of our investment managers have a history of success over a 20 year period each driven by successive strong leadership.



① **Pierre-Yves Moix**  
Chief Risk Officer, Man Multi-Manager

② **Matthew Sargaison**  
Chief Risk Officer, AHL

## Business Review

# People

*A diverse,  
engaged  
employee  
base.*



*Man is fundamentally a people business; attracting the best, motivating them to excel, retaining them and ensuring that they progress in their careers are fundamental to the sustainability of our franchise.*

At year end, Man had a total of 1,500 permanent employees of which approximately 600 are based in the UK and 500 in Switzerland. The remainder are located around the world in regional offices, supporting our investment managers and servicing investors and distributors.

### Our values

Man's values, and the behaviours they encourage, define the working environment at Man, which sets us apart to compete for outstanding talent. The decision in March 2009 to unite our three multi-manager businesses provided the opportunity to review, company-wide, the values which individuals felt were distinctive, compelling and true about working for Man at all levels. A management priority for the coming financial year is to ensure that our values are reflected in our processes and measurement systems.

#### Ambition

Top quartile performance and excellence in client service

**Results in – corporate and personal growth**

#### Integrity

In every action we take

**Results in – trust and accountability**

#### Entrepreneurialism

To challenge and change

**Results in – innovation**

#### Collaboration

Based on mutual respect

**Results in – efficiency and productivity**

#### Open communication

Without hierarchy

**Results in – bringing out the best in all**

### 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 Company and in their remuneration. Our remuneration is heavily performance based and reflects individual, business unit and Company performance. The Company'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. 

### 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. Roles and responsibilities are made clear, and our internal communication focuses on helping employees understand their role in achieving corporate objectives.

Employees attend 'Town Hall' meetings and 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 non-discrimination irrespective of age, disability, gender, race, religion, sexual orientation or educational background. We offer tangible support to our people, which includes making arrangements for disabled employees including those who may have become disabled during their employment with us.

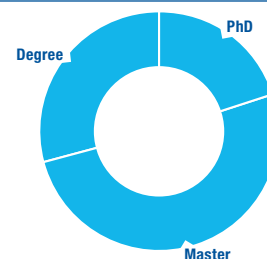
### Employee statistics by function

%



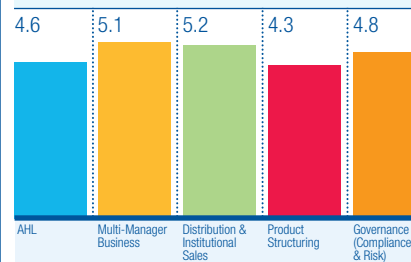
### Investment Professionals

Qualifications beyond first degree



### Average length of service

Yrs



## Business Review

# Corporate Responsibility

*Our approach to Corporate Responsibility reflects our strategic objective of being a leader in risk management, governance and business sustainability. We continue to focus on four key areas of non-financial risk.*

“

*Ensuring the sustainability of the business and winning the trust of our shareholders and stakeholders are fundamental to the role of the Board and the success of Man.*

**Jon Aisbitt**  
Chairman

### Our marketplace

We use this term to describe our interactions with our stakeholders as investors both in our company and our products.

Embedded within all aspects of our marketplace are Man's principles for the highest standards of business behaviour – honesty, fairness, transparency and the provision of clear and unbiased information.

Our compliance and risk management disciplines are essential components of the investment management process for investors and in maintaining a high quality, sustainable business for our shareholders.

Overseeing these disciplines is a robust corporate governance framework with responsibility for the overall management and performance of the business as well as the development of strategy and associated policies.

During the financial year there were no material regulatory breaches leading to enforcement action by a regulator.

### Our people

Attracting the highest calibre individuals, motivating them to excel, and developing them to progress in their careers is critical to the sustainability of our business.

→ PG 26

Our ongoing commitment to employee welfare is evidenced in the suite of programmes that form part of our CR strategy, which has taken into account responses from employee surveys, for example employees attended workshops addressing health and wellbeing, work/life balance, parenting etc. In addition employees have annual medicals and can make personal choices, e.g. holiday allowances, through our global flexible benefits schemes. Fostering an environment where employees feel confident in expressing their views is also an essential element of our

culture. Corporate Responsibility continues to play a key role in meeting the aspirations of our employees, and engages with them in an open and transparent manner through these programmes. Voluntary staff turnover at Man is low, and has remained stable despite recent difficult trading conditions. 🌱

### Community

Our engagement with and support of communities both local to Man's offices and further afield is a key differentiator in motivating our staff, attracting new talent and developing a positive culture.

Man's donation to the Man Group plc Charitable Trust and other charities via global offices is based on a formula which guarantees donations of no less than 0.5% of Group pre-tax profits. → **Back cover**

This year has seen the launch of Man**Kind**, our employee volunteering programme, where all UK employees receive two days paid leave per year to support either charities of their choice or one of the charities supported by the Trust and promoted in a quarterly programme. Employee volunteering levels are increasing, and we look forward to further engagement next year as Man**Kind** gains momentum.

**\$8.7M**

Man's Charitable Trust  
donation in FY 2010

We partner with Arrival Education in their Success for Life programme developed to address issues facing young people. Through our management development and training programmes our senior managers are actively engaged in coaching students with the intention of preparing them for success in adulthood.


Our larger offices select an Employee Annual Charity, organising various fundraising activities that are matched by the Trust and global charitable committees. In the UK, employees are encouraged to participate in the Give As You Earn (GAYE) scheme that the Trust matches up to \$150 per employee per month.

### Environment

Our commitment to measuring and reducing our environmental impact remains a key part of our strategy, as is appropriate to the nature and scale of our office-based business

In the UK from April 2010 Man will participate in the Carbon Reduction Commitment Energy Efficiency scheme. This is part of the government initiative to encourage companies to address their environmental impacts, specifically their greenhouse gas emissions that cause man-made climate change.

Using an Internet based application, our global non-financial data is consolidated and reported, including our use of utilities and air travel. During the year the Group has continued to enhance its infrastructure through significant investment in technology-driven initiatives that deliver greater efficiency. Our UK offices purchase 'green' electricity and benefit from a combined heat and power plant and an ice bank system. Our Swiss office utilises geothermal heating and cooling whilst the New York office benefits from the use of solar panels. Further progress has been made with the introduction of energy efficient IT infrastructure and video conference units. Whilst we recognise the need for air travel, and limit this where practical, we will continue to purchase Verified Emission Reduction credits to offset our emissions.

We have been a signatory to the Carbon Disclosure Project since 2006 and a member of the Dow Jones Sustainability Index since 2007, demonstrating our climate change commitment to the wider investment community. Man is also a member of the FTSE4Good Index. 

### Health and safety

Man Group is committed to ensuring the health and safety of all its employees, contractors and visitors, whilst on Group premises or away on business, so far as is reasonably practicable. Local senior management are responsible for adherence with the Group Global Environment, Health & Safety Policy that is facilitated through the individual Building Administrations teams.

### Assurance

To ensure the credibility of the data collected and the efficacy of our Corporate Responsibility report and associated programmes we continue to undertake a comprehensive external assurance by The Virtuous Circle Limited.

Further detailed information on our Corporate Responsibility programmes and progress to align and embed initiatives across the Group, including a dashboard of performance indicators, can be found on our dedicated Corporate Responsibility website

→ [www.mangrouplc.com/cr](http://www.mangrouplc.com/cr)

→ Between training to run the London Marathon in aid of our UK Annual Charity, Hayley used some of her ManKind volunteering days to take a group of underprivileged children from our local community to visit the Tower of London.



**Dow Jones  
Sustainability Indexes**  
Member 2009/10



Hayley Nunn  
Company Secretariat, London



# Funds Under Management and Capital Review

## Introduction

We have set out below a review of funds under management, including margins, and capital, which is unaudited. We have presented other aspects of the financial review within the financial statements. We believe that this integrated approach is more relevant to the users of the financial information and complies with the objectives of the Companies Act 2006. The financial statements are supported with notes that describe the relevant accounting policy, a description of the significant accounting estimates and judgements, details of the financial statement amounts and a discussion of the movements in those amounts and balances. Further explanation is given in the Basis of Preparation section on page 40.

## Funds under management (FUM)

Man provides investment management services to third party investors and fund entities. The fund entities have independent boards of directors with independent governance and decision making powers, including the ability to remove the investment manager. 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 investors' capital is managed by Man in accordance with investment management mandates. These mandates specify the types of investment that are permitted, subscription and redemption criteria and fees. Investors are charged management fees based on asset exposure and incentive fees based on investment performance. The asset exposure, or FUM, is supported by the investors' capital and any financing provided to the fund entities by banks and prime brokers, referred to as 'leverage'.

Funds under management grow through new investor subscriptions, increased leverage, positive investment performance and foreign currency movement and are reduced by redemptions, reduced leverage, negative investment performance and foreign currency movements.

Generally there is a strong correlation between investment performance and growth in funds under management. If the products have investment performance in line with the investors' expectations we may see increased FUM through increased subscriptions from existing and new investors, which could also increase the leverage component, and lower redemption rates. Where investment performance is less than expected, redemptions may increase, new subscriptions may be lower and negative investment performance will reduce the investors' capital which could also reduce the leverage component.

Growth in FUM is therefore an indication of our performance as an investment manager and our ability to grow assets and remain competitive.

Funds under management are a key driver of the Group's results and prospects, as FUM forms the basis on which the Group's revenue is generated. Our strategy is to grow funds under management while maintaining our revenue margin.

Movements in FUM during the period are shown below:

Total	Private Investor		Total \$bn	Institutional \$bn	Total \$bn
	Guaranteed \$bn	Open-ended \$bn			
<b>Opening FUM – 1 April 2009</b>	<b>16.4</b>	<b>11.4</b>	<b>27.8</b>	<b>19.0</b>	<b>46.8</b>
Sales	1.3	3.7	5.0	0.7	5.7
Redemptions	(0.9)	(1.4)	(2.3)	(5.3)	(7.6)
Net sales/(redemptions)	0.4	2.3	2.7	(4.6)	(1.9)
Investment movement	(0.7)	(0.6)	(1.3)	0.7	(0.6)
Foreign currency movement	0.9	0.5	1.4	0.7	2.1
Other	(1.5)	0.2	(1.3)	(1.1)	(2.4)
<b>30 September 2009</b>	<b>15.5</b>	<b>13.8</b>	<b>29.3</b>	<b>14.7</b>	<b>44.0</b>
Sales	0.1	1.6	1.7	0.9	2.6
Redemptions	(0.7)	(1.7)	(2.4)	(2.8)	(5.2)
Net sales/(redemptions)	(0.6)	(0.1)	(0.7)	(1.9)	(2.6)
Investment movement	(0.4)	(0.2)	(0.6)	0.1	(0.5)
Foreign currency movement	–	(0.1)	(0.1)	(0.7)	(0.8)
Other	(0.5)	(0.6)	(1.1)	0.4	(0.7)
<b>Closing FUM – 31 March 2010</b>	<b>14.0</b>	<b>12.8</b>	<b>26.8</b>	<b>12.6</b>	<b>39.4</b>
<b>Growth in FUM in the year</b>	<b>–15%</b>	<b>+12%</b>	<b>–4%</b>	<b>–34%</b>	<b>–16%</b>

Private investor FUM decreased by 4% during the period primarily as a result of positive net sales being offset by negative fund product performance and the resulting routine re-balancing of investment exposure in the guaranteed product range. Institutional FUM reduced by 34% as a result of muted sales and significant redemptions, all be it at a reducing run rate.



Kevin Hayes, Finance Director

#### Analysis of FUM at 31 March 2010

	Private Investor		Institutional
	Guaranteed \$bn	Open-ended \$bn	\$bn
IP 220 products	6.6		
OM-IP products	4.1		
Other guaranteed – AHL	2.1		
Other guaranteed – Multi-Manager	1.2		
Open-ended – AHL		10.8	
Open-ended – Multi-Manager		1.8	
Open-ended – UCITS		0.2	
Institutional – AHL			0.8
Institutional – Multi-Manager			8.4
Institutional – Pemba/Ore Hill			3.4
	<b>14.0</b>	<b>12.8</b>	<b>12.6</b>

#### Sales and redemptions

A further analysis of sales and redemptions is given below, together with redemption rates:

Private investor – half yearly fund flows	H2 2010	H1 2010	H2 2009	H1 2009
Sales (\$bn):				
– Guaranteed	<b>0.1</b>	<b>1.3</b>	2.4	3.7
– Open-ended	<b>1.6</b>	<b>3.7</b>	1.8	3.4
	<b>1.7</b>	<b>5.0</b>	4.2	7.1
Redemptions (\$bn):				
– Guaranteed	<b>0.7</b>	<b>0.9</b>	2.6	2.0
– Open-ended	<b>1.7</b>	<b>1.4</b>	3.5	1.0
	<b>2.4</b>	<b>2.3</b>	6.1	3.0
Annualised redemptions/average FUM:				
– Guaranteed	<b>9.5%</b>	<b>11.4%</b>	24.2%	13.9%
– Open-ended	<b>25.6%</b>	<b>22.2%</b>	54.7%	15.0%

Private investor – quarterly fund flows for 2010	FY 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Sales (\$bn):					
– Guaranteed	<b>1.4</b>	–	0.1	0.4	0.9
– Open-ended	<b>5.3</b>	0.6	1.0	1.2	2.5
	<b>6.7</b>	0.6	1.1	1.6	3.4
Redemptions (\$bn):					
– Guaranteed	<b>1.6</b>	0.3	0.4	0.3	0.6
– Open-ended	<b>3.1</b>	0.9	0.8	0.5	0.9
	<b>4.7</b>	1.2	1.2	0.8	1.5
Annualised redemptions/average FUM:					
– Guaranteed	<b>10.3%</b>	8.0%	10.2%	7.9%	15.4%
– Open-ended	<b>25.2%</b>	28.1%	24.1%	15.2%	30.1%

Private investor sales were \$6.7 billion for the year. The majority of the flows came from open-ended AHL formats, where investors have seen buying opportunities at attractive entry levels. In the first half we launched a guaranteed product in Australia, alongside guaranteed AHL formats, but guaranteed product sales in aggregate were lower than in comparable periods.

Private investor redemptions for the guaranteed products have reduced and the annualised redemption percentage has returned to the previous historical levels. Redemptions in 2010 have reduced significantly from H2 2009, which included redemptions and product switches from the Man Global Strategies products. Redemptions in the open-ended products will generally be higher than guaranteed products as they are influenced more by investors' performance expectations. Open-ended redemptions in H2 2009 were high as a result of strong sales in previous periods followed by strong performance from AHL in the quarter to December 2008. Since that period redemptions have moderated.

## Funds Under Management and Capital Review continued

<b>Institutional – half yearly fund flows</b>	<b>H2 2010</b>	<b>H1 2010</b>	<b>H2 2009</b>	<b>H1 2009</b>
Sales (\$bn)	<b>0.9</b>	<b>0.7</b>	0.5	3.1
Redemptions (\$bn)	<b>2.8</b>	<b>5.3</b>	4.9	3.0
Annualised redemptions/average FUM	<b>41.0%</b>	<b>63.0%</b>	42.8%	20.7%

<b>Institutional – quarterly fund flows for 2010</b>	<b>FY 2010</b>	<b>Q4 2010</b>	<b>Q3 2010</b>	<b>Q2 2010</b>	<b>Q1 2010</b>
Sales (\$bn)	<b>1.6</b>	0.5	0.4	0.4	0.3
Redemptions (\$bn)	<b>8.1</b>	1.4	1.4	1.7	3.6
Annualised redemptions/average FUM	<b>54.7%</b>	42.6%	39.4%	44.3%	82.3%

We saw significant redemptions in the institutional business, but these flows have moderated in the course of the year.

Institutional sales have remained muted as institutional allocators, particularly in Europe, have remained out of the market. Redemptions have continued to show a significant quarter on quarter decline, with the level of notified quarterly redemptions for the June 2010 quarter at around \$350 million.

### Investment movement

The aggregate investment movement was a negative \$1.1 billion for the year. The majority of this investment movement resulted from negative performance in AHL, partly offset by positive performance in the Multi-Manager. The investment performance of our investment managers is described in the AHL and Multi-Manager sections.

### Foreign exchange impact of funds under management

Investors choose the underlying currency of their fund products to match their investment strategy. Man's functional currency is US dollars and therefore FUM and revenue are reported in US dollars. Changes in FUM as a result of foreign currency are not relevant to the investor, however, as FUM is a measure of our earning base, changes in FUM denominated in foreign currencies affect the revenue that Man earns and this creates a foreign currency exposure. This exposure is not hedged.

Funds under management denominated in foreign currencies increased in the first half as a result of a weaker US dollar, but this trend partially reversed in the second half of the year, driven by the euro weakening against the US dollar.

### FUM by currency

	<b>2010</b>		<b>2009</b>	
	<b>FUM \$bn</b>	<b>FX gain/ (loss) \$bn</b>	<b>FUM \$bn</b>	<b>FX gain/ (loss) \$bn</b>
US dollar	<b>21.0</b>	–	24.1	–
Euro	<b>10.6</b>	<b>0.2</b>	14.7	(2.8)
Australian dollar	<b>3.5</b>	<b>0.9</b>	3.6	(0.9)
Swiss franc	<b>1.2</b>	–	1.2	(0.1)
Japanese yen	<b>2.1</b>	<b>0.1</b>	2.1	(0.3)
Other	<b>1.0</b>	<b>0.1</b>	1.1	(0.1)
	<b>39.4</b>	<b>1.3</b>	46.8	(4.2)

### Other movements

Other movements reflect the change in leverage as a result of the routine re-balancing of investment exposure in the guaranteed product range. Negative performance in AHL was the primary cause of the \$2.4 billion reduction in private investor FUM as a result of this re-balancing. This effect can reverse following periods of positive performance. Institutional investor redemptions from products with structural leverage (for example, Four Seasons 2XL) resulted in a reduction of FUM of \$0.7 billion during the year.

### Margins

Gross management and other fees represent management fees earned on funds under management, management fees from associates and joint ventures, interest on loans to funds and other fees. In the table below we have shown gross margins both including and excluding interest income earned on loans to funds, as the level of loans to funds can change based on the requirements of the product to re-balance. Gross margins are also shown to indicate the margin after deducting sales commission costs.

The gross management and other fees margin (before interest income) for private investors was 424 bp, compared to 420 bp for 2009. The primary reason for the small increase is the relative increase in FUM relating to high margin products, for example IP 220 and AHL products, as a proportion of the total private investor FUM. The impact of associates adds 14 bp to the overall private investor gross margin.

The gross margin (excluding interest income) on guaranteed products is approximately 463 bp and approximately 356 bp on open-ended products. The margins net of sales commission costs are 325 bp and 278 bp for guaranteed and open-ended products respectively. The difference between the two margins primarily relates to a structuring fee earned on guaranteed products. The private investor margin after sales commission costs has been impacted in H2 2010 by the incurrence of around \$30 million of non-recurring sales commission items, as detailed in Note 10(a) to the financial statements.

	Guaranteed	Open-ended	Associates	Private investor Total
Average FUM (\$bn)	15.5	12.3		27.8
Gross management and other fees (\$m)	718	438	38	1,194
Sales commission costs (\$m)	(214)	(96)		(310)
Gross management fee margin (%)	4.63	3.56		4.30
Gross management fee margin after sales commission costs (%)	3.25	2.78		3.18

The gross management and other fees margin for institutional investors was 93 bp, in line with the 94 bp for 2009.

During 2010 we merged the three fund of funds businesses, RMF (previously the institutional business) and Glenwood and MGS (previously the private investor business) into one Multi Manager business. As a result the investment management infrastructure was merged into one covering both private and institutional assets. This resulted in both process and cost synergies. While the FUM remains identifiable between private and institutional investors, it is not practicable to specifically allocate the investment management infrastructure costs across the two investor types. We have therefore shown the gross margins net of commissions and the aggregate net management fee margins at the Group level.

At the Group level, the net management and other fees margin is after deducting all costs but excludes net finance expense/income, and also the adjusting items, which are deemed to be non-recurring. The net management fee margin for the Group has declined to 112 bp from 133 bp in the prior year. The primary reason relates to fixed compensation costs and other costs decreasing to a lesser extent than the fall in FUM. However, it is expected that as FUM and revenues increase the cost base is likely to rise to a lesser extent resulting in an increase in the net margin.

	H2 2010	H1 2010	FY 2010	2009	2008	2007
<b>Average FUM in period (\$bn)</b>						
Private investor	27.8	27.8	27.8	38.4	39.6	33.5
Institutional	14.2	15.4	14.8	26.7	29.7	23.7
	42.0	43.2	42.6	65.1	69.3	57.2
<b>Private investor</b>						
Gross management and other fees <sup>1</sup> (\$m)	601	593	1,194	1,662	1,771	1,525
Interest income earned from funds (\$m)	8	8	16	50	74	78
Sales commission costs (\$m)	(171)	(139)	(310)	(398)	(374)	(322)
Gross management fee margin (%)	4.32	4.27	4.30	4.33	4.47	4.55
Gross management fee margin before interest income from funds (%)	4.27	4.21	4.24	4.20	4.29	4.31
Gross margin after sales commission (%)	3.10	3.27	3.18	3.29	3.53	3.59
<b>Institutional</b>						
Gross management and other fees <sup>1</sup> (\$m)	67	70	137	252	297	269
Sales commission costs (\$m)	(8)	(7)	(15)	(12)	(18)	(13)
Gross management fee margin (%)	0.94	0.91	0.93	0.94	1.00	1.14
Gross margin after sales commission (%)	0.83	0.82	0.83	0.90	0.94	1.08
<b>Group total</b>						
Net management fee margin after deducting all expenses <sup>2</sup> (%)			1.12	1.33	1.52	1.63

1 Includes management and other fee income from associates.

2 Net management fee income is before net finance income and excludes adjusting items.

## Funds Under Management and Capital Review continued

### Capital

Man's business model is based on confidence. That confidence comes, in part, from the strength of our capital base. Man has maintained significant excess capital and available liquidity throughout the recent periods of financial crisis.

Our modeling of exposures and risks under stress scenarios has been tested in the last two years by actual market events and has proved to be robust. We maintained significant excess capital, even under the actual stressed market conditions we have experienced.

We have a conservative capital and liquidity framework which allows us to invest in the growth of the business. We utilise capital to support the operation of the investment management process, the testing of research ideas and the launch of new fund products.

We are regulated by the Financial Services Authority (FSA) and are therefore subject to prudential and capital regulation in the same manner as our bank intermediaries and counterparties. Our regulatory

capital requirements are calculated in accordance with a full scope investment group under the Capital Requirements Directive. In addition we calculate our economic capital using scenario and statistical modelling. Our economic capital methodology forms part of our Internal Capital Adequacy Assessment Process (ICAAP) submission to the FSA.

With regards to our regulatory capital the majority of our requirements relate to acquisition goodwill and intangibles which are supported by Tier 1 capital (i.e. shareholders equity and perpetual capital securities). With regards to acquisition goodwill our economic capital model, likewise assumed that this is supported with Tier 1 qualifying capital. The remaining financial resource requirements are supported by available Tier 1 and Tier 2 capital. These requirements include charges for credit risk relating to loans to funds and market risk arising from fund investments. The operational risk requirements are modelled on the basis of scenarios which take into account insurance, internal controls and diversification benefits.

### Group's regulatory capital position

	31 March 2010 \$m	31 March 2009 \$m
Permitted share capital and reserves	3,524	3,843
Innovative Tier 1 Perpetual Subordinated Capital Securities	300	300
Less goodwill and other intangibles:		
– Goodwill on acquisitions of subsidiaries	(798)	(774)
– Goodwill on acquisitions of associates/JVs	(282)	(277)
– Commission intangible asset (FEL)	(278)	(317)
– Other intangibles	(59)	(49)
<b>Available Tier 1 Group capital</b>	<b>2,407</b>	<b>2,726</b>
Tier 2 capital – subordinated debt	400	399
Material holdings deductions	(200)	(382)
<b>Group Financial Resources</b>	<b>2,607</b>	<b>2,743</b>
Less Financial Resources Requirement	(1,127)	(1,030)
<b>Net excess of Group capital</b>	<b>1,480</b>	<b>1,713</b>



# *Financial Statements* **Group Balance Sheet** *At 31 March*

	Note	2010 \$m	2009 \$m
<b>ASSETS</b>			
Cash and cash equivalents	11	<b>3,229</b>	2,361
Trade and other receivables	15	<b>320</b>	413
Investments in fund products	2(a)	<b>784</b>	1,091
Other investments	2(b)	<b>72</b>	184
Investments in associates and joint ventures	14	<b>351</b>	317
Property, plant and equipment	17	<b>72</b>	64
Pension asset	27	<b>69</b>	–
Other intangible assets	10	<b>337</b>	366
Goodwill	1	<b>798</b>	774
<b>Total assets</b>		<b>6,032</b>	5,570
<b>LIABILITIES</b>			
Trade and other payables	16	<b>376</b>	489
Current tax liabilities		<b>180</b>	246
Borrowings	12	<b>1,489</b>	643
<b>Total liabilities</b>		<b>2,045</b>	1,378
<b>NET ASSETS</b>		<b>3,987</b>	4,192
<b>EQUITY</b>			
Capital and reserves attributable to owners of the parent	20, 21	<b>3,987</b>	4,192
<b>Total equity</b>		<b>3,987</b>	4,192

Approved by the Board of Directors on 27 May 2010

**Peter Clarke**  
 Chief Executive

**Kevin Hayes**  
 Finance Director

## Group Income Statement

For the year ended 31 March

	Note	2010 \$m	2009 \$m
Revenue:			
Performance fees	3(a)	52	627
Management and other fees	3(b)	1,293	1,861
		<b>1,345</b>	2,488
Gains/(losses) on investments and other financial instruments	3(c)	39	(260)
Sales commissions	10(a)	(325)	(411)
Accelerated amortisation of MGS sales commissions	4(a)	–	(107)
Total sales commissions		<b>(325)</b>	(518)
Compensation	5	(330)	(463)
Restructuring costs – compensation	4(b)	(19)	(37)
Total compensation costs		<b>(349)</b>	(500)
Other costs	6	(232)	(275)
Restructuring costs – other	4(b)	(34)	–
Total other costs		<b>(266)</b>	(275)
Share of after tax profit of associates and joint ventures	14	70	144
Gain on disposal of 50% of subsidiary	4(c)	–	48
Impairment of Ore Hill investments and goodwill	4(c)	–	(299)
Gain/(loss) arising from residual interest in brokerage assets	4(d)	34	(105)
Finance income	18	29	58
Finance expense	18	(36)	(38)
<b>Profit before tax</b>		<b>541</b>	743
Taxation	7	(96)	(240)
<b>Profit for the year</b>		<b>445</b>	503
<b>Attributable to:</b>			
Owners of the parent		<b>445</b>	503
<b>Earnings per share</b>	8		
Basic (cents)		<b>25.1</b>	28.7
Diluted (cents)		<b>24.8</b>	28.4

### Reconciliation of adjusted profit before tax

		2010 \$m	2009 \$m
<b>Profit before tax</b>		<b>541</b>	743
Adjusting items:			
Accelerated amortisation of MGS sales commissions	4(a)	–	107
Restructuring costs – compensation	4(b)	19	37
Restructuring costs – other	4(b)	34	–
Impairment of Ore Hill investments and goodwill	4(c)	–	299
Gain on disposal of 50% of subsidiary	4(c)	–	(48)
(Gain)/loss arising from residual interest in brokerage assets	4(d)	(34)	105
		<b>19</b>	500
<b>Adjusted profit before tax</b>		<b>560</b>	1,243
<b>Adjusted earnings per share</b>	8		
Adjusted Basic (cents)		<b>25.8</b>	57.6
Adjusted Diluted (cents)		<b>25.5</b>	57.0

# Group Statement of Comprehensive Income

*For the year ended 31 March*

	Note	2010 \$m	2009 \$m
<b>Profit for the year</b>	21	<b>445</b>	503
<b>Other comprehensive income/(expense)</b>			
Available for sale investments:			
Valuation gains/(losses) taken to equity		<b>62</b>	(250)
Transfer (to)/from income statement on sale or impairment		<b>(66)</b>	172
Foreign currency translation adjustments		<b>100</b>	(261)
Tax credited/(charged) through other comprehensive income	7	<b>5</b>	(6)
<b>Other comprehensive income/(expense) for the year, net of tax</b>		<b>101</b>	(345)
<b>Total comprehensive income for the year</b>		<b>546</b>	158
<b>Attributable to:</b>			
Owners of the parent		<b>546</b>	158

## Group Statement of Changes in Equity

At 31 March

	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
<b>At 1 April 2009</b>	<b>2,608</b>	<b>1,584</b>	<b>4,192</b>	<b>–</b>	<b>4,192</b>
Profit for the year	–	445	445	–	445
Other comprehensive income	–	101	101	–	101
Perpetual capital securities coupon	–	(24)	(24)	–	(24)
Share-based payments	18	(5)	13	–	13
Disposal of business	–	5	5	–	5
Dividends	–	(745)	(745)	–	(745)
<b>At 31 March 2010 (Note 20 and 21)</b>	<b>2,626</b>	<b>1,361</b>	<b>3,987</b>	<b>–</b>	<b>3,987</b>
At 1 April 2008	2,125	2,585	4,710	1	4,711
Profit for the year	–	503	503	–	503
Other comprehensive expense	–	(345)	(345)	–	(345)
Purchase and cancellation of own shares	–	(277)	(277)	–	(277)
Close period share buyback programme	–	(3)	(3)	–	(3)
Perpetual capital securities issued	300	(23)	277	–	277
Share-based payments	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 (Note 20 and 21)	2,608	1,584	4,192	–	4,192

# Group Cash Flow Statement

*For the year ended 31 March*

	Note	2010 \$m	2009 \$m
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	921	1,968
Interest paid		(26)	(40)
Income tax paid		(141)	(312)
<b>Cash flows from operating activities</b>		<b>754</b>	<b>1,616</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries and joint ventures, net of cash acquired		–	(245)
Purchase of property, plant and equipment		(44)	(38)
Purchase of intangible assets		(155)	(250)
Purchase of other investments		(43)	(172)
Purchase of additional interests in joint ventures and associates		–	(17)
Proceeds from sale of other investments		253	41
Interest received		26	60
Dividends received from associates and other investments		48	141
Proceeds from sale of associate		–	25
<b>Cash flows from investing activities</b>		<b>85</b>	<b>(455)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		18	53
Proceeds from issue of capital securities, net of issue costs		–	293
Purchase of treasury shares		–	(280)
Purchase of own shares by ESOP trust		(61)	(218)
Disposal of own shares by ESOP trust		–	47
Proceeds from borrowings net of issue costs		813	242
Repayment of borrowings		(17)	–
Return of net proceeds from sale of Brokerage		–	(67)
Dividends paid to Company shareholders		(745)	(718)
Dividend payments in respect of capital securities		(33)	(25)
Dividends paid to minority interests		–	(1)
<b>Cash flows from financing activities</b>		<b>(25)</b>	<b>(674)</b>
<b>Net increase in cash and cash equivalents</b>		<b>814</b>	<b>487</b>
Cash and cash equivalents at the beginning of the year		2,360	1,873
<b>Cash and cash equivalents at the end of the year</b>		<b>3,174</b>	<b>2,360</b>

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.



## Basis of preparation

The objective of these consolidated financial statements is to explain the results for the year ended 31 March 2010 and the financial position of the Group on that date, together with comparative information.

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 2006 applicable to companies reporting under IFRS.

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. Notes 1 and 2 describe the areas where a higher degree of judgement or complexity arises and where assumptions and estimates are significant to the consolidated financial statements together with the relevant accounting policy. These relate to the impairment assessment of the Goodwill attaching to the Multi Manager Business and the use of fair values in the valuation of investments in fund products and other investments.

The order of the notes to the financial statements on the following pages has been changed to put them in order of significance, primarily based around aiding an understanding of the key drivers of the financial position of the Group, whilst maintaining the grouping of notes between income statement and balance sheet where appropriate.

For each note relating to a specific financial statement line item all information relating to that item has been brought together. As a result there is not a separate principal accounting policies note but the significant accounting policies are included in the relevant note and have been highlighted with taupe background shading.

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.

The Group's principal activity is investment management, and its Balance Sheet is presented using a liquidity format, as permitted by IAS 1 (Revised) paragraph 60. 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.

Except as explained below, the Group's principal accounting policies have been consistently applied to each of the years presented in these financial statements.

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 81.

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.

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

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.

The following US dollar rates of exchange have been used in preparing these financial statements:

	Year end rates		Average rates	
	2010	2009	2010	2009
Euro	<b>0.7403</b>	0.7528	<b>0.7073</b>	0.7023
Sterling	<b>0.6588</b>	0.6970	<b>0.6261</b>	0.5817
Swiss franc	<b>1.0541</b>	1.1396	<b>1.0631</b>	1.1017

### Impact of new accounting standards

A number of new standards and amendments to existing standards and interpretations have been issued, some of which are mandatory for the financial year beginning 1 April 2009, with the remaining becoming effective in future periods. The new standards and amendments to existing standards effective for the financial year ended 31 March 2010 that have had an impact, and have been adopted by the Group, are as follows:

- IAS 1 (Revised) – 'Presentation of financial statements';
- IFRS 8 – 'Operating Segments';
- Amendments to IFRS 7, 'Improving Disclosures about Financial Instruments'; and
- IFRS 2 – 'Share-based Payment' amendment (relating to vesting conditions).

As a result of the adoption of IAS 1 (Revised), the Group Statement of Recognised Income and Expense has been replaced with the Group Statement of Comprehensive Income, and the Group Statement of Changes in Equity is now presented separately as a primary statement.

The impact of these new standards and amendments to existing standards and interpretations on these financial statements has not been significant.

The following accounting standards and amendments to standards have been issued by the IASB but are not effective for the year ended 31 March 2010 and have not been applied in preparing these financial statements.

IFRS 3 (Amended) 'Business combinations'. The main impact on the Group of the amendments to IFRS 3 will be the requirement for costs relating to business combinations to be expensed, where previously they were capitalised and for adjustments to contingent consideration to be recognised within the income statement. The Group's accounting policy in respect of business combinations will be amended accordingly.

IFRS 9 'Financial instruments'. IFRS 9 has not yet been endorsed by the European Union. As it currently stands, the new standard replaces the classification and measurement models for financial assets in IAS 39 with two classification categories: amortised cost and fair value. The appropriate classification is driven by the Group's business model for managing the financial assets and the contractual characteristics of those assets. The Group's decision as to how it wishes to reclassify such instruments will determine the impact of the new standard.

Other new or revised standards and interpretations issued but not yet effective include those listed below, but none of them are expected to have a significant impact of the financial statements of the Group:

- An amendment to IAS 27 to specify that a change in a parent's ownership interest that does not result in a loss of control must be accounted for as an equity transaction;
- Embedded directives: amendments to IFRIC 9 and IAS 39;
- Group cash settled share-based payment transactions: amendments to IFRS 2;
- IAS 24: related party transactions;
- IAS 32: amendments relating to classification of rights issues;
- IFRIC 17: distribution of non-cash assets to owners;
- IFRIC 18: transfers of assets from customers;
- IFRIC 19: extinguishing financial liabilities with equity instruments; and
- Improvements to IFRS 2008 and 2009.

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.

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# Notes to the Group Financial Statements

## 1. Goodwill

	2010 \$m	2009 \$m
<b>Cost:</b>		
<b>At beginning of year</b>	<b>785</b>	813
Currency translation difference	<b>24</b>	(29)
Acquisition of subsidiary or business	–	1
Disposals	<b>(11)</b>	–
<b>At 31 March</b>	<b>798</b>	785
<b>Aggregate Impairment:</b>		
At beginning of year	<b>(11)</b>	–
Currency translation difference	–	(1)
Disposals	<b>11</b>	–
Impairment	–	(10)
<b>At 31 March</b>	–	(11)
<b>Net book value at 31 March</b>	<b>798</b>	774
Made up as follows:		
AHL	<b>74</b>	55
Multi-Manager Business	<b>724</b>	719

The most significant amount of goodwill relates to the Multi-Manager Business (MMB). The increase in the goodwill balance relates solely to the retranslation of the Man Investments Australia goodwill, which is denominated in Australian dollars.

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. 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.

Goodwill on acquisitions of subsidiaries and businesses is included in the Balance Sheet as Goodwill. 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.

Goodwill has an indefinite useful life, is not subject to amortisation and is tested 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.

The Group identified two cash generating units for impairment review purposes: AHL; and the MMB. The MMB cash generating unit includes the goodwill relating to the RMF and Glenwood acquisitions and an allocation of the goodwill relating to the Man Investments Australia acquisition. The remaining Man Investments Australia goodwill is allocated to the AHL cash generating unit.

The MMB cash generating unit exhibited objective evidence that the goodwill may have been impaired as the funds under management (FUM) had declined from \$23.0 billion at 31 March 2009 to \$14.8 billion at 31 March 2010.

The value in use of the MMB goodwill was assessed at 31 March 2010 by applying a discounted future cash flow model, which used as a basis the detailed budget for the financial year ending March 2011 and the three year strategic plan to 31 March 2013, which were approved by the Board of Directors and which factored in expected sales, redemptions, fee margins, performance and cost estimates. Cash flows for a further two years were generated assuming modest growth assumptions, which management considered appropriate for the purposes of the impairment review exercise. A perpetuity growth rate of 2% has been assumed, being a prudent approximation of historic US long-term growth rates. For modelling purposes the future cash flows have been split into net management fee income and net performance fee income and have been risk adjusted for each financial year to take account of the risk attached to estimating future income streams. Accordingly, net management fee income cash flows have been adjusted down by 5–10% and net performance fee income cash flows by 30–40%. A pre-tax discount rate of 10% has been applied to these risk-adjusted cash flows.

The result of the value in use calculation suggests that there is approximately \$110 million of headroom over the goodwill balance and therefore no impairment is considered appropriate. A sensitivity analysis around the key assumptions applied in the discounted cash flow analysis has been performed. The sensitivity analysis highlighted that the value in use calculation used to support the level of goodwill relating to the MMB is

## Notes to the Group Financial Statements continued

### 1. Goodwill continued

largely dependent on the timing of sales being realised and the 2011 sales budget being achieved. The time over which the MMB is expected to realise the full benefits from the new business platform is likely to extend beyond the current financial year, and an impairment may therefore be triggered prior to the full benefits being achieved. The results of the sensitivity analysis are outlined below:

- If sales were \$0.5 billion lower than the 2011 budget, the headroom of discounted fee income over the goodwill balance would reduce to be approximately \$25 million;
- If the discount rate was increased by 1% to 11%, there would be a shortfall of discounted fee income over the goodwill balance of approximately \$25 million; and
- If fund performance was flat in the financial year ending 31 March 2011, instead of the assumed 8% return, there would be a shortfall of discounted fee income over the goodwill balance of approximately \$100 million.

### 2. Investments in fund products and other investments

	Financial assets at fair value through profit or loss \$m	Available-for- sale financial assets \$m	Loans and receivables \$m	Total \$m
<b>31 March 2010</b>				
Investments in fund products comprise:				
Amounts owed by fund products	–	–	373	373
Other investments in fund products	409	2	–	411
	<b>409</b>	<b>2</b>	<b>373</b>	<b>784</b>
Other investments comprise:				
Investment in Ore Hill DI portfolio	–	67	–	67
Exchange shares	–	4	–	4
Other equity investments	–	1	–	1
	<b>–</b>	<b>72</b>	<b>–</b>	<b>72</b>
<b>31 March 2009</b>				
Investments in fund products comprise:				
Amounts owed by fund products	–	–	373	373
Other investments in fund products	715	3	–	718
	<b>715</b>	<b>3</b>	<b>373</b>	<b>1,091</b>
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
	<b>–</b>	<b>184</b>	<b>–</b>	<b>184</b>

Amounts owed by fund products are exposed to credit risk whereas other investments in fund products (mainly seeding investments) and other investments are primarily exposed to market risk. The financial disclosures in respect of credit risk may be found in Note 22. The market risk disclosures are included in 2(a) and 2(b) below.

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss; available-for-sale financial assets; and loans and receivables. 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. 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.

A financial asset is classified as financial assets at fair value through profit or loss if acquired principally for the purpose of selling in the short term or if so designated by management. 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. 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. Investments in fund products and other investments continued

Amounts owed by fund products are classified as loans and receivables and are carried at amortised cost using the effective interest method.

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. The fair values of quoted investments are based on current bid prices. There are certain other assets, if the market for a financial asset is not active (and for unlisted securities) for example the Ore Hill DI portfolio, the Group establishes fair value by using appropriate valuation techniques which include comparisons with similar financial instruments for which observable prices exist and discounted cash flow analysis.

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 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. For floating rate loans and receivables, where there is objective evidence of impairment, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows, excluding future credit losses, discounted at the current effective interest rate per IAS 39 AG7.

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.

During the year the Group adopted Amendments to IFRS 7, 'Improving Disclosures about Financial Instruments', which introduces a three-level hierarchy for fair value measurement disclosure, as follows:

- Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurement of financial assets as at 31 March 2010 can be analysed as follows:

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Financial assets held at fair value</b>				
Investments in fund products	33	79	299	411
Other investments:				
Investment in Ore Hill DI portfolio	–	–	67	67
Exchange shares	4	–	–	4
Other equity investments	–	–	1	1
Derivative financial instruments (Note 15)	–	25	1	26
	37	104	368	509

In respect of Investment in fund products, the majority of investments classified as Level 3 assets comprise a diversified portfolio of fund of fund investments.



## Notes to the Group Financial Statements continued

### 2. Investments in fund products and other investments continued

Movement in Level 3 financial assets, measured at fair value, during the year can be analysed as follows:

	Financial assets at fair value through profit or loss \$m	Available- for-sale \$m	Total \$m
<b>Level 3 Financial assets held at fair value</b>			
At beginning of year	643	64	707
<b>Total gains in comprehensive income</b>	34	15	49
Included in profit for the year	34	(4)	30
Included in other comprehensive income	–	19	19
Purchases	275	–	275
Settlements	(574)	(14)	(588)
Transfer to Reservoir Trust (Note 27)	(76)	–	(76)
Other adjustments	(1)	2	1
<b>At 31 March 2010</b>	<b>301</b>	<b>67</b>	<b>368</b>
Total gains for the period included in income statement for assets held at 31 March 2010	34	1	35

The components of Investments in fund products are further analysed below.

#### 2(a) Investments in fund products:

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 Group's investments in fund products are generally held for less than 12 months: of the \$784 million balance as at 31 March 2010 (2009: \$1,091 million), \$65 million (2009: \$131 million) of these investments are expected to be realised after more than one year.

#### Other investments in fund products

	<b>At 31 March 2010 \$m</b>	At 31 March 2009 \$m	Gain/(loss) in 2010 \$m
MMB	<b>224</b>	494	28
AHL seeding	<b>43</b>	52	10
Other seeding	<b>65</b>	75	(2)
	<b>332</b>	621	36
Secondary market	<b>10</b>	46	–
Sales support	<b>14</b>	19	(3)
Other investments	<b>55</b>	32	19
	<b>411</b>	718	52

The Group invests in early stage funds 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 introduced or the product is closed.

Investments in fund products are 'seeding' investments, secondary market and sales support investments which are '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 Group holds seeding investments for various reasons including: to establish track records for products; to seed new alpha strategies; to seed single managers to test alpha generation; and to co-invest with institutional investors.

The decrease in these investments from the prior year reflects the Board's strategy to reduce balance sheet exposure in the current volatile market conditions.

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 and the timings of being able to redeem the fund product. 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 the timing of being able to redeem the fund product or events or circumstances indicate that the NAVs are not reflective of fair value.

## 2. Investments in fund products and other investments continued

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, which was \$33 million at 31 March 2010 (2009: \$53 million) and the average for the year was \$53 million (2009: \$90 million). The decrease in the VaR in 2010 compared with 2009 reflects the reduced level of seed investments.

Limits are placed on seed and other investments in funds, both at the level of the individual fund and in aggregate. These limits are set in accordance with delegated authorities approved by the Board. A series of risk measures and limits relating to proprietary investments is reviewed regularly.

### Amounts owed by fund products

The Group makes available both committed and uncommitted short-term loans to fund products, with the intention of providing temporary funding until more permanent financing structures are put in place with external providers. Accordingly, the amounts owed by 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, fund product performance less the quantum of the external re-financing initiative in the period. Floating rate interest is received on amounts owed by fund products.

The average month-end balance of amounts owed by fund products during the financial year ended 31 March 2010 was \$559 million (2009: \$778 million).

Included in amounts owed by fund products are balances totalling \$118 million (2009: \$40 million) that relate to fund products that meet the definition of an associate entity and are thus included in the disclosure on related parties (Note 24).

Refer to Note 13(b)(i) for discussion around commitments to fund products.

### 2(b) Other investments

#### Investment in Ore Hill Designated Investment (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 was \$67 million (2009: \$52 million).

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 \$40 million (2009: \$23 million).

### 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 value of listed exchange shares is determined by the quoted bid price at the balance sheet date. The fair value of unlisted exchange shares and memberships is determined using the exchange's internal auction process, where the last traded price is used to establish the fair value. The majority of the Group's exchange shares were sold in September 2009.

### Residual stake in MF Global

Following the disposal of its brokerage business in July 2008, the Group retained a residual investment in MF Global. These shares were classified as available-for-sale financial assets, and were recorded at a carrying value of \$94 million at 31 March 2009. In August 2009 the Group sold these shares under a Variable Forward Sale (VFS) Agreement. More detail on the disposal of MF Global is explained in Note 4(d).

## 3. 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.

Gross performance fee income for the year ended 31 March 2010 was \$52 million (2009: \$627 million) of which \$48 million (2009: \$609 million) was contributed by AHL.

### (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 amounts owed by fund products is included in management and other fees on the basis that it is akin to management fees earned on fund products.

## Notes to the Group Financial Statements continued

### 3. Revenue continued

Management fee revenue for the year was \$1,293 million, compared to \$1,861 million in the prior year. Gross management and other fees have decreased 31% as a result of the average FUM for the year declining. An unaudited analysis of the movements in FUM in the year and margin analysis can be found in the 'Funds under management and capital review' section on pages 30 to 34 of the Annual Report. Interest income from amounts owed by fund products for the year ended 31 March 2010 was \$16 million (2009: \$35 million).

The Group is subject to business cycles that are aligned to the risk appetite and confidence of investors. To maintain margins the Group has a financial strategy to utilise flexibility in its cost base such that as FUM decreases the cost base can be quickly adjusted to reflect reduced revenue expectations. The reduction in the cost base to a certain extent reduces automatically with reduced FUM or sales and in other cases the reduction takes place as a result of direct management action.

The three significant costs associated with the business are: commissions, compensation and headcount related costs. Details of cost management are outlined in Notes 10, 5 and 6 respectively.

#### (c) Gains/(losses) on investments and other financial instruments

Gains/(losses) on investments and other financial instruments include fair value movements on Investments in fund products and other investments, which are fair valued through profit and loss.

Gains/(losses) on investments and other financial instruments for the year ended 31 March 2010 amounted to a gain of \$39 million (2009: \$260 million loss), which includes seeding and other investment net gains of \$52 million (2009: \$289 million loss) and a gain of \$30 million (2009: \$29 million) on the sale of exchange shares, partly offset by losses of \$39 million arising from credit default swaps and costs in respect of the wind down of the Group's trade credit insurance and reinsurance business, Emptyrean Re (refer to Note 13(b)(vii)).

### 4. Income statement presentation

The Group presents separately on the face of the income statement in accordance with IAS 1 (Revised) paragraph 97 those items which the directors consider material.

	Note	2010 \$m	2009 \$m
Accelerated amortisation of MGS sales commissions	(a)	–	(107)
Restructuring costs – compensation	(b)	(19)	(37)
Restructuring costs – other	(b)	(34)	–
Gain on disposal of 50% of subsidiary	(c)	–	48
Impairment of Ore Hill investments and goodwill	(c)	–	(299)
Gain/(loss) arising from residual interest in brokerage assets	(d)	34	(105)
		<b>(19)</b>	<b>(500)</b>

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

In the prior year as a result of the MGS de-gearing process, the useful economic life of these products was reviewed and reduced, resulting in an accelerated amortisation charge of \$107 million being recognised in the income statement. There was no further material charge in the year ended 31 March 2010.

#### (b) Restructuring costs

In March 2009 the Group announced that it had implemented a plan to reduce the cost base of the business. During the year ended 31 March 2010, a further \$19 million (2009: \$37 million) of one-off compensation costs have arisen associated with this restructuring, comprising \$13 million in wages and salaries (2009: \$22 million), and \$6 million in accelerated share-based payment charges (2009: \$15 million).

Compensation costs incurred as part of the restructuring are accounted for in full at the time the obligation arises, following the communication of the formal plan, and include payments in lieu of notice and enhanced termination costs.

An additional \$34 million of other costs associated with this restructuring have arisen, mainly onerous contract provisions in respect of leasehold properties. In respect of the excess leasehold space where the Group has an ongoing contractual arrangement from which it does not expect to receive any economic benefit, a provision of \$18 million for the onerous or non-productive element of the contract has been recognised within Trade and Other Payables in the balance sheet (Note 16). An impairment charge of \$11 million has also been recognised in relation to capitalised fixed assets associated with the unused floor space, consisting predominantly of leasehold improvements and office fixtures and fittings (Note 17).

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

In the prior year, the Group acquired a 50% interest in Ore Hill, and simultaneously disposed of 50% in Pemba Credit Advisors (Pemba). The disposal of Pemba resulted in a gain of \$48 million being recognised. As a result of the subsequent deterioration in market conditions, the investment in Ore Hill was reviewed for impairment and the Group recognised an impairment charge of \$214 million against the carrying value of the investment in Ore Hill. In addition, the carrying value of the Group's interest in the Ore Hill Designated Investments (DI) Portfolio was reviewed for impairment as at 31 March 2009 and a impairment charge of \$75 million against this investment was recognised in the income statement.

#### 4. Income statement presentation continued

Subsequently, 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. There was a further \$10 million charge relating to the impairment of MTM Capital goodwill. There is no further gain or loss in respect of these items in the year ended 31 March 2010.

##### (d) Gain/(loss) arising from residual interest in brokerage assets

In August 2009 the Group sold its remaining stake in MF Global under a Variable Forward Sale (VFS) Agreement, at a sale price of \$5.95 per share. The VFS Agreement guarantees that the Group will achieve a minimum of \$5.35 per share, while retaining a capped participation in future share price appreciation over a three to four year period. The VFS provided the Group with gross initial disposal proceeds of \$112 million, resulting in a net gain of \$34 million. The VFS Agreement is measured at fair value and is included in 'Trade and other receivables' (Note 15).

In the prior year MF Global shares, which were classified as available-for-sale financial assets, had been reviewed for impairment, 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 in 2009.

#### 5. Compensation

	2010 \$m	2009 \$m
Wages and salaries – fixed	145	173
– variable	92	180
Share-based payment charge	50	71
Social security costs	26	20
Pension costs	17	19
	<b>330</b>	<b>463</b>

Wages and salaries, 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 accounting policy and disclosure in relation to share based compensation are outlined in Note 26.

The compensation policy is described in the remuneration report on pages 87 to 94. The above analysis excludes the restructuring costs which are explained in Note 4(b) above.

The Group continues to maintain tight controls and cost flexibility in the total expense base and in particular compensation expense. Management's aim is to pay competitive total compensation based on market levels, with the bonus element being a more significant component. The bonus component is directly linked to the overall performance of the business and is established by the Remuneration Committee of the Board. Historically the total compensation has been set within a range of between 20 and 25% of revenue. Compensation is therefore variable to the overall economics of the business.

Compensation costs amounted to \$330 million, compared to \$463 million last year, reflecting the decrease in discretionary employee bonus compensation and the impact of a lower headcount. In addition to the amounts shown above, \$42 million (2009: \$62 million) of sales commissions relating to employees are included in the Group income statement charge for upfront sales commissions (Note 10(a)).

The average number of employees in the year comprised:

	2010 Number	2009 Number
UK	661	720
Switzerland	554	643
Other countries	359	413
Average number of employees	<b>1,574</b>	<b>1,776</b>

##### Directors' remuneration

	2010 \$000	2009 \$000
Emoluments	6,669	13,872
Gains made on transfer of share awards and exercise of share options in the year	8,166	32,889
Contributions to money purchase pension schemes	51	53

One director is accruing retirement benefits under a defined benefit pension scheme (2009: one director).

Further information on individual directors' emoluments, options, share awards and loans is given in the Remuneration Report on pages 95 to 101, and included in the key management compensation disclosures on related parties (Note 24(b)).

## Notes to the Group Financial Statements continued

### 6. Other costs

#### (a) Analysis of other costs

	2010 \$m	2009 \$m
Occupancy	40	42
Travel and entertainment	14	21
Technology	28	31
Communication	13	16
Consulting and professional services	36	46
Depreciation and amortisation (Note 10(b) and 17)	45	39
Charitable donations	3	10
Other	53	70
<b>Total other costs</b>	<b>232</b>	<b>275</b>

Other costs have decreased to \$232 million from \$275 million in 2009. The Group has reduced its discretionary costs, in particular around consultancy and professional fees. The decrease in the other category primarily relates to staff recruitment, relocation and other personnel related costs. The Group continues to invest in its technology platforms and in AHL research.

The business is people driven and therefore the number of employees drives expenses including occupancy, communications and computer equipment and travel and entertainment. As the level of headcount is not directly proportional to the level of FUM it is possible to maintain a level of scalability within a range of FUM. Outside that range the size of the employee base would need to be actively managed.

Total fixed compensation costs and other costs were \$410 million in the year, compared to \$487 million in the prior year. The decrease of \$77 million comprises: a positive FX impact of \$10 million (as sterling weakened against the US dollar in the year), savings in fixed compensation costs of \$24 million and saving in other costs of \$43 million.

Included in depreciation and amortisation above is \$22 million (2009: \$17 million) of amortisation of other intangible assets and \$23 million (2009: \$22 million) of depreciation of property, plant and equipment (see Notes 10 and 17).

#### (b) Other disclosures

The following items have been included in arriving at Group profit before tax:

	2010 \$m	2009 \$m
Foreign currency gains	3	26
Auditors' remuneration	6	5

The remuneration received by the Group's auditors, PricewaterhouseCoopers LLP and its worldwide associates, was as follows:

	2010 \$'000	2009 \$'000
Fees payable to the Company's auditors for the audit of the Company's financial statements	1,013	941
Other services:		
The audit of the Company's subsidiaries pursuant to legislation	2,500	2,430
Other services pursuant to legislation	497	696
Other services relating to taxation	873	696
Services relating to corporate finance transactions	–	19
All other services	1,141	493
<b>Total auditors' remuneration</b>	<b>6,024</b>	<b>5,275</b>

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 relate 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 Group's pension liability and corporate restructuring.

## 7. Taxation

Analysis of tax charge for the year:

	2010 \$m	2009 \$m
Current tax:		
UK Corporation tax on profits of the year	67	178
Foreign tax	44	58
Adjustments to tax charge in respect of previous periods	(14)	(15)
Total current tax	97	221
Deferred tax:		
Origination and reversal of temporary differences	(7)	15
Adjustments to tax charge in respect of previous periods	6	4
Total tax charge	96	240
Tax on items credited to equity:		
Current tax	(11)	(15)
Deferred tax	(3)	12
	(14)	(3)
Effective tax rate	17.7%	32.3%
UK nominal corporation tax rate	28.0%	28.0%

Analysis of tax (credit)/charge taken through other comprehensive income:

	2010 \$m	2009 \$m
Tax in respect of:		
Available for sale investments – valuation gains taken to equity	(3)	(2)
Share schemes	(2)	8
	(5)	6

The tax on the Group's total profit before tax is lower (2009: higher) than the amount that would arise using the theoretical effective UK tax rate applicable to profits of the consolidated companies, as follows:

	2010 \$m	2009 \$m
Profit before tax	541	743
Theoretical tax charge at UK rate – 28% (2009: 28%)	151	208
Effect of:		
Overseas rates compared to UK	(35)	(69)
Share-based payments	(2)	18
Currency translation differences	–	3
Adjustments to tax charge in respect of previous periods	(8)	(11)
Impairment of Ore Hill investments and goodwill	–	84
(Gain)/loss arising from residual interest in brokerage assets	(9)	29
Capital gains not subject to tax	(6)	(10)
Other	5	(12)
	(55)	32
Total tax charge	96	240

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.

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.



## Notes to the Group Financial Statements continued

### 7. Taxation continued

The tax charge for the year amounts to \$96 million compared to \$240 million in 2009. The effective tax rate on profits before adjusting items is 18.6%, compared to 20.3% for the year ended 31 March 2009. The lower rate is principally as a result of the reduced level of performance fee income in the year, which is generally subject to higher tax rates. The effective tax rate for the year including adjusting items is 17.7%, compared to 32.3% for the prior year. The majority of the Group's profit continues to be earned in Switzerland and in the UK and the current effective tax rate is consistent with this profit mix.

### 8. Earnings per ordinary share (EPS)

The calculation of basic EPS is based on a basic post tax earnings<sup>1</sup> for the year of \$421 million (2009: \$485 million) and ordinary shares of 1,678,121,503 (2009: 1,687,787,700), 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.

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 \$421 million (2009: \$485 million) and ordinary shares of 1,700,089,060 (2009: 1,707,878,896), calculated as shown in the following table:

	2010		2009	
	Total Number (millions)	Weighted average (millions)	Total Number (millions)	Weighted average (millions)
Number of shares at beginning of year	1,707.9	1,707.9	1,715.3	1,715.3
Issues of shares	4.4	2.8	23.2	7.9
Repurchase and cancellation of own shares	–	–	(30.6)	(17.9)
Number of shares at 31 March	1,712.3	1,710.7	1,707.9	1,705.3
Shares owned by employee trusts	(26.8)	(32.6)	(28.9)	(17.5)
Basic number of shares	1,685.5	1,678.1	1,679.0	1,687.8
Share awards under incentive schemes		21.9		19.5
Employee share options		–		0.6
Dilutive number of shares		1,700.0		1,707.9

Adjusted diluted earnings per share for the year decreased 55% to 25.5 cents, compared to 57.0 cents last year. Adjusting items in the year include the gain arising on the residual interest in brokerage assets and costs arising from the restructuring programme announced in March 2009, as discussed in Note 4. Statutory diluted earnings per share were 24.8 cents, compared to 28.4 cents last year.

The reconciliation from EPS to an adjusted EPS is given below:

	Year to 31 March 2010			
	Basic post-tax earnings \$m	Diluted post-tax earnings \$m	Basic earnings per share cents	Diluted earnings per share cents
Earnings per share <sup>1</sup>	421	421	25.1	24.8
Items for which EPS has been adjusted (Note 4)	19	19	1.1	1.1
Tax on the above items	(8)	(8)	(0.4)	(0.4)
Adjusted Earnings per share	432	432	25.8	25.5

	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 <sup>1</sup>	485	485	28.7	28.4
Items for which EPS has been adjusted (Note 4)	500	500	29.6	29.3
Tax on the above items	(13)	(13)	(0.7)	(0.7)
Adjusted Earnings per share	972	972	57.6	57.0

<sup>1</sup> The difference between profit after tax and basic and diluted post-tax earnings is the adding back of the expense in the year relating to the Fixed Rate Perpetual Capital Securities (see Note 19), totalling \$24 million post-tax at 28% (2009: \$18 million).

## 9. Segmental analysis

### (a) Business segments

Under IFRS 8, a condition for identifying an operating segment is that it is a component of the entity whose results are regularly reviewed by the entity's chief operating decision-maker to make decisions about resources to be allocated to the segment and to assess its performance ('the management approach'). The chief operating decision-maker for the Group is considered to be the executive directors.

Management information relevant to the operation of the business is provided to the chief operating decision maker based on the performance of the investment managers (AHL and MMB) and the investor base (private and institutional). Whilst revenues are analysed by investment manager and the investor base, operating costs are not analysed between these elements. As a result, resources are allocated and performance is assessed by the executive directors on the basis of the investment management business as a whole.

A centralised common infrastructure means that operating costs are not and cannot meaningfully be allocated to constituent parts of the investment management business, and the chief operating decision-maker of the Group, the executive directors, have a Group-wide function rather than product-related responsibilities.

From review of the information made available to, and regularly reviewed by, the executive directors, the Group operates as a single-segment investment management business.

### (b) Geographical disclosure

Although the Group's principal offices are located in London, Pfaffikon (Switzerland) and Chicago, investment management income is generated from where the fund product entities, on which fees are earned, are registered. Revenue from any single fund during the year does not exceed 10% of total revenues. The analysis of non-current assets and revenues by geographic region is given below. In addition, the table below includes an analysis of revenue by geographic location of the legal entity recognising the revenue, as this is considered more meaningful than revenue by fund location.

	2010 \$m	2009 \$m
<b>Non-current assets</b>		
Bermuda	44	42
Ireland	1	2
Switzerland	903	954
United Kingdom	358	293
Other Countries	252	230
	<b>1,558</b>	<b>1,521</b>
<b>Revenues by fund location</b>		
Bermuda	470	1,034
Cayman Islands	329	558
Cook Islands	205	307
Ireland	136	251
Other Countries	205	338
	<b>1,345</b>	<b>2,488</b>
<b>Revenues by legal entity</b>		
Bermuda	4	14
Ireland	7	11
Switzerland	884	1,394
United Kingdom	371	965
Other Countries	79	104
	<b>1,345</b>	<b>2,488</b>

Non-current assets above exclude financial instruments, deferred tax and pension assets, and are allocated based on where the assets are located.

## Notes to the Group Financial Statements continued

### 10. Other intangible assets

	Other intangible assets		
	Sales commissions \$m	Other intangible assets \$m	Total \$m
<b>Cost:</b>			
<b>At 1 April 2009</b>	<b>928</b>	<b>90</b>	<b>1,018</b>
Currency translation difference	2	–	2
Additions	113	42	155
Redemptions/disposals	(127)	(20)	(147)
<b>At 31 March 2010</b>	<b>916</b>	<b>112</b>	<b>1,028</b>
<b>Aggregate amortisation:</b>			
<b>At 1 April 2009</b>	<b>(611)</b>	<b>(41)</b>	<b>(652)</b>
Redemptions/disposals	83	10	93
Amortisation	(110)	(22)	(132)
<b>At 31 March 2010</b>	<b>(638)</b>	<b>(53)</b>	<b>(691)</b>
<b>Net book value at 31 March 2010</b>	<b>278</b>	<b>59</b>	<b>337</b>

	Other intangible assets		
	Sales commissions \$m	Other intangible assets \$m	Total \$m
<b>Cost:</b>			
<b>At 1 April 2008</b>	<b>858</b>	<b>66</b>	<b>924</b>
Additions	217	33	250
Redemptions/disposals	(147)	(9)	(156)
<b>At 31 March 2009</b>	<b>928</b>	<b>90</b>	<b>1,018</b>
<b>Aggregate amortisation:</b>			
<b>At 1 April 2008</b>	<b>(431)</b>	<b>(30)</b>	<b>(461)</b>
Redemptions/disposals	60	6	66
Accelerated amortisation on MGS (Note 4)	(107)	–	(107)
Amortisation	(133)	(17)	(150)
<b>At 31 March 2009</b>	<b>(611)</b>	<b>(41)</b>	<b>(652)</b>
<b>Net book value at 31 March 2009</b>	<b>317</b>	<b>49</b>	<b>366</b>

#### (a) Sales commissions

Sales commission expense during the year comprised the following:

	2010 \$m	2009 \$m
Upfront sales commissions	171	240
Trail commissions	154	171
	<b>325</b>	<b>411</b>

Sales commissions consist of two components: upfront commissions (known as placement fees), which are payable to distributors and to employees when a fund product is first launched and is based on the amount of investors' monies introduced; and trail commissions (known as servicing fees), which are payments made in arrears to distributors for ongoing services and are based on the current NAV of each fund product.

The 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. The majority of upfront commissions paid are capitalised and amortised and the residual is recognised in the income statement when paid. 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 sales commissions 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. Despite current overall redemption levels, the lifecycle for private investors, which make up the majority of the capitalised sales commissions, remains long term.

## 10. Other intangible assets continued

Amortisation of sales commissions is included in the sales commissions line in the income statement.

When an investor redeems some or all of their investment in a fund product the corresponding unamortised upfront sales commission is immediately written off. In addition, 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. Amounts written off and any impairment losses relating to sales commissions are included in sales commissions in the income statement.

Trail commissions are charged to the income statement in the period in which they are incurred.

The decrease in the upfront sales commissions amortisation charge is the result of a decrease in private investor sales in 2010. The prior year also included \$107 million of accelerated amortisation related to the legacy MGS products, as outlined in Note 4(a). Trail commission costs have declined as a result of lower funds under management. The impact of these factors has been partially offset by the incurrence of around \$30 million of non-recurring sales commission items. These come from two main sources. Firstly, some 'catch-up' trail commission paid to a large distributor following the settlement of an outstanding liability; and secondly, the accelerated amortisation of commission payments on some legacy products, where negative AHL performance over the last year has made their intended re-gear less likely in the near term.

Flexibility in the cost base relating to commissions is maintained through the automatic decline in placement fees as new sales decline, likewise as the FUM balance declines servicing commissions also reduces in line with FUM movements.

### (b) 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).

Amortisation of other intangibles is included in 'Other costs' in the income statement. Other intangible assets that are subject to amortisation 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).

Gains and losses on disposals of other intangible assets are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

## 11. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks as follows.

	2010			2009		
	Overnight \$m	2-90 days \$m	Total \$m	Overnight \$m	2-90 days \$m	Total \$m
Cash at bank and in hand	178	36	214	261	19	280
Short-term deposits	2	3,013	3,015	10	2,071	2,081
	180	3,049	3,229	271	2,090	2,361

Cash balances increased \$868 million in the year to \$3,229 million. Net of borrowings and issued debt the net cash position at year-end was \$1,740 million, up from \$1,718 million at the end of the prior year. The movement of cash is analysed in the cash flow statement and the Group's liquidity position is discussed in Note 13.

Cash generated from operations for the year was \$921 million (2009: \$1,968 million), compared with Group profit before tax for the year of \$541 million (2009: \$743 million). The net increase in the Group's net cash position of \$814 million (2009: \$487 million) during the year is primarily the result of: cash generated from operating activities of \$754 million (2009: \$1,616 million); cash realised from other financial assets of \$327 million (2009: \$242 million) including the proceeds of the sale of the Group's residual stake in MF Global and the remaining exchange shares; the proceeds of new borrowings of \$813 million (2009: \$242 million) (Note 12); against cash outflows relating to the payment of ordinary dividends in the year of \$745 million (2009: \$718 million); the payment of intangible assets, property, plant and equipment and other investments of \$242 million (2009: \$460 million); and the purchase of own shares by the ESOP trust of \$61 million (2009: \$218 million).

## Notes to the Group Financial Statements continued

### 11. Cash and cash equivalents continued

Cash generated from operations was as follows:

	2010 \$m	2009 \$m
Profit for the year	445	503
Adjustments for:		
– Income tax	96	240
– Loss/(gain) on sale of subsidiary	6	(48)
– Finance income	(29)	(58)
– Finance expense	36	38
– Share of results of associates and joint ventures	(70)	(144)
– Loss on disposal of an associate	–	11
– Depreciation and impairment of property, plant and equipment	34	22
– Amortisation of intangible fixed assets	132	257
– Share-based payments expense	56	86
– Fair value gains on available-for-sale financial assets	(31)	(29)
– Impairment of Ore Hill investments and goodwill	–	299
– (Gain)/loss arising from residual interest in brokerage assets	(34)	143
– Net (gains)/losses on financial instruments	(23)	96
– Increase/(decrease) in provisions	12	(2)
– Other non-cash movements	73	92
	703	1,506
Changes in working capital:		
– Decrease in receivables	115	297
– Decrease in other financial assets	201	465
– Decrease in payables	(98)	(300)
<b>Cash generated from operations</b>	<b>921</b>	<b>1,968</b>

### 12. Borrowings

	2010 \$m	2009 \$m
Bank overdrafts	55	1
Fixed rate notes	1,034	243
Floating rate notes – subordinated debt	400	399
	1,489	643

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

On 18 February 2010 the Group issued €600 million Fixed Rate Notes due 18 February 2015 (2015 Fixed Rate Notes) under the Group's \$3 billion Euro Medium Term Note Programme dated 21 December 2007 (EMTN Programme). The 2015 Fixed Rate Notes have a coupon of 6.0% per annum payable annually in arrears up to and including the maturity date.

On 1 August 2008 the Group issued \$250 million Fixed Rate Notes due 1 August 2013 (2013 Fixed Rate Notes) under the EMTN Programme. The 2013 Fixed Rate Notes have a coupon of 6.5% per annum payable semi-annually in arrears up to and including the maturity date. On 18 February 2010 \$17 million of the 2013 Fixed Rate Notes were repurchased leaving \$233 million outstanding as at 31 March 2010.

The subordinated Floating Rate Notes consist of \$400 million Eurobonds issued 21 September 2005 and due 22 September 2015. The notes may be redeemed in whole at the option of the Group on any interest payment date falling on or after 22 September 2010, subject to FSA approval. The interest rate is 3-month US dollar LIBOR plus 1.15% until 22 September 2010 and thereafter is 3-month US dollar LIBOR plus 1.65%.

## 12. Borrowings continued

Except for the 2015 Fixed Rates Notes and 2013 Fixed Rate Notes above, all of the Group's other borrowings are subject to floating interest rates.

The carrying amounts and fair values of the Group's borrowings are as follows:

	2010		2009	
	Fair value \$m	Carrying amounts \$m	Fair value \$m	Carrying amounts \$m
Bank overdrafts	55	55	1	1
Fixed rate notes	1,083	1,034	225	243
Floating rate notes – subordinated debt	366	400	208	399
	<b>1,504</b>	<b>1,489</b>	434	643

There were no related interest rate swaps in place in the current or prior year.

## 13. Liquidity risk management

The Group's liquidity risk management 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.

Liquidity is available in the form of a committed syndicated loan facility and cash which is invested in short-term bank deposits. Liquidity adequacy is monitored on a daily basis and the stress scenarios are updated regularly. 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 at 31 March 2010 include cash balances of \$3.2 billion (2009: \$2.4 billion) and a committed syndicated loan facility of \$2.4 billion (2009: \$2.4 billion), which was undrawn at 31 March 2010 and 31 March 2009, and total debt of \$1,489 million (2009: \$643 million).

The committed syndicated loan facility was drawn for 184 days during the year, with an average drawdown of \$167 million and a maximum drawdown of \$428 million. \$0.6 billion of this facility matures in June 2012, with the balance maturing in June 2013.

The following table summarises the Group's available facilities (drawn and undrawn) by maturity as at 31 March 2010 based on contractual maturity.

31 March 2010	Total \$m	Less than 1 year \$m	1–3 years \$m	3–5 years \$m	Over 5 years \$m
<b>Drawn</b>					
EMTN 2013 Senior Notes	228	–	228	–	–
EMTN 2015 Senior Notes	806	–	–	806	–
Subordinated FRN	400	–	–	–	400
Perpetual subordinated capital securities (Note 20)	300	–	–	–	300
<b>Undrawn</b>					
Committed syndicated loan facility	2,430	–	630	1,800	–
<b>Total facilities</b>	<b>4,164</b>	<b>–</b>	<b>858</b>	<b>2,606</b>	<b>700</b>
Bank overdrafts	(55)				
Cash balances	3,229				
<b>Total available liquidity (cash plus undrawn committed facilities)</b>	<b>5,604</b>				



## Notes to the Group Financial Statements continued

### 13. Liquidity risk management continued

31 March 2009	Total \$m	Less than 1 year \$m	1–3 years \$m	3–5 years \$m	Over 5 years \$m
Drawn					
EMTN 2013 Senior Notes	243	–	–	243	–
Subordinated FRN	399	–	–	–	399
Perpetual subordinated capital securities	300	–	–	–	300
Undrawn					
Committed syndicated loan facility	2,430	–	–	2,430	–
Total facilities	3,372	–	–	2,673	699
Bank overdrafts	(1)				
Cash balances	2,361				
Total available liquidity (cash plus undrawn committed facilities)	4,790				

The Group's available liquidity of \$5.6 billion (2009: \$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 \$0.1 billion; and the Group's current worst case obligations in relation to guarantees and commitments of \$1 billion (2009: \$1.9 billion) which includes \$0.5 billion (2009: \$1 billion) in respect of committed purchase agreements. The Perpetual Subordinated Capital Securities are undated and have been included in over five years in the above table. Note 28 sets out the likely impact of the post balance sheet event on the Group's liquidity position.

The tables below analyse the Group's financial liabilities, guarantees and commitments based on the contractual undiscounted cash flows.

#### (a) Financial Liabilities

Year ended 31 March 2010:

Financial liabilities	Total \$m	Less than 1 year \$m	1–5 years \$m	Over 5 years \$m
Borrowings, including interest	(1,871)	(135)	(1,728)	(8)
Trade and other payables	(334)	(305)	(29)	–
	(2,205)	(440)	(1,757)	(8)

Year ended 31 March 2009:

Financial liabilities	Total \$m	Less than 1 year \$m	1–5 years \$m	Over 5 years \$m
Borrowings, including interest	(820)	(32)	(354)	(434)
Trade and other payables	(469)	(457)	(12)	–
	(1,289)	(489)	(366)	(434)

#### (b) Financial guarantees and commitments

Year ended 31 March 2010:

Guarantees and commitments	Note	Total \$m	Less than 1 year \$m	1–5 years \$m	Over 5 years \$m
Financial guarantees and commitments:					
Committed purchase agreements	(i)	(556)	(556)	–	–
MF Global brokerage account	(ii)	(50)	(50)	–	–
Intra-day credit facility	(iii)	(400)	(400)	–	–
Operating lease commitments	(iv)	(516)	(22)	(78)	(416)
		(1,522)	(1,028)	(78)	(416)

### 13. Liquidity risk management continued

Year ended 31 March 2009:

Guarantees and commitments	Note	Total \$m	Less than 1 year \$m	1–5 years \$m	Over 5 years \$m
Financial guarantees and commitments:					
Committed purchase agreements	(i)	(954)	(954)	–	–
MF Global brokerage account	(ii)	(50)	(50)	–	–
Intra-day credit facility	(iii)	(400)	(400)	–	–
Loan facilities provided to fund products	(v)	(177)	(177)	–	–
FX trading guarantee	(vi)	(24)	(24)	–	–
Empyrean Re commitments	(vii)	(238)	(238)	–	–
Operating lease commitments	(iv)	(575)	(20)	(77)	(478)
		(2,418)	(1,863)	(77)	(478)

#### (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.

The Group's commitment at 31 March 2010 covers investments in existing fund products totalling \$556 million (2009: \$954 million). The decrease during the year is primarily the result of the reduction in underlying funds under management subject to CPAs. At 31 March 2010, the aggregate risk of loss to which the Group was exposed in relation to committed purchase agreements amounted to \$34 million (2009: \$96 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. The fair value of these commitments has been determined to be nil (2009: nil).

#### (ii) MF Global brokerage account

MF Global has put in place a \$50 million (2009: \$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 10:00 hours. Under normal circumstances, the Group does not expect the facility to be drawn down. The fair value of these commitments has been determined to be nil (2009: nil).

#### (iii) Intra-day credit facility

The Group guarantees a \$400 million (2009: \$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. The fair value of these commitments has been determined to be nil (2009: nil).

#### (iv) The operating lease commitments

The operating lease commitments as at 31 March 2009 and 2010 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). The commitments disclosed above include the offsetting effect of sublease arrangements totalling \$30 million (2009: \$6 million) for commitments less than five years and \$91 million (2009: \$3 million) for periods greater than five years. The current year income statement has included \$21 million (2009: \$19 million) in respect of operating lease rental costs.

#### (v) Loan facilities provided to fund products

This facility no longer exists as at 31 March 2010. In the prior year, the Group had provided committed loan facilities to the MAST structures. These were collateralised fund obligations (CFO) providing financing support to a range of the Group's structured products. The commitment under this facility at 31 March 2009 was \$177 million and was unutilised as at 31 March 2009.

Otherwise all of the loan facilities which the Group provides to its fund products are uncommitted.

#### (vi) FX trading guarantee

This facility no longer exists as at 31 March 2010. In the prior year the Group had guaranteed all unfilled margin requirements with respect of Fund FX trading activities. 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.

#### (vii) Commitments made by Empyrean Re

Empyrean Re used to write trade credit insurance and reinsurance on a global basis. As noted in Note 3, the business ceased to write new business from August 2008 and during the year ended 31 March 2010 all existing policies have been ceded to other reinsurers. Therefore the net exposure under the Group's commitment has been reduced to minimal levels. The fair value of these commitments as at 31 March 2010 has been determined to be \$12 million (2009: nil) and the liability has been recognised in 'Other categories of payables' (Note 16).

## Notes to the Group Financial Statements continued

### 14. Investments in associates and joint ventures

	2010 \$m	2009 \$m
<b>At beginning of year</b>	<b>317</b>	267
Currency translation differences	11	(74)
Acquisitions	–	314
Additions	–	56
Share of post-tax profit	70	144
Dividends received	(47)	(140)
Impairment of Ore Hill	–	(214)
Disposals	–	(28)
Conversion from subsidiary	–	3
Conversion to subsidiary	–	(2)
Reclassifications to available-for-sale investments	–	(9)
<b>At 31 March</b>	<b>351</b>	317

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 profit and loss 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.

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.

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.

The Group have taken advantage of the s.140 of the Companies Act 2006 exemption and have 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. Details of all associates will be annexed in the Company's annual return. Further details are given in Principal Group Investments on page 76.

#### BlueCrest Capital Management

The Group has one principal investment in an associate, BlueCrest Capital Management Services Limited and BlueCrest Capital Management LLP (BlueCrest). Income from associates largely relates to the Group's investment in BlueCrest, whose contribution to profit consisted of \$34 million (2009: \$88 million) of net performance fee income and \$39 million (2009: \$50 million) of net management and other fee income.

The investment in BlueCrest is carried at \$256 million (2009: \$217 million). The increase in the year relates to recognition of the Group's share of after tax profits as well as currency movements. Effective 1 April 2010, BlueCrest Capital Management LLP completed a legal reorganisation which facilitated the opening of a branch operation in Geneva and a new group head office in Guernsey. This restructure has no impact on the Group's investment in BlueCrest as at 31 March 2010.

BlueCrest has a statutory accounting reference date of 30 November. In respect of the year ended 31 March 2010, this company has been included based on audited financial statements drawn up to 30 November 2009 and taking into consideration the management accounts in the subsequent period from 1 December 2009 to 31 March 2010.

#### Ore Hill

The Group's investment in Ore Hill, a US based credit specialist fund manager, of \$53 million (2009: \$59 million), which was acquired in the prior year, is treated as a joint venture as the Group has joint control through a contractual arrangement.

#### Nephila Capital Ltd.

In the prior year the Group acquired a 25% interest in Nephila Capital Ltd. (Nephila). Nephila is an alternative investment manager specialising in the management of funds which underwrite natural catastrophe reinsurance and invest in insurance-linked securities and weather derivatives. The Group's investment in Nephila of \$42 million (2009: \$41 million) has been treated as a joint venture as the Group has joint control through a contractual arrangement.

## 14. Investments in associates and joint ventures continued

### Summarised aggregate financial information

The summarised aggregate financial information of joint ventures and associates where equity accounting is applied is as follows:

	Current assets \$m	Non-current assets \$m	Current liabilities \$m	Income \$m	Expenses \$m	Weighted average interest held %
<b>Joint ventures – 31 March 2010</b>						
Ore Hill	5	1	(5)	14	(14)	50
Nephila Capital Ltd	20	11	(7)	46	(34)	25
Other joint ventures where equity accounting is applied	1	–	–	1	(3)	29
	<b>26</b>	<b>12</b>	<b>(12)</b>	<b>61</b>	<b>(51)</b>	

	Current assets \$m	Non-current assets \$m	Current liabilities \$m	Income \$m	Expenses \$m	Weighted average interest held %
<b>Joint ventures – 31 March 2009</b>						
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
	<b>15</b>	<b>7</b>	<b>(5)</b>	<b>62</b>	<b>(48)</b>	

	Assets \$m	Liabilities \$m	Revenues \$m	Pre-tax profit \$m	Weighted average interest held %
<b>Associates – 31 March 2010</b>					
BlueCrest	1,233	(208)	987	758	26
Other associates where equity accounting is applied	–	–	–	–	15
	<b>1,233</b>	<b>(208)</b>	<b>987</b>	<b>758</b>	

	Assets \$m	Liabilities \$m	Revenues \$m	Pre-tax profit \$m	Weighted average interest held %
<b>Associates – 31 March 2009</b>					
BlueCrest	449	(53)	837	699	24
Other associates where equity accounting is applied	–	–	88	36	15
	<b>449</b>	<b>(53)</b>	<b>925</b>	<b>735</b>	

In the case of Ore Hill, Nephila Capital Ltd and BlueCrest, arrangements exist which mean that the Group 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.

In the prior year, additions relating to investments made in previously acquired joint ventures and associates included \$50 million of additional investment in BlueCrest, and \$6 million of initial investment in Ore Hill.

## 15. Trade and other receivables

	2010 \$m	2009 \$m
Trade receivables	<b>52</b>	99
Current tax assets	<b>4</b>	16
Prepayments and accrued income	<b>119</b>	172
Amounts owed by employees	<b>14</b>	26
Derivative assets	<b>26</b>	10
Other receivables	<b>105</b>	90
	<b>320</b>	413

## Notes to the Group Financial Statements continued

### 15. Trade and other receivables continued

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. 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, if any, is recognised in 'Other costs' in the income statement.

Amounts owed by employees are provided under the Assisted Purchase Scheme as described in the Remuneration Report on page 89. The carrying values of loans to employees are based on cash flows discounted using an effective interest rate of 5.8% (2009: 6.1%).

At 31 March 2010, \$4 million (2009: \$15 million) of amounts owed by employees are expected to be settled after more than 12 months. Included in other receivables are \$45 million (2009: \$35 million) that are expected to be settled after more than 12 months.

Included in other receivables, and prepayments and accrued income, are balances of \$19 million (2009: \$17 million), and \$31 million (2009: \$42 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 24).

Derivative assets include the VFS Agreement of \$23 million (Note 4(d)) and foreign exchange contracts of \$3 million (2009: \$6 million). The VaR for the VFS derivative is equal to the fair value of the derivative of \$23 million as at 31 March 2010 (2009: nil). The notional value of forward foreign exchange contracts is \$72 million (2009: \$73 million) and the notional value of the foreign exchange swaps is \$463 million (2009: \$881 million). The notional value of the VFS Agreement is \$132 million (2009: nil). All contracts mature within one year, except for the VFS Agreement. During the year there were \$10 million net realised and unrealised gains arising from derivative financial instruments (2009: \$15 million net loss).

Other financial risk disclosures with respect to trade and other receivables may be found in Note 22.

### 16. Trade and other payables

	2010 \$m	2009 \$m
Trade payables	4	17
Other taxation and social security costs	32	6
Accrued expenses	108	219
Other categories of payables	222	220
Pension obligations (Note 27)	–	13
Deferred tax	10	14
	<b>376</b>	<b>489</b>

Payables are typically recorded initially at fair value and subsequently measured at amortised cost.

Included in trade and other payables at 31 March 2010 are balances of \$39 million (2009: \$12 million) that are expected to be settled after more than 12 months.

Included in other categories of payables is \$100 million (2009: \$100 million) in relation to share buy-backs contractually undertaken with a third-party investment bank on behalf of the Group. Contracts entered into with the third party to buy-back the Company's shares during a close period give rise to an obligation for the Group. This obligation is 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 at the end of the close period. Any changes in the share price from the date of the contract are taken through the income statement.

A \$18 million (2009: nil) provision for onerous leases (refer to Note 4(b)) and a \$3 million (2009: \$7 million) accrual with respect to dilapidation costs of the London offices have been recognised in the income statement in the year and included in 'Other categories of payables'. The move to new London premises is expected to occur in April 2011. See Note 13 for operating lease commitments in respect of these premises.

## 17. Property, plant and equipment

	Leasehold improvements \$m	Equipment \$m	Total \$m
<b>Cost:</b>			
<b>At 1 April 2009</b>	<b>19</b>	<b>148</b>	<b>167</b>
Additions	19	25	44
Disposals	(1)	(19)	(20)
Reclassifications	17	(17)	–
<b>At 31 March 2010</b>	<b>54</b>	<b>137</b>	<b>191</b>
<b>Aggregate depreciation:</b>			
<b>At 1 April 2009</b>	<b>(11)</b>	<b>(92)</b>	<b>(103)</b>
Charge for year	(2)	(21)	(23)
Impairment (Note 4(b))	(11)	–	(11)
Disposals	1	17	18
<b>At 31 March 2010</b>	<b>(23)</b>	<b>(96)</b>	<b>(119)</b>
<b>Net book value at 31 March 2010</b>	<b>31</b>	<b>41</b>	<b>72</b>
<b>Cost:</b>			
At 1 April 2008	17	123	140
Additions	2	36	38
Disposals	–	(11)	(11)
At 31 March 2009	19	148	167
<b>Aggregate depreciation:</b>			
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

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:

- Leasehold improvements      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.



## Notes to the Group Financial Statements continued

### 18. Net finance (expense)/income

Net finance (expense)/income comprises:

	2010 \$m	2009 \$m
Finance income:		
Interest on cash deposits	22	42
Finance fees	–	6
Other	7	10
	<b>29</b>	<b>58</b>
Finance expense:		
Interest payable on borrowings	(33)	(36)
Amortisation of issue costs on borrowings	(3)	(2)
	<b>(36)</b>	<b>(38)</b>
Net finance (expense)/income	<b>(7)</b>	<b>20</b>

Interest income and expense is recognised on a time-apportioned basis using the effective interest method.

Net finance expense includes interest expense on borrowings and other debt of \$36 million (2009: \$38 million), reflecting the decrease in US dollar interest rates, offset by increased borrowing. Finance income is \$29 million (2009: \$58 million), which includes interest income on cash and cash equivalents of \$22 million (2009: \$42 million) and other finance fees and related income of \$7 million (2009: \$16 million).

### 19. Dividends

	2010 \$m	2009 \$m
<b>Ordinary shares</b>		
Final dividend paid for 2009 – 24.8 cents (2008: 24.8 cents)	419	423
Interim dividend paid for 2010 – 19.2 cents (2009: 19.2 cents)	326	295
Dividends paid during the year	<b>745</b>	<b>718</b>
Proposed final dividend for 2010 – 24.8 cents (2009: 24.8 cents)	<b>425</b>	<b>416</b>

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 20 July 2010, subject to shareholder approval, to shareholders who are on the register of members on 2 July 2010. Dividends on ordinary shares are declared in US dollars but paid in sterling.

	2010 \$m	2009 \$m
<b>Fixed rate perpetual subordinated capital securities</b>		
Dividends paid during the year	<b>33</b>	<b>25</b>

The \$33 million (2009: \$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, as discussed in the Capital Reserves section of Note 20.

## 20. Share capital and capital reserves

Authorised share capital	2010	\$m	£m	2009	\$m	£m
	Number			Number		
Ordinary share capital	2,858,329,201	98	–	2,362,500,000	81	–
Preference shares	600,000	600	–	600,000	600	–
Deferred US dollar shares	1,043,449,209	–	–	1,043,449,209	–	–
Deferred sterling shares	50,000	–	–	50,000	–	–
<b>As at 31 March</b>		<b>698</b>	<b>–</b>		<b>681</b>	<b>–</b>

Issued and fully paid share capital	2010	\$m	£m	2009	\$m	£m
	Number			Number		
<b>As at beginning of year</b>	<b>1,707,896,491</b>	<b>59</b>	<b>–</b>	<b>1,715,269,486</b>	<b>59</b>	<b>–</b>
Issue of ordinary shares:						
Employee share awards/options	4,445,053	–	–	5,650,788	–	–
Shares issued in business combinations	–	–	–	17,523,209	1	–
Purchase and cancellation of own shares	–	–	–	(30,546,992)	(1)	–
Ordinary share capital as at 31 March	1,712,341,544	59	–	1,707,896,491	59	–
Deferred dollar shares as at 31 March	–	–	–	1,043,449,209	–	–
Deferred sterling shares as at 31 March	50,000	–	–	50,000	–	–
<b>As at 31 March</b>		<b>59</b>	<b>–</b>		<b>59</b>	<b>–</b>

Equity capital is maintained to absorb losses and to provide the Group with capital flexibility to grow the business. The Group 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 United Kingdom, the Group's primary regulator.

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. Refer also to Note 25.

### Ordinary shares

Ordinary shares have a par value of 3 <sup>3</sup>/<sub>7</sub> US cents per share (2009: 3 <sup>3</sup>/<sub>7</sub> US cents per share) and represent 99.9% of issued share capital. All issued shares are fully paid. The shares have attached to them full voting, dividend and capital distribution (including on wind up) rights. They do not confer any rights of redemption. Ordinary shareholders have the right to receive notice of, attend, vote and speak at general meetings.

A holder of ordinary shares 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.

Subject to certain 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.

During the year, the Company did not repurchase any ordinary shares (2009: 30,546,992 – \$280 million). As at 27 May 2010, the Company had an unexpired authority from the 2009 Annual General Meeting, to purchase further shares up to a maximum amount of 170,805,967 ordinary shares.

### Preference shares

The preference shares, which have a par value of \$1,000 each, have not been issued.

### Deferred dollar 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 1,043,449,209 C shares out of equity. The C shares were created out of share premium. Subsequent to the payments to shareholders from the C shares, all the outstanding C shares were deferred. In accordance with the Shareholders Agreement which was approved at the 2009 Annual General Meeting, all of the outstanding C shares (Deferred US Dollar Shares of 0.001 cent) were transferred to Man Group plc and were subsequently cancelled on 3 December 2009.

## Notes to the Group Financial Statements continued

### 20. Share capital and capital reserves continued

#### Deferred sterling shares

On 29 July 2004, 50,000 unlisted deferred sterling shares, representing 0.1% of the Company's issued share capital, with a par value of £1 per share were issued, following the redenomination of the ordinary share capital into ordinary shares of 18 US cents each.

These shares are necessary to continue to comply with Section 763 of the Companies Act 2006, following the redenomination of the ordinary share capital into ordinary shares of 18 US cents each on that date. The deferred sterling shares are freely transferable and 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.

#### Share Capital and reserves

	Share capital \$m	Capital Securities \$m	Share premium account \$m	Capital redemption reserve \$m	Total \$m
<b>At 1 April 2009</b>	<b>59</b>	<b>300</b>	<b>957</b>	<b>1,292</b>	<b>2,608</b>
Issue of ordinary share capital	–	–	18	–	18
<b>At 31 March 2010</b>	<b>59</b>	<b>300</b>	<b>975</b>	<b>1,292</b>	<b>2,626</b>
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

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.

In the prior year, the increase in the capital redemption reserve 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.

### 21. Revaluation reserves and retained earnings

	Available-for-sale reserve \$m	Own shares held by ESOP trust \$m	Cumulative translation adjustment \$m	Profit and loss account \$m	Total \$m
<b>At 1 April 2009</b>	<b>(2)</b>	<b>(163)</b>	<b>(145)</b>	<b>1,894</b>	<b>1,584</b>
Currency translation difference	–	(8)	108	–	100
Share-based payments charge for the year	–	–	–	56	56
Purchase of own shares by ESOP trusts	–	(47)	–	(14)	(61)
Disposal of own shares by ESOP trusts	–	84	–	(84)	–
Fair value gains taken to equity	62	–	–	–	62
Tax credit/(charge) taken to reserves	3	–	–	2	5
Taxation taken to equity with respect to capital securities	–	–	–	9	9
Transfer to income statement on sale or impairment	(66)	–	–	–	(66)
Disposal of business	–	–	5	–	5
Dividends	–	–	–	(745)	(745)
Dividends with respect to capital securities	–	–	–	(33)	(33)
Profit for the year	–	–	–	445	445
<b>At 31 March 2010</b>	<b>(3)</b>	<b>(134)</b>	<b>(32)</b>	<b>1,530</b>	<b>1,361</b>

## 21. Revaluation reserves and retained earnings continued

	Available-for-sale 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 buyback obligations	–	–	–	(3)	(3)
Hybrid issue costs	–	–	–	(7)	(7)
Share-based payments charge for the year	–	–	–	86	86
Purchase of own shares by ESOP trusts	–	(186)	–	(32)	(218)
Disposal of own shares by ESOP trusts	–	67	–	(8)	59
Fair value losses taken to equity	(250)	–	–	–	(250)
Current tax 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

The available-for-sale reserve represents the unrealised change in the fair value of available-for-sale investments. The reserve is 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 2010 was a debit of \$5 million (2009: \$3 million debit).

## 22. Risk management

### Financial risk management

#### (a) Credit risk management

Financial assets subject to credit risk are as follows:

	Note	2010 \$m	2009 \$m
Cash and cash equivalents	11	<b>3,229</b>	2,361
Included in trade and other receivables:	15		
Derivative financial instruments		<b>26</b>	10
Other receivables		<b>275</b>	345
Amounts owed by fund products	2(b)	<b>373</b>	373
		<b>3,903</b>	3,089

The maximum credit risk exposure is equivalent to the carrying value of the balances shown.

## Notes to the Group Financial Statements continued

### 22. Risk 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. Loans to funds are subject to strict limits consistent with the Board's risk appetite and loans are monitored and leverage reduced according to the Group's de-risking process where necessary. Deposit limits for bank counterparties are set by the Board on the basis of external long-term credit ratings and movements in credit default swap rates and counterparties' share prices. At 31 March 2010 the counterparty rating of the Group's financial assets subject to counterparty risk and neither past due nor impaired was as follows:

	AA- or better %	A+ to A- %	BBB+ to speculative %	Not rated %
<b>31 March 2010</b>				
Amounts owed by fund products	–	–	100	–
Trade and other receivables	22	45	17	16
Derivative financial instruments	3	97	–	–
Cash and cash equivalents	27	72	1	–
Weighted average	23	63	11	3

	AA- or better %	A+ to A- %	BBB+ to speculative %	Not rated %
<b>31 March 2009</b>				
Amounts owed by fund products	6	71	23	–
Trade and other receivables	15	37	6	42
Derivative financial instruments	26	73	–	1
Cash and cash equivalents	8	92	–	–
Weighted average	9	83	3	5

#### (ii) Ageing and impairment of financial assets

	Neither past due nor impaired \$m	Past due but not impaired			Impaired \$m	Total \$m
		0–6 months \$	6–12 months \$m	> 1 year \$m		
<b>31 March 2010</b>						
Amounts owed by fund products	373	–	–	–	–	373
Trade and other receivables	257	17	1	–	–	275
Derivative financial instruments	26	–	–	–	–	26
Cash and cash equivalents	3,229	–	–	–	–	3,229
	<b>3,885</b>	<b>17</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>3,903</b>

	Neither past due nor impaired \$m	Past due but not impaired			Impaired \$m	Total \$m
		0–6 months \$m	6–12 months \$m	> 1 year \$m		
<b>31 March 2009</b>						
Amounts owed by fund products	373	–	–	–	–	373
Trade and other receivables	328	11	–	5	1	345
Derivative financial instruments	10	–	–	–	–	10
Cash and cash equivalents	2,361	–	–	–	–	2,361
	<b>3,072</b>	<b>11</b>	<b>–</b>	<b>5</b>	<b>1</b>	<b>3,089</b>

No significant impairments were recorded on items exposed to credit risk in either the current or comparative financial years.

#### (iii) Concentrations of credit risk

At 31 March 2010, the Group's single largest counterparty exposure is \$557 million held with an 'A' rated bank (2009: \$608 million). The largest loan to a fund product was \$18 million (2009: \$39 million). The amount of these exposures can change significantly each month.

#### (b) 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, Australian dollar 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 2010, 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 gain/loss of \$2 million, with a corresponding impact on equity (2009: \$12 million loss/gain).

In respect of those of the Group's monetary assets and liabilities which earn/incure interest indexed to floating rates, as at 31 March 2010, a 50bp increase/decrease in interest rates, with all other variables held constant, would have resulted in a \$14 million increase/\$9 million decrease in net interest income, with a corresponding impact on equity (2009: \$10 million increase/decrease).

## 22. Risk management continued

### Operational risk management

Operational risk arises from the potential for the Group to suffer losses due to failures in processes or 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, failures by third party providers of critical services, technology failures and fund valuation errors. Operational risk is mitigated by the Group's control environment. The organisation's 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 its reputation. The Group pays particular attention to operational and reputational risks relating to product suitability, sales practices at intermediaries and the accuracy of its valuation and investor reporting processes. The Group's aim is 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.

Independent valuation service providers are used for the valuation of 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. A Valuation Committee, chaired by the Chief Risk Officer of the investment management business meets monthly to review and approve any issues relating to valuation.

Significant resources are devoted to protecting the resilience of the Group's information technology systems, including formal business continuity plans and remote data back-up and disaster recovery facilities for each of its key locations. Business continuity for its core activities is regularly tested to maintain effectiveness.

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 which management believes are the most significant in terms of the Group's risk profile and where there are key controls on which the Group relies. An insurance programme provided by a syndicate of third party insurers is tailored to its risk profile and designed to maximise breadth of cover and certainty of response in respect of key third party liabilities, loss of Group assets, business interruption and people-related exposures

### 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 are discussed on page 34.

## 23. 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 alleged claims under certain sections of the US Securities Act of 1933 and alleged, 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 were seeking compensatory damages, rescission and attorneys' fees and expenses. On 16 July 2009, the United States district court dismissed the case on the grounds that the plaintiffs had failed to identify any material misrepresentations or omissions in the disclosure documents. The district court granted the plaintiffs leave to replead which was rejected on 11 September 2009 because the amended complaint failed to correct the previously identified defects, and ordered the district court case closed. The plaintiffs appealed both rulings to the United States Court of Appeals. The scheduling of the appeal process is currently under way. The directors believe that these rulings corroborate its view that the Group complied with all applicable laws and regulations in connection with the initial public offering of MF Global.

## 24. Related party transactions

### (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.



## Notes to the Group Financial Statements continued

### 24. Related party transactions continued

Transactions with related parties included in the income statement during the financial year, excluding key management compensation were as follows:

	2010 \$m	2009 \$m
Asset Management:		
Performance fee income	5	122
Management and other fee income	440	336
	<b>445</b>	458

All transactions between related parties are carried out on an arm's length basis.

Year end balances arising from transactions with related parties during the financial year, excluding key management compensation are as follows:

	2010 \$m	2009 \$m
Receivable from related entities	<b>169</b>	99

#### (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:

	2010 \$000	2009 \$000
Salaries and other short-term employee benefits	<b>6,670</b>	17,983
Post-employment benefits	<b>1,885</b>	906
Share-based payments	<b>(3,508)</b>	10,800
	<b>5,047</b>	29,689

The performance-related share awards given in prior years were re-assessed in the current year such that the probability of vesting has substantially reduced to minimal levels. As a result the charges raised in prior years were reversed in the current year in accordance with IFRS 2.

Information concerning individual directors' compensation and other benefits is given in the audited part of the Remuneration Report on pages 97 to 101.

### 25. Employee trusts

The balance sheet and financial result 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 \$44 million (2009: \$64 million).

At 31 March 2010, the net assets of the employee trusts amounted to \$110 million (2009: \$108 million). These assets include 26,837,328 (2009: 28,887,776) 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 2010 on each of 30,833,745 of the ordinary shares registered in its name at the relevant date for eligibility for the interim dividend (2009 interim: 22,192,216 shares) and all but 0.01p of the final dividend for the year ended 31 March 2009 on each of 33,238,809 of the ordinary shares registered in its name at the relevant date for eligibility for the final dividend (2008 final: 15,332,879 shares).

### 26. 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 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,

## 26. Share-based payments continued

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.

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 page 89.

During the year, \$56 million (2009: \$86 million) was charged to the income statement for equity-settled, share-based payment transactions. 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	18/6/2009–9/7/2009	26/6/2009–1/7/2009	9/7/2009	18/6/2009–16/2/2010
Weighted average share price at grant date (\$)	4.23	4.56	3.95	4.69
Weighted average exercise price at grant date (\$)	4.18	3.26	–	–
Share options/awards made in the year	1,292,279	2,019,178	2,575,611	8,161,741
Vesting period (years)	3	3–5	4	4
Expected share price volatility	40%	40%	–	–
Dividend yield	10%	10%	–	–
Risk-free rate	2.9%	2.4–2.7%	–	–
Expected option life (years)	7.5	3.4	–	–
Number of shares/options assumed to vest	489,729	1,520,311	–	7,380,456
Average fair value per option/share granted (\$)	0.77	0.80	2.69	4.69

In addition employees were advised of Executive Share Options valued at \$36 million (2009: nil) and Deferred Share Plan awards valued at \$39 million (2009: nil) for which the grant price and number of options will not be determined until June 2010. Had the share price as at 31 March 2010 been used, Executive Share Options of 9,869,449 and Deferred Share Plan awards of 10,529,611 would have been made.

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 currently assumed that the performance conditions applicable to the executive share option scheme and performance share plan will not be satisfied and none of the share options awarded will vest. For the smaller number of Key Executive Plan options totalling 489,729 included above, it is assumed that the performance criteria will be met, and consequently these options are expected to vest in full. For these options, it is assumed that 5% 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:

	2010		2009	
	Number	Weighted average exercise price (\$ per share)	Number	Weighted average exercise price (\$ per share)
Share options outstanding at beginning of year	4,599,249	7.09	6,268,005	5.26
Granted	3,311,457	3.62	687,720	10.60
Forfeited	(2,050,056)	7.13	(488,444)	9.06
Exercised	(1,067,973)	3.51	(1,868,032)	4.17
Share options outstanding at 31 March	4,792,677	5.47	4,599,249	7.09
Share options exercisable at 31 March	665,352	4.94	1,625,046	3.18

The weighted average share price during the financial year ended 31 March 2010 was \$4.44 (2009: \$6.89). Included in the tables above are 586,318 Executive Share Plan 2007 awards outstanding as at 31 March 2010, which will not meet the performance criteria and will hence all lapse.

## Notes to the Group Financial Statements continued

### 26. Share-based payments continued

The share options outstanding at the end of the year have a weighted average exercise price and expected remaining life as follows:

Range of exercise prices (\$ per share)	2010			2009		
	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	3,489,853	3.37	3.3	1,981,266	3.29	2.5
5.01–7.00	363,912	6.07	4.7	1,346,962	5.93	5.1
7.01–9.00	675,318	8.60	4.4	1,271,021	8.10	5.9
9.01–11.00	263,594	9.18	6.7	–	–	–
	<b>4,792,677</b>			<b>4,599,249</b>		

Movements in the number of share awards outstanding are as follows:

	2010 Number	2009 Number
Share awards outstanding at beginning of year	<b>37,971,004</b>	32,425,283
Granted	<b>10,737,352</b>	17,437,157
Transferred	<b>21,699</b>	–
Forfeited	<b>(1,606,002)</b>	(483,949)
Exercised	<b>(15,900,247)</b>	(11,407,487)
Share awards outstanding at 31 March	<b>31,223,806</b>	37,971,004
Share awards exercisable at 31 March	<b>2,056,069</b>	2,055,199

Included in the table above are 1,213,300 Performance Share Plan 2007 awards outstanding as at 31 March 2010 which will not meet the performance criteria and will hence all lapse. Certain of the above awards accrue dividends in the form of additional shares, during the year these additional shares totalled 704,703 (2009: nil).

### 27. 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 or insurance companies, 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.

#### (a) 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 employee benefit expense 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 totalled \$6 million (2009: \$11 million).

#### (b) 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 asset recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs less the present value of the defined benefit obligation at the balance sheet date. These include the contingent asset described below. 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 latest regular triennial funding valuation of the UK Plan was carried out as at 31 December 2008. The defined benefit obligation for the UK Plan is based on this funding valuation, with results projected forward by independent qualified actuaries. The obligation for the Swiss plan was calculated as at 31 March 2010 by independent qualified actuaries. At 31 March 2010, the UK plan comprised 80% (2009: 76%) of the Group's total defined benefit pension obligations.

Following the 31 December 2008 funding valuation the Group reached an agreement with the UK Plan trustees on the future level of contributions to the UK Plan in March 2010. It was agreed that from April 2010 the Group will contribute 46.0% of pensionable salaries each year to cover the cost of accruing benefits less the contributions made by active members. In addition, to remove the funding deficit as at

## 27. Pension benefits continued

31 December 2008, it was agreed that the Group would pay £7.3 million every year from March 2010 until 31 March 2015 with a further lump sum to be paid in March 2016 to cover any remaining funding deficit at 31 December 2015.

It was also agreed that the Group would set up the Man Group Reservoir Trust (the Reservoir Trust) to provide additional security for the UK Plan as a contingent asset. The Reservoir Trust, which is a separate legal entity to the Group which is governed by independent trustees to the UK Plan, can be used to make the March 2016 lump sum contribution to the UK Plan should there be a funding deficit at 31 December 2015. The Group contributed £50 million (\$76 million) of hedge fund assets to the Reservoir Trust on 31 March 2010 and is committed to ensure the Reservoir Trust value remains at least £49 million (or at the level of the funding deficit in the UK Plan if lower).

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.

The principal actuarial assumptions used in the valuations of the two plans as at 31 March 2010 were:

	UK plan		Swiss plan	
	2010 % pa	2009 % pa	2010 % pa	2009 % pa
Discount rate	<b>5.5</b>	6.8	<b>2.7</b>	3.3
Price inflation	<b>3.7</b>	3.3	<b>1.5</b>	1.5
Expected return on plan assets	<b>6.9</b>	7.0	<b>4.5</b>	4.5
Future salary increases	<b>3.7</b>	3.3	<b>2.5</b>	2.5
Social security increases	–	–	<b>3.0</b>	3.0
Pension in payment increases	<b>3.8</b>	3.6	–	–
Deferred pensions increases	<b>5.0</b>	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 7.9% (2009: 8.0%), expected bond returns of around 5.0% (2009: 5.3%), expected return on hedge funds of around 7.9% (2009: 8.0%), and expected average return on other plan assets (cash) of around 4.5% (2009: 4.2%). The Reservoir Trust holds a different mixture of hedge funds, the expected return on these assets is around 7.4%. In Switzerland, investment market conditions suggest an expected return on equities of around 6.0% (2009: 7.2%), expected bond returns of around 2.2% (2009: 3.4%), expected returns on property of 4.5% (2009: 4.4%), expected hedge fund returns of around 6.0% (2009: 5.8%) and expected average return on other plan assets (commodities) of around 6.0% (2009: 5.8%).

Mortality rates in the UK plan are assumed to be in line with 120% (2009: 100%) of 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. This assumption reflects the profile of the UK Plan implied by a post-code analysis carried out as part of the 31 December 2008 funding valuation. 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)
<b>31 March 2010</b>		
Male aged 60	25.6	27.7
Female aged 60	27.7	28.9
<b>31 March 2009</b>		
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% pa allowance for increase in life expectancy from the date of the census underlying the table to the valuation date.

## Notes to the Group Financial Statements continued

### 27. Pension benefits continued

The amounts recognised in the balance sheet are determined as follows:

	2010 \$m	2009 \$m
Present value of funded obligations	384	296
Fair value of plan assets	(391)	(248)
(Surplus)/deficit	(7)	48
Unrecognised actuarial losses	(61)	(33)
Unrecognised past service cost	(1)	(2)
Net pension (asset)/liability in the balance sheet at 31 March	(69)	13

Analysed as follows

	2010 \$m	2009 \$m
UK plan – Pension (asset)/liability	(70)	15
Swiss plan – Pension liability/(asset)	1	(2)
Pension (asset)/liability in the balance sheet at 31 March	(69)	13

The major categories of plan assets are:

	2010 \$m	2009 \$m
Equities	113	77
Bonds	119	88
Property	5	9
Hedge funds	123	63
Other	31	11
	391	248

The actual return on plan assets was:

	2010 \$m	2009 \$m
Return on plan assets	54	(15)

The movement in the pension (asset)/liability recognised in the balance sheet is as follows:

	2010 \$m	2009 \$m
Pension liability at beginning of year	13	24
Currency translation differences taken through income statement	1	(6)
Other expenses charged to the income statement	11	8
Contributions paid – Reservoir Trust	(76)	–
Contributions paid – Other	(18)	(13)
Net pension (asset)/liability at 31 March	(69)	13

The contributions expected to be paid during the financial year ending 31 March 2011 amount to \$21 million.

The other expenses recognised in the income statement are as follows:

	2010 \$m	2009 \$m
Current service cost (employer portion)	7	6
Interest cost	19	20
Expected return on plan assets	(17)	(20)
Amortisation of unrecognised past service cost	1	1
Amortisation of unrecognised net loss	1	–
Past service costs	(2)	4
Settlement/curtailment	2	(3)
Total charge	11	8

## 27. Pension benefits continued

Changes in the present value of the defined benefit obligations are as follows:

	2010 \$m	2009 \$m
Present value of funded obligations at beginning of year	296	350
Currency translation difference	16	(92)
Current service cost (employer portion)	7	6
Interest cost	19	20
Employee contributions	4	4
Actuarial loss	66	18
Actual benefit payments	(17)	(10)
Past service costs	(2)	4
Settlement/curtailment	(5)	(4)
Present value of funded obligations at 31 March	384	296

The changes in the fair value of plan assets are as follows:

	2010 \$m	2009 \$m
Fair value of plan assets at beginning of year	248	341
Currency translation difference	13	(85)
Expected return on plan assets	17	20
Actuarial gains/(losses) on plan assets	37	(35)
Employer contributions	94	13
Employee contributions	4	4
Benefits paid	(17)	(10)
Assets distributed on settlements	(5)	–
Fair value of plan assets at 31 March	391	248

History of experience gains and losses:

	2010		2009		2008		2007		2006	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
Experience gain/(loss) arising on plan assets (% of plan assets)	37	9.4	(35)	(14.1)	(19)	(5.3)	11	3.3	31	10.9
Experience gain/(loss) arising on plan liabilities (% of the present value of plan liabilities)	4.7	1.2	(11)	(3.7)	–	(0.7)	3	0.1	10	3.3
Present value of plan liabilities	384		296		350		409		396	
Fair value of plan assets	(391)		(248)		(341)		(359)		(324)	
Plan deficit	(7)		48		9		50		72	

## 28. Post balance sheet events

On 17 May 2010, the Board announced that it had reached an agreement on the terms of the recommended acquisition of GLG Partners, Inc. (GLG) (the Acquisition). On the basis stated in the announcement of 17 May 2010, the Acquisition values the fully diluted share capital of GLG at approximately \$1.6 billion and will create a diversified, world-leading alternative investment manager with approximately \$63 billion of funds under management.

The Acquisition is structured as a cash merger transaction with respect to the GLG public stockholders and a share exchange transaction in respect of the GLG Principals. The Acquisition is expected to close by the end of September 2010. On the closing date, GLG will become a wholly owned subsidiary of the Group. Closing is conditional upon approval of GLG stockholders, the Man Group plc's shareholders and regulatory approvals, including the FSA.

The cash consideration payable will be funded by existing cash resources and the Group will continue to have a significant level of available liquidity. The consideration is likely to be almost entirely allocated to goodwill and other identifiable assets (for example, investment management contracts) and is expected to result in the Group's regulatory capital headroom being reduced to approximately \$300 million at the closing date.



## 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 the Companies Act 2006 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 %
<b>Principal operating subsidiaries</b>		
<b>Asset Management</b>		
Man Investments Limited	England	100
Man Investments AG	Switzerland	100
Man Investments (USA) LLC	US	100
Man Investments (CH) AG	Switzerland	100
<b>Group holding companies</b>		
Man Group UK Limited <sup>1</sup>	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
<b>Group treasury company</b>		
Man Investments Finance Limited	England	100
<b>Principal associates</b>		
BlueCrest Capital Management LLP <sup>2</sup>	England	25.54

1 Direct subsidiary.

2 Year-end is 30 November, which was BlueCrest's accounting year-end at the date of acquisition.

# Independent 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 2010 which comprised the Group Balance Sheet, the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Group Cash Flow Statement, the Basis of Preparation and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## *Respective responsibilities of directors and auditors*

As explained more fully in the Directors' Responsibilities Statement set out on page 85, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

## *Scope of the audit of the financial statements*

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## *Opinion on the financial statements*

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

## *Opinion on other matters prescribed by the Companies Act 2006*

In our opinion:

- the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and
- the information given in the Corporate Governance Report set out on pages 78 to 81 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

## *Matters on which we are required to report by exception*

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit; or a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 81, in relation to going concern; and the part of the Corporate Governance Report relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

## *Other matters*

We have reported separately on the parent company financial statements of Man Group plc for the year ended 31 March 2010 and on the information in the Remuneration Report that is described as having been audited.

## **Richard Oldfield**

(Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
27 May 2010

## Corporate Governance Report

The Chairman's review referred to 2009/10 as a period of transition from the financial crisis of the previous years coupled with widespread analysis and debate on the governance failings which had contributed to it. Against this background of regulatory review and reform, we have continued to strengthen and broaden the skill set and operation of our Board and to develop the way it governs the business and delivers value for shareholders. This report outlines the work of the Board during the year and describes how it applies the principles of the Combined Code to achieve our objective of becoming a leader in risk management, governance and sustainability.

### Board composition

The Board comprises the Chairman, the Chief Executive, the Finance Director and six non-executive directors, biographical details of whom are given on page 82. The non-executive directors, all of whom are considered by the Board to be independent, collectively bring several lifetimes' experience of senior roles in financial institutions to their stewardship of the Company's business. Their bank of knowledge and expertise was broadened and refreshed mid way through the year by the appointment of two new directors, Ruud Hendriks and Fred Jolly, who bring extensive client development, investment management and entrepreneurial skills to the team. The Chairman seeks to leverage the know how and range of outlooks of all the non-executives by fostering a climate of relaxed debate and challenge in the boardroom. This is built on his challenging but supportive relationship with the Chief Executive which sets the tone for Board interaction and discussions.

### Senior Independent Director

In July last year Alison Carnwath succeeded Glen Moreno as Senior Independent Director. Alison is now in her tenth year of service as a director and is a highly valued contributor to the Board. She combines an in depth knowledge of the business and the key members of its executive team with intellectual rigour, an individual viewpoint and a challenging approach to management. She seeks clarification and amplification of issues and direct access to staff and advisers where required. Serving on all the key Board Committees, she has a good understanding of the workings and dynamics of the Board and is well placed to undertake the Senior Independent Director role of intermediary between members and adviser to the Chairman as well as providing an alternative channel of communication with shareholders. The Board has no doubt as to the continuing independence and robustness of Alison's judgement and recommends her reappointment as a non-executive director to shareholders for a further year.

### Board committees

Until August 2009, all non-executive directors served on all three principal Board Committees. With the appointment of two new non-executive directors, the Board was able to restructure and refresh its Committee memberships. The Audit and Risk and Remuneration Committees now have differentiated and clearly

focussed memberships. However, it was considered appropriate for all non-executives to continue to be members of the Nomination Committee. Most Board Committee meetings are scheduled around Board meetings in such a way that Committee chairmen can give a full and timely report to their colleagues on Committee debate and decision making and bring to the Board's attention any issues of note or concern. Non-executive directors regularly receive all Committee papers for information, irrespective of membership. Reports on the work of the Audit and Risk and Nomination Committees during the year are given on pages 83 and 84. A separate report on the work of the Remuneration Committee and its policy and practice on executive director compensation and service contracts can be found on pages 86 to 101. The terms of reference of all three Board Committees are given on our corporate website [www.mangroupplc.com](http://www.mangroupplc.com).

### Role of the Board

It is vital that the key roles of a board in determining a company's direction, monitoring its performance, overseeing risk and discharging responsibilities to stakeholders are clearly defined and understood. To reinforce and clarify its responsibilities for strategy development, governance and control within the business, the Board reviewed in the course of the year the specific matters reserved for its decision and those it wished to delegate to the Chief Executive. This review underlined in particular the need for Board approval of any acquisitions, new ventures or other business proposals which had the potential to breach the Board's approved risk appetite or which extended materially beyond the Company's current business mandate. Extensive supporting work on the development of the Chief Executive's onward delegations to management groups and individuals was completed later in the year and the revised framework for this has also been endorsed by the Board.

### Board programme and meetings

The Board held seven main meetings during the year, of which one was a three day visit to our business in Hong Kong and another was a one and a half day strategy session.

The Board's practice is to hold one meeting per year at the Company's offices in Pfaffikon in Switzerland and at least one other at another overseas location. Hong Kong was selected for the September 2009 visit in view of the strategic importance of Man's Asia business which currently accounts for over 40% of our total funds under management. The Board's programme included business overview and outlook updates from the Hong Kong, Japan, Taiwan and Australia regional teams, a presentation on investment management perspectives in Asia as a whole and the opportunity for non-executives to meet informally with local and visiting management.

Full details of the number of Board and Board Committee meetings held during the year and attendance by individual directors are given in the table on page 79.

## 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	Audit & Risk Committee	Remuneration Committee	Nomination Committee
Number of meetings held	7	6	7	3
Number of meetings attended				
Jon Aisbitt <sup>1</sup>	7	6	7	3
Alison Carnwath	7	5	7	2
Peter Clarke <sup>2, 3</sup>	7	–	5	2
Phillip Colebatch <sup>4</sup>	7	3	7	3
Dugald Eadie <sup>5</sup>	7	6	3	3
Kevin Hayes <sup>1, 3</sup>	7	6	4	–
Ruud Hendriks <sup>6</sup>	5	–	5	2
Frédéric Jolly <sup>6, 8</sup>	5	4	1	2
Glen Moreno <sup>7</sup>	2	2	2	1
Patrick O'Sullivan <sup>5</sup>	7	6	3	3

1 Jon Aisbitt and Kevin Hayes are not members of the Audit & Risk Committee and attend meetings by invitation.

2 Peter Clarke is not a member of the Nomination Committee but attends some meetings by invitation.

3 Peter Clarke and Kevin Hayes are not members of the Remuneration Committee but attend parts of meetings by invitation.

4 Phillip Colebatch ceased to be a member of the Audit and Risk Committee on 1 August 2009.

5 Dugald Eadie and Patrick O'Sullivan ceased to be members of the Remuneration Committee on 1 August 2009 but attended one subsequent meeting by invitation.

6 Ruud Hendriks and Frédéric Jolly were appointed to the Board on 1 August 2009.

7 Glen Moreno retired from the Board on 9 July 2009.

8 Frédéric Jolly attended one Remuneration Committee meeting by invitation although he is not a member of the Committee.

## Work of the Board

The Board receives a monthly written report from the Chief Executive on business performance, developments and outlook which is complemented at Board meetings by an oral update and the opportunity for broader discussion of sales, marketing and topical business issues. The Board receives similar regular reports from the Finance Director on the Company's financial performance, debt, loans to funds and liquidity position. Specific developments over which the Board had oversight during 2009/10 were the transition to the new multi-manager investment management process and the creation of the new enhanced managed account platform for institutional investment. The Board agreed certain changes to the definition of the business's risk appetite, reviewed the risk profile and assumptions built into the annual update of the Company's regulatory capital model and confirmed the approach to be adopted to stress and scenario testing. They were regularly briefed on the implications of the extensive regulatory debates and initiatives which developed during the year. They also received an update on the Company's IT strategy and infrastructure which provides essential operational support for the business.

## Strategy development

The agenda for the December strategy session picked up themes and concerns identified by Board members in the course of the year and was firmly focussed on shaping the future profitable growth of the business. It included a review of the current business model, the consideration of routes to return and the optimum balance of return allocated to fund investors, employees and shareholders. The Board agreed a number of high level actions for execution during the year, several of which have been developed by management and are reported elsewhere in this document. They included:

- progressing the options for investment in new single manager initiatives which has culminated in the proposed acquisition of GLG announced on 17 May 2010;
- completing the review of fund operations and optimising the operating model;
- promoting efficiencies through the analysis of the margin chain and the rationalisation of legacy products; and

- reviewing markets and distribution strategy.

Issues identified for specific Board focus included the review of the Company's capital strategy and future distribution policy. The Nomination Committee were charged with oversight of agreed management development and succession initiatives. The Remuneration Committee were mandated to conduct a major consultation with shareholders on the revisions to the executive director compensation strategy and share plans. In March, as part of the regular annual business planning cycle, the Board reviewed and approved the annual budget and three year plan prepared by management.

## Board induction and development

To leverage their knowledge and help optimise their contribution to the business, our new non-executive directors each received an extensive induction comprising an in depth introduction from the Chief Executive followed by a series of briefings from Management Committee members, heads of fund management, product structuring, sales and corporate management teams. They also received an overview of directors' duties and liabilities, the listed company and corporate governance framework and investor perceptions and expectations from the Company Secretary and Head of External Relations. As part of a continuing business familiarisation programme, the full Board received during the year a series of management presentations on private and institutional sales in different geographies and markets, on trends in product structuring and managed accounts, and on the operation and performance of AHL. The effectiveness of these sessions in terms of deepening directors' understanding of the business and their knowledge of management teams was confirmed by the findings of the 2010 Board evaluation.

## Board evaluation

Following the full external evaluation carried out in 2009, an internal review based on a written questionnaire developed by the Company Secretary with input from the Board was carried out in 2010. This covered the operation of the Board and the Remuneration and Nomination Committees. A separate evaluation was carried out for the Audit and Risk Committee as reported on page 84. The review of the

## Corporate Governance Report continued

Board's collective performance focussed on the main issues identified for improvement in 2009 and topical governance concerns emerging from the Walker and Combined Code reviews. It also gave ample scope for free comment on any aspects of Board operation with input from the new non-executive directors being of particular interest and value. Individual director evaluation was built on a range of self appraisal questions for private discussion and feedback between the Chairman and individual Board members. These sessions allowed the Chairman to take soundings on Board dynamics, to mentor individual roles as necessary and ensure that the most is made of non-executive talent and time commitment. The Senior Independent Director sought written comments from all Board members on the performance of the Chairman which were discussed with him in a private meeting. The main issues identified in the collective Board evaluation were the need for:

- a more concrete and structured strategic plan which brought together the various business development strategies under discussion;
- further focus and execution on senior management and executive director development and succession; and
- greater knowledge by non-executives of market competition, broader insight into investor attitudes and more opportunities for education and update on topical business and governance issues.

All these issues were presented to and considered by the Board in March and a progress review will be carried out mid way through the financial year.

### Board appointments

The process for the appointment of directors to the Board is led by the Chairman and the Nomination Committee as detailed in the Nomination Committee report. Details of executive directors' service contracts are given in the Remuneration Committee report. The terms of non-executive directors' appointments are set out in their letter of appointment. The Company's Articles of Association provide that all directors are subject to appointment by shareholders at the first annual general meeting after their appointment by the Board and to reappointment by shareholders thereafter at intervals of not less than three years.

### Non-executive appointments

Non-executive directors are appointed for an initial term of three years which may be followed by a second three year term by mutual agreement. Any extension beyond this period will be subject to rigorous review, taking into account the strengths and profile of the individual and balancing the need for continuity of knowledge and experience and the refreshing of skills and outlook. With the restructuring of Committee memberships and non-executive responsibilities in the course of 2009, the opportunity was taken to update the approximate time commitments identified for individual non-executive director roles and to amend directors' letters of appointment accordingly.

### External appointments

Directors are required to declare all their external business positions prior to their appointment to the Board and to keep the Board updated on any subsequent changes. In addition, the Board carries out a formal annual review of directors' external business appointments and interests, giving special consideration to any which might be regarded as creating a potential conflict with the interests of the Company. Alison Carnwath's current directorship of MF Global, which she will relinquish in August 2010, has previously been recognised as representing a potential conflict of interest. For this reason, the Board's

policy is that Mrs Carnwath should absent herself from any Board discussion of the Company's relationship or dealings with MF Global and that she does not receive related Board papers and minutes. This protocol has been rigorously observed during the year.

### Professional advice, indemnities and insurance

There is provision for directors to take independent professional advice relating to the discharge of their responsibilities should they feel they need it. Under the Company's Articles of Association and to the extent permitted by law, directors have been granted an indemnity by the Company in respect of any third party liabilities which they incur as a result of holding office. This also permits the Company to advance payment of legal costs to directors for their defence in investigations or against legal actions. The Company has arranged directors' and officers' liability insurance against certain liabilities and defence costs which its indemnity does not cover. However, neither the Company's indemnity nor directors' insurance provides protection in the event of a director being found to have acted fraudulently or dishonestly.

### Engagement with shareholders Institutional investors

We undertake a comprehensive programme of meetings and events for institutional investors and research analysts. In the year under review, this programme included over 250 investor meetings; preliminary and interim results presentations; and conference calls relating to quarterly Interim Management Statements and pre-close trading statements. Investors and analysts also met with key operational managers, notably to gain more insight into AHL. Investor feedback is regularly circulated to and discussed by the Board, and in the course of the year the Investor Relations team presented to the Board and participated in the induction programme for new non-executive directors.

The Chairman attends results presentations and earlier this year undertook a programme of meetings with institutional opinion formers to supplement contact between investors and the executive management team. This gave him the opportunity to listen to investors' views at first hand, and to discuss strategy and governance with them. The Chairman of the Remuneration Committee has engaged with investors and shareholder representative bodies to discuss planned changes to executive remuneration arrangements. The Senior Independent Director is always available to meet with major shareholders, but has not had cause to do so during the year.

### Private shareholders

We welcome and respond to enquiries from private shareholders throughout the year, either via our shareholder mailbox ([shareholder@mangroupplc.com](mailto:shareholder@mangroupplc.com)), by letter or telephone. We have recently updated the Shareholder Information pages of our corporate website ([www.mangroupplc.com](http://www.mangroupplc.com)) which can be found under Investor Relations. These cover a range of issues which may be of interest to shareholders, including dividend information, frequently asked questions and a direct link to Shareview ([www.shareview.co.uk](http://www.shareview.co.uk)) which enables shareholders to manage many aspects of their holdings on-line. Recognising that not all shareholders will be able to come to our Annual General Meeting, we have provided a special email address ([agm@mangroupplc.com](mailto:agm@mangroupplc.com)) for questions from those unable to attend.

### Annual General Meeting

This year's AGM will, as last year, include a detailed presentation by the Chief Executive on the current progress of the business and the opportunity for follow up questions on this or any of the resolutions before the meeting. Voting on all of the resolutions will be by poll, allowing all shareholder votes cast, whether by proxy or by people

present at the meeting, to be taken into account. After the meeting, shareholders will have the opportunity to talk informally to the Board and Company staff and raise any further questions or issues they may have. The outcome of the poll vote and a copy of the AGM presentation will be posted on the Company website after the meeting.

### Combined Code compliance

The Company has complied throughout 2009/10 with the provisions of the Combined Code on Corporate Governance except in the following respects:

A.2.1. Although there has always been a clear and effective division of responsibilities between the Chairman and the Chief Executive in line with their respective roles of running the Board and the business, the Board has not felt it necessary to document these separate responsibilities in writing.

B.2.2. The remuneration of the Chairman is determined by the Board based on the recommendation of the Remuneration Committee. This allows the views of the executive as well as the non-executive directors to be taken into account.

### 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 compliance.

The Board's role includes:

- setting the Company's risk appetite and overall risk management strategy;
- developing appropriate risk management and governance systems; and
- 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, maintain proper accounting records and provide assurance 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. The systems comply with the guidance given in 'Internal Control: Revised Guidance for Directors on the Combined Code' (the 2005 Turnbull guidance).

### Financial reporting controls

The financial reporting control system operating across the Company requires certification of the key controls over the financial reporting processes and certification of material income statement and balance sheet accounts. The system focuses on the financial reporting process over the most material financial statement line items and is designed to maintain proper accounting records and provide assurance that financial information used within the business and for publication is reliable.

### Review of 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. No significant weaknesses or material failings in the system of internal controls were identified in this review. Management does, however, have an ongoing process for identifying, evaluating and managing significant risks faced by the Group and continually takes actions to improve internal controls as a result of its own initiatives and in response to reports from Internal Audit and other internal and external reviews.

### Financial reporting and going concern

The directors are responsible 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. Explanations of the directors' responsibilities for preparing the financial statements and the auditors' responsibility for reporting on those statements are given on pages 85 and 77 respectively.

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. The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Business Review. The Group's capital position is discussed on page 34 and its liquidity position in Note 13 to the financial statements. 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.

**Jon Aisbitt**  
Chairman

**Rachel Rowson**  
Company Secretary



## Board of Directors



### 1. Jon Aisbitt, Chairman of the Board and 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.

### 2. Alison Carnwath, Senior 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 Land Securities Group plc, an Independent Director of MF Global Ltd, listed on the New York Stock Exchange, and an Independent Director of Paccar Inc.

### 3. 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.

### 4. Phillip Colebatch, Independent Non-executive Director and 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 and he is on the Boards of Trustees of the LGT Group Foundation and the Prince of Liechtenstein Foundation.

### 5. Dugald Eadie, Independent Non-executive Director\*+

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.

### 6. Kevin Hayes, Finance Director

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, latterly as Global Director of Process and Productivity based in New York. He was previously a Partner in the Financial Services practice of Ernst & Young LLP in New York. He was Company Secretary of Man Group from November 2007 to July 2009 and was appointed to the Board in May 2007.

### 7. Ruud Hendriks, Independent Non-executive Director\*^

Ruud Hendriks was appointed a non-executive director in August 2009. He was previously with Goldman Sachs Asset Management where he had been a Managing Director and Co-Head of Sales for Europe, Middle East and Africa. Prior to this, Ruud was Global Head of Institutional Sales for Robeco, a leading international asset manager. Ruud is a member of the International Board of Advisors of Polaris (an Italian based asset manager).

### 8. Frédéric Jolly, Independent Non-executive Director\*+

Frédéric Jolly was appointed a non-executive director in August 2009. He was Chief Executive Officer of Russell Investments (Europe, Middle East and Africa) until the summer of 2008. Prior to this, Frédéric was Head of Investment Consulting at The Wyatt Company, Paris (now Watson Wyatt). Frédéric is a founding partner of Lexam Partners, an advisory business specialising in financial services.

### 9. Patrick O'Sullivan, Independent Non-executive Director and Chairman of the Audit and Risk Committee\*+

Patrick O'Sullivan was appointed a non-executive director in September 2007. He was previously Vice Chairman of the Group Management Board, as well as Group Finance Director, of Zurich Financial Services Group. He is Chairman of Old Mutual plc and a non-executive director of the Bank of Ireland and COFRA Holding AG.

\* Member of the Nomination Committee

^ Member of the Remuneration Committee

+ Member of the Audit and Risk Committee

## Audit and Risk Committee report

### Membership and role

The Committee currently comprises four non-executive directors as detailed below. The Chairman, Patrick O'Sullivan, is considered to have recent and relevant financial experience.

Patrick O'Sullivan (Chairman with effect from 1 August 2009)  
Alison Carnwath  
Dugald Eadie (Chairman until 1 August 2009)  
Fred Jolly (appointed 1 August 2009)

Other directors who served on the Committee during the year were:

Phillip Colebatch (until 31 July 2009)  
Glen Moreno (until 9 July 2009)

The Committee met six times during the year – four quarterly meetings plus two special purpose meetings ahead of results announcements. All meetings were attended by the Chairman, Finance Director and Financial Controller. The external audit partner attended five meetings and the Head of Group Risk attended four. The Head of Internal Audit, who is also now the Secretary to the Committee, attended all six meetings.

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.

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

### Results announcements and financial statements

The Committee holds meetings ahead of results announcements to consider reports from management and the external auditors on key areas of judgement in accounting for and disclosing the Group's results and financial position. This year these meetings took place in November and March. Topics reviewed by the Committee in these focused meetings included impairment testing of goodwill in the Multi-Manager Business; the recoverability of capitalised commission costs from future income on related products; the valuation of proprietary capital positions; and segmental reporting. Key sensitivities behind the accounting judgements were discussed with the Finance Director and external auditors.

All other aspects of the Company's annual and interim results announcements and financial statements are reviewed by the Committee shortly before their submission to the Board for approval. Drafts are distributed sufficiently in advance of Committee meetings to give directors the opportunity to raise questions with the Finance Director and Financial Controller and for resulting changes to be addressed in good time.

### External auditors

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 2010 are set out in Note 6(b) to the financial statements.

The Committee holds at least one private meeting with the external auditors each year to provide an additional opportunity for open dialogue and feedback from the Committee and the auditors without management being present. Matters typically discussed include the auditors' assessment of business risks and the quality of interaction with management. The Chairman of the Committee meets with the external audit partner prior to Committee meetings depending on the agenda.

### Internal Audit

The Head of Internal Audit attends all meetings of the Committee and on each occasion meets with the Chairman of the Committee ahead of the meeting. The Committee holds at least one private meeting with the Head of Internal Audit each year to provide an additional opportunity for open dialogue and feedback without executive management being present.

Internal Audit's annual plan for 2010/11 was reviewed and approved by the Committee in January. The Committee approved an extension of Internal Audit's scope to provide assurance to the Committee on Internal Controls over Financial Reporting and to integrate its audit work with the Group's SAS70 provider.

Internal Audit provides the Committee with quarterly assessment of the effectiveness of the Group's control environment having regard to the Group's risk management framework. This is supported by reports on Internal Audit's key findings in the quarter together with management's proposed actions. Internal Audit tracks management actions and verifies them when reported by management as complete. The Committee receives quarterly reports on overall progress on these actions and specific reports on risks that have not been quickly or adequately mitigated. The Committee raises any concerns on matters needing further attention with the Finance Director.

The Committee considers the effectiveness of Internal Audit annually. This review is carried out at least every five years by an independent consultant (last reviewed in 2006) and otherwise annually by internal survey. Input is also sought from the external auditors.

## Corporate Governance Report continued

### Risk management

The Head of Risk attends all quarterly meetings of the Committee to report on current market conditions, the Group's risk profile and regulatory developments. The Committee is provided with current position and forward looking assessments of capital adequacy, liquidity adequacy, earnings risk, credit risk, market risk and operational risk. Forward looking assessments include comparison between the Board's risk appetite and the results of various stress test scenarios. The Committee's focus in 2009/10 has been the impact of banks' willingness and ability to lend to fund products, and how this affects the Group's discretionary lending to funds. Close attention is also paid to the value at risk on proprietary positions.

The Head of Compliance reports quarterly on emerging trends in global and local regulation and the potential impact on the Group. The report also covers any compliance incidents and how they have been resolved.

### Other activities

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 comprehensive review of operational risk within client service functions;
- progress reports from Finance on Internal Controls over Financial Reporting and assurance to the Committee on their effectiveness;
- a review by Internal Audit of the Group's arrangements for business continuity management;
- a benchmarking report from the external auditors on the Finance Function;
- a presentation from the Head of Human Resources on his function's role in risk management; and
- plans for 2010/11 and 2011/12 for presentations from other Group wide functions on their risk management roles.

### Committee evaluation

The Committee conducts an annual review of its performance and effectiveness. In 2009/10 this was an internal review facilitated by the Company Secretary and the Committee Secretary based on a written questionnaire completed by all Board members. The review concluded that the Committee was effective in carrying out its duties and identified a number of areas for further attention and improvement in 2010/11. These included enhancing the investment management expertise at the Committee, reviewing the time commitment required, providing members with additional educational and development opportunities and further improving the quality of Committee Papers.

### Patrick O'Sullivan

Chairman of the Audit and Risk Committee

### Nomination Committee report

#### Membership and role

The Committee comprises all the non-executive directors and is chaired by the Chairman of the Board, Jon Aisbitt. The Chief Executive is invited to attend certain meetings or parts of meetings which consider senior management development and succession plans. Management development and succession discussions are supported and attended by the Group HR Director. Both the Company Secretary and Group HR Director act as Secretary to the Committee at appropriate times.

The Committee's main responsibilities are to:

- keep under review the competencies, knowledge and experience of the Board in the context of the challenges facing the business and the need for Board refreshing and succession;
- develop and propose to the Board a skills, knowledge and experience specification for any new director search;
- direct the search and selection process and recommend to the Board the appointment of a suitable candidate; and
- ensure there are effective senior management development and executive director succession plans in place to provide for the continuity and availability of appropriate executive resource at and immediately below Board level.

#### Work of the Committee

The Committee met formally three times during the year to transact the following business:

1. progressing the search for and recommending to the Board candidates for two new non-executive appointments. The process followed by the Nomination Committee in making Board appointments involves reaching agreement with the Board on the candidate skills and experience profile, reviewing long and short lists drawn up by executive search consultants, discussing the selection and interview process, and receiving and evaluating feedback on the preferred candidates;
2. receiving an update on the succession planning process for senior management and reviewing in detail the succession plans for individual Management Committee members. These plans included the identification of areas of weakness and the measures proposed to strengthen them. The Committee also had oversight of the search for candidates to fulfil any priority succession roles;
3. discussing executive director succession planning; and
4. reviewing and agreeing to recommend to the Board the re-appointment of Alison Carnwath and Patrick O'Sullivan as non-executive directors for a further one year and three year term respectively.

Nomination Committee meetings also represent a forum for informal discussion by non-executive directors without the presence of their executive colleagues and provide a useful opportunity for the sharing of non-executive viewpoints on general business issues.

### Jon Aisbitt

Chairman

### *Statement of directors' responsibilities*

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the 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 elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 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 Company'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 Company's auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on page 82, confirm that, to the best of their knowledge:

- the Group financial statements, which have been 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
- 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 Group, together with a description of the principal risks and uncertainties that it faces.

# Remuneration Report

The Directors submit their Remuneration Report for the year ended 31 March 2010. The information given on pages 97 to 101 which is indicated as such, is audited.

## Contents

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  - Base salary, benefits, performance bonus
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## Summary

The Remuneration Report sets out the components of employee remuneration and policy, the Company's arrangements for remuneration of executive and non-executive directors, including share awards, service contracts and disclosable interests in the issued share capital of Man Group plc in respect of the year ended 31 March 2010 (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 8 July 2010. At this meeting shareholder approval will be sought for the renewal of the all employee Man Group Sharesave Scheme (SAYE) approved by Her Majesty's Revenue and Customs (HMRC).

## Remuneration Committee – membership and terms of reference

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

- Phillip Colebatch (Chairman)
- Jon Aisbitt
- Alison Carnwath
- Dugald Eadie (until 31 July 2009)
- Ruud Hendriks (from 1 August 2009)
- Glen Moreno (until 9 July 2009)
- Patrick O'Sullivan (until 31 July 2009)

The Remuneration Committee 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 attached to share incentive plans and determines the extent to which these have been achieved each year.

The Remuneration Committee keeps itself informed about evolving best practice in executive remuneration and other relevant developments, and seeks advice from independent advisors as appropriate. During the year, the Committee was assisted by and took advice on the structure and level of remuneration from the Group Head of HR and the Chief Executive. Patterson Associates was engaged by the Committee and has provided advice to it regarding the changes to the structure of and performance measures for executive directors' incentives introduced during the year. They have not provided other services. McLagan and Towers Watson have been engaged by management to provide comprehensive independent compensation survey data where available.

## Statement of Remuneration Principles

### Introduction: Remuneration as a business driver

In recognition of remuneration as a business driver, it is appropriate for Man Group's Remuneration Committee to define the Company's objectives in making remuneration decisions for Man Group plc (the Group). Our primary objective is to ensure that the performance of the Group is sustainable over the long-term and that our shareholders are appropriately rewarded for their investment in the Group. Put simply, we aim to have the best people making the best decisions for our shareholders and other stakeholders.

The key principles that underpin our approach are:

- Remuneration is structured to support the Group strategy and sound risk management;
- Employees' interests are aligned with those of shareholders and our bonus pool is drawn only from Group profits;
- Incentives are designed to encourage behaviour focused on longer-term strategic performance; and
- Our total remuneration is competitive against the talent markets from which we hire.

An overview of each of these principles follows below.

### Remuneration is structured to support Group strategy and risk management

Robust risk management is a fundamental feature of our business. Every role within our Company is assessed and roles that impact risk are identified and performance assessed annually. Deferring performance bonus into shares is a critical element in managing risk as it exposes the employee's remuneration to the same risks as those faced by our shareholders.

Our Risk and Compliance functions report via the Audit and Risk Committee to the Remuneration Committee any issues to be taken into account in making remuneration decisions.

### Employees' interests are aligned with those of shareholders and our bonus pool is drawn only from Group profits.

The Group bonus pool is based on profitability with bonus levels set at the Remuneration Committee's discretion according to business conditions. This gives the Committee the flexibility to ensure that incentive pay is adequate and affordable in lean periods, while remaining reasonable and aligned with market norms in times of strong performance.

### Incentives encourage behaviour focused on longer-term strategic performance.

Remuneration packages at Man Group include some, or all, of the following elements: salary, annual performance bonus, marketing incentives for funds under management raised and deferred share awards, as well as pension, medical insurance and other non-cash benefits.

We aim to balance remuneration for delivering operational results over the short-term with remuneration for creating sustained long-term value for shareholders.

A key mechanism for linking short and long-term performance is our bonus deferral arrangement. Bonus awards are determined by the annual performance of the Group, the team and the individual. A significant portion of the award for senior employees is deferred into Company shares, so that they build up a significant investment in Man Group shares, thereby encouraging them to think and act like long-term shareholders. The deferral arrangement allows flexibility in the mix between short- and long-term focus as appropriate for employees at different levels in the Group.

In addition to the deferral of annual bonus, senior executives participate in a Performance Share Plan (PSP) and an Executive Share Option Scheme (ESOS). The PSP and ESOS are also subject to long-term performance conditions regarding the growth and returns of the Group.

All share awards are conditional and subject to forfeiture if an employee resigns or employment is terminated for poor performance or misconduct.

### Our total remuneration is competitive against the talent markets from which we hire

The sustainability of our business depends upon the long-term commitment of talented individuals of the very highest calibre in the alternative investment sector. Our remuneration structure is key in this respect. Therefore we aim to provide remuneration appropriate for the talented individuals in the markets in which we operate.

In understanding our remuneration policy, it is important to note that Man Group is in a unique situation. There are few companies of comparable size in our sector and even fewer that are publicly quoted and subject to the same level of transparency and public scrutiny. Benchmarking and formulaic remuneration approaches alone therefore fail to reflect the complexity of our business and the diversity of professional roles within our workforce. Available market data is used to inform not override our recommendations to support the Group in creating sustained long-term value for shareholders.

Our remuneration programme must incorporate flexibility to use different performance measures within the various parts of the Group. Consequently, while all incentive payments are determined and limited by the Group's performance, we maintain scope to distribute rewards to employees according to their individual and team contributions.

### Summary

Our approach is intended to be equitable and robust against variable business conditions and time-spans. As performance measurement and remuneration design continue to evolve we will keep these principles under continuous review to ensure that we are aligned with best practice. We remain open to continuing dialogue with our shareholders.

### 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.

		2010 \$m	2009 \$m	2008 \$m
Revenue (including gains/losses on investments and other financial instruments)		1,384	2,228	3,171
Salaries and related personnel costs (fixed costs)		178	213	203
Cash performance bonus costs		97	179	365
Amortisation of prior years' share awards (IFRS 2 charge)		55	71	71
Total variable compensation costs		152	250	436
Change in variable compensation costs:	1 year change	-39%	-43%	
	2 year change	-65%		
Compensation cost/Revenue		23.8%	20.8%	20.2%
Diluted earnings per share (EPS) on continuing operations (per share)		24.8c	28.4c	90.2c
Change in diluted EPS:	1 year change	-13%	-69%	
	2 year change	-73%		

Although the overall quantum of compensation costs has reduced significantly in the current financial year, the business is experiencing significant competitive pressures on compensation which we must respect in order to retain our key staff and deliver the business strategy.



## Remuneration Report continued

The total compensation package includes base salary, benefits, an annual performance bonus, and share grants where appropriate. The bonus award depends upon individual performance, risk management and the Company performance. Key contributors and senior employees are also invited to participate in the Company share and fund product plans, enabling them to share directly in the success of the Company and investor products. Employees can opt to participate in the all employee share plans, so they may also share in the success of Man Group over time.

Element	Objective	Performance/Review period	Performance condition
Base Salary	Reflects market value of role and individual's responsibility	Annual review	Skills and experience
Pension and Benefits	Based on local market practice and legislation	Annual review	Pensions are service-related
Performance Bonus	Incentive for individual and Group performance	Annual	Employee contribution to business objectives including managing risk and performance against competencies and individual objectives
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

### 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.

### 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.

### Performance bonus

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. 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 have part of their performance bonus mandatorily deferred in shares and funds with the proportion deferred increasing as total compensation increases with maximum deferral levels at 65% of variable compensation. Awards are through the Man Group share plans to align them with the shareholders and the future performance of the Company. Awards may also be made through fund based incentives to align employees with the interests of investors in Man funds.

Where applicable sales executives are eligible for marketing incentive based on funds under management raised. Since 1 April 2009, marketing incentive arrangements have had the following features:

- 30% of marketing incentive is scored and depends on achievement of target redemption levels and personal objectives;
- Marketing incentive payments are made semi-annually; and
- Marketing incentive is deferred into Company shares in the Deferred Share Plan on a scale based on total compensation levels.

### Management Committee remuneration for the financial year ended 31 March 2010

The Management Committee members who are not executive directors have had their remuneration policy assessed to ensure that senior management are appropriately incentivised to deliver the Company's strategic plan.

Base salaries have been frozen at the same level for the second year.

A significantly greater proportion of their remuneration has been delivered as long-term deferred awards. Variable incentives are now structured such that 65% of the awards have been deferred into share or fund based incentive arrangements this year. This aligns their interests with the long-term return to shareholders and with the interests of investors in Man funds. Options with an exercise price 10% above the market price at grant (premium priced options) have also been awarded to incentivise sustained growth with the options exercisable between three and 10 years from the anniversary of grant.

#### Deferred incentive plans for the Management Committee and other senior employees excluding executive directors

Plan	Plan information	Additional information
Deferred Share Plan (DSP)	Participants are awarded nil priced and/or options over shares in Man Group plc with an exercise price 10% above the market price at grant, subject to continuing service throughout the vesting period. This will align them directly with the interests of the shareholders. For the nil priced options 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. The 10% premium priced options will vest after three years and can be exercised between the third and 10th anniversary after grant.	This replaced the Co-investment scheme with effect from June 2008 following an extensive review by the Remuneration Committee and Board of long-term incentive plans in the market and the advice of external consultants.  The plan is mandatory and 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	The Company used to match on an agreed basis the pre-tax amount of bonus voluntarily invested in the Co-Investment scheme by the employee 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 operated on a four to one matching basis. The amount a participant was able to invest could not exceed 100% of their bonus.	The Co-investment scheme was replaced by the Man Group plc Deferred Share Plan in 2008 and no further awards have been made under this scheme.

#### All Employee Share Plans

Plan	Plan information	Additional information
UK Sharesave Scheme (SAYE)	Each participant is 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	Each participant is 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 Plan

The Group has established and contributes to a discretionary trust for the benefit of employees of the Group to facilitate the acquisition of shares in the Company as long-term holdings. The trustees have acquired shares in the market, which they will sell on at the prevailing market price on deferred payment terms. The current trustees, who are not connected with the Group, are RBC Trustees Ltd. No further assistance has been provided during the current financial year.

## Remuneration Report continued

### *Executive directors' remuneration*

#### **Executive directors' remuneration for the financial year ended 31 March 2010**

The executive directors' remuneration has been reviewed and restructured to create a direct and recognisable alignment between the executive directors and shareholders. The new arrangement focuses executive directors on performance measures that are critical value drivers for the Company.

Base salaries have been frozen at the same level for a second year.

Cash bonus has been awarded of less than 100% of base salary with remuneration structured so that 75% of incentive remuneration is subject to mandatory deferral for three years into Company shares and options. Of this, at least 50% of incentive remuneration is subject to service and/or dual performance conditions measured by an adjusted three-year average Return on Equity (ROE) and cumulative three-year growth in net management fee.

Salary represents less than 15% of total remuneration for the Chief Executive and less than 20% of total remuneration for the Finance Director based on the economic value of share and option awards taking into account performance conditions, dividend yields and share price volatility. This is set out in the table on page 95.

#### **Policy**

The Group aims to attract, motivate and retain high calibre executive directors and align their remuneration with the interests of shareholders by paying competitive base salary and benefits, together with a performance 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;
- the creation of long-term shareholder value;
- ongoing oversight of a robust risk management framework;
- a 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, whilst the majority of its competitors are unlisted. The 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 shareholders. For this reason, awards of Company shares under the Company's incentive plans 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 achieving return on equity and growth targets.

In assessing the competitiveness of remuneration, base salaries, performance bonuses and long-term incentives have been reviewed against available external market data. Internal relativities within the Company are also reviewed. 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 performance bonus payments and long-term incentives.

#### **Overview of changes introduced this year to executive directors' remuneration**

This year, in accordance with provisions of the existing plan rules, the Committee has introduced a number of changes to the structure of executive directors' incentives, as well as changes to the performance conditions applying to share-based incentives. The Committee has engaged with major shareholders on these changes.

In this section of the report, we explain the rationale for the changes as well as summarising the changes. The specifics of each individual change are disclosed in full detail in the relevant sections of the remainder of this report.

There are two key reasons for the changes:

1. Under previous practice in Man Group the amount of Long-Term Incentive was materially reliant on an individual's elections to defer all or part of the performance bonus into shares which were then matched with further shares subject to performance conditions. In the past individuals have typically chosen to defer. However, if individuals were to have chosen not to defer, the long term incentive would have been limited to the basic Performance Share Plan (PSP) and Executive Share Option Scheme (ESOS) as awarded by the Remuneration Committee, while all short-term incentives would have been paid immediately as cash.

It is the view of the Remuneration Committee that it should now take greater control of the proportion of short-term incentives paid in cash and the total long-term incentive, rather than allow individuals to make that determination via their deferral decisions. We intend to apply this approach within a framework which determines the total compensation and then subsequently decide the split into immediate cash and share-based awards subject to holding restrictions and/or service requirements. In this way, the total cost to the Company will be unchanged from what it would have been had individuals elected to defer, but the mix will be determined by the Remuneration Committee, and not the individual.

2. We have reviewed the performance conditions applicable in the past to our basic PSP and PSP match and to the ESOS and revised these to be more relevant to the changed environment and our business imperatives. Previously, our PSP has been subject to a return measure (ROE) and our ESOS to a growth measure (in EPS). Going forward, we will apply both a return measure and a growth measure to any long-term incentive compensation elements which are subject to performance conditions. The return measure will continue to be ROE, but with one adjustment; the growth measure will be changed to be a critical long-term value driver for Man, namely growth in the net management fee income.

The adjustment to the ROE measure is to calculate equity excluding the Board's determination of any surplus capital not currently being utilised in the business. The surplus capital is additional capital in excess of (a) the higher of the minimum regulatory capital of the Group and internally modelled economic capital requirements, plus (b) a Board cushion of at least \$300 million and as set by the Board from time to time to give operating flexibility. Notional interest incurred on surplus capital is deducted in calculating adjusted ROE. Capital strategy is a matter for the Board; executive directors can only influence the policy within the Board framework.

Net management fee income is the product of two components, namely the funds under management and the net management fee margins. Net management fee margins are after deduction of all fixed costs and variable costs not attributable to performance fees. The net margin excludes adjusting items and net finance income costs.

The total value of this package will be the same as if the individual had elected, as has typically been the past practice, to defer all cash into shares with a PSP match.

We will adjust the proportions of these vehicles from year to year as circumstances evolve but always with a significant proportion of deferral into shares and/or options to align executive directors with shareholders. The number of shares awarded under each plan will be calibrated so that the intended overall economic value of award is maintained. In all cases, restricted share-based awards are forfeited if the executive leaves the Company during the deferral period as a result of poor performance or joining a competitor. The Remuneration Committee will continue to have discretion to adjust the performance conditions for future awards as circumstances evolve.

#### Summary of the previous and the new compensation arrangements for executive directors

Remuneration composition		Previous arrangements	New arrangements
Base Salary		Positioned below the median of the FTSE 100 financial services.	No change.
Pension and Benefits		Money Purchase Scheme or Defined Benefit.	Money Purchase Scheme or cash contribution to an alternative arrangement.
Performance Bonus		Cash bonus with voluntary deferral into shares to attract PSP match.	Cash.
			Mandatory deferral into shares, held for three years to attract PSP match.
			Restricted options at 10% premium and shares: three year service condition.
Voluntary Long-Term Incentive Plan		Performance Share Plan (PSP) match against voluntary deferral of the above performance bonus on a 1:1 basis if shares held for three years.	Discontinued.
Long-Term Incentive Plans awarded by the Remuneration Committee	Performance Share Plan (PSP)	Not applicable.	PSP match on 1:1 basis against mandatory deferral of performance bonus as determined by the Remuneration Committee.
		Basic PSP: 1 x salary.	No change.
		PSP performance conditions: statutory ROE over three year performance period. Further one year holding period.	PSP performance conditions: dual growth and returns measures of adjusted ROE and net management fee growth over three year performance period. Further one year holding period. See page 94 for further information.
	Executive Share Option Scheme (ESOS)	ESOS: 2 x salary.	No change.
		ESOS performance conditions: growth of EPS in excess of RPI over three year performance period.	ESOS performance conditions: as PSP.

#### The advantages of the new arrangements

- The changes are to the structure and not the quantum of Total Compensation for executive directors (with quantum to be determined by performance, as currently), but shifts the emphasis to long-term, share-based vehicles.
- They allow the Remuneration Committee (not the elections of executive directors) to dictate the mix of long-term, short-term, cash, share-based, and performance-dependent elements in pay.
- They focus the executive directors on performance measures which are important value drivers for the Company in the current market context, with realistic, stretching but achievable targets.

## Remuneration Report continued

### 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 plans, participation in which is at the Remuneration Committee's discretion. To protect the Group's business interests, executive directors' service contracts contain covenants, which restrict the executives' ability to solicit or deal with clients and also restricts their ability to solicit senior employees, 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 except base salary and benefits for the notice period. The treatment of share 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 2009	\$925,000	\$625,000
Base Salary at 1 June 2010	\$925,000	\$625,000

The US dollar is the functional currency of the company and 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 2010.

### 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 14% of pensionable base salary to an alternative arrangement 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 four 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.
Other Benefits	Flexible benefits are provided and can be purchased from base salary.

### Annual performance bonus and deferral

All executive directors and senior executives are eligible for an annual performance 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 performance 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 surplus capital held by the Group.

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

- Strategy assessment measured by the extent to which the individual has contributed towards achievement of Company strategic objectives;
- Financial assessment measured by the extent to which the Group has achieved its financial targets; and
- Qualitative assessment measured by the extent to which the individual has achieved their agreed personal objectives for the year.

### Long-term share-based incentive plans

Executive directors are currently eligible to participate in the Performance Share Plan, and Executive Share Option Scheme, 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. At this point in the business cycle, it is crucial to rebuild the Company's operating leverage and therefore, for awards granted from 2009, the Committee has decided to focus executives on a combination of growth and returns: specifically, cumulative three-year growth in net management fee income, and adjusted Return on Equity.

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.

#### Performance Share Plan 2006 (PSP)

Award Level	<ul style="list-style-type: none"> <li>Each year, participants are eligible to receive awards of performance shares up to a maximum of 100% of base salary.</li> <li>Additionally the PSP participants will receive PSP matching shares (maximum of 1:1 match, gross of personal tax and social security liabilities) for that part of their performance bonus which is deferred into Company shares and held for at least three years. From this year onwards, for executive directors, the deferred amount is determined by the Remuneration Committee with a mandatory deferral for three years.</li> <li>For 2009, the executive directors were awarded PSP shares equivalent to 100% of base salary. In order to qualify for a matching award in 2009, the Directors invested 100% of the amount of their post tax annual performance bonus to take up the matching shares offered.</li> </ul>
Additional Information	<ul style="list-style-type: none"> <li>Awards under the PSP are performance-related over a three year measurement period.</li> <li>For all grants from July 2009 performance conditions are based on dual growth and returns performance described in the next section of this report.</li> <li>For all grants to June 2008 there have been no changes made to the performance conditions, which continue to be based on the level of post-tax return on average shareholders' funds (Return on Equity) achieved by the Group throughout that period. 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.</li> <li>These targets are considered by the Remuneration Committee to be both challenging and appropriate given the regulated nature of the Group's business.</li> <li>After vesting according to performance over three years, PSP entitlements are subject to an additional one year restriction on transfer to participants dependent upon continued employment with the Group.</li> </ul>

## Remuneration Report continued

### Executive Share Option Scheme 2001 (ESOS)

Award Level	<ul style="list-style-type: none"> <li>Individual share option awards are subject to an annual cap of 200% of base salary, on a face value basis.</li> <li>For 2009, the executive directors were awarded ESOS options equivalent to 200% of base salary.</li> </ul>
Additional Information	<ul style="list-style-type: none"> <li>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.</li> <li>For all grants from July 2009 and onwards, performance conditions are based on dual growth and returns performance described in the next section of this report.</li> <li>For all grants from June 2006 to June 2008 there have been no changes made to the performance conditions; 50% of each option will continue to vest if the Company's underlying earnings per share (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.</li> <li>For all grants prior to June 2006, 50% of each option will vest if the Company's underlying earnings per share (EPS) growth matches or exceeds the growth in RPI plus 3% per annum, with the entire option vesting at RPI plus 6% per annum.</li> <li>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.</li> </ul>

### 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 99 to 100.

From 2009 onwards a new approach will be applied to performance measurement, in which both PSP awards and ESOS awards will be subject to the same dual growth and returns performance measures.

Vesting is subject to achieving cumulative three-year net management fee income growth (NMFIG) and average three-year adjusted ROE (AROE). There is no vesting if there is negative AROE. Vesting commences at 8% where there is positive AROE and NMFIG is 10% or above. Vesting increases incrementally with full vesting achieved where (i) NMFIG is at least 30% and AROE is at least 10%; or (ii) NMFIG is at least 20% and AROE is at least 30% with incremental vesting between these thresholds.

### PSP: Status of award cycles

Cycle	Vesting level at threshold target	Threshold target (Statutory RoE unless otherwise stated)	Target for maximum vesting (Statutory RoE unless otherwise stated)	Actual Performance Outcome: Average Return on Equity	% of maximum award vesting
2005–2008	10%	20%	30%	35.9%	100%
2006–2009	10%	20%	30%	29.3%	92%
2007–2010	10%	20%	30%	21.7%	26%
2008–2011	10%	20%	30%	n/a	n/a
2009–2012	8%	See above dual performance conditions of adjusted Return on Equity and growth in net management fees		n/a	n/a

Note: 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

Cycle	Vesting level at threshold target	Threshold target (EPS Growth unless otherwise stated)	Target for maximum vesting (EPS Growth unless otherwise stated)	Actual Performance Outcome: EPS growth in excess of RPI	% of maximum award vesting
2005–2008	50%	RPI plus 3%	RPI plus 6%	34.9%	100%
2006–2009	50%	RPI plus 5%	RPI plus 10%	9.4%	50%
2007–2010	50%	RPI plus 5%	RPI plus 10%	-19.5%	nil
2008–2011	50%	RPI plus 5%	RPI plus 10%	n/a	n/a
2009–2012	8%	See above dual performance conditions of adjusted Return on Equity and growth in net management fees		n/a	n/a

### Executive directors' remuneration summary

		Economic Value (EV) <sup>(a)</sup>				
		Peter Clarke (USD '000)		Kevin Hayes (USD '000)		
Remuneration Composition		2010	2009	2010	2009	Conditionality
Base salary <sup>(d)</sup>		925	920	625	620	Fixed and variable cash paid for the year
Performance bonus in cash		750	–	250	–	
Performance bonus with voluntary deferral for PSP match		n/a	6,000	n/a	3,000	
Performance bonus with mandatory deferral for PSP match		1,000	n/a	850	n/a	Variable pay subject to three year mandatory deferral
Sub total remuneration not subject to conditionality		2,675	6,920	1,725	3,620	
Restricted 10 year options at 10% premium <sup>(c)</sup>		3,000	n/a	750	n/a	Variable pay subject to conditionality – three year service condition
Long-Term Incentive Plans awarded by the Remuneration Committee <sup>(a)</sup>	Performance Share Plan (PSP) match	720	2,880	612	1,440	Variable pay subject to conditionality – service condition (four years for PSP; three years for ESOS) and three year performance conditions
	PSP basic	666	444	450	300	
	Executive Share Option Scheme (ESOS)	592	259	400	175	
Total potential economic value of remuneration including conditional remuneration <sup>(a)(b)</sup>		7,653	10,503	3,937	5,535	

Note:

- (a) A significant proportion of this total is subject to meeting performance and/or service conditions as summarised in the last column of the table and which may, or may not, be met. The actual amount of remuneration awarded this year which is eventually received is subject to these conditions. In respect of 2009 remuneration which is subject to performance conditions, based on subsequent performance, is likely to have a significantly reduced value. The economic value of performance-based share grants is the face value at the time of grant, multiplied by a performance factor to represent the expected vesting of awards. A binomial lattice valuation factor has been applied to the expected value of grants to estimate the economic value – taking account of share price volatility and dividend yield. The information provided in the 2009 Annual Report for share plans was the face value and did not take account of the impact of the performance conditions, share price volatility and dividend yield.
- (b) Pension and Benefits are not in the above figures but are set out on pages 97 to 99.
- (c) Restricted options have an exercise price 10% above the market price at grant (premium priced) with a three year service condition and exercisable between the third and tenth anniversary after grant.
- (d) Base salary has been frozen at USD 925,000 for Peter Clarke and USD 625,000 for Kevin Hayes for the two years since 1 June 2008; the 2009 figure is for the year from 1 April 2008 to 31 March 2009.

### Share ownership requirements

A shareholding requirement was introduced in May 2010 for executive directors. The Chief Executive is required to maintain a shareholding of 200% of base salary. The Finance Director is required to maintain a shareholding of 100% of base salary. Vested PSP and ESOS can be taken into account in applying this test but unvested awards are not eligible for inclusion. Executive directors are required to build up this shareholding on joining the Board or after a reduction in share price as share and option plan awards vest. The executive directors meet these requirements. Non-executive directors are encouraged to build a shareholding. The shareholdings of directors are set out on page 101.

## Remuneration Report continued

Man Group has always sought to facilitate significant share ownership by directors and senior management, principally through plans which encourage and assist the purchase of shares with their own funds or by way of bonus deferral. The Board and employees worldwide together currently own an estimated 3.6% of the Company's share capital, either directly or through employee trusts established and funded for this purpose. The Board alone directly holds 0.5% (similar to last year) of the issued capital. The Employee Trusts are included in the Group's consolidated financial statements.

### 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 service and additional fees for Board Committee membership and other responsibilities as shown in the table below. They do not participate in any share option or share incentive plans.

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.

In May 2009 the Board reviewed and revised 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. The Board has adopted, with effect from 1 August 2009, a fee structure based on differentiated membership of and remuneration for the Audit and Risk and Remuneration Committees as detailed below. All non-executive directors are members of the Nomination Committee. The non-executive directors and the Chairman's fees were reviewed in March 2010, but no changes were considered appropriate.

### Structure of non-executive director fees

#### Base non-executive director fee (includes Nomination Committee membership)

	Committee membership fees		Remuneration		Senior Independent Director <sup>2</sup>
	Audit & Risk				
	Member	Chair <sup>1</sup>	Member	Chair <sup>1</sup>	
£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.

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 a 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 following table.

### Non-executive directors' terms of appointment and annual fee levels as at 31 March 2010

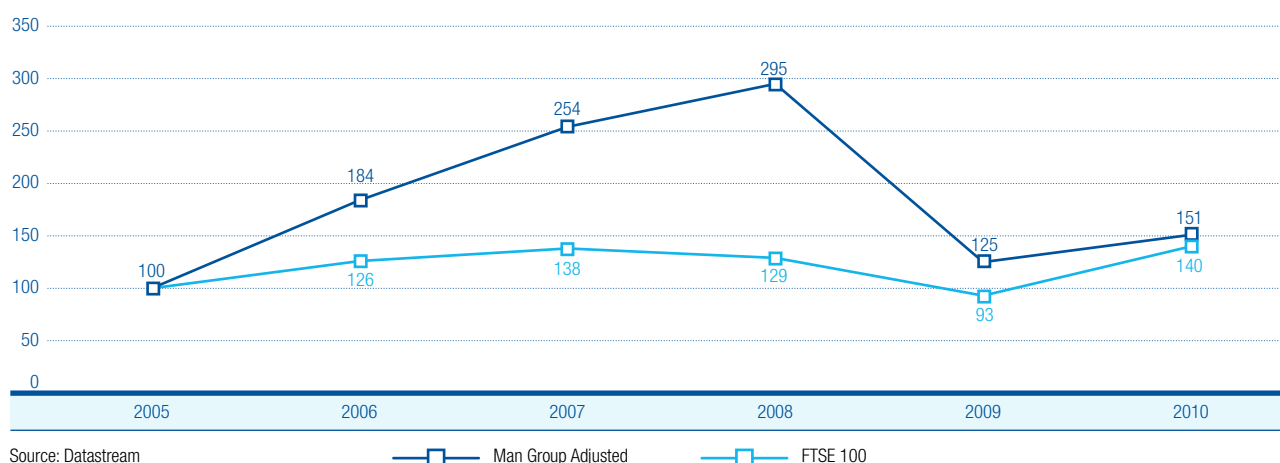
Name	Date of Appointment to the Board	Start of current term of office	Additional Fees						Total Board Fees £'000
			Base Fee £'000	Audit & Risk Committee		Remuneration Committee		Senior Independent Director £'000	
				Chair £'000	Member £'000	Chair £'000	Member £'000		
Jon Aisbitt (Chairman)	20 August 2003	10 July 2009	450						450
Alison Carnwath	24 January 2001	10 July 2007	65		15		10	10	100
Phillip Colebatch	1 September 2007	9 July 2008	65			15	10		90
Dugald Eadie	29 January 2002	9 July 2008	65		15				80
Ruud Hendriks	1 August 2009	1 August 2009	65				10		75
Frédéric Jolly	1 August 2009	1 August 2009	65		15				80
Patrick O'Sullivan	1 September 2007	9 July 2008	65	15	15				95

## 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 – percentage change over five year period

(£)



## Audited section of Remuneration Report

### Directors' remuneration

The remuneration of the directors listed by individual director is as follows:

	2010				2009	
	Base Salary <sup>(a)(b)</sup> \$'000	Benefits <sup>(c)(d)</sup> \$'000	Performance Bonus Cash <sup>(a)</sup> \$'000	Performance Bonus with mandatory deferral <sup>(a)(e)</sup> \$'000	Total \$'000	Total \$'000
<b>Executive directors</b>						
Peter Clarke	925	22	750	1,000	2,697	6,943
Kevin Hayes	625	2	250	850	1,727	3,622
31 March total	1,550	24	1,000	1,850	4,424	10,565
Sterling equivalent (£'000) total	£976	£15	£659	£1,219	£2,869	£6,880

Notes:

(a) Amounts determined in US dollars.

(b) Base salary stated prior to waiver into pension plan.

(c) Benefits provided are car, medical and other benefits.

(d) Sterling equivalent at the relevant FX rate at payment.

(e) Performance Bonus mandatory share awards deferred for three years.

## Remuneration Report continued

	2010 Fees £'000	2009 Fees £'000
<b>Non-executive directors</b>		
Jon Aisbitt	450	450
Alison Carnwath <sup>(a)</sup>	92	75
Phillip Colebatch <sup>(b)</sup>	88	83
Dugald Eadie <sup>(c)</sup>	85	97
Ruud Hendriks <sup>(d)</sup>	50	0
Frédéric Jolly <sup>(e)</sup>	53	0
Patrick O'Sullivan <sup>(f)</sup>	88	75
<b>Former non-executive directors</b>		
Stanley Fink <sup>(g)</sup>	0	133
Glen Moreno <sup>(h)</sup>	26	95
<b>31 March (£'000) total</b>	<b>932</b>	<b>1,008</b>

Notes:

- (a) Alison Carnwath was appointed Senior Independent Director on 9 July 2009.  
(b) Phillip Colebatch was appointed Chairman of the Remuneration Committee on 30 May 2008. He ceased to be a member of the Audit and Risk Committee on 31 July 2009.  
(c) Dugald Eadie retired as Chairman of the Remuneration Committee on 30 May 2008 and retired as Chairman of the Audit and Risk Committee on 31 July 2009. He ceased to be a member of the Remuneration Committee on 31 July 2009.  
(d) Ruud Hendriks was appointed to the Board and as a member of the Remuneration Committee on 1 August 2009.  
(e) Frédéric Jolly was appointed to the Board and as a member of the Audit and Risk Committee on 1 August 2009.  
(f) Patrick O'Sullivan was appointed Chairman of the Audit and Risk Committee on 1 August 2009. He ceased to be a member of the Remuneration Committee on 31 July 2009.  
(g) Stanley Fink retired from the Board on 10 July 2008.  
(h) Glen Moreno retired from the Board on 9 July 2009.

### Retirement benefits

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

Defined Benefit Scheme								
	Age	Accrued pension at 31 March 2010 <sup>(a)</sup> £'000 per annum	Increase in accrued pension during the year <sup>(b)</sup> £'000 per annum	Increase in accrued pension during the year (net of inflation) <sup>(c)</sup> £'000 per annum	Transfer value at 31 March 2010 of increase in accrued pension during the year (net of inflation) <sup>(c)(d)</sup> £'000	Transfer value of accrued pension at 31 March 2010 <sup>(d)</sup> £'000	Transfer value of accrued pension at 31 March 2009 <sup>(d)</sup> £'000	Increase in transfer value over the year <sup>(e)</sup> £'000
Peter Clarke	50	101	6	1	799	2,549	1,313	1,148

Notes:

- (a) Peter Clarke continues to be employed on a full-time basis as the Group Chief Executive. However, in light of the statutory increase in minimum retirement age from 50 to 55 effective from 6 April 2010, for personal reasons, Peter Clarke has elected to draw his defined benefit pension from the Man Group plc Pension Fund (the Fund) with effect from 1 March 2010. The accrued pension represents his accrued entitlement, calculated in accordance with the rules of the Fund. Since the pension is being drawn prior to the normal retirement age of 60 in the Fund rules, an early retirement reduction factor of 28.75% has been applied, in accordance with the Fund rules.  
The increase in the accrued pension over FY10 includes an amount in relation to the removal of a cap on the level of pensionable salary used to determine the pension benefit for service before April 2006. Prior to April 2006, pensionable salary was limited to an earnings cap (£105,600 for 2005/06). This restriction was removed in April 2006 for all members of the Fund, subject to the member meeting 25% of the additional cost of providing the uncapped benefit for service before April 2006 through additional contributions. Peter Clarke has made the necessary contributions under the rules of the Fund and is therefore entitled to this benefit. There have been no other enhancements to the accrued pension.  
Peter Clarke elected to take part of his pension as a cash lump sum of £531,747, as permitted by the Fund rules. The accrued pension figure shown is before the reduction applied in exchange for the cash lump sum under the Fund rules.  
Peter Clarke will not accrue any further benefits in the Man Group plc Pension Fund. Future pension provision will be provided via an alternative pension arrangement into which the Company will contribute 14% of basic salary.  
(b) The increase in accrued pension figures compare the accrued pension as at 31 March 2009 (payable from age 60) against the early retirement pension actually in payment as at 31 March 2010. The early retirement pension was subject to an early retirement discount of 28.75%. The increase in transfer value therefore reflects the fact that whilst the increase in pension amount is small, the 2009 pension amount was payable from age 60, but the 2010 pension is in payment from age 50 and so its value is proportionately higher.  
(c) These figures have been adjusted so that they are net of directors' contribution paid during the year, including a salary sacrifice/waiver of pensionable base salary totalling £87,706.  
(d) The transfer values have been calculated in accordance with the relevant legislation using the approach set by the Trustees of the Fund. The approach used by the Trustees to calculate transfer values was revised in July 2009, leading to higher transfer values going forwards.  
(e) The transfer value figures at 31 March 2010 include the benefits paid to Peter Clarke between 1 March and 31 March 2010 including his cash lump sum. They are calculated based on market conditions as at 31 March 2010.

Money Purchase Schemes	2010 £'000	2009 £'000
<b>Executive director</b>		
Kevin Hayes	<b>32</b>	31

Kevin Hayes agreed to an employee salary sacrifice/waiver of pensionable base salary of £47,334, which is not included in the above pension figures.

#### Shares under option under the Man Group Executive Share Option Scheme 2001 – subject to performance conditions

	Date of grant	Number of options <sup>(a)</sup>					Option price	Earliest exercise date	Latest exercise date
		1 April 2009	Granted during year	Exercised during year	Lapsed during year	31 March 2010			
Executive directors									
Peter Clarke	June 2006	187,578	–	–	93,789	93,789	399.83p	June 2009	June 2016
	June 2007	155,575	–	–	155,575	0	578.50p	June 2010	June 2017
	June 2008	157,306	–	–	–	157,306	604.50p	June 2011	June 2018
	July 2009	–	478,941	–	–	478,941	239.25p	July 2012	July 2019
Kevin Hayes	June 2008	106,288	–	–	–	106,288	604.50p	June 2011	June 2018
	July 2009	–	323,609	–	–	323,609	239.25p	July 2012	July 2019

Notes:

(a) For all grants prior to June 2006, 50% of each option will vest if the Company's underlying earnings per share 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 to June 2008 50% of each option will vest if the Company's underlying earnings per share 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. For grants from June 2009 onwards, vesting is subject to achieving cumulative three-year net management fee income growth (NMFIG) and average three-year adjusted ROE (AROE). There is no vesting if there is negative AROE. Vesting commences at 8% where there is positive AROE and NMFIG is 10% or above. Vesting increases incrementally with full vesting achieved where (i) NMFIG is at least 30% and AROE is at least 10%; or (ii) NMFIG is at least 20% and AROE is at least 30% with incremental vesting between these thresholds. Based on performance conditions options granted in 2006 will vest at 50% and options granted in 2007 will not vest.

#### Share awards and matching awards under the Performance Share Plan

		Performance Share Plan – Share Awards <sup>(a)</sup>					
		Number of Awards					
	Date of award	1 April 2009	Awarded during year <sup>(c)</sup>	Transferred during Year <sup>(b)</sup>	Lapsed during year	31 March 2010	Transfer Date
<b>Executive directors</b>							
Peter Clarke	June 2005	133,164	–	133,164	–	–	June 2009
	June 2006	95,370	–	–	7,630	87,740	June 2010
	June 2007	76,567	–	–	56,660	19,907	June 2011
	June 2008	77,335	–	–	–	77,335	June 2012
	July 2009	–	225,824	–	–	225,824	July 2013
Kevin Hayes	June 2008	52,253	–	–	–	52,253	June 2012
	July 2009	–	152,584	–	–	152,584	July 2013
<b>Former executive directors</b>							
Stanley Fink	June 2006	110,124	–	101,314	8,810	–	June 2009
Kevin Davis	June 2006	34,229	–	31,491	2,738	–	June 2009

## Remuneration Report continued

		Performance Share Plan – Matching Awards <sup>(a)</sup>					
		Number of Awards					
	Date of award	1 April 2009	Awarded during year <sup>(c)</sup>	Transferred during Year <sup>(b)</sup>	Lapsed during year	31 March 2010	Transfer Date
<b>Executive directors</b>							
Peter Clarke	June 2006	457,782	–	–	36,623	421,159	June 2010
	June 2007	810,714	–	–	599,928	210,786	June 2011
	June 2008	1,128,674	–	–	–	1,128,674	June 2012
	July 2009	–	1,464,802	–	–	1,464,802	July 2013
Kevin Hayes	June 2008	327,110	–	–	–	327,110	June 2012
	July 2009	–	732,401	–	–	732,401	July 2013
<b>Former executive directors</b>							
Stanley Fink	June 2006	1,398,780	–	1,286,878	111,902	–	June 2009
Kevin Davis	June 2006	232,757	–	214,136	18,621	–	June 2009

Notes:

- (a) For grants prior to 2009, 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 over the performance period. For grants from June 2009 onwards, vesting is subject to achieving cumulative three-year net management fee income growth (NMFIG) and average three-year adjusted ROE (AROE). There is no vesting if there is negative AROE. Vesting commences at 8% where there is positive AROE and NMFIG is 10% or above. Vesting increases incrementally with full vesting achieved where (i) NMFIG is at least 30% and AROE is at least 10%; or (ii) NMFIG is at least 20% and AROE is at least 30% with incremental vesting between these thresholds. Entitlements are subject to an additional one year restriction on transfer to participants dependent upon continued employment with the Group. The 2005 awards vested at 100% and were transferred in June 2009. Based on performance conditions the 2006 awards have vested at 92% and will be transferred in June 2010; the 2007 awards have vested at 26% and will be transferred in June 2011.
- (b) On 18 June 2009 the following award shares under the Performance Share Plan were transferred:  
Peter Clarke: shares awarded in 2005 when the share price was 234.3 pence per share giving a market value at grant of £312,000.  
Kevin Davis: shares awarded in 2006 when the share price was 393.20 pence per share giving a market value at grant of £2,925,000.  
Stanley Fink: shares and matching shares awarded in 2006 when the share price was 393.20 pence per share giving a market value at grant of £5,933,000;  
At transfer date the share price was 282.975 pence giving the following market values: Peter Clarke £376,821, Kevin Davis £695,063, Stanley Fink £3,928,236.
- (c) In relation to shares awarded on 9 July 2009, the share price was 253.708 pence representing the 5 day average prior to that date.

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

	1 April 2009	Awarded During year	Exercised in Year	31 March 2010
Kevin Hayes <sup>(a)</sup>	468,916	–	–	468,916

Notes:

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

### Shares under option under the Man Group Sharesave Scheme

Date of grant	Number of options				Option Price	Earliest exercise date	Latest exercise date
	1 April 2009	Granted during year	Exercised during year	31 March 2010			
Peter Clarke	June 2009	–	4,653	–	4,653	195p	Aug 2012 Jan 2013
Kevin Hayes	June 2007	3,476	–	–	3,476	471p	Aug 2012 Jan 2013

## Directors' interests in ordinary shares of Man Group plc

	Number of shares <sup>(a)</sup>	
	31 March 2010 <sup>(b)</sup>	31 March 2009
<b>Executive directors</b>		
Peter Clarke <sup>(c)(d)(f)</sup>	4,709,245	4,630,815
Kevin Hayes <sup>(c)(e)(f)</sup>	663,738	217,958
<b>Non-executive directors</b>		
Jon Aisbitt	1,631,250	1,631,250
Alison Carnwath	217,115	198,335
Phillip Colebatch	10,000	–
Dugald Eadie	360,000	320,000
Ruud Hendriks	93,796	–
Frédéric Jolly	9,705	–
Patrick O'Sullivan	80,000	80,000
<b>Former Directors</b>		
Glen Moreno <sup>(g)</sup>	10,000	10,000

Notes:

(a) All of the above interests are beneficial.

(b) There has been no change in the directors' interests in the ordinary shares of Man Group plc from 31 March 2010 to the date of this report.

(c) Peter Clarke and Kevin Hayes also hold the following leveraged equity linked warrants relating to ordinary shares of 3 3/4 US cents in Man Group plc:

(d) 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

(e) Kevin Hayes: Number of shares to which the warrants relate: 260,474, Number of warrants purchased: 260,474, Price per warrant: 57.59p

(f) 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.

(g) Interest as at 9 July 2009, the date Glen Moreno retired as a director.

The market price of the Company's shares at the end of the financial year was 241.50p. The highest and lowest daily closing share prices during the financial year were 371.20p and 214.90p respectively.

For and on behalf of the Board

**Phillip Colebatch**

Chairman, Remuneration Committee

27 May 2010



## Directors' Report

The directors submit their report, together with the audited financial statements for the year ended 31 March 2010 (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 76.

Information fulfilling the requirements set out in the Companies Act 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the FSA's Listing Rules and the Disclosure and Transparency Rules can be found in the following sections of the Annual Report and are incorporated by reference.

Business review, including:

- Principal business activities
- Principal risks and uncertainties
- Key performance indicators
- Main trends and factors impacting on business performance
- Environmental factors
- Employee and corporate responsibility

Audited financial statements	35–75
Financial risk management and financial instruments	67–68
Research and development	12–13
Post balance sheet events	75
Board of directors and directors' biographical details	82
Statement of directors' responsibilities	85
Directors interests	99–101
Directors indemnities	80
Share capital and purchase of own shares	65–66
Charitable donations	inside back cover
Directors appointments	80
Credit facilities	110

### Essential contracts

The directors consider that there are no contracts which are essential to the business.

### Dividends

The directors recommend a final dividend of 24.8 US cents per ordinary share giving a total of 44.0 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 20 July 2010, at a rate of 17.20 pence per ordinary share, to shareholders on the register at the close of business on 2 July 2010. The shares will be quoted ex-dividend from 30 June 2010. The Dividend Reinvestment Plan will be available in respect of this dividend.

### Material contracts

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.

### Substantial voting interests

As at 26 May 2010 the following voting interests in the ordinary share capital of the Company, disclosable under the FSA's Disclosure and Transparency Rules had been notified to the Company.

	%
AXA S.A.	4.15
Legal & General plc	3.70
BlackRock Inc	10.16

### Takeover related provisions

As part of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations the Company is required to make the following disclosures which are not fully covered elsewhere in this Annual Report.

### Powers of directors

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 each of the Memorandum and Articles is available on request from the registered office of the Company.

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.

### Articles of association

The Articles may be amended by special resolution of the shareholders. The directors are proposing amendments to the Company's Articles of Association at the 2010 Annual General Meeting, to incorporate changes brought about by the Companies Act 2006. Further information regarding these changes is set out in the Notice of Meeting to shareholders.

### 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 and employees employment contracts do not provide for compensation for loss of office or employment as a result of a takeover bid.

### 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 any time pro-rating of options and awards. Where shares are held in trust, the voting rights are not exercisable by the Trustees except in accordance with instructions from the participant.

### 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 2010 or 31 March 2009.

### *Political donations*

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

**Rachel Rowson**

Company Secretary  
27 May 2010

## Shareholder and Company Information

### Shareholder calendar

Interim results announced	November
Interim dividend paid	December
Final results announced	May
Annual Report published	June
Annual General Meeting	July
Final dividend paid	July

### Shareholder enquiries

Man Group's register of shareholders is maintained by Equiniti as the Company's Registrar. Many aspects of your shareholding, such as updating your personal details and checking your shareholding and dividend payments, can be managed by logging on to Equiniti's website [www.shareview.co.uk/shareholders/](http://www.shareview.co.uk/shareholders/). To do this, you will need your shareholder reference number which can be found on your share certificate or dividend tax voucher.

For enquiries about your shareholding, you can also contact Equiniti in writing at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, or by telephone on 0871 384 2112<sup>1</sup> or Text tel 0871 384 2255<sup>1</sup>, quoting Ref No 874. Callers from outside the UK should telephone +44 121 415 7592.

### Corporate website

Man Group maintains a substantial amount of information on our corporate website ([www.mangroupplc.com](http://www.mangroupplc.com)). The website includes information about the industry in which we operate, our strategy and business performance and incorporates an analysts workbook containing key financial information. There is also information on corporate responsibility initiatives, careers opportunities at Man and key information for shareholders such as dividend payment schedules and share price information. You can also download current and past Annual and Interim Reports under the Investor Relations section of the website.

### E-communications

The Company now offers shareholders the opportunity to access shareholder documents via e-communications, rather than receiving hard copy documents in the post. This includes the Annual Report and Notice of AGM. To sign up for e-communications, please register on Equiniti's website ([www.shareview.co.uk/shareholders/](http://www.shareview.co.uk/shareholders/)). In order to do this, you will need your shareholder reference number which can be found on your share certificate or on your dividend tax voucher. Once registered, you will need to change your mailing preference to e-communications and provide your email address. We will then be able to notify you by email as soon as shareholder documents are available on the Group's website [www.mangroupplc.com](http://www.mangroupplc.com).

### Interim Report

As part of our e-communications programme, we no longer 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 of our Interim Report, please email [shareholder@mangroupplc.com](mailto:shareholder@mangroupplc.com), telephone 020 7144 1000 or write to the Company Secretary at the registered office address, as shown on page 105, ensuring you provide your full name and address.

### Dividends

Man normally pays a final dividend in July and an interim dividend in December. The dates for the 2010 final dividend can be found in the table below and historical dividend information is available on the Man Group website under Shareholder Information.

#### 2010 final dividend dates

Ex dividend date	30 June 2010
Record date	2 July 2010
DRIP election date	2 July 2010
AGM (to approve the final dividend)	8 July 2010
Payment date	20 July 2010
DRIP certificates received/CREST accounts credited	26 July 2010

### Dividend payments made direct to your bank account

If you currently have your dividends paid to you by cheque, you can, if you wish, request that they be paid directly into your bank or building society account on the day that the dividend is paid. This is more convenient and helps reduce the risk of cheques becoming lost or delayed in the post. The associated tax voucher will still be sent direct to your registered address. You can download a dividend mandate form from our website ([www.mangroupplc.com](http://www.mangroupplc.com)), under the Shareholder Information pages of the Investor Relations section, or from Equiniti's Shareview website ([www.shareview.co.uk/shareholders/](http://www.shareview.co.uk/shareholders/)). Alternatively you can contact Equiniti on 0871 384 2112<sup>1</sup>, who will also be able to assist with any questions you may have.

If you live overseas, Equiniti offers an Overseas Payment Service which is available in certain countries. This may make it possible to receive dividends direct into your bank account in your local currency<sup>2</sup>. Further information can be found at [www.shareview.co.uk/shareholders/](http://www.shareview.co.uk/shareholders/) or via the Equiniti helpline 0871 384 2112<sup>1</sup>.

### Dividend Reinvestment Plan (DRIP)

The Company offers a Dividend Reinvestment Plan which gives shareholders the opportunity to use their dividend to purchase further Man Group shares. Shareholders receive as many whole shares as can be bought with their dividend, taking into account any costs of the DRIP. Any residual monies left, after purchasing the shares out of your dividend payment, will be added to your next dividend payment. In relation to the 2010 final dividend, the latest date for joining or leaving the DRIP scheme is 2 July 2010. Instructions received after this date will be applied to the next dividend. Copies of the DRIP terms and conditions and the DRIP mandate form can be downloaded from the Investor Relations pages of the Man Group website under the 'Dividends' section of 'Shareholder Information'. Should you have any questions on the Plan, please contact Equiniti on 0871 384 2268<sup>1</sup>.

### 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 the share register. If you have acquired shares in Man Group on more than one occasion, but the name and address you supplied to the Registrar differed, even slightly, from the existing details held, another account may have been created. As our Registrars are not allowed to amalgamate the accounts without your written consent, please write to Equiniti at the address above, quoting full details of the accounts you wish to consolidate.

## Share dealing service

You can buy shares using any authorised stockbroker or bank that offers a share dealing service in the UK, or in your country of residence if outside the UK.

Equiniti provides a share dealing service which is available to purchase or sell Man Group shares, in the UK. The service is provided by Equiniti Financial Services Limited and can be accessed via the Shareview website [www.shareview.co.uk/dealing/](http://www.shareview.co.uk/dealing/). For telephone dealing please call 08456 037 037 between 8.00am and 4.30pm Monday to Friday.

## Corporate ISA

Equiniti offer a stocks and shares ISA for holding Man Group and/or other shares in a tax efficient manner. For further information please contact Equiniti ISA helpline on 0845 300 0430.

## Shareholder alerts

### Unsolicited investment advice

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas 'brokers' who target shareholders offering to sell them what often turn out to be worthless or high risk shares, generally in US or UK investments. These callers can be very persistent and extremely persuasive and their activities have resulted in considerable losses for some investors. It is not just the novice investor that has been deceived in this way; many of the victims have been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation.
- Check that they are properly authorised (for example, in the UK by the FSA) before getting involved. You can check by visiting [www.fsa.gov.uk/register](http://www.fsa.gov.uk/register).
- If calls persist, hang up.
- The FSA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors.
- Any approach from such organisations should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered. The FSA can be contacted by completing an online form at [www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml](http://www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml).

If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Services Compensation Scheme.

More detailed information on this or similar activity can be found [www.moneymadeclear.org.uk](http://www.moneymadeclear.org.uk).

## 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)

FREEPOST 29 LON20771  
London  
W1E 0ZT

Tel: 0845 703 4599

Email: [mps@dma.org.uk](mailto:mps@dma.org.uk)

Register online at <http://www.mpsonline.org.uk>.

Registering with the MPS will stop most unsolicited consumer advertising material.

### Registered office

Man Group plc  
Sugar Quay  
Lower Thames Street  
London  
EC3R 6DU

Tel: 020 7144 1000

Fax: 020 7144 1923

Registered number: 2921462

## Company Advisers

### Auditors:

PricewaterhouseCoopers LLP

### Brokers

Bank of America Merrill Lynch  
Credit Suisse

### Public relations

The Maitland Consultancy Limited

- 1 Lines are open from 8.30am to 5.30pm, each business day. Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.
- 2 Please note that a payment charge would be deducted from each individual payment before conversion into your local currency.

## Financial Statements

# Company Balance Sheet

### At 31 March

	Note	2010 \$m	2009 \$m
<b>Fixed assets</b>			
Investments	2	<b>1,601</b>	1,545
<b>Current assets</b>			
Debtors	3	<b>4,042</b>	4,010
Cash and cash equivalents		<b>–</b>	10
Creditors – due within one year			
Other creditors and accruals	4	<b>(216)</b>	(113)
<b>Net current assets</b>		<b>3,826</b>	3,907
<b>Creditors – due after one year</b>			
Borrowings	5	<b>(1,434)</b>	(642)
<b>Net assets</b>		<b>3,993</b>	4,810
<b>Capital and reserves</b>			
Called up share capital		<b>59</b>	59
Share premium account		<b>975</b>	957
Reserves		<b>1,592</b>	1,592
Profit and loss account		<b>1,367</b>	2,202
<b>Total shareholders' funds</b>	6	<b>3,993</b>	4,810

Approved by the Board of Directors on 27 May 2010

**Peter Clarke**  
 Chief Executive

**Kevin Hayes**  
 Finance Director

# Notes to the Company Financial Statements

## 1. Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom issued by the Accounting Standards Board and with the requirements of the Companies Act 2006 (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.

The loss for the financial year dealt with in the Company was \$122 million (2009: profit \$511 million). In accordance with Section 408 of the Companies Act 2006, 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 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.

The Company, being an investment holding company, only has one segment.

### 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).

### 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 2 and Note 22 to the consolidated financial statements of the Annual Report 2010. 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 24 to the consolidated financial statements of the Annual Report 2010. 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. Investments

	2010 \$m	2009 \$m
<b>Investments in subsidiaries</b>		
At beginning of year	1,545	2,292
Disposals	–	(833)
Share-based payments	56	86
<b>At 31 March</b>	<b>1,601</b>	<b>1,545</b>

The Company's shares in subsidiary undertakings are stated in the balance sheet of the Company at cost less provision for any impairment incurred.

Details of the principal Group subsidiaries and associates are given on page 76. The prior year disposal represents the transfer of the Company's total holding in EDFM Investment Ltd, to a subsidiary at book value.



## Notes to the Company Financial Statements continued

### 3. Debtors

	2010 \$m	2009 \$m
<b>Amounts falling due within one year</b>		
Amounts owed by subsidiaries	4,024	4,008
Current tax assets	18	–
	<b>4,042</b>	<b>4,008</b>
<b>Amounts falling due after one year</b>		
Deferred taxation	–	2
<b>Total debtors</b>	<b>4,042</b>	<b>4,010</b>

### 4. Other creditors and accruals

	2010 \$m	2009 \$m
<b>Amounts falling due within one year</b>		
Taxation	–	–
Other creditors	206	101
Accruals	10	12
	<b>216</b>	<b>113</b>

Details of the redeemable preference B shares are provided in Note 19 of the 2009 Annual Report.

Other creditors include a liability of \$100 million (2009: \$100 million) in relation to share buy-backs contractually undertaken with a third-party investment bank on behalf of the Company, as detailed in Note 16 of the consolidated financial statements of the Annual Report 2010, together with a further \$104 million (2009: nil) which relates to the Company establishing indemnities to the benefit of some subsidiaries.

### 5. Borrowings

	2010 \$m	2009 \$m
<b>Amounts falling due after more than one year</b>		
Fixed rate notes	1,034	243
Floating rate notes	400	399
	<b>1,434</b>	<b>642</b>

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.

Refer to Note 12 of the consolidated financial statements of the Annual Report 2010.

### 6. Equity shareholders funds

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.

## 6. Equity shareholders funds continued

	Share capital \$m	Share premium account \$m	Capital reserve \$m	Capital Securities \$m	Profit and loss account \$m	Total \$m
<b>At 1 April 2009</b>	<b>59</b>	<b>957</b>	<b>1,292</b>	<b>300</b>	<b>2,202</b>	<b>4,810</b>
Issue of ordinary share capital	—	18	—	—	—	18
Taxation taken to equity with respect to capital security	—	—	—	—	9	9
Share-based payments charge	—	—	—	—	56	56
Retained loss	—	—	—	—	(122)	(122)
Dividends	—	—	—	—	(745)	(745)
Dividends with respect to capital securities	—	—	—	—	(33)	(33)
<b>At 31 March 2010</b>	<b>59</b>	<b>975</b>	<b>1,292</b>	<b>300</b>	<b>1,367</b>	<b>3,993</b>
At 1 April 2008	59	841	1,225	—	2,693	4,818
Issue of ordinary share capital	1	116	—	—	—	117
Purchase and cancellation of own shares	(1)	—	1	—	(277)	(277)
Perpetual subordinated capital securities	—	—	—	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 20 of the consolidated financial statements in the Annual Report 2010. The issue of the perpetual subordinated capital securities (Capital securities) is discussed in Note 20 of the consolidated financial statements in the Annual Report 2010.

As at 31 March 2010, the capital reserve comprises a capital redemption reserve of \$1,292 million (2009: \$1,292 million). For further explanation, see Note 20 of the consolidated financial statements in the Annual Report 2010.

## 7. Directors' remuneration

Details of the directors' remuneration are given in Note 5 of the consolidated financial statements in the Annual Report 2010 and in the Remuneration Report on pages 86 to 101 of the Annual Report 2010.

## 8. Statutory and other information

There are no employees of the Company (2009: nil). The directors of the Company were paid by another Group company in 2009 and 2010.

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 26 of the 2010 Annual Report and in the Remuneration Report on pages 86 to 101.

## 9. Guarantees

The Company has entered into a number of guarantees and commitments, as follows:

### Year ended 31 March 2010

	Note	Total \$m	Less than 1 year \$m	1–5 years \$m	Over 5 years \$m
Guarantees and commitments					
Financial guarantees and commitments:					
MF Global brokerage account		(50)	(50)	—	—
Intra-day credit facilities	(i)	(925)	(925)	—	—
FX trading guarantees	(ii)	(4,600)	(4,600)	—	—
Operating lease guarantees	(iii)	(520)	(3)	(48)	(469)
Other Group facilities	(iv)	(2,430)	—	(2,430)	—
		<b>(8,525)</b>	<b>(5,578)</b>	<b>(2,478)</b>	<b>(469)</b>

## Notes to the Company Financial Statements continued

### 9. Guarantees continued Year ended 31 March 2009

Guarantees and commitments	Note	Total \$m	Less than 1 year \$m	1–5 years \$m	Over 5 years \$m
Financial guarantees and commitments:					
MF Global brokerage account		(50)	(50)	–	–
Intra-day credit facility	(i)	(925)	(925)	–	–
Empyrean Re guarantee	(v)	(238)	(238)	–	–
FX trading guarantees	(ii)	(4,224)	(4,224)	–	–
Operating lease guarantees	(iii)	(424)	(1)	(49)	(374)
Other Group facilities	(iv)	(2,400)	–	(2,400)	–
		(8,261)	(5,438)	(2,449)	(374)

The commitments and guarantees disclosures included in Note 13(b)(ii), (iii) and (vi) of the consolidated financial statements in the Annual Report 2010 all relate to the Company. In addition to the amounts outlined in these notes, the following additional facilities also relate to the Company:

#### (i) Intra day and overnight credit facilities

In addition to the Intra-day credit facilities disclosed in Note 13(b) (iii) of the consolidated financial statements in the Annual Report 2010, the Company guarantees the obligations of a subsidiary under a \$500 million (2009: \$500 million) intra-day and \$25 million overnight credit facilities, used to settle the majority of the Group's banking arrangements. As at 31 March 2010 the exposure under the intra-day facility was nil (2009: nil) and the overnight exposure was \$25 million (2009: nil). The fair value of these commitments has been determined to be nil (2009: nil).

#### (ii) FX trading guarantees

In addition to the FX trading guarantee disclosed in Note 13(b)(vi) of the consolidated financial statements in the Annual Report 2010, the Company also guarantees the FX lines of a subsidiary in relation to the Group's banking arrangements. The aggregate total commitment of the subsidiary under these agreements is \$4.6 billion. The fair value of these commitments have been determined to be nil (2009: nil).

#### (iii) Operating lease commitments

The Company has guaranteed the performance of a subsidiary in relation to a number of property lease contracts, including the new headquarters at Riverbank House (RBH), London (25 years). The fair value of these commitments has been determined to be nil (2009: nil).

#### (iv) Other Group facilities

Man Group plc acts as the guarantor of a Group company which is the borrower under the subordinated committed syndicated loan facility of \$2.4 billion 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 swing line advance facility for the repayment of an earlier facility and general corporate purposes. The facility was undrawn as at 31 March 2010 and 31 March 2009. Refer to Note 13 consolidated financial statements in the Annual Report 2010 for further details. The fair value of these commitments has been determined to be nil (2009: nil).

In the event of a change of control of the Group, any lending bank may propose such revised terms, if any, that it requires to continue participating in the facility. To the extent that the Group 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.

#### (v) Empyrean Re guarantee

The Company has guaranteed the trade credit insurance and reinsurance activities of Empyrean Re above a limit of \$100 million. As noted in Note 3 of the consolidated financial statements in the Annual Report 2010, the subsidiary ceased to write new business from August 2008 and during the year ended 31 March 2010 all existing policies have been ceded to other reinsurers. The net exposure under the Company's guarantee has been reduced to minimal levels. The fair value of the commitment has been determined to be nil (2009: nil).

### 10. Post balance sheet events

Refer to Note 28 to the consolidated financial statements in the Annual Report 2010 for further details.

# Independent 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 2010 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## *Respective responsibilities of directors and auditors*

As explained more fully in the Directors' Responsibilities Statement set out on page 85, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

## *Scope of the audit of the financial statements*

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## *Opinion on the financial statements*

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## *Opinion on other matters prescribed by the Companies Act*

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.

## *Matters on which we are required to report by exception*

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## *Other matters*

We have reported separately on the Group financial statements of Man Group plc for the year ended 31 March 2010.

## **Richard Oldfield**

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

27 May 2010

## Five-year Record

	2010 \$m	2009 \$m	2008 \$m	2007 \$m	2006 \$m
<b>Income statement – continuing operations</b>					
Profit before adjusting items	560	1,243	2,079	1,301	1,154
Adjusting items <sup>1</sup>	(19)	(500)	–	–	–
<b>Pre-tax profit</b>	<b>541</b>	743	2,079	1,301	1,154
Taxation	(96)	(240)	(362)	(191)	(194)
<b>Profit for the year on continuing operations</b>	<b>445</b>	503	1,717	1,110	960
<b>Income statement – discontinued operations</b>					
<b>Pre-tax profit</b>	–	–	1,788	263	82
Taxation	–	–	(35)	(89)	(28)
<b>Profit for the year on discontinued operations</b>	–	–	1,753	174	54
<b>Total profit for the year</b>	<b>445</b>	503	3,470	1,284	1,014
<b>Earnings per share (diluted)</b>					
Continuing operations (cents)	24.8	28.4	90.2	55.4	48.3
Continuing and discontinued operations (cents)	24.8	28.4	182.0	63.9	51.0
<b>Balance sheet (\$m)</b>					
Net cash	1,740	1,718	1,474	1,832	1,301
Net assets	3,987	4,192	4,711	4,563	3,577
<b>Other statistics</b>					
Post-tax return on equity – continuing operations (%)	10.1	13.5	41.6	32.2	36.0
Ordinary dividends per share (cents)	44.0	44.0	44.0	20.0	14.3
Funds under management (\$bn)	39.4	46.8	74.6	61.7	49.9
Average headcount – continuing operations	1,574	1,776	1,731	1,548	1,364
Average headcount – discontinued operations	–	–	3,252	3,174	2,067
Sterling/US dollar exchange rates					
Average	0.6261	0.5817	0.4981	0.5280	0.5600
Year-end	0.6588	0.6970	0.5043	0.5079	0.5759

1 Adjusting items are those items presented separately on the face of the income statement by virtue of their size or nature – see Note 4 to the financial statements.

# The Man Group plc Charitable Trust

*I am pleased to report on this year's activities, especially as we have been able to sustain our charitable giving in an extremely difficult economic environment.*

## Trustees of the Man Group plc Charitable Trust ('the Trust')

Peter Clarke (Chairman)

Jon Aisbitt

John Angell

Mark Chambers

Triona O'Keeffe

Jasveer Singh



**Lesley King-Lewis**  
Director, Man Group  
plc Charitable Trust

In a turbulent year, charities have continued to suffer from lower revenues, while facing increasing demand for their services. The number of clients in need has risen dramatically. The Connection at St Martin -in-the-Field, (a homeless charity based in London's Trafalgar Square) has seen the number of homeless people using their services increase by 20% in the last 18 months.

Reliable funding is crucial in these difficult times and we have maintained our philosophy of providing core funding and multi-year grants. In this way we hope to support our charities through the next challenging year where impending public sector funding cuts and uncertainty about the next comprehensive spending review could exacerbate an already difficult situation.

Man paid \$9.6 million to the Trust and charitable committees of our overseas offices and \$8.7 million was spent on charitable donations during the financial year 2009/10.

A range of charities were supported throughout the year covering our key areas of empowering disadvantaged young people through education, the arts and sport; literacy and numeracy; vulnerable populations and disaster relief. Our overriding principle is to support those charities that make the most difference to people's lives and that can effect real change in the communities in which we live and work. We continue to fund small to medium size charities, in areas that often receive little public support.

As an international company we are also keen to respond quickly to alleviate the suffering of those overseas who have been affected by a humanitarian or natural disaster. Through our support of Merlin, a specialist medical and humanitarian aid agency, we helped save lives by rebuilding shattered health services

in the war torn Swat Valley in Pakistan and in the areas devastated by earthquakes in Indonesia and Haiti.

Our overseas charitable committees in Dublin, Switzerland, USA, Canada and Australia have been active in their local communities including the selection of employee annual charities – Child's Dream (Switzerland), Ronald McDonald House (New York), Chicago Wilderness (Chicago) and The Children's Sunshine Home (Dublin).

The Annual Charity chosen by our UK employees was the Alzheimer's Research Trust. With an initial donation of \$150,000 from the Trust, UK employees raised an additional \$75,000 for the charity by holding a number of dress down days, a quiz night and a 'Marathon' themed power day. Our new Annual Charity for 2010/11 will be The Prostate Cancer Charity and we look forward to working with them through our volunteering and fundraising activities next year.

Philanthropy is at its most powerful when combining financial support with employee engagement. The Trust was therefore delighted to launch ManKind, our new volunteering programme for all UK employees. Our people took part in many activities including serving breakfast to the homeless, facilitating employability workshops for disaffected youth and reading to primary school children. We look forward to engaging more of our employees next year, inspiring them to do something different within our local communities.

We would also 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. Finally I would like to thank our Trustees, Andrew Scott, Victoria Pakenham, Verrona Browne and Colin Brumpton who retired this year, for their invaluable contribution and many years of service.

I am also delighted to welcome our new Trustees Jon Aisbitt, Triona O'Keeffe, John Angell and Jasveer Singh and look forward to working with them in the coming year.

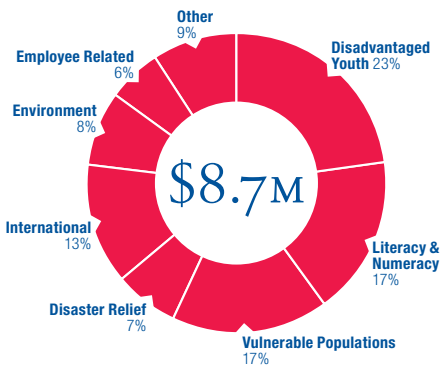
**Lesley King-Lewis**

Director, Man Group plc Charitable Trust



## A selection of our charities

### Total Charitable Expenditure Financial Year 2010



“  
Tackling exclusion by supporting charities who deliver programmes for disaffected youth is a key part of our strategy. 40% of our donations this year funded innovative programmes focused on overcoming poverty of aspiration and improving key skills in literacy and numeracy.

**Peter Clarke**  
Chairman, Man Group plc Charitable Trust



Photo – Nan Shearer

### City Year London

City Year was founded in the US and brings together young people of all backgrounds for a year of full-time service, giving them the skills and opportunities to change the world. The young people work in schools as tutors, mentors and role models, leading in-school and after-school programmes and community projects. The Trust became a Founding Partner with a three year commitment to bring the City Year programme to London, commencing in six primary schools in north and east London.



Photo – Hugo Glendinning

### The Place2Be

The Trust supported The Place2Be, a school-based counselling service, dedicated to improving the emotional wellbeing of children, their families and the whole school community. The charity's services are available to over 50,000 children in the UK coping with problems such as bereavement, family breakdown, domestic violence, trauma and bullying.



© Julian Nieman

### Refuge

The Trust made a three year commitment to Refuge, the largest single provider of domestic violence services in the UK, supporting over 1,000 women and children on any given day. Domestic violence claims the lives of hundreds of women and children every year and the charity provides a range of services which increase women's choices including: a national 24-hour helpline; a network of safe houses; psychological support; independent legal advocacy and outreach services.



### Ronald McDonald House, New York

New York employees chose Ronald McDonald House as their Annual Charity, which provides a temporary residence for paediatric cancer patients and their families from all around the world. On a number of occasions New York employees have cooked and served meals to the 130 residents of the house. The Ronald McDonald House is a special place, providing a much needed service, and is very deserving of its nickname, 'The House that Love Built'. A donation of \$50,000 was made along with additional individual fundraising.



### Child's Dream

Swiss employees selected Child's Dream as their Annual Charity, a charity with the mission to empower marginalised communities in the Mekong sub-region to shape their own future. They achieve this by working with communities to improve health and education for children and socio-economic opportunities for families. The \$50,000 donation will be used to build a school in the impoverished and remote communities of southern Laos. In September employees organised a charity swim in Lake Zurich, raising over \$136,000 for the charity with matching from the Swiss Charitable Committee.

### Mayor's Fund for London

The Mayor's Fund is a new charity aimed at helping to improve the life chances and aspirations of London's disadvantaged children. The Trust made a three year commitment towards the 'London Learning' programme which will initially pilot in Shoreditch. This early intervention project brings together the best of literacy, numeracy and social behaviour and support initiatives, enabling children in the most disadvantaged communities to realise their potential at school. It is delivered by Every Child a Chance Trust and School-Home Support.

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## Company Registrar

**Equiniti**

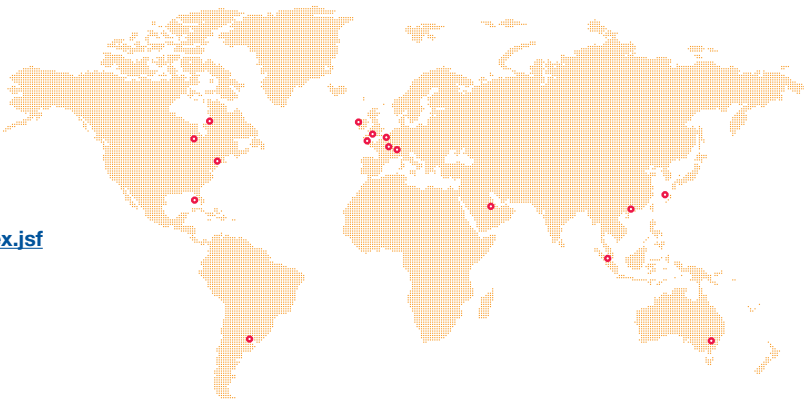
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Tel: 0871 384 2268\* (Share dividend helpline)

\* Lines are open from 8.30am to 5.30pm, each business day. Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.

# Regional Offices

Man provides asset management and investment management services to private investors, institutions and financial professionals. For more information please contact a regional office.

→ [www.mangroupplc.com/contact-us/index.jsf](http://www.mangroupplc.com/contact-us/index.jsf)



*The Man Booker Prize, which we have sponsored since 2002, promotes the finest in fiction by rewarding the very best book of the year.*

The Man Booker Prize is the world's most important literary award and has the power to transform the fortunes of shortlisted books and their authors. The winner of the Man Booker Prize 2009 was Hilary Mantel's *Wolf Hall*.

The prize, which celebrated its 40th anniversary in 2008, aims to reward the best novel of the year written by a citizen of the Commonwealth or the Republic of Ireland. The Man Booker judges are selected from the finest critics, writers and academics to maintain the consistent excellence of the prize.

Man also sponsors the Man Booker International Prize which is unique in the world of literature in that it can be won by an author of any nationality, providing that his or her work is available in the English language. Since the award's launch in 2005, Ismail Kadaré, Chinua Achebe and Alice Munro have been named as recipients of the prize.

Man also sponsors the Man Asian Literary Prize, the premier annual award for a novel by an Asian author, written or translated into English. The Prize began in 2007, with the most recent recipient being Su Tong for his novel *The Boat to Redemption*.

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*[www.mangroupplc.com](http://www.mangroupplc.com)*

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