

# Annual Report

**Man Group plc**

Annual Report for the financial year  
ended 31 March 2011

# Welcome to the Man Group Annual Report.



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**This year's Annual Report is different. We describe the essence of how our business works by answering a series of straightforward questions. We then provide more detailed information to complete the picture. We hope you find this straight talking approach useful and informative.**

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## Highlights 2011

### Funds under management (FUM)

**\$69.1bn**

Up 75% from last year. The uplift is mainly driven by the acquisition of GLG.

### Revenue

**\$1,655m**

Up 23% from \$1,345m in the prior year, reflecting a 12% increase in gross management fees and a 290% increase in gross performance fees.

### Profit before tax – continuing operations

**\$324m**

Down 40% from \$541m in the prior year due to an increase in adjusting items. In 2011 adjusting items relate to the gain on disposal of BlueCrest (\$257m), the impairment of Man Multi-Manager and Ore Hill (-\$397m), restructuring costs (-\$72m), GLG acquisition costs (-\$35m) and amortisation of GLG acquisition intangibles (-\$28m).

### Diluted earnings per share – continuing operations

**14.0cents**

Down 44% from 24.8 cents in the prior year due to the increase in adjusting items.

### Adjusted profit before tax

**\$599m**

Up 7% from \$560m in the prior year. Comprises net management fee income of \$430m and net performance fee income of \$169m. The increase from prior year is due to an increase in net performance fees following strong AHL performance in calendar 2010 and the inclusion of GLG performance fees post acquisition partially offset by a decrease in net management fees due to increased net interest expense.

### Adjusted diluted earnings per share

**27.6cents**

Up 8% from 25.5 cents in the prior year due to the increase in adjusted profits before tax and a lower effective tax rate on adjusted profit, partially offset by the share issue related to the GLG acquisition.

### Net Tangible Assets

**\$1.7bn**

A measure of resources available for use in growing the business. Down from \$2.9bn in 2010 due to the cash outflow for the purchase of GLG.

### Dividends relating to the year

**22 cents per share**

Proposed final dividend 12.5 cents per share. Payable at a rate of 7.68 pence per share.



# 1

**How do we generate  
long-term value?**



**We deliver strong long-term investment performance across a unique range of alternative investment strategies to a growing global investor base.**

**People management, global distribution and product structuring, innovation, risk management and community engagement contribute to the sustainability of our business model.** – PG 38







# A sustainable business model

## Independent fund entities



**Man acts as the investment manager for a series of independent fund entities. The independent fund entities pay Man management fees and performance fees.**

Management fees are charged for providing investment management services at a percentage of each entity's gross investment exposure. Gross investment exposure is referred to in this report as Funds Under Management (FUM). ➔ **PG 24**

Performance fees are charged as a percentage of the investment performance earned above a benchmark return or a previous higher valuation ("high water mark"). ➔ **PG 24**

The fund entities are independently governed. Their investment performance, assets and liabilities are separate from Man and not consolidated into Man's financial statements.

## Investment management

**Man's investment managers have expertise in a diverse range of investment strategies, which offer investment opportunities matched to investor appetite for risk and return.**

### AHL

AHL is a systematic, trend-following managed futures manager with a 24 year performance track record. ➔ **PG 32**

### GLG

Acquired in October 2010, GLG has expertise across a wide range of discretionary investment strategies including equity long/short and long only, credit and convertibles, emerging markets, macro and special situations. ➔ **PG 34**

### Man Multi-Manager

Man Multi-Manager provides actively managed, thematic fund of funds offerings and manages our guaranteed product range. Our extensive managed accounts platform offers institutional investors control, transparency and sophisticated risk management. ➔ **PG 36**

#### FUM by manager

\$bn



	\$bn
1. AHL	22.7
2. GLG*	32.0
3. Man Multi-Manager	14.4

\* Includes Pemba/Ore Hill and Man Convertibles

## Investor solutions

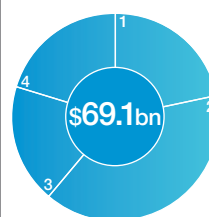
**Man offers private investors and institutions a wide range of investment products and solutions in onshore formats approved by local regulators (such as UCITS) or on an offshore (international) basis.**

**We offer a range of liquidity profiles (daily, weekly or monthly) and additional transparency through managed accounts.**

**Our structuring capabilities mean that we can offer capital guarantees and principal protection, which generates additional fees.**

#### FUM by format

\$bn



	\$bn
1. Guaranteed	15.1
2. Open ended	27.3
3. Institutional and FoF	12.7
4. Long-only	14.0

## Business Sustainability

Our shareholders seek sustainable long term returns, and it is our responsibility to ensure that the business drivers are in place to support this aspiration.

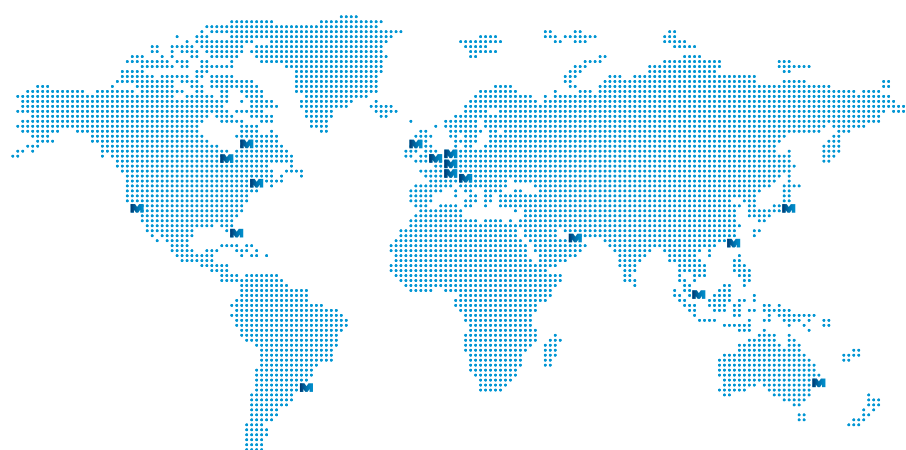




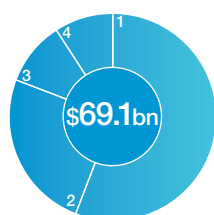
## Our Investors

### Distribution and client services

Man has a geographically diverse investor base with offices in 16 countries to serve our investors in their local market, local language and local time zone. We distribute to private investors via a network of 3,850 intermediaries and manage our institutional relationships directly. Our long established local relationships with intermediaries, institutions and regulators provide access to investors, local market expertise and differentiated client service. → PG 44

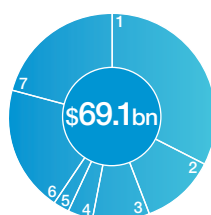


FUM by geography  
%



1. Europe	56%
2. Asia Pacific	25%
3. Americas	10%
4. Middle East and Africa	9%

FUM by style  
%



1. Managed futures	33%
2. Equity alternatives	12%
3. Credit and convertibles	9%
4. Emerging markets	4%
5. Macro and special situations	1%
6. Long-only	20%
7. Multi-manager	21%

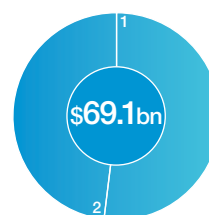
### Private investors

Man's private investor base is focused on the mass affluent market and high net worth individuals. A key growth driver with private investors is the increased availability of onshore products, which make diversified, risk adjusted hedge fund returns available to an expanding global market.

### Institutional investors

Man has around 1,000 institutional clients – predominantly pension funds, insurance companies, banks, asset managers, sovereign wealth funds and endowments. Institutional investors continue to grow their allocations to hedge fund strategies and seek the transparency, risk management and liquidity offered by managed accounts.

FUM by investor type  
%



1. Private investors	52%
2. Institutional investors	48%

The quality of our investment management underpins the sustainability of our business. Other key drivers are: managing our people and remunerating them appropriately; expertise in distribution and product structuring; innovation; robust risk management and community engagement.



# 2

**What are the Board's responsibilities and key priorities?**



**The Board's core responsibilities are to set strategy, determine acceptable risk, support and challenge management and engage with shareholders.**



**Board of Directors** (from left to right) Patrick O'Sullivan (Chairman of the Audit and Risk Committee), Kevin Hayes (Finance Director), Alison Carnwath (Senior Independent Director), Dugald Eadie, Jon Aisbitt (Chairman), Ruud Hendriks, Peter Clarke (Chief Executive), Phillip Colebatch (Chairman of the Remuneration Committee) and Frédéric Jolly.



## Chairman's Review



**Jon Aisbitt**  
Chairman

### The 2011 financial year was very significant for Man and a very busy year for the Board.

It started with the evaluation of the strategic case for the acquisition of GLG, approval of management's negotiating mandate, oversight of the due diligence process and presentation of the transaction to shareholders. With the acquisition completed, we turned our attention to a review of the Company's risk appetite and the Board's risk governance framework. This led in turn to the third area of focus for the year which was our review of the Company's capital and liquidity requirements and the structure of its funding. All these areas of work are central to the Board's leadership role of determining strategy and risk appetite and ensuring that the business is appropriately resourced and funded for long term success. In addition, we continued throughout the year both to support and challenge the executive in their day to day delivery of business objectives.

#### Acquisition of GLG

The acquisition of GLG represents the delivery of one of the key strategic objectives agreed by the Board. Its purpose is to diversify our business model through the acquisition of an established franchise with liquid alternative investment styles as a complement to Man's existing managed futures and multi-manager capability. It expands the range of content we can offer to institutions and intermediaries and it creates new product development and sales opportunities.

Having agreed the strategic case for the acquisition, the Board established and progressively refined management's negotiating mandate, oversaw the due diligence process and gave approval to proceed. Our next task was to review and approve the circulars seeking shareholder approval of the transaction in both the UK and US. In the month following the announcement of the acquisition, we were able to meet with over 40% of Man's shareholder base. Our Chief Executive and Finance Director were joined by Noam Gottesman, the co-CEO of GLG, in meetings with our largest shareholders and their feedback confirmed

the value derived from the immediacy of our communication. We were pleased to discuss private investors' views on the transaction at the UK shareholder meeting held in September which returned a vote of over 90% in favour.

#### Strategy review and development

While plans for GLG integration were being put into effect, the Board moved on to rationalise other areas of the business, approving the disposal of Man's non-strategic stake in BlueCrest and agreeing to take full ownership of credit manager Ore Hill. At the annual Board strategy review we discussed the shape of the business, its cost base, product range and performance and the opportunities available over the next 18 months. Our debate was informed by updates from key executives on the performance and development of AHL, new sales channels and geographic reach, and progress in the refocused Man Multi-Manager and nascent Man Systematic Strategies businesses. We explored the likely impacts of longer term macro risks on Man's business. We reviewed our remuneration philosophy and ensured that our executive compensation arrangements were aligned to the strategic goals of the business.

#### Risk appetite and governance

Consideration of risk is a key component in the development of strategy. At a special meeting dedicated to risk, the Board discussed the likely impact on the business of a range of macro-economic scenarios in terms of their implications for funds under management, product demand, earnings and liquidity. This was followed by a review of the Company's existing risk appetite statements and a detailed assessment of their continued relevance and value and of how the business had performed against them. At subsequent meetings the Board redefined its risk appetite statements to cover both the risks which apply to the operation of the investment management business and the risks which apply to Man as a company. These statements are discussed more fully in the Risk management section of the Annual Report. ➔ **PG 48** The Board also reviewed and endorsed changes made to the Company's risk governance framework following the acquisition of GLG and agreed the detailed allocation of responsibilities for the identification and oversight of risk between management's Risk and Assurance Committee and Finance Committee, the Audit and Risk Committee and the full Board.



## Capital and liquidity

Key elements of Man Group's risk appetite are its capital and liquidity positions. The limits the Board sets for these are determined by a number of factors, including the capital which the firm wishes to hold for investment in funds and for loans to funds. When reviewing capital adequacy the Board must also consider Man's longer term liquidity needs to enable it to withstand financial shock or sustained periods of stress. Determining the optimal position and the implications for the use of any surplus capital, such as that realised through the recent disposal of the Company's investment in BlueCrest, has been a major area of debate. The balance we seek is to retain capital for organic growth, take advantage of strategic opportunities as they arise and provide a cushion against financial stress, while satisfying the requirement for an efficient balance sheet and shareholder appetite for dividends. We have reviewed the Executive Committee's proposals for the future sizing and management of the Company's capital and liquidity and are currently working on the approval of a capital and liquidity plan to transition the Company to the targeted position. We continue to believe that a capital buffer of \$300m in excess of our regulatory capital requirement is appropriate.

## Dividend

Last year we indicated our intention to pay a dividend of at least 22 cents per share for the year ended 31 March 2011. The Board is now recommending the payment of a final dividend of 12.5 cents (7.68 pence) per share which will bring the total dividend for the year to the committed level. The Board has adopted a progressive dividend policy and intends to ensure that dividend payments remain sustainable.

## Monitoring and challenging

The Board receives regular reports and updates on the progress of the business and its financial performance from the Chief Executive and Finance Director. Management assertions are frequently tested and the assumptions underlying financial projections freely challenged. Throughout the year the Board closely monitored and debated management plans for the integration of GLG. We were keen to ensure the streamlining of the combined operation, the capture of operating efficiencies and the leveraging of value. We needed to satisfy ourselves that the governance and control of decision making in the extended business was robust. We wanted the culture

of the new franchise to be integrated into Man's existing business in such a way as to preserve the driving strengths of each.

In the course of the year, as part of our investment in the development of AHL, the Board renewed the Company's long term funding commitment to the Oxford-Man Institute of Quantitative Finance which is part of Oxford University. In recognition of the importance of AHL to the business, we subsequently visited the Institute to get a better understanding of its work and explored with leading professors and the CEO of AHL the contribution made by the Institute to the development of AHL's quantitative trading model. We were also able to appreciate at first hand the benefit derived by AHL's research team from their daily contact with academic researchers, the continuing supply of leading edge ideas and the access to a pool of talent for future recruitment.

## Management talent and Board succession

Proper stewardship requires the attraction, development and retention of appropriate management talent. The acquisition of GLG significantly strengthened Man's investment management expertise and has attracted a number of new executives to the business. The Board itself also needs regularly refreshing to ensure it remains fit for purpose. I am a strong advocate of the importance of the diversity of Board membership on which there is currently, particularly in respect of gender diversity, much debate. Securing the right balance of skills, experience and perspectives on the Board is a key responsibility and one to which I continue to devote a substantial amount of time. The Nomination Committee report describes the work we do in this area. ➔ **PG 90**

I am pleased that Emmanuel (Manny) Roman, who joined Man as Chief Operating Officer last year following the acquisition of GLG, was appointed an executive director earlier this month. Manny played a major part in the integration of GLG, and has a wealth of experience in trading, markets and business management which will help the executive team realise new opportunities. The Board has also been strengthened by the appointment of Matthew Lester as a non-executive director and as a member of the Audit and Risk and Nomination Committees. His broad financial, regulatory and markets experience will be a great asset to us.

Another Board change in prospect this year is the retirement of Dugald Eadie at the 2011 Annual General Meeting. During his nine years' service on the Board, Dugald has helped guide the business through substantial and successive periods of change and has been a valuable chairman and member of the Remuneration and Audit and Risk Committees. We are grateful for his tireless contribution and support and wish him all the very best for the future. Alison Carnwath, who has given me excellent support as Senior Independent Director, will step down from this role following the Annual General Meeting while remaining on the Board. She will be succeeded by Patrick O'Sullivan, the Chairman of our Audit and Risk Committee. Board biographies ➔ **PG 82**

## Shareholder engagement and reporting

We like to engage with investors actively and directly. In addition to our intensive interaction with shareholders on the acquisition of GLG, we have renewed our dialogue with institutional investors on Man's executive compensation arrangements and have consulted on governance issues such as director reappointment and independence.

Man is committed to reporting on its business and performance in the most transparent and effective way. I have sought to give you in my Review a clear picture of the Board's priorities and activities during the year and have provided more detail on its structure and operation in my Corporate Governance Report. ➔ **PG 80** I hope you find that this year's Annual Report delivers a straightforward and compelling account of the continuing evolution of Man's business in response to market demand and wins your confidence in the combination of ambition and enduring strength on which it is built.

**Jon Aisbitt**  
Chairman



# 3

## What is our strategy for growth?





**After fundamentally  
reshaping our business  
this year with the  
acquisition of GLG,  
Man is well positioned  
for growth.**

**Peter Clarke**  
Chief Executive







## Chief Executive's Review

**In the course of the 2011 financial year we have transformed our business, delivered positive investment performance and seen an improvement in fund flows.**

**A largely supportive industry backdrop and the actions we have taken this year position us well for future growth and returns.**

**Our growth strategy has four key elements.**

**Deliver strong long-term performance**

Across a wide range of liquid alternative investment styles.

**Create a diverse range of fund strategies and formats**

To meet the needs of private investors and institutions, worldwide.

**Expand our global investor base**

Through strong local relationships and partnerships.

**Continue to build our corporate reputation**

Based on strong governance, risk management, financial discipline and innovation.



## Industry backdrop

### Renewed investor focus on risk-adjusted returns

Our 2011 financial year saw periods of volatility across financial markets. Investors have now experienced three sharply different but equally challenging trading years: the liquidity driven crisis in 2008; initial fears followed by sharp rallies in 2009 and the volatile, macro-driven market of 2010 and early 2011. On a three year annualised basis to the end of March 2011, hedge fund composite performance is up 4.1% with an annualised volatility of 8.5%, while world stocks are up 0.4% with an annualised volatility of 20.4%. The hedge fund industry's ability to deliver diversifying, risk-adjusted returns across challenging markets has been reaffirmed.

### Hedge fund industry assets break the \$2 trillion barrier

By the middle of our financial year, renewed investor focus on the hedge fund proposition was starting to translate into an uptick in inflows. By March 2011, total capital invested in the global hedge fund industry exceeded \$2 trillion for the first time in its history. This represents about 8% of global invested assets, so there remains plenty of room for further growth.

### Manager selection matters

Fortunes have remained notably mixed among alternative investment managers, with wide performance dispersion between and within styles. It is not enough for investors simply to increase their allocation to alternatives: manager selection can make a significant difference to returns.

### Importance of global scale

Demand for alternatives is global, and global scale is required to capitalise on this demand. Broad distribution – be it direct or through third parties – is a rare commodity in our industry. I continue to believe that global distribution brings an under-appreciated but deeply significant level of competitive advantage.

Although there will always be a place for niche firms, this year has seen continued concentration of flows into larger scale alternative asset managers. Investors are paying as much attention to the sustainability of the firm as they are to the expertise of the manager. Given the complexity of the due diligence process, partnering with a trustworthy, multi-strategy manager can generate economies of scale for the investor. Scale also benefits investment managers. As my new GLG colleagues affirm, being part of a larger organisation allows portfolio managers to focus on what adds most value: delivering investment performance.

Investor demand for institutional quality and scale is one of a series of forces at play in our industry which are increasing barriers to entry and strengthening our competitive advantage. Others include an ever increasing volume of regulatory initiatives across multiple jurisdictions, some of which we need to absorb into our business model while others are drivers of growth. A notable example in the latter category is the growth of the UCITS format which has become a global phenomenon, opening up new markets for alternatives in Asia and Latin America as well as Europe.

### Supportive market environment

Taking all of these industry trends into account, my conclusion is that market conditions are broadly supportive to diversified, large scale managers such as Man. We have fundamentally reshaped our business in the past year to directly address investor requirements and to position Man to perform across market cycles. We can now offer strong long-term investment performance across a unique range of investment strategies and formats to a growing investor base, and share with our investors the benefits of our global scale.

➔ **PG 26** Manny Roman, Man's Chief Operating Officer, discusses industry trends in greater depth.

Total capital invested in global hedge fund industry

# \$2trillion



## Chief Executive's Review continued

### Review of Man's 2011 financial year

#### FY2011 investment performance: dispersion between styles

In the course of the 2011 financial year, Man delivered \$2.8 billion of positive investment performance to our investors.

AHL had a strong 2010 calendar year (up 14.8%) but suffered in volatile markets in the first quarter of 2011, to end the financial year up 4.5%. The diversification benefits enjoyed by investors in AHL were starkly visible in May and August 2010. Global equity markets were down 7.4% and 3.4% respectively, while AHL limited losses to 1.9% in May and was up 6.8% in August. ➔ **PG 32**

GLG saw strong performance in FY 2011 across a range of discretionary styles, with long only products generally outperforming their benchmarks and double digit returns in a range of alternative strategies including macro, European distressed, European long/short, market neutral and North American opportunities. ➔ **PG 34**

Calendar year performance is widely reviewed across our industry. In calendar 2010 our managers delivered a textbook example of the benefits of risk adjusted performance which investors seek. Although performance conditions in 2011 to date have been challenging, our strong long term track records are providing a helpful backdrop to this year's sales initiatives.

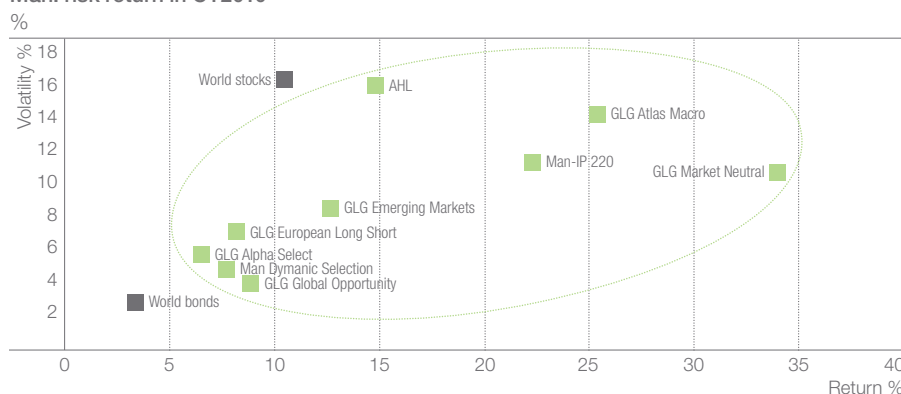
#### Funds under management: improving flows trend

Funds under management increased from \$39.4 billion at 31 March 2010 to \$69.1 billion at 31 March 2011, largely driven by the acquisition of GLG.

Significantly, the sales trend improved steadily throughout the year driven by GLG flows, strong AHL performance, an uptick in demand for guaranteed products and initial allocations from one of the two large scale institutional mandates won in the period.

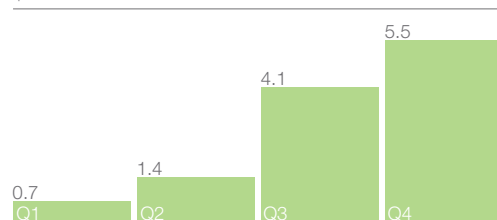
The sales pipeline suggests that this trend will continue, with over \$2 billion still to fund from the USS and BVK institutional mandates and \$2 billion raised after our financial year end from the launch in Japan of Nomura Global Trend, an open-ended fund advised by AHL. ➔ **PG 17**

Man: risk return in CY2010



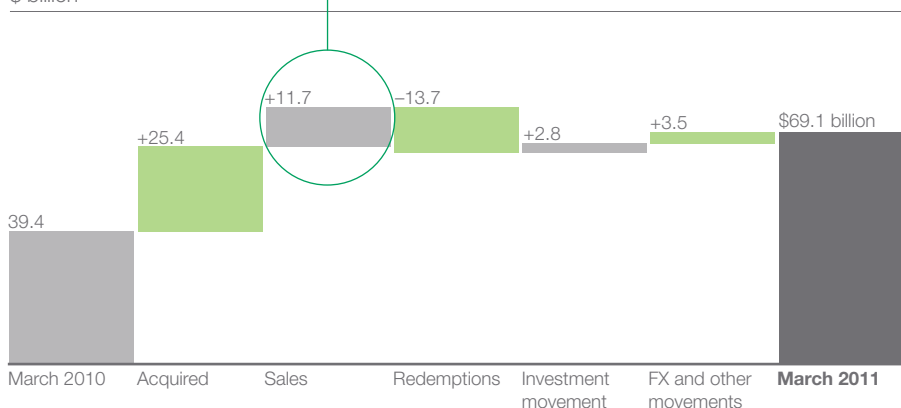
Quarterly sales trend FY2011

\$ billion



Funds under Management

\$ billion





### Profitability

The business remains profitable and operationally cash generative. Statutory profit before tax from continuing operations was lower than the previous year, at \$324 million (2010: \$541 million). The biggest contribution to this reduction was a non-cash impairment in Man Multi-Manager, taken although the business is profitable and making good operational progress. Adjusted profit before tax from continuing operations for the year to 31 March 2011 was \$599 million (2010: \$560 million). ➔ **PG 24**

### Capital management and dividend

Man's financial position remains strong, with a regulatory capital surplus of currently around \$900 million and net cash of around \$900 million. The Board has recommended a final

dividend payment for the year of 12.5 cents per share, taking the total dividend payment for the year to 22.0 cents. The Board has a progressive dividend policy, and intends to ensure that the dividend payment remains sustainable.

➔ **PG 108**

### Progress on strategic priorities

In our 2010 Annual Report, we set out five strategic priorities for the firm in the 2011 financial year.

- Harness new single manager content by executing on acquisitions/stakes
- Invest in AHL to ensure that we capture the programme's full potential
- Maximise Man Multi-Manager by rebuilding scale and profitability

- Deepen our distribution reach, specifically in onshore regulated markets and across institutions worldwide
- Maintain focus on efficiency by continually evaluating our cost base

I am pleased to report significant progress on all five of these priorities, and particularly on our acquisition of GLG Partners, Inc. (GLG).

## Expertise across a broad range of investment styles

Multi-manager	Single manager				
<b>Actively managed fund of funds</b> Man Dynamic Selection	<b>Managed futures</b>  Man AHL Diversified plc	<b>Macro and special situations</b>  GLG Atlas Macro	<b>Emerging markets</b>  GLG Emerging Markets	<b>Credit and convertibles</b>  GLG Market Neutral GLG European Distressed GLG Ore Hill	<b>Equity – alternative and long only</b>  GLG Alpha Select GLG European Long/Short GLG Japan Core Alpha
<b>Guaranteed products</b> Man IP220 GLG					
FUM	FUM	FUM	FUM	FUM	FUM
<b>14.4bn</b>	<b>22.7bn</b>	<b>0.6bn</b>	<b>2.6bn</b>	<b>6.5bn</b>	<b>22.3bn</b>

<b>Fully integrated</b>	Compliance and risk management
	Product structuring and operations
	Global distribution



## Chief Executive's Review continued

### Our key strategic achievement in the 2011 financial year was the acquisition and integration of GLG, which has transformed our business.

#### GLG acquisition and integration

We acquired GLG in October 2010 for a total consideration of \$1.7 billion, \$628 million of which was in the form of Man shares issued to GLG Principals. GLG's investment management expertise across a wide range of liquid styles complements that of AHL and Man Multi-Manager. We see considerable growth potential in marketing GLG strategies through our global distribution network, as well as in the creation of new products.

Extensive integration planning after the announcement of the acquisition meant that we were ready to operate as one business very soon after the completion of the transaction. Consistent with the approach we take with AHL and Man Multi-Manager, the unique investment culture and focus of the GLG investment management teams remains unchanged, but is now supported by a fully integrated, larger scale product structuring, distribution and client service capabilities. Our newly integrated sales force began marketing Man's combined range of strategies immediately after close, and we have been very encouraged by early progress. Our first combined product – Man IP220 GLG – was launched in the fourth quarter of our financial year and started trading with \$400 million under management after year end. We have also created a new venture, Man Systematic Strategies, which pools expertise from GLG, AHL and Man Multi-Manager to develop new systematic trading ideas. ➔ **PG 46**

While the acquisition is on track to deliver \$50 million of cost savings by September 2011, the real value will lie in our ability to generate revenue synergies as we capitalise on the investment management, structuring and distribution power of the combined firm.

Pierre Lagrange has written more about GLG's performance and strategy. ➔ **PG 34**

#### Disposal of BlueCrest interest and integration of Ore Hill

In March 2011 we made two further changes to our investment management portfolio. After a successful eight year commercial relationship with BlueCrest, we sold our c.25% interest to BlueCrest for a total consideration of \$633 million, generating a pre-tax profit on disposal of around \$250 million. Post year end, we also took our ownership of Ore Hill from 50% to 100% for a consideration of \$18 million. Ore Hill is being integrated into GLG, to lead GLG's expansion into the US credit markets.

Both transactions demonstrate our general preference for wholly-owned investment management. The Ore Hill transaction also illustrates a further benefit of the GLG acquisition. In GLG, we have a single manager platform to which we can add investment management teams organically, to gain exposure to new strategies and markets.

#### Capture the full potential of AHL

We continue to invest in AHL, our world-leading managed futures manager. AHL's research team has continued to expand and now numbers nearly 90 researchers. Research activity has been grouped into sector teams to encourage idea generation and accelerate the implementation of the research pipeline. AHL has expanded its operations in Hong Kong to continue its strong tradition of being first into new markets, and is broadening its trading capabilities to include a renminbi share class. Our unique and very successful collaboration with the University of Oxford has been extended for another three years. This continues to give AHL access to early exposure to leading academic research, as well as significantly enhanced recruitment opportunities. The Oxford team is heavily involved in the development and implementation of AHL's extensive research pipeline. Tim Wong explains more about these developments. ➔ **PG 32**

#### Maximise Man Multi-Manager

In September 2010, Man Multi-Manager transitioned to new leadership with the recruitment of Luke Ellis to head the business. In the course of the last financial year, the Man Multi-Manager team have focused on expanding Man's managed account (MAC) platform both as a discretionary investment tool, and as the foundation of a robust hedge fund allocation and risk advisory service for institutional investors. Tangible evidence of the success of this strategy came in the form of two \$1 billion+ mandate wins – from the UK Universities Superannuation Fund (USS) and Germany's Bayerische Versorgungskammer (BVK). Luke has written more about the development of Man Multi-Manager. ➔ **PG 36**

#### Deepen our Distribution reach

One of Man's key assets is our sales force and distribution network which, post the GLG acquisition, has over 300 people working in sales, marketing and client service in 25 offices worldwide. Local specialists with longstanding relationships with investors, intermediaries and regulators are responsible for identifying the strategies and formats most appropriate for sale in their local markets.

This has been an extraordinarily busy period of sales activity. As part of the GLG integration, each office identified a focus list of GLG strategies and took these to market immediately after deal completion. We continue to focus on UCITS formats, and now offer 14 alternative strategies (including GLG's) with \$3.4 billion under management in 22 countries within and outside the EU, as well as long only strategies with \$7.4 billion under management.

Testament to the strength of our distribution network lies in our fourth quarter sales of \$5.5 billion – the highest quarterly sales amount since September 2008. Christoph Möller, our Head of Sales, gives more colour on the strength of our Distribution and Product Structuring operations.

➔ **PG 44**

#### Maintain focus on efficiency

We have made significant progress this year on operational efficiency. After the GLG acquisition completed, I restructured the Executive Committee to augment investment management focus, reorganise some activities under a new Chief Operating Officer role and clarify responsibilities across the enlarged firm. We continue to manage our cost base actively to preserve operating margins, while investing appropriately in technology, infrastructure and expertise. A key example of this active management is our decision to appoint Citi to perform global shareholder and transfer agency services on our behalf, a move expected to generate positive operating leverage as funds under management increase.

Kevin Hayes analyses the movements in our cost base further in his Financial Review.

➔ **PG 54**



## \$2 billion fund launch in Japan

**Since the end of our financial year, our team in Japan has raised a remarkable \$2 billion with the launch of Nomura Global Trend.**

In partnership with Nomura, we designed an AHL fund offering daily liquidity, exposure to high yielding currencies and the potential for monthly dividends. This is a brand new product concept, and these features were especially appealing to the Japanese retail sector.

Investors can choose to have exposure to one of three different currency baskets

- Japanese Yen
- Brazilian Real, Australian Dollar and South African Rand
- Chinese Renminbi, Indian Rupee and Indonesian Rupiah

Foreign exchange hedging is provided by Nomura Asset Management, with the AHL investment being managed in US dollars.

Nomura Global Trend has been actively marketed by the combined Man and Nomura team, with over a hundred seminars and study sessions held throughout the Nomura branch network. The response has been exceptional and, because the fund is open-ended, it can continue to grow.

The success of this launch in the immediate aftermath of the Japan earthquake is testament both to the commitment and expertise of our Japanese team and their counterparts at Nomura, and to the resilience of the Japanese markets. There can be no better demonstration of the benefits of local expertise, innovative product structuring and strong distribution partnerships.

## Strategic priorities for the coming year

Our key priority for the next reporting period is to capitalise on the substantial business transformation we undertook in the 2011 financial year.

Our corporate strategy remains as follows.

- To deliver strong long-term investment performance ....
- Across a unique range of alternative investments strategies and formats ...
- To a growing global investor base ....
- And to continue to build our corporate reputation based on strong governance, risk management, financial discipline and innovation.

To deliver this strategy, we will

- Realise the full potential of AHL through investment and research, and develop new quantitative strategies
- Continue to build out GLG single manager strategies, focusing on talent and superior investment performance
- Maximise Man Multi-Manager through managed accounts and tailored institutional portfolio solutions
- Deepen our sales reach across the combined firm, using GLG strategies individually and in combination with AHL and Man Multi-Manager
- Increase efficiency, with focus on using our capital and resources effectively.

I am grateful to everyone at Man for the commitment, expertise and sheer hard work they have contributed this year in making substantial progress on each of our objectives. I look forward to continued progress in the next reporting period.

## Outlook

As I look forward, my working assumption is that markets will remain volatile. With a strong suite of liquid investment strategies designed to capture value for investors across market cycles, Man is well placed to continue to attract investors even in tough markets.

Strong investment performance across the board in calendar year 2010 has provided a healthy backdrop for sales. Although recent performance conditions having been challenging, we remain focused on building sales momentum.

We expect the current high level of regulatory and policy change to continue, but at a slower pace, with the detailed implementation of regulation now becoming clear. Man is well placed to address these new regulatory environments given our scale, relationships and brand. I continue to regard scale as a competitive advantage in this area.

Although our focus this year will be on organic growth, we remain prepared to use our financial strength to invest in our talent pool and develop new market opportunities as they arise.

Man now has a highly competitive suite of investment strategies, strong global distribution and significant scale advantages. By executing well on a compelling strategy in a structurally favourable market, we can achieve substantial asset and profit growth over the years to come.

**Peter Clarke**  
Chief Executive



## Chief Executive's Review continued

# Strategy and objectives

### What is our core purpose?

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

### What is our overriding goal?

To be the leading alternative investment manager globally

### What is our corporate strategy to deliver growth and returns?

To deliver strong long-term investment performance ...  
... across a unique range of alternative investment strategies and formats ...  
... to a growing global investor base ...  
... and continue to build our corporate reputation based on strong governance, risk management, financial discipline and innovation

### How will we put our strategy into action?

- Realise the full potential of AHL and develop new quantitative strategies ➔ **PG 32**
- Continue to build out GLG single manager strategies ➔ **PG 34**
- Maximise Man Multi-Manager ➔ **PG 36**
- Deepen sales reach; capitalise on enlarged suite of products and solutions ➔ **PG 44**
- Increase efficiency, with focus on using our capital and resources effectively ➔ **PG 75**

### What makes our business model sustainable, for the benefit of all stakeholders?

- High quality investment management ➔ **PG 30**
- Focus on people and their remuneration ➔ **PG 40**
- Global distribution and product structuring ➔ **PG 44**
- Innovation ➔ **PG 46**
- High business process standards ➔ **PG 48**
- Commitment to building our corporate reputation

### What is our ambition for the future?

To earn a place in every investor's portfolio





## Market drivers

Chief Operating Officer Emmanuel Roman describes the evolution of our marketplace → **PG 26**

Strong performance and renewed investor focus on risk adjusted returns are driving growth in hedge fund assets.

Hedge fund assets under management, Q1 2011

**\$2trillion**

Industry capital concentrating with scale players.

% of industry FUM represented by funds > \$1bn, Q1 2011

**77%**

Alternative asset classes have increased their share of overall investment funds, but still represent a small portion of the market.

Alternatives as a % of global investment fund assets end 2010 (2009: 7%)

**8%**

## Opportunities

Chief Executive Peter Clarke describes our strategy for growth and progress this year → **PG 10**



## Key risks

Chief Risk Officer Jonathan Eliot describes our risk management framework in more detail → **PG 48**

Our principal risks are integration risk, fund underperformance risk, discretionary trading risk, operational risk, regulatory risk, reputation risk and key person risk.

Man identifies its principal risks across the firm and assesses their likely impact. We measure and monitor the size of our risks, and implement controls and transactions to reduce and hedge exposures in order to ensure that they stay within our firm-wide risk appetite framework. We regularly report on the status of these risks to senior management and the Board via a well established governance structure.

## KPIs

Our financial and non financial KPIs illustrate and measure the relationship between the experience of the fund investors, our financial performance and creation of shareholder value. Finance Director Kevin Hayes reviews our KPIs → **PG 22**

Fund outperformance vs benchmarks.



Growth in funds under management.



Growth in gross revenues.

Return on shareholders' equity.



Growth in earnings per share.



Growth in net management fee income.



# 4

## How is our business performing?



**In 2011 we have seen an improving trend in the majority of our Key Performance Indicators.**

**Man continues to have substantial capital and liquidity resources to fulfil its strategic ambition.**

**Kevin Hayes**  
Finance Director





## Key Performance Indicators (KPIs)

**Our financial and non-financial KPIs illustrate and measure the relationship between the investment experience of the fund investors, our financial performance and creation of shareholder value.**

**KPIs are set by the Board and used on a regular basis to evaluate progress against our key objectives.**

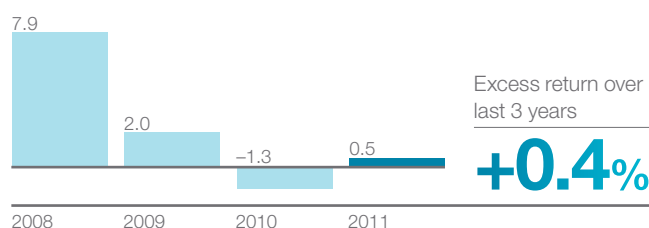
**Our KPIs this year reflect the improved investment performance of the funds and the growth in our FUM and revenue base following the GLG acquisition.**

We have reviewed our KPIs to ensure they are appropriate performance measures for our reshaped business. We have modified the performance KPI to take account of our broader product range. We have also added growth in net management fee income as a KPI as it is an important measure of our ability to maintain net margins and is one of the performance criteria set by the Board for performance compensation plans. Other performance indicators (PIs) used to measure the sustainability of our business are described later in this report. ➔ **PG 38**



### Fund outperformance vs benchmark

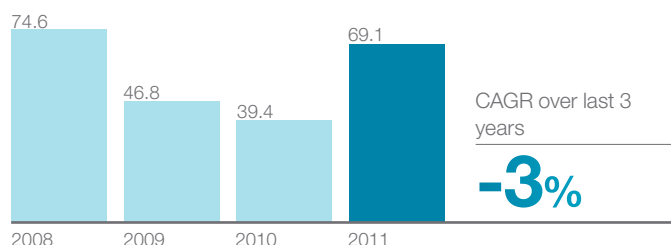
%



The weighted average investment performance measures the investment return to investors, net of fees. The outperformance compared to the benchmark gives an indication of the competitiveness of our investment performance against similar alternative investment styles offered by other investment managers. This measures our ability to deliver superior long term performance to investors.

### Growth in funds under management (FUM)

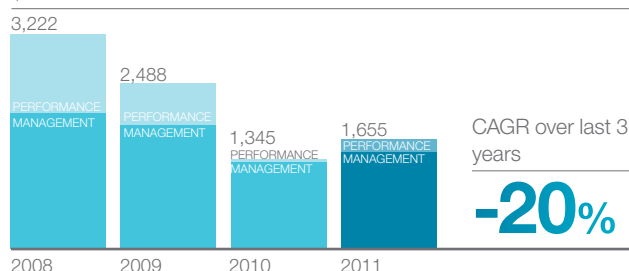
\$bn



Growth in FUM is an important measure of our ability to retain and attract investor capital. FUM drives our financial performance in terms of management fees and our capacity to earn performance fees. FUM increased by 75% in the year. The principal drivers were the acquisition of GLG and improved investment performance. Excluding the GLG acquisition, FUM relating to the historical Man products increased by 4%.

### Growth in gross revenues

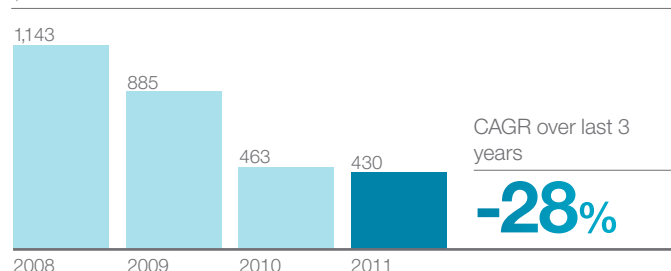
\$m



Gross revenues include both management fees and performance fees. The growth in gross revenue measures both our ability to grow FUM at stable margins and maintain investment performance for investors on which we earn performance fees. Gross revenue increased by 23% in the year to \$1,655m, reflecting a 12% increase in gross management fees and a 290% increase in gross performance fees.

### Growth in net management fee income

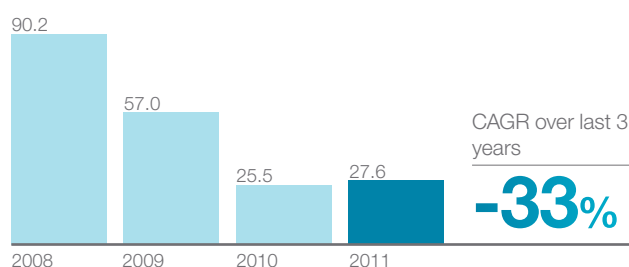
\$m



While gross revenue is an important measure in aggregate growth, net management fee income is an important driver for the valuation of Man. Net management fees decreased by 7% during the year to \$430m due to increased finance expense.

### Growth in adjusted diluted earnings per share - continuing operations

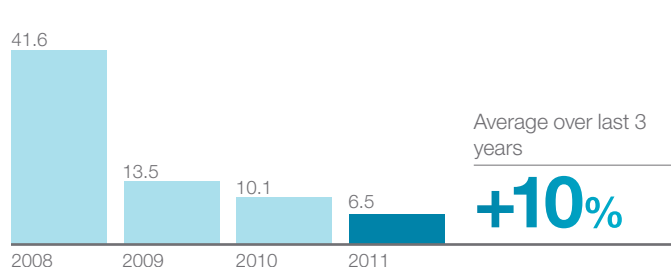
¢



Growth in adjusted earnings per share measures the overall efficiency and sustainability of our business model, for the benefit of our shareholders. Adjusted diluted earnings per share increased by 8% during the year, the increase in profits and a lower effective tax rate on adjusted earnings being partially offset by the share issue related to the GLG acquisition.

### Post tax return on shareholder's equity (ROE)

%



Return on Equity measures the efficiency with which we invest or return our capital. ROE is 6.5% for 2011, compared to 10.1% in 2010. The decrease arises due to a \$172m decrease in post tax profit while average equity remained constant at \$3.8bn.



## Financial commentary

### Funds under management (FUM) and flows

Growth in FUM is a key indicator of our performance as an investment manager and our ability to remain competitive and build a sustainable business. Average FUM multiplied by gross revenue margin generates management fee revenues. Our objective is to grow FUM while maintaining our gross revenue margin.

FUM is shown by product groupings that have similar margin and investor characteristics. The GLG FUM and FUM movements are included from the acquisition date 14 October 2010. Included in GLG FUM is \$0.8 billion relating to assets that are either side pocketed or gated. In addition there is \$0.4 billion of FUM relating to Lehman exposure.

Gross sales for the year were \$11.7 billion, with a continued increase in sales quarter on quarter during the year. Redemptions rates in most product groupings trended back to historical levels and totalled \$13.7 billion.

Guaranteed products saw net outflows of \$1.8 billion. However, in the fourth quarter there were signs of an increase in investor interest in guaranteed formats, with the Man Synergy product raising \$350 million. Guaranteed redemptions were \$2.4 billion in the year, an increase of \$0.8 billion compared to the prior year.

The largest inflows in the year were into open ended alternatives. AHL sales were \$2.8 billion on the back of recovering performance during the year. GLG sales post the acquisition were \$3.1 billion across a broad range of strategies. Alternatives redemption rates remained relatively constant throughout the year at about 20%, lower than last year's 25%.

Institutional sales continued to be slow throughout the year. However at year end there is a strong pipeline of over \$2 billion to fund in the future from managed account mandates. Institutional redemptions were \$2.9 billion, significantly lower than last year's \$8.1 billion.

Long only sales cover the period post the acquisition of GLG and were strong, totalling \$3.4 billion. Redemptions from long only were \$3.7 billion but included a redemption of over \$1 billion of a low margin mandate in Q3.

A total of \$2.8 billion of positive investment performance was earned for investors, split equally between Man and GLG products.

The FX movement for the year was \$2.0 billion, the majority of which was due to the strengthening of the Euro. The majority of the other movements were due to the regearing of the guaranteed products following positive investment performance.

### FUM summary

\$bn	Guaranteed	Open-ended alternative	Institutional FoF and other	Long Only	Total
<b>FUM at 31 March 2010</b>	<b>14.0</b>	<b>12.8</b>	<b>12.6</b>	<b>–</b>	<b>39.4</b>
<b>GLG Acquired FUM</b>	<b>–</b>	<b>11.5</b>	<b>0.7</b>	<b>13.2</b>	<b>25.4</b>
<b>Net inflows/(outflows)</b>	<b>(1.8)</b>	<b>1.5</b>	<b>(1.4)</b>	<b>(0.3)</b>	<b>(2.0)</b>
Investment movement	0.4	0.9	0.4	1.1	2.8
Foreign currency movement and other	2.5	0.6	0.4	0	3.5
<b>FUM at 31 March 2011</b>	<b>15.1</b>	<b>27.3</b>	<b>12.7</b>	<b>14.0</b>	<b>69.1</b>
<b>Gross management fee margin 2011</b>	<b>4.7%</b>	<b>2.6%</b>	<b>1.1%</b>	<b>0.7%</b>	
Gross management fee margin 2010 (excludes GLG)	4.6%	3.6%	0.9%		

### Summary Income Statement

\$m	2011	2010
Management and other fees	<b>1,452</b>	1,293
Performance fees (including investment gains/losses)	<b>228</b>	91
Share of after tax profit of associates and joint ventures	<b>65</b>	70
<b>Total income</b>	<b>1,745</b>	1,454
Distribution costs	<b>(318)</b>	(325)
Asset servicing	<b>(16)</b>	–
Compensation	<b>(501)</b>	(330)
Other costs	<b>(265)</b>	(232)
<b>Total costs</b>	<b>(1,100)</b>	(887)
Net finance expense	<b>(46)</b>	(7)
<b>Adjusted profit before tax from continuing operations</b>	<b>599</b>	560
Adjusting items:		
Gain on disposal of BlueCrest	<b>257</b>	–
Impairment of Man Multi-Manager and Ore Hill	<b>(397)</b>	–
Compensation – restructuring	<b>(55)</b>	(19)
Other costs – restructuring	<b>(17)</b>	(34)
GLG acquisition costs	<b>(35)</b>	–
Amortisation of acquired other intangible assets (provisional)	<b>(28)</b>	–
Gain arising from residual interest in brokerage assets	<b>–</b>	34
<b>Statutory profit before tax – continuing operations</b>	<b>324</b>	541
Net Management Fees	<b>430</b>	463
Net Performance Fees	<b>169</b>	97
<b>Diluted EPS – continuing operations (statutory)</b>	<b>14.0</b>	24.8
<b>Adjusted diluted EPS (excluding the adjusting items above)</b>	<b>27.6</b>	25.5

### Gross management fees and margins

Gross management fee margins by product channel are shown in the table above. Within each category there is a mix of gross management fee margins. Within the open ended alternatives category AHL's average margin is 3.6% and GLG's average margin is 1.5%. Management fee revenue for the year was \$1,452 million, compared to \$1,293 million in the prior year. Excluding the impact of the GLG acquisition in October 2010, gross management and other fees have remained broadly flat year on year.

### Performance fees

At 31 March 2011, approximately 65% of FUM was eligible to earn performance fees (the majority of AHL, 80% of GLG alternatives and 15% of GLG long only). Performance fees are calculated as a percentage of the net appreciation in the fund value over the lock-in period above a high water mark or referenced minimum return. Approximately one third of AHL performance fees lock-in weekly and two thirds monthly. The vast majority of GLG performance fees lock-in semi-annually in June and December. Performance fee rates range between 10% and 20%. The AHL weighted average distance from



## Balance sheet information

At 31 March

\$m	2011	2010
Cash and cash equivalents	<b>2,359</b>	3,229
Fee and other receivables	<b>522</b>	320
<b>Total liquid assets</b>	<b>2,881</b>	3,549
Payables	<b>(804)</b>	(546)
<b>Net liquid assets</b>	<b>2,077</b>	3,003
Investments in fund products	<b>917</b>	784
Other investments and pension asset	<b>102</b>	141
Investments in associates and joint ventures	<b>68</b>	351
Leasehold improvements and equipment	<b>138</b>	72
<b>Total tangible assets</b>	<b>3,302</b>	4,351
Borrowings	<b>(1,478)</b>	(1,489)
Deferred tax liability	<b>(100)</b>	(10)
<b>Net tangible assets</b>	<b>1,724</b>	2,852
Franchise value (goodwill) and other intangibles	<b>2,712</b>	1,135
<b>Shareholders' equity</b>	<b>4,436</b>	3,987

peak at 31 March 2011 was 10%. 65% of GLG performance fee eligible funds were above high watermark at 31 March 2011.

Performance fees for the year were \$203 million (2010: \$52 million), split approximately equally between AHL and GLG.

### Costs

Distribution costs for the year were \$318 million (2010: \$325 million). See [pages 60 and 67](#) of the Financial Review for more detail. Asset servicing costs (including custodial, valuation, fund accounting and registrar functions) were \$16 million (2010: nil) and this will increase in the next reporting period to \$30 million.

Compensation costs for 2011 were \$566 million (2010: \$349 million). Excluding adjusting items of \$65 million (2010: \$19 million), Man's compensation ratio was around 25% and GLG's was around 65%. Further detail is provided in the Remuneration Highlights on [page 43](#) and in the Financial Review on [pages 60 and 61](#).

Other costs have increased by \$41 million to \$307 million (2010: \$266 million). Excluding restructuring costs of \$17 million (2010: \$34 million) and GLG acquisition costs of \$25 million, the increase in costs is mainly due to the inclusion of the GLG business post completion of the acquisition and increased occupancy expense (further detail on all of these items is included on [page 61](#)).

The other cost increases are partially offset by cost synergies related to the GLG acquisition. The majority of these cost synergies arise from overlapping back office functions and the delisting of the US listed entity. One third of these \$50 million of cost synergies were achieved by year end, \$8 million is reflected in

reduced other costs and \$8 million in reduced fixed compensation expense.

In the next reporting period, other costs will increase by: the inclusion of nine months of GLG costs net of cost synergies; depreciation and amortisation expense as a result of the completion of a number of software development initiatives (\$10 million); and the move to the new London Headquarter building (\$15 million).

### Net management fees

Net management fees for the year were \$430 million (2010: \$463 million), calculated as gross management fees plus the share of management fees from associates less net finance expense, distribution costs, fixed compensation and discretionary bonus compensation and all other costs. The decrease in net management fees compared to the prior year is due to higher net finance expense.

Included in net management fees is associate income of \$64 million (2010: \$39 million) relating almost entirely to BlueCrest. The equity stake in BlueCrest was sold in March 2011 and therefore no further management or performance fee income will recur.

As capital and funding decisions are made independently of the investment management process the associated net income/expense represents a franchise cost and will be shown as a separate cost and not included in the net management fees for going forward.

### Net performance fees

Net performance fees for the year were \$169 million (2010: \$97 million), calculated as gross performance fees plus gains on investments at fair value less related

performance based compensation. The increase in net performance fees compared to the prior year is due to higher AHL performance fees following strong performance in calendar 2010 and the inclusion of the GLG performance fees earned post acquisition net of compensation and an acquisition balance sheet fair value credit adjustment of \$45 million ([Financial Review Note 13](#)).

### Profit before tax

Statutory profit before tax was \$324 million, 40% below 2010 as a result of an impairment charge against the historical franchise value (goodwill) of the Man Multi-Manager (MMM) and Ore Hill businesses, acquisition and restructuring related costs partially offset by the gain on the sale of the equity stake in BlueCrest.

Although the MMM business is profitable and making good operational progress, particularly with its managed account based solutions, Man's structured products are now expected primarily to use GLG strategies in place of MMM content. Future sales and margins are anticipated to be lower and as a result an impairment of \$375 million has been recognised.

Adjusted profit before tax was \$599 million compared to \$560 million last year. The adjusting items are described further on [page 62](#) of the Financial Review.

### Balance sheet and liquidity

The Group's balance sheet remains strong and liquid. At 31 March 2011, shareholders' equity was \$4.4 billion and net tangible assets were \$1.7 billion. Cash decreased as a result of the GLG acquisition, partly offset by the proceeds from the sale of BlueCrest. Franchise value (goodwill) and other intangibles increased as a result of the acquisition of GLG, net of the impairment of Man Multi-Manager and Ore Hill. The accounting for the acquisition of GLG is described on [pages 65 and 66](#) of the Financial Review.

### Liquidity resources

The business is cash generative with operating cash flows of \$527 million. Net liquid assets are \$2.1 billion. No borrowings have maturity dates within the next two years. In addition the \$2.4 billion committed revolving loan facility was available and undrawn at year end. The management of capital and liquidity is described on [pages 75 and 70](#) respectively.

### Regulatory capital

Man is fully compliant with the FSA's capital standards and has maintained significant excess regulatory capital during the year. At 31 March 2011 excess capital over the regulatory requirement was around \$650 million and is currently \$900 million due to the inclusion of the profit on disposal of BlueCrest.





# 5

**How is our  
marketplace  
evolving?**



**Hedge fund momentum continues to build, driven by structural demand for risk adjusted returns. The winning firms will be those which can deliver performance on a global scale.**

**Emmanuel Roman**  
Chief Operating Officer





## Industry and regulation review

**Our financial year closed with a powerful reminder for investors across all asset classes of the very broad spectrum of risks they face as they put their capital to work.**

**As a result, there is renewed investor emphasis on balancing risk and return.**

Geopolitical risk in the form of escalating tension and conflict in the Middle East, financial risk characterised by the sharpening debate and subsequent actions on Eurozone debt and above all the exogenous shock of the tragic earthquake in Japan generated marked impacts across a number of asset classes.

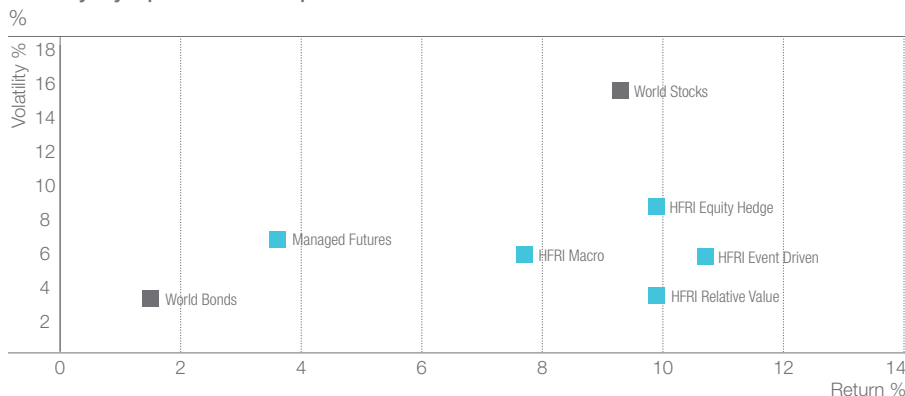
At the same time long term, structural drivers continue to underpin the search for risk-adjusted return. For instance, against a demographic backdrop of increasing longevity, target annual return rates for institutional investors to meet long term pension funding obligations remain around 7–8%.

For private investors globally, there are more personalised funding obligations – retirement plans, family education, healthcare and real estate needs, but with a similar demographic backdrop of longer life expectancy. The fast growing high net worth investor population in Asia Pacific as well as the retiring “boomer” generations in US and developed Europe are investing to grow and protect wealth. In the developed West, the cost of the financial crisis will increase the importance of sources of personal capital as state services erode.

In an investment landscape which has moved definitively beyond crisis, if still subject to episodic volatility and shocks, sitting substantially in cash or low yielding bonds does little to address these investment objectives and obligations. Seeking upside in long only equity brings the potential for higher returns, but very significant levels of volatility, annualising at 16.7% for the MSCI World Equity Net Total Return Index USD Hedged in 2010.

Cash, bonds, stocks, commodities and real estate will always form a meaningful part of investor portfolios, but there is renewed interest among both institutional and private investors in investments which actively manage both downside risk and upside potential and diversify existing holdings.

Industry style performance: April 1 2010 – 31 March 2011



1 Citigroup World Government Bond Index hedged to USD (total return).  
2 MSCI World Equity Net Total Return Index USD Hedged.

### Investor appetite for alternatives continues to build, but manager selection matters

The industry's performance-led recovery last year, from a financial crisis low point of assets of around \$1.3 trillion at the end of March 2009, was sustained through 2010 into 2011, with industry Funds Under Management estimated to be around \$2 trillion at the end of March 2011. An increasing portion of this industry growth is attributable to investor flows (3.7% for the 12 months ending 31 March 2011 versus a net outflow of 0.8% for the previous year). Hedge funds now represent around 8% of the \$24.7 trillion global investment funds market, up from 7% at the end of 2009. Active equity and alternatives institutional mandate searches are up from 70% of total searches in 2009 to 74% in 2010.



In assessing the hedge fund investment proposition, investors now benefit from a broad perspective across three very different trading years: crash/crisis 2008; initial fears/sharp rallies in 2009 and the volatile, macro-driven market of 2010 and early 2011. On a three year annualised basis until the end of March 2011, hedge fund composite performance is up 4.1% with an annualised volatility of 8.5%, while world stocks are up 0.4% with an annualised volatility of 20.4%. The hedge fund proposition of delivering competitive risk-adjusted returns has been decisively re-inforced.

Hedge fund composite performance masks considerable performance dispersion between and within styles. Global Macro, a generally over-weighted style allocation for 2010, is estimated to have produced a performance range of around 62 percentage points from a peak of +38.7% to a trough of -23.2%. In other words, manager selection matters. For single managers, consistent risk-adjusted performance above the mean of this dispersion is the benchmark. For fund of funds it affirms the proposition that manager selection skills, as well as asset allocation, matter to returns.

#### Transparency – the entry level criteria set by investors

Consistent risk adjusted performance remains central to investor decision making. However, transparency – perhaps better expressed as knowing and understanding investments made and the firm that makes them – has for some time been regularly cited in investor surveys as one of the top considerations.

Investor appetite for controlled, transparent and flexible investment outcomes is translating into

- a strong preference for liquid strategies, un-benchmark constrained, with low correlations to traditional allocations
- continued growth in the use of managed accounts; and
- appetite for overlay strategies, in particular portfolio protection against tail events.

Product formats which are known and trusted remain a central transparency theme, with UCITS a prime example. Mainly centred in Europe, but with an increasingly global following, appetite for UCITS has been steady. Familiar offshore structures from long established centres with appropriate safeguards on custody, valuation and administration also continue to be favoured by some investors. The daily pricing and liquidity achievable in some styles is opening up new markets and platforms, in particular in the life insurance space.

Intermediaries and investors continue to look for long-term relationships with their managers in addition to acceptable returns. Scale and cumulative alpha (lengthy track records, strong client service, innovation, the confidence of regulators and financial counterparties) matter as the industry continues to mature. Industry capital is concentrating with scale players, with around 77% of industry FUM represented by funds with more than \$1 billion in assets, although there is some evidence of interest rebuilding in niche firms, provided that they can also demonstrate institutional level resourcing and infrastructure.

#### Regulatory outcomes may raise barriers to entry

As with the investment landscape, the last three years have provided a useful perspective on the distinct phases of the evolution in the regulatory framework.

Despite broad recognition that hedge funds were not the source of systemic risk in 2008, the crisis provided a catalyst in the US and Europe in particular to review and introduce new regulation. Initial proposals from Continental Europe especially provoked concern from managers and investors and early drafts of the legislation were substantially reworked, with the help of industry bodies including AIMA and the Hedge Fund Standards Board. We have seen significant legislative proposals in the US and Europe, details of which continue to emerge.

Across geographies, approaches have differed. Europe has initiated a series of separate reviews ranging from its regulatory architecture, to manager and product regulation, to a review of trading and settlement. In the US, the largest single piece of financial services legislation since the Depression has sought to cover a broad spectrum of issues including manager registration, systemically-important institutions and proprietary trading. Meanwhile in Asia, economies perhaps less directly affected by the global financial crisis have focussed on selling processes and disclosures.

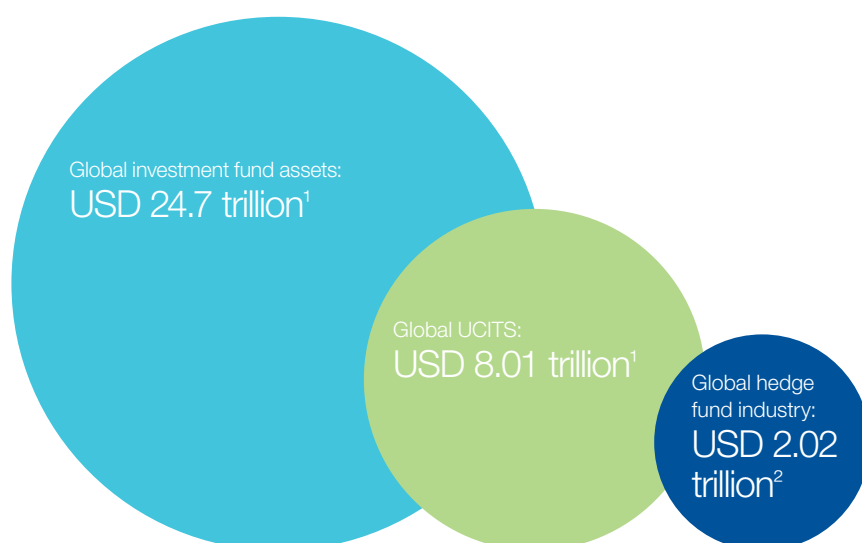
In many cases, we are now seeing the “top level” legislation being finalised, and we now move into the detailed phase of rulemaking. We need to continue our focus on the detailed rules to ensure this remains the case. The costs associated with these regulatory changes will be significant: whilst very hard to estimate, figures in the billions of euros across the industry in Europe have been mooted.

#### Opportunities for firms delivering strength across the board

Driven by structural demand for risk adjusted return, hedge fund industry momentum continues to build. The scale of the industry remains small compared to the size of the global investment universe, and smaller still against measures of total global wealth. Capitalising in size on this structural demand will fall to those industry players that can bring together long term performance, the ability to deliver this performance globally in a way which accesses local preferences, and firm pedigree.

Man's overriding goal is to be the leading alternative investment manager globally. The acquisition of GLG has brought us closer to this goal. The assets of the combined firm – highly regarded investment management, broad distribution and global reputation – position us well for further advancement.

#### Hedge funds are a small but growing part of the global investment universe



Source: 1. European Fund and Asset Management Association (EFAMA), International Statistical Release Q4 2010.  
Source: 2. HFR Global Hedge Fund Industry Report, Q1 2011.



# 6

## What differentiates our Investment Managers?



**Man's investment managers are leaders in their chosen fields.**

- **AHL in systematic managed futures trading**
- **GLG in discretionary strategies**
- **Man Multi-Manager in fund of funds portfolios and managed accounts.**

**Each follows a distinct strategy, and each benefits from Man's product structuring and distribution expertise.**

**Together, they provide investors with a uniquely diverse range of investment strategies.**



# AHL



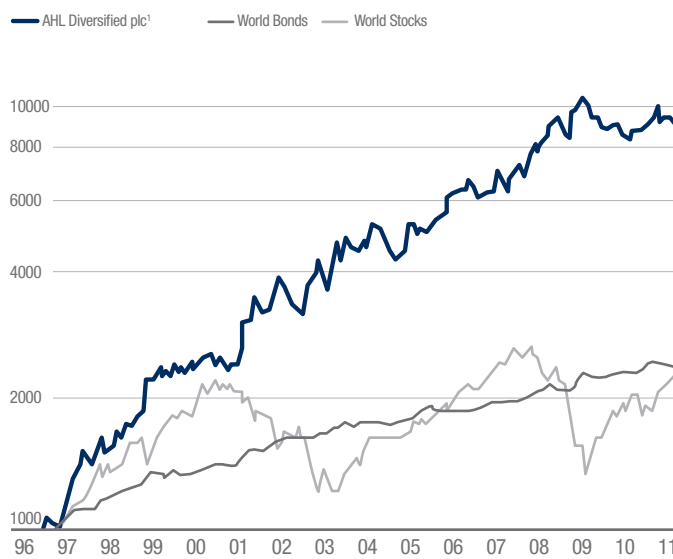
**Tim Wong**  
AHL

**AHL's strategy is to invest in people, technology and operational infrastructure to produce world leading systematic trading strategies and thereby optimise investment returns.**

**Our research pipeline continued to build during the 2011 financial year, and we returned 4.5% in investment performance.**

## AHL track record since inception

26 March 1996 to 31 March 2011



	AHL Diversified plc <sup>1</sup>	World stocks <sup>2</sup>	World bonds <sup>3</sup>
Total return	819.7%	125.8%	138.4%
Annualised return	15.9%	5.6%	6.0%
Annualised volatility	17.7%	15.4%	2.9%

## 2011 financial year: attribution analysis

%

1.8%	6.8%	0.0%	2.9%	-5.1%	1.9%	2.2%	-6.0%
Agriculturals	Bonds	Credit	Currencies	Energies	Interest Rates	Metals	Stock Indices

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

2. MSCI World Equity Net Total Return Index USD hedged.

3. Citigroup World Government Bond Index hedged to USD (total return).





## Performance review

Man AHL Diversified plc returned 4.5% net of fees in the 2011 financial year, with gains sourced from trading in bonds and interest rates, currencies, metals and agricultural.

Within bonds and rates, long positions generated strong gains for most of 2010, as continued global economic uncertainty combined with Eurozone sovereign debt issues spurred a flight to safe haven assets. Profits were also generated by long commodity linked currency positions, as commodity prices surged and the second round of quantitative easing was introduced in the second half of 2010. Long silver and gold positions also benefited from these factors in addition to the demand from investors for a hedge against inflation.

On the negative side, trading in stocks and energies generated losses over the period. Equity markets were quite volatile during the year, especially after the terrible events in Japan, which led to sharp reversals. Trading conditions in energy markets were also challenging, with choppy natural gas prices one notable example.

The majority of investors in AHL have a medium to long term investment horizon. This approach is justified by the long-term performance of Man AHL Diversified plc, with the fund achieving a net annualised return to 31 March 2011 of 15.9% since its inception in 1996. This strong long-term track record has been achieved across the full range of market conditions, with performance particularly good during periods of acute equity market weakness, such as in 2008. The negative correlation to equities and other asset classes reinforces the investment case for AHL within both traditional and hedge fund portfolios.

## Progress on strategic priorities

AHL's strategy is to invest in people, technology and operational infrastructure to produce world leading trading programmes exclusively focused on managed futures, and thereby optimise investment returns.

## Investment in people

Consistent with previous years, AHL continued to invest heavily in people during the 2011 financial year, with total headcount now standing at 130. Hires were made across all parts of the business, reflecting AHL's commitment to further expand its trading, operations and research capabilities. AHL now has 88 research analysts, which is more than double the number at the end of 2007. This constitutes one of the largest and most experienced teams in the industry. The steady growth in the research team over time has allowed AHL to adjust its structure and benefit from more focused research on particular segments of the portfolio.

## Differentiated research to improve investment performance

One of AHL's major research projects since 2008/2009 has been the development of a new range of momentum systems that use a predictor/optimiser framework, along with the enhancement of our existing trend following systems. After first being extensively researched and rigorously tested, both of these were successfully introduced into client portfolios across all sectors, starting in December 2009 and continuing throughout 2010. Even though they have recently been deployed, we have already begun to look at ways of improving these models as part of our continuous process of model enhancement.

Electronic trade execution has also been a top priority, and we have successfully increased the range of markets traded by our adaptive execution algorithms. These second generation trade execution algorithms are an integral component of our investment process, shown by the significant reduction in transaction costs achieved where these have been applied.

Our large research resource has also enabled us to simultaneously implement a number of strategies across a range of sectors and instruments. This includes trading cash equities and options, as well as researching other instruments to further diversify our investment programmes. All of these projects require close collaboration across different teams based in our offices in London, Oxford and Hong Kong.

## Unique collaboration with Oxford University

Our Man Research Laboratory (MRL) based in Oxford, which is co-located within the Oxford-Man Institute of Quantitative Finance (OMI), has grown to 13 full time employees spanning AHL's main research areas. AHL is the only investment manager in the world to have its own staff and research laboratory embedded within the University of Oxford. Through this relationship, AHL's researchers had the opportunity to attend over 100 seminars, conferences and workshops presented by world leading academics at the OMI in 2010. These seminars have provided AHL's researchers with access to academic leaders in a range of disciplines. The co-location of the MRL in the same purpose designed building as the OMI has raised the profile of AHL within the academic world. Core funding for the Oxford-Man Institute has been extended to 2015, highlighting Man's commitment to this unique initiative.

## Strategic importance of Asia

Our trade execution desk in Hong Kong continued to grow, reflecting the strategic importance of Asia to AHL's current and future operations. Since establishing the office in April 2009, we have seen a significant improvement in our trade execution across the Asian markets, and forged stronger relationships with counterparties in the region. The Hong Kong trade execution desk can also

be used as a back-up trading centre, which further enhances the resilience of our disaster recovery network.

## Technology and operational efficiency

Technology and operational infrastructure are central components of AHL operations, and significant investment has been made to improve capabilities across each of these areas. This is highlighted by the tenfold increase in research computing power over the past two years and the improvement of our middle and back office operational systems. Following the completion of the GLG acquisition, a project is under way to explore potential synergies across operational platforms.

We are excited about our move to Riverbank House in June of this year. The new state of the art building will enhance our ability to share information and also improve productivity. We look forward to showing our clients around our new offices after we complete the move later this year.

Looking ahead, we will continue to recruit exceptional investment professionals across our research, operations and trading teams as well as expand our technological capabilities. It is this commitment to research and continuous investment in people and technology that has driven the strong long-term performance of AHL's investment programmes throughout a range of market environments.

## AHL explained

AHL is a world-leading managed futures manager, with assets under management totalling \$22.7 billion (31 March 2011) 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, agricultural and credit. Trading is spread across 300 markets, which helps control risk across the portfolio.

Risk management 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 against pre-defined limits.

Trades are executed either electronically using AHL's proprietary trade execution platform or by the 19 strong team of non-discretionary execution traders. On average around 3,000 trades are executed daily using a network of over 60 executing brokers.



# GLG



**Pierre Lagrange**  
GLG

**GLG was acquired by Man in October 2010 to create a diversified, world-leading investment management platform capable of meeting growing investor demand for liquid, transparent strategies.**

**GLG's overwhelming strategic priority is to deliver investment performance to meet client needs.**

## Investment performance

	Total return	Annualised return	
	Financial year to 31 March 2011	3 years to 31 March 2011	5 years to 31 March 2011
<b>GLG Alternative</b>			
GLG Alpha Select Fund <sup>1</sup>	5.4%	10.9%	11.1%
GLG Atlas Macro Fund <sup>2</sup>	10.4%	n/a	n/a
GLG Emerging Markets Fund <sup>3</sup>	3.9%	0.7%	13.6%
GLG European Distressed Fund <sup>4</sup>	20.8%	n/a	n/a
GLG European Long Short Fund <sup>5</sup>	11.3%	5.6%	5.9%
GLG European Opportunity Fund <sup>6</sup>	1.8%	7.9%	8.3%
GLG Global Convertible Fund <sup>7</sup>	4.6%	5.9%	4.2%
GLG Global Opportunity Fund <sup>8</sup>	5.5%	1.6%	4.5%
GLG Market Neutral Fund <sup>9</sup>	22.9%	10.7%	9.3%
GLG North American Opportunity Fund <sup>10</sup>	11.0%	9.2%	4.0%
<b>GLG Long Only (UCITS III)</b>			
GLG Japan Core Alpha Equity Fund <sup>11</sup>	-9.5%	-2.3%	-5.2%
GLG Performance Fund <sup>12</sup>	9.8%	-3.2%	-0.4%
GLG UK Select Fund <sup>13</sup>	10.2%	n/a	n/a
<b>Indices</b>			
World stocks <sup>14</sup>	9.3%	0.4%	0.6%
World bonds <sup>15</sup>	1.5%	3.3%	4.5%
Corporate bonds <sup>16</sup>	9.2%	8.0%	6.5%
<b>Hedge fund indices</b>			
HFRI Fund Weighted Composite Index <sup>17</sup>	9.5%	4.1%	5.0%

Source: Man database and Bloomberg. There is no guarantee of trading performance and past or projected performance is not a reliable indicator of future performance. Returns may increase or decrease as a result of currency fluctuations.

- 1 Represented by GLG Alpha Select Fund – Class C – EUR
- 2 Represented by GLG Atlas Macro Fund – Class A – USD
- 3 Represented by GLG Emerging Markets Fund – Class A Restricted to Unrestricted (31/08/2007) – USD
- 4 Represented by GLG European Distressed Fund – Class A – USD
- 5 Represented by GLG European Long Short Fund – Class D Restricted to Unrestricted (29/06/2007) – EUR
- 6 Represented by GLG European Opportunity Fund – Class D Restricted to Unrestricted (31/08/2007) – EUR
- 7 Represented by GLG Global Convertible Fund – Class A – USD
- 8 Represented by GLG Global Opportunity Fund – Class Z – USD
- 9 Represented by GLG Market Neutral Fund – Class Z Restricted to Unrestricted (31/08/2007) – USD
- 10 Represented by GLG North American Opportunity Fund – Class A Restricted to Unrestricted (29/06/2007) – USD
- 11 Represented by GLG Japan Core Alpha Equity Fund – Class C to Class AAX (28/01/2010) – JPY
- 12 Represented by GLG Performance Fund Class A – USD
- 13 Represented by GLG UK Select Fund – Class AX – GBP
- 14 Represented by MSCI World (USD, NDTR) Hedged Index
- 15 Represented by Citigroup World Government Bond Index hedged to USD (total return)
- 16 Represented by Citigroup High Grade Corp Bond TR
- 17 HFRI index performance over the past 4 months is subject to change



## GLG explained

From inception as an entrepreneurial start up in 1995, GLG's raison d'être has been to deliver substantial excess returns across the course of the economic cycle. GLG services a full range of clients, from high net worth individuals, to sovereign wealth funds, pension funds, family trusts and foundations to private banks and intermediaries.

Performance is delivered through a comprehensive range of liquid investment styles and products, encompassing pure hedge funds, long only investment products and hybrid investment structures, in all asset classes from equities, fixed income and emerging markets to credit and convertibles. The aim throughout has been to exceed client expectations by delivering a combination of attractive returns, portfolio transparency and outstanding client service. The success of this strategy is evident in a wide array of awards and ratings at the Company, fund and individual level.

## Performance review

During the financial year GLG's alternative strategies performed well in both absolute terms and relative to peers across the range of strategies offered to investors. Many of the main products delivered double digit returns including the Atlas Macro, Emerging Equity, Euro Distressed, Euro Long Short, Market Neutral and North American Opportunity Funds. This performance was recognised with funds nominated in seven categories at the 2010 EuroHedge awards. Our long only products also performed strongly, outperforming their benchmarks.

## Strategy and competitive advantage

### Investment culture preserved within Man

Acquired last year as a single manager platform within Man, GLG's investment management culture has been left absolutely intact. A visitor to our offices in Curzon Street, Mayfair, will still see our 100 investment managers and analysts monitoring corporate and economic news on our proprietary information-gathering systems. The diversity of strategies and styles is reflected in the multiple languages spoken on the trading floor: our chief investment strategist is of Lebanese origin, our macro-trader is of Moroccan and Austrian extraction, and the few British are as likely to be surrounded by colleagues from Egypt, Kazakhstan, Switzerland and Zimbabwe as by Americans or a Belgian such as myself. It is not relevant where you come from: what really matters is that we have a sense of common purpose and that we excel at investing.

## Collegiate approach

Our traders are by definition fiercely individualistic, and need to have the courage of their convictions. But they recognise that they do a better job for clients by pooling insights and information in a highly collegiate environment. We live in times of frequent macro-economic dislocation, with the early

months of this year seeing for example the Arab Spring, continued instability in the Eurozone and the Japanese earthquake. We believe that it is a major competitive advantage that our experts from different asset classes and vantage points – macro-economist and stock-pickers, distressed debt managers or equity strategists – can put their heads together and share insights. The result is that investment decisions are more rounded and better informed than if they were taken in isolation.

## Unique collaboration between hedge and long only

Unusually for a firm known for its hedge fund strategies, GLG has a strong tradition of leadership in long only fund management. Our Japan Core Alpha fund is for example a leading long only investor in Japan whose performance has been recognised in a succession of industry awards over recent years. Long only funds account for around half of the total assets under GLG's management. The long only perspective is crucial in understanding the investment needs of our retail and institutional clients.

## Capital protection as well as capital growth

While capital growth generally attracts most attention in our industry, we put as much emphasis on capital protection, as we believe investors are equally concerned with both. Our philosophy is to find a balance between active investing and risk management. This can be found in all our products, with pragmatic solutions tailored to the specific demands of each mandate and all benefiting from the significant expenditure allocated to our risk platform. We also evaluate how individual portfolio managers make investment decisions, using a variety of behavioural metrics to promote greater awareness of a fund manager's strengths and weaknesses. This helps foster talent and enhance investment performance.

## Benefits of joining Man

GLG's investment management process is unchanged as a result of the acquisition, but there are many aspects of the firm which have been transformed. We have, for example, combined the sales and marketing capabilities of Man and GLG, with the result that our funds and strategies are now made available to a broader range of clients than was the case when we were an independent company. This is perhaps most evident in Asia, where we were under-represented before the merger, and where there was demand from Man's long-established customer base for access to a single platform manager such as GLG. There have been over 80 marketing events around the world in the first six months since completion. Note that although we are of course motivated to increase assets under management, this is never at the expense of investment performance: in fact, we have imposed "soft close" constraints on those funds where there was a risk of reaching capacity levels. These

include our award winning UK Alpha Select fund, Euro Opportunity and the Market Neutral Fund.

There has been integration in all back and middle office activities, ranging from legal, compliance and risk to information technology, communications and HR. The result is that GLG has acquired the business processes and discipline associated with a large, public company such as Man, further fostering entrepreneurial lifeblood.

The acquisition also led to a pooling of intellectual capital, bringing together some of the finest minds in the investment management business. In the early months as a single company, we have developed a number of combined products, for example Man IP220 GLG which is a structured investment combining AHL with a portfolio of GLG hedge funds. Our in-house structuring capabilities give us significant competitive advantage in this area. We also created a new business unit in the form of Man Systematic Strategies, which combines GLG's former quantitative capabilities with elements of AHL and Man Multi-Manager.

➔ PG 47

## Priorities for the coming year

The overwhelming strategic priority for the coming year is to continue to deliver investment performance and to meet clients' needs. We are putting heavy emphasis for example on developing our range of UCITS products, where we are a pioneer in tailoring absolute return strategies for retail investors including a range of equity strategies, emerging markets and global macro and North American Opportunities. Another priority is the integration of Ore Hill, the credit manager platform which was fully acquired by Man in March this year. We will also look for opportunities to build our investment management expertise in certain, specialist areas and geographies, for example in Asia.

To summarise, GLG has been integrated into Man quickly and with sensitivity to our mission to deliver performance to investors. GLG's entrepreneurial culture has been encouraged to flourish as part of one of the world's largest and most robust financial institutions.



# Multi-manager



**Luke Ellis**  
Man Multi-Manager

**Man Multi-Manager has made substantial progress in the course of the 2011 financial year after its restructure in 2010, resulting in improved investment performance, mandate wins and an industry leading managed account platform.**

**Our strategic priorities are to focus on delivering superior investment performance through insight gained from our position level transparency, and to provide flexible investment solutions for clients using the best of in-house and external managers. We will continue to invest in and grow our platform.**

## Investment performance

Financial year to 31 March 2011

The table below shows performance for our core set of dynamic fund of hedge funds, our specialist strategies and our flagship guaranteed product (Man IP 220).

Financial year to 31 March 2011	
Man Dynamic Selection	5.6%
Man Absolute Return Strategies II	6.1%
Man GLG Multi-Strategy	7.9%
Man Managed Futures Strategies	9.8%
Man Commodity Strategies	11.2%
Man IP 220	8.0%
HFRI Fund of Funds Composite Index	5.1%
World stocks	9.3%
World bonds	1.5%

- 1 Man Dynamic Selection – Class IS12
- 2 Man Absolute Return Strategies II – Class ARS211
- 3 GLG Multi-Strategy Fund – Class A – USD Shares
- 4 Man Managed Futures Strategies USD I
- 5 Man Commodity Strategies USD I
- 6 Man-IP 220 Limited – USD class bonds
- 7 MSCI World Equity Net Total Return Index USD Hedged
- 8 Citigroup World Government Bond Index hedged to USD (total return)





## Review of the 2011 financial year

Last year Man Multi-Manager reported on its successful formation as an integrated investment management business and the driving force behind expanding Man's managed account (MAC) platform. The MAC platform is both an investment tool for discretionary portfolio management and the bedrock of a robust hedge fund allocation and risk advisory service for institutional investors.

We are therefore delighted to report that the business made significant progress with both lines of investor offering during the course of our 2011 financial year. Most importantly, this has translated into improved investment performance, mandate wins and a strong pipeline of transparent, flexible hedge fund solutions.

Since I formally took up my role as CIO and Head of the Multi-Manager business in October 2010, we have reviewed the quality of our approved list of hedge funds, the investment process we use to allocate client capital, the infrastructure that supports decisions, and most importantly our people. The conclusions are clear. We have a real competitive edge in breadth of managed accounts and the daily insight they give us into hedge fund strategies; the systems we use to assimilate this data are industry leading; and the quality of investment talent across the various teams is very strong.

## Strategic priorities

Our strategic priorities for the next reporting period and beyond are designed to enhance

these competitive and differentiating qualities, whilst maintaining an absolute dedication to performance pervading the culture of the Multi-Manager business.

## 1. Investing in hedge funds

Our discretionary investment offering, primarily for institutional investors, is focused around a core set of dynamic fund of hedge fund products that are managed by senior portfolio managers each with 25 years' investment experience, supported by experienced deputies and junior analysts. For retail investors, portfolios such as that of the successful IP 220 series are managed by a dedicated team that actively trades the investment components that make up a guaranteed or income paying structured products.

Guided by a top-down asset allocation model set by Man Multi-Manager's Investment Board, the Portfolio Management team uses its collective insight into markets to deliver portfolios that produce results greater than the sum of their underlying parts – individual hedge fund strategies.

## 2. Insight into hedge fund strategies

The Hedge Fund Research team are the eyes and ears of the business, delivering value added insight into over 120 hedge fund managers on Man's approved list and across the industry, answering key questions such as: "Is there alpha in the strategy, where does it come from, when is it most prevalent, and how has it changed?". Regular discussion with the managers is just one step of the

process, with the team utilising daily position level data available across the MAC platform to delve deeper into the strategies.

Risk management is more than a control function. Fully integrated into the investment process specialist risk analysts help their research colleagues understand the risks hedge fund managers are taking and portfolio managers the risks their portfolios are exposed to.

Together our investment professionals seek to maximise profits within established risks limits, and minimise or hedge remaining risks.

## 3. Managed accounts: the backbone for the future

By minimising fraud risk, delivering on liquidity, and providing data for the meaningful analysis essential to make active investment decisions MACs are at the core of the Man Multi-Manager business.

Institutional clients invested in our portfolios, the majority of which allocate a substantial portion of capital through MACs, benefit from increased transparency and reporting.

They also provide the solution for a growing number of institutional clients that Man works in partnership with to deliver a range of investment advisory, risk and analytical solutions tailored to fit into their investment process and traditional asset allocation framework.

# BVK mandate win

**In March 2011 Bayerische Versorgungskammer (BVK), Germany's largest public pension fund, awarded Man Multi-Manager a managed account mandate for at least EUR 1.2 billion.**

**André Heimrich**, BVK's Head of Asset Management describes what BVK is looking to achieve with this mandate.

"Many roads lead to Rome. Looking forward, BVK is keen to invest in liquid hedge fund strategies by using managed accounts on its own managed account platform. Top of our agenda are:

- 100% transparency
- considerably improved liquidity compared to other offshore and onshore investments
- control of the underlying assets
- a significant reduction in operational risk.

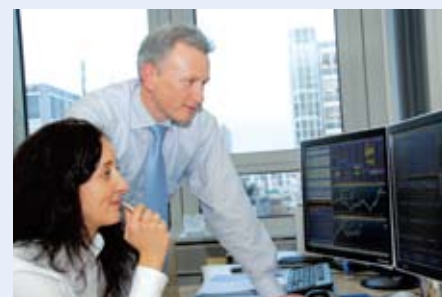
"BVK has been applying these investment principles for decades in the long-only world, where investments are made through German Special Fund vehicles. In a way, with the switch from offshore fund investments to managed

accounts, BVK is going back to these origins and will therewith be able to better measure and manage risk at the overall portfolio level. By switching to managed accounts, BVK aims to avoid fraud cases like those experienced by the hedge fund industry in 2008. As a first step, we are planning to migrate our existing commodity and currency strategies to our managed accounts platform."

**Dajana Brodmann**, Deputy Head, Alternative Investments, explains why BVK decided to award the mandate to Man.

"Man came out on top after an intensive and detailed selection process that stretched over a period of 12 months and encompassed an original universe of 20 candidates. We were impressed by the expertise and experience demonstrated by the Man team in managed accounts on-boarding and off-boarding. It was also very important to us that the chosen candidate was able to understand different hedge fund strategies and, as part of its risk management, draw conclusions on the investment activities of the asset manager and make actionable decisions if required. In this

André Heimrich and Dajana Brodmann



area, Man demonstrated a substantial track record over many years.

"It was also important for BVK to be able set up its own managed account platform in Luxemburg, to select the managers for the unit itself and equally to select the other service providers required. Man was very flexible in this regard and convinced BVK with great expertise, competence and experience. Man also impressed BVK with a brand new online reporting tool, that allows customised implementation to meet our specific needs. Finally, the independence of Man Group was also an important criterion."



# 7

## What makes our business model sustainable?



FTSE4Good



Dow Jones  
Sustainability Indexes  
Member 2010/11



**Our shareholders seek a sustainable long term income stream, and it is our responsibility to ensure the business drivers are in place to support this aspiration.**

The quality of our investment management underpins the sustainability of our business and to operate effectively it needs a strong platform that ensures all our stakeholders' needs are addressed satisfactorily.

Here, we focus on the other elements of our business which we regard as key drivers to ensure our business model delivers a sustainable shareholder return.

People and their remuneration — PG 40

Distribution and product structuring — PG 44

Innovation — PG 46

Risk management — PG 48

Community engagement — PG 52

For each element, we describe the role it plays in delivering our sustainable business, and highlight some performance indicators (PIs) that our management uses to monitor success.

In the context of this annual report, we focus on our shareholders and regulators as the main stakeholders.

However, there is far wider range of stakeholders with whom we communicate on responsible business matters, including employees (current and prospective), communities, and customers, as well as addressing the scope and nature of our environmental impacts.

Details of our activities with all of these will be found on our CR website – [www.mansustainability.com](http://www.mansustainability.com). As an example, whilst the environment is not central to the business model, in the website, we describe the development of our infrastructure (buildings and IT), using state of the art technology, and demonstrate how this helps reduce our environmental impacts.

The data featured on the CR website has been independently verified by The Virtuous Circle Ltd, and is used in our submissions to, and successful memberships, of the Dow Jones Sustainability Index and FTSE4Good. Both of these are internationally acknowledged in the sustainable investment field and take an independent and rigorous approach to evaluating sustainability performance.





## Our people



**Michael Robinson**  
Head of Human Resources

**Man is fundamentally a people business. Hiring the most talented people in the industry, motivating them to excel, retaining them and ensuring that they develop to their full potential is critical to making our business model sustainable.**



### Key to business sustainability

- Attracting and retaining the best people
- People-related aspects of risk management

### Performance indicators

- Employee turnover
- Length of service

Man has approximately 1,600 permanent employees of whom 800 are based in the UK, 400 in Switzerland and 100 in the US. The remainder are located around the world in regional offices, supporting our investment managers and servicing investors and distributors. These figures include 250 individuals who were integrated into our organisation at the completion of the acquisition of GLG.

### Human Resources (HR) strategy

Our HR activities in the last financial year were heavily focused on supporting the integration of GLG. We also continued to make progress on issues which I consider are fundamental to ensuring the sustainability of our business: the HR aspects of risk management; performance monitoring; talent management; remuneration; employee communication and operating efficiency.

### GLG integration

The integration of Man and GLG was a key priority for HR in the last financial year. All business functions are now integrated and we have harmonised UK benefit plans and HR policies across the combined firm. We ran integration events and invited management and specialist teams from around the world to share ideas and generate plans for the future. This included defining the culture and values of the organisation with the intention of keeping the best from both organisations.

### Risk management

Our focus on risk management is reflected in our hiring process where we adopt a robust referencing process and pre-employment screening. Psychometric and skill based assessments are used to assist candidate selection, thus ensuring that those joining Man reflect our culture and have the necessary skills to contribute to Man's success.

Every role within Man is assessed to identify those which impact risks. Individuals working in key areas of operations are identified as control functions and are registered with the FSA as Approved Persons.

### Performance monitoring

Our management and employees are assessed annually on the achievement of both financial and non-financial objectives. This assessment is taken into account in determining individual variable pay.

### Talent management

At Man we believe that talent should be identified and nurtured from the outset of an individual's professional career. We monitor length of service and turnover to evaluate the effectiveness of our talent management initiatives.

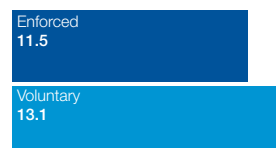


## Employee statistics by function

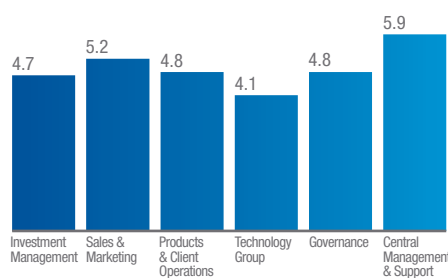


	2011
1. Investment Management	20%
2. Sales & Marketing	21%
3. Products & Client Operations	18%
4. Technology Group	15%
5. Governance	16%
6. Central Management and Support	10%

## Employee turnover (excluding GLG)



## Average length of service



We offer exceptional graduates a rotational programme, strong support network and the opportunity to study for a professional qualification. Each programme is designed to broaden a graduate's overall knowledge of the alternative investment market and equip them for a career in a core area of our business. In addition, we recruit significant numbers of post-doctorate graduates into AHL.

Our strategy of recruiting a relatively small number of talented individuals has resulted in a 78% retention rate since the beginning of the graduate programme in 2007. The success of the programme has resulted in over 40 graduate trainees who are now in permanent roles.

Developing our employees remains critical for employee engagement and business sustainability. We have invested over \$2 million this year in training and sponsorship of professional qualifications. Over 80% of our investment professionals have a PhD or other postgraduate qualification.

Succession planning is an important part of our people management and helps us develop leadership across every level of our business. From our succession plans, we identify development plans at an individual level to ensure we manage our talent pool effectively.

International assignments and relocations are an opportunity for employees to develop in an increasingly global marketplace. They create value for both the company and the individual by supporting business reorganisations, ensuring that we retain key skills and foster knowledge transfer.

At the end of March 2011, 7% of permanent employees were on an assignment, primarily between Switzerland, the UK and the US. Graduate rotations made up half of all short term assignments, supporting our commitment to develop future leaders with global experience.

In the context of current focus on the value of gender diversity, Man is working to support the development of female talent and maximise the contribution of women to the business.

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.

## Remuneration

Remuneration has been a key focus this year. The Remuneration Committee has reviewed remuneration policy and processes to ensure that remuneration is aligned with risk management whilst maintaining Man's competitive positioning in the markets in which it operates. Further information is set out in the Remuneration Highlights and Report.

## Employee communication

Communication to our employees remains an important element of employee engagement and this year was no exception. Peter Clarke frequently conducted business updates with employees globally, including at GLG's Curzon Street office on the day the acquisition was announced. Business heads conduct their own updates at regular intervals throughout the year which frequently include presentations from other senior managers. Webcasts detailing company and business area strategy by our CEO, COO and key business heads are available on the company intranet as are quarterly sales updates.



Peter Clarke and Emmanuel Roman at GLG's offices on the day of the acquisition announcement.



## Remuneration highlights

**Our primary objective is to ensure that Man delivers market leading performance and that this is sustainable over the long-term with our shareholders appropriately rewarded for their investment. Put simply, we aim to have the best people making the best decisions for our investors, shareholders and other stakeholders.**

### The key principles that underpin our approach are:

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

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 best practice. We remain open to continuing dialogue with our shareholders.

#### GLG acquisition

The rapid integration of GLG in terms of business, results and strategy objectives has been a key priority. Compensation timetables and remuneration structures across the enlarged firm have been reviewed with this aim.

Following the acquisition of GLG in October 2010, it was announced that with effect from December 2011 the Company would change its financial year end from March to December. This move aligns the Company's financial reporting with the calendar year based fund performance reporting and performance fee earning periods common across the wider investment management industry. GLG already operated a calendar year reporting and remuneration cycle.

The Company adopted a firm-wide staff performance and remuneration process for the period ending December 2010. This resulted in a nine-month performance evaluation and remuneration period for Man staff (from 1 April 2010 to 31 December 2010) alongside the annual performance and remuneration cycle of GLG staff. This will be followed by an annual cycle for all staff for calendar years 2011 onwards, consistent with the financial reporting years. The results for the financial year ended 31 March 2011 accordingly include a three month accrual (1 January 2011 to 31 March 2011) on account of bonuses in respect of the remuneration cycle for the year to 31 December 2011.

Remuneration across the enlarged business comprises a combination of cash and deferred components. The Company's deferral policy is benchmarked to the market to ensure that it is consistent with wider stakeholder interests, the firm's strategic and business objectives, the competitive market environment, and is appropriate for the risk profile of each function in accordance with latest regulatory good practice. GLG operated a two-year deferral period. Relevant Man staff arrangements have, with effect from this year, operated with a three year deferral period.



As part of the GLG transaction, shares in Man were offered to principals and senior contributors at GLG in exchange for their shareholdings in GLG. These consideration shares are subject to vesting and lock-up conditions as set out in the Circular to shareholders relating to the acquisition. In addition, to facilitate business integration and to further staff alignment with shareholders, grants of restricted options were made to a number of identified future value contributors across the enlarged firm. These options have an exercise price of 10% above the market price at grant (premium priced) and are subject to a three year service period.

The Remuneration Committee is focused on a targeted and appropriate compensation policy having regard to business strategy, financial performance, risk, regulation and the competitive environment. It aims to ensure that aggregate compensation costs are balanced so that the Company remains successful, attracts and retains high quality individuals, performs for investors and delivers shareholder value. Amongst other measures, the Remuneration Committee tracks the Company's compensation to revenue ratio, which has been amongst the lowest in the industry given the dominance of systematic investment strategies in Man's business. Discretionary investment management businesses such as GLG typically have higher compensation to revenue ratios. The acquisition of GLG will accordingly increase the firm's overall compensation ratio, but the Committee will continue to target a combined ratio which appropriately reflects the balance of the firm's business.

### Remuneration governance and risk management

The Remuneration Committee is a Committee of the Board with delegated authorities in place. It reviewed and updated its terms of reference in November 2010 taking into account requirements of the business and emerging best practice. In addition it has reviewed how the business takes into account the impact of risk on reward and has assessed the governance framework and processes making the changes below to ensure that reward is aligned with risk management. Steps taken include:

- A harmonised appraisal process has been adopted for 2011 covering performance against financial and non-financial objectives, how the performance was achieved as well as compliance with risk management requirements.

- A new Chief Risk Officer has been appointed to ensure there is a robust framework in place for risk management. Risk reporting is now embedded in the annual cycle so that the Remuneration Committee can assess the impact on remuneration.
- The FSA classifies Code Staff as those staff whose activities could have a material impact on a firm's risk profile. They have been identified through a rigorous risk mapping process to determine those with responsibility for risk and the risk control framework.
- The Remuneration Committee determined the remuneration for Executive Directors, and reviewed and approved remuneration for the Executive Committee members, Code Staff, senior control functions staff and other senior staff for the nine month performance period to 31 December 2010. For the Executive Committee and senior staff 50% of annual bonus for 2010 has been delivered in deferred compensation deferred into Man shares and funds.
- UK pension liabilities have been reduced in the defined benefit pension plan through the offer of an enhanced transfer value to deferred members. The plan has also been closed for future benefit accrual effective 31 May 2011. These changes have been made to manage risk and future liabilities.
- Base salaries for Executive Directors are reviewed annually and have been frozen for the third consecutive year and remain at 2008 levels.
- Fees for the Chairman and non-executive directors are reviewed annually. No increase has been made to the Chairman's fees since his appointment in 2007. No increase to non-executive director fees has been made since 2009.
- The total compensation package includes bonus award dependant upon individual performance, risk management and the Company's 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 employee share and fund plans, so they may also be aligned with shareholders and investors.
- A summary of the total fixed and variable compensation costs for the Group for the last three years is given below. 2011 is consolidated from GLG Acquisition on 14 October 2010. This is reflected in the increase in remuneration costs for 2011. As explained above, for the year ended 31 March 2011 the above figures include a nine month performance bonus period and a three month bonus accrual for Man staff.

### Overview of key aspects of remuneration

		2011 \$m	2010 \$m	2009 \$m
Revenue (including gains/losses on investments and other financial instruments)		<b>1,680</b>	1,384	2,228
Salaries and related personnel costs (fixed costs)		<b>212</b>	178	213
Cash performance bonus costs (2011 – 9 month actual; 3 month accrual)		<b>188</b>	97	179
Amortisation of prior years' share awards (IFRS 2 charge)		<b>101</b>	55	71
Marketing incentives <sup>(Note)</sup>		<b>36</b>	42	62
Total variable compensation costs		<b>325</b>	194	312
Change in variable compensation costs	1 year change	<b>68%</b>	–38%	
	2 year change	<b>4%</b>		
Compensation cost/Revenue		<b>32.0%</b>	26.9%	23.6%
Diluted Earning per share (EPS) on continuing operations (cents per share)		<b>14.0¢</b>	24.8¢	28.4¢
Change in diluted EPS	1 year change	<b>–44%</b>	–13%	
	2 year change	<b>–51%</b>		

#### Note:

This year employee marketing incentives have been included in relation to upfront commissions with 2009 and 2010 restated on this basis. This excludes restructuring compensation costs of \$55 million and GLG acquisition costs of \$10 million (Financial Review note 6). The difference between the compensation ratios provided in the table above and those on pages 25 and 60 is due to the inclusion of marketing incentives in the table above.



## Distribution and product structuring



**Christoph Möller**  
Global Sales

**Man's longstanding distribution partnerships and expertise in product structuring give us unrivalled access to a global investor base.**

**The GLG acquisition has given our sales teams a much broader range of liquid investment strategies to offer investors. We have a strong sales pipeline and are well placed to grow assets.**



### Key to business sustainability

- Strong relationships with dependable intermediaries
- Differentiated client service
- Expertise in global regulatory frameworks

### Performance indicators

- Sales and redemptions trends

### Unrivalled distribution and product structuring are fundamental strengths of Man's business model

Man operates two distinct distribution models, marketing to private investors via third party intermediaries and directly to institutions. Man has a global sales and client service team supporting our private investor distribution network of 3,850 intermediaries, as well as a dedicated institutional sales force. We have 20 sales offices across the globe, many of which have been in place for over 10 years but with some new additions – notably Milan in the last year. By establishing and maintaining a dedicated local presence, we develop long-term relationships and outstanding local knowledge.

Our intermediary network is actively maintained and refreshed. It covers a wide range of the largest global and strategic regional financial institutions as well as smaller intermediaries which offer us scale, flexibility and efficiency in

the distribution of our products. We conduct extensive due diligence as part of our initial selection process and continually review our distributor base to ensure that we are working with the strongest players in each region and sector. We work closely with our distributors to ensure that their sales people are well educated and fully understand our products. This close association with our distributors helps us build our knowledge of major trends and changes in investor appetite.

Our sales-led approach enables us to deliver returns to our investors in formats designed to meet their needs and comply with local regulatory requirements. To do this effectively, Man has built a team of 125 product structuring experts, who have experience of operating under 22 different regulatory frameworks. The breadth of our product structuring expertise affords Man considerable competitive advantage.

Over many years, Man has built an investor base in 135 different countries. Over 19% of our funds under management originate from Asia – notably Japan, Australia, Hong Kong, Singapore and new markets in South Korea and Taiwan. Over 56% of our funds under management are in Europe, with a more balanced mix here between private investors and institutions. The acquisition of GLG has strengthened our investor base in Southern Europe and the UK. Both Man and GLG have

a less established presence in the Americas, although Man already has a strong presence in Canada and South America. We have made progress with the highly influential investment consultant community in the United States, and see further potential to steadily build our presence in this key strategic market as a combined firm.

### 2011 review

In the first half of the 2011 financial year, sales were slow against a backdrop of uncertain markets and investor sentiment. There was a slow but steady build of assets into onshore products worldwide, as demand for hedge fund styles gradually increased but investors continued to prefer liquid, transparent formats. Institutional demand remained focused on tailored portfolio solutions and managed account structures which provide transparency, control and flexibility.

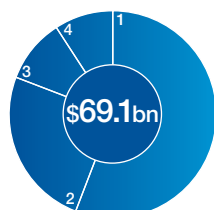
The second half saw a significant increase in sales momentum after the acquisition of GLG and strong AHL performance. Operating as a single integrated sales force, we have been rolling out the enlarged product suite globally in an intensive campaign of roadshows. Interest in our product suite has been high and translated into positive flows for AHL and GLG in the fourth quarter.

We also saw demand re-building for guaranteed products. Our third quarter launch – Man Synergy



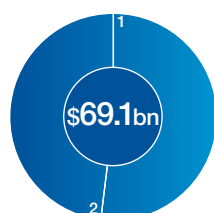


#### FUM by geography %



	2011	2010
1. Europe	56	42
2. Asia Pacific	25	40
3. Americas	10	10
4. Middle East and Africa	9	7

#### FUM by type %



	2011	2010
1. Private investors	52	68
2. Institutions	48	32

– raised \$350 million with strong sales in particular from Latin America and the Middle East. We launched our first AHL/GLG combination in the fourth quarter – Man IP220 GLG.

Continued investor focus on onshore liquid strategies has driven an increase in UCITS funds under management. Man now has a total of \$10.8 billion under management in UCITS formats – \$0.8 billion in AHL strategies, \$2.6 billion in GLG alternatives, and \$7.4 billion in long only.

The year ended with two very positive pieces of sales news. In March 2011, we won a large managed accounts mandate from Bayerische Versorgungskammer (BVK) in Germany.

➔ **PG 37** After the year end, our team in Japan raised an outstanding \$2 billion with our partners at Nomura. ➔ **PG 17** These two successes give us an excellent start to the next reporting period.

#### Pipeline

Demand in open ended alternatives continues to be strong both in AHL (as evidenced by the recent Japan launch) and GLG. Private banking channels, where Man has longstanding relationships, are showing interest in GLG single manager strategies, significantly increasing our sales options. We expect UCITS and other onshore regulated formats to become an increasingly important component of our funds under management. There are only a few managers with the relevant resources, products and performance to succeed in this market in alternatives and we are pre-eminent among these. Man's familiarity with regulatory regimes and our relationships with regulators has become a core competitive advantage. A recent

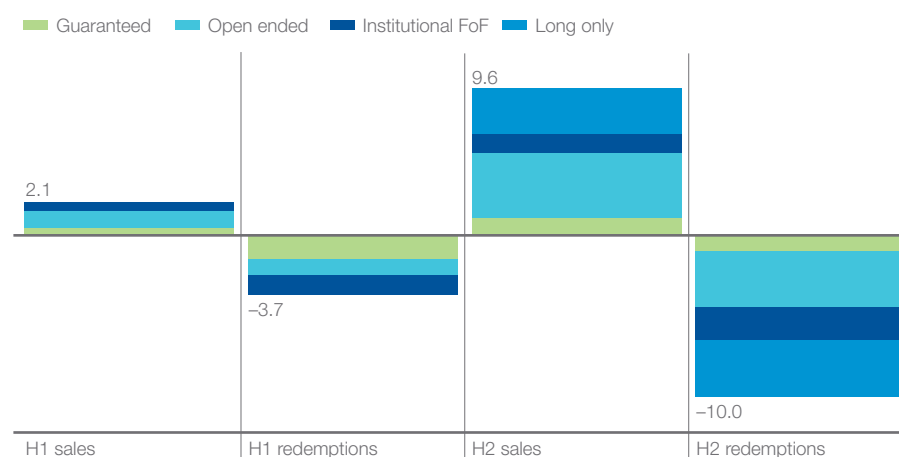
example came in Singapore, where we have secured regulatory approval from the Monetary Authority (MAS) for onshore distribution of the first UCITS managed futures fund – a process which reflects our continued commitment to working with regulators in all the jurisdictions in which we operate.

Our fourth quarter launch of the first combined AHL/GLG guaranteed product – Man IP220 GLG – raised \$400 million, which will be included in funds under management in the next reporting period. There will be follow up launches of Man IP220 GLG, and we expect them to become a significant part of our funds under management over time.

Likewise institutional interest in single manager funds – both from AHL and GLG – is offering good growth potential.

We continue to target new markets and held our first client event in India in March 2011. It was well attended with a strong panel of speakers and good participation from the key distributors, asset managers and banks. India remains a mid-term opportunity and has its share of developmental challenges, but it also has many of the market characteristics which have served us well in breaking new ground in the past – burgeoning mass affluence, improving longevity rates and a growing sense against the backdrop of volatile domestic equity markets of the need for risk adjusted returns and a managed approach to diversification. We are also looking to establish a presence in China, and will continue to pioneer new opportunities as we aim to be the leading alternative investment manager globally.

#### Sales and redemptions profile \$m





## Innovation

**“Hedge funds are the Galapagos Islands of finance. The rate of innovation, evolution, competition, adaptation, births and deaths, the whole range of evolutionary phenomena, occurs at an extraordinarily rapid clip.”**

**Andrew Lo**

Massachusetts Institute of Technology.

The scale of Man’s operations and the strength of our financial position give us flexibility to innovate. Not every idea will work. But in the rapidly evolving markets in which we operate, a constant flow of new ideas – and the capability to bring them to scale if they catch on or close them down if they fail – is critical to business sustainability.

In March 2011, 27% of our funds under management (ex GLG) were generated from products or solutions less than three years old. We expect this percentage to increase in the period following the acquisition of GLG, to reflect new opportunities for innovation from a more diverse range of investment management expertise.

This page features a selection of the innovative ideas we are currently developing.



### Key to business sustainability

- Observing market trends and responding quickly
- Creating new solutions to ever changing investor needs
- Scaling successful solutions to a global market

### Performance indicators

- % of FUM generated from products and solutions under three years old





### Man Systematic Strategies

Sandy Rattray sets out his plans for this new venture.



We created the Man Systematic Strategies group (MSS) in January 2011 to pool expertise from GLG, AHL and Man Multi-Manager. The new group is responsible for developing and managing profitable systematic strategies driven by cutting edge technology.

MSS launched Man's first exchange traded fund in January 2011. Designed in partnership with ETF provider Source, Man GLG Europe Plus Source ETF produces European equity index plus returns based on fundamental brokers ideas provided specifically for GLG. The MSS team then uses proprietary quantitative technologies to enhance these recommendations, with the objective of generating steady alpha at low risk. Over the past three years, the index behind the product has outperformed MSCI Europe every year, in both positive and negative environments, generating annual outperformance of 4.2%.

MSS's second product is Man TailProtect, an actively managed, systematic investment vehicle designed to provide tail risk protection to institutional investors. Using sophisticated models designed at Man, and incorporating some of the latest volatility forecasting research output of the Oxford-Man Institute of Quantitative Finance, the product is designed to be profitable during market stress periods such as May 2010, when it returned 23.8%.

Man Systematic Strategies has made a strong start, and has around \$1.3 billion under management.

### Man Commodity Plus

Reto Grau of Man Multi-Manager discusses this bespoke development.



Man Commodity Plus was developed for the pension fund of a leading European bank which already held an allocation to Man's successful commodity fund of hedge funds – Man Commodity Strategies. The client wanted more upside beta participation in commodity bull markets than a diversified mix of commodity hedge fund strategies would deliver, so the Man Multi-Manager team developed a bespoke solution delivering an optimised risk-return profile in line with the client's appetite. I allocate dynamically between Man Commodity Strategies and a discretionally managed directional component ("Dynamic Trend Allocation") which is based on systematic trend signals that are measured weekly using a proprietary quantitative model. This additional component provides a flexible way of increasing or decreasing commodity exposure through ETFs, options and futures across seven representative markets: WTI crude oil, Brent crude oil, gold, copper, wheat, corn, live cattle.

### Mainstreaming sustainability: why themes matter

GLG's Jason Mitchell discusses the GLG Global Sustainability Fund.



What is sustainable investing? Ask any number of experts, and you'll get the same number of different definitions. At GLG, our approach is driven by performance potential as opposed to definitional debate. Our starting point

is the recognition that sustainability is the investment required to address environmental, demographic and social change. For sustainable investing strategies to permeate a wider investor base, they must compete head-on with global equity funds and benchmarks, and prove that sustainability themes and styles are capable of providing above-index returns – and not simply exact a feel-good performance tax.

Our approach is based on developing investment strategies to harness global themes. Take China's 12th Five Year Plan as an example of large-scale material investment being made to address demographic and environmental change. It outlines spending directives according to seven efficiency themes ranging from energy savings and non-fossil alternative sources to new materials, all whose aggregate value-added output is estimated to equate to as much as 15% of China's GDP in 2020. Under the 12th Five Year Plan, China's growth in healthcare infrastructure investment will run at more than a 25% compounded annual growth rate while the construction of 36 million low cost, social housing units will potentially add more than \$1 trillion of investment. From a public equities perspective, these themes represent interconnected industrial value chains that range from higher margin, upstream companies to downstream distributors each uniquely reflecting in differing degrees sustainability-linked investment. In the case of China's low cost and social housing, its publicly-listed value chain extends from banks positioned as social housing funding mechanisms to building aggregates and services providers, whose involvement can be expected to generate positive earnings revisions.

In summary, we believe that this type of approach could ultimately popularise more performance-oriented, global sustainability strategies over traditionally index-bound socially responsible investing and small-cap cleantech funds, and in the process help to mainstream sustainability.



## Risk management



**Jonathan Eliot**  
Chief Risk Officer

**One of Man's key objectives is to deliver the benefits of robust risk management to our fund investors. Risk management is an area of ever increasing focus for investors in the context of both volatile investment markets and the changes within the Company following the acquisition of GLG.**



### Key to business sustainability

- Managing risk, not avoiding it
- Risk appetite set by the Board
- Regular review of capital and liquidity buffers

### Performance indicators

- Regulatory capital excess
- Level of seed capital investment

In this section we highlight the key developments and priorities in risk management at Man over the past year. We continue to take the approach of identifying each risk across the firm and assessing its likely impact. We measure and monitor the size of our risks, and implement controls and transactions to reduce and hedge exposures in order to ensure that they stay within our firm-wide risk appetite framework. We regularly report on the status of these risks to senior management and the Board via a well established governance structure.

### Risk appetite

Following the acquisition of GLG, we have taken the opportunity to refresh and update our Risk Appetite Statements in the first quarter of 2011. These are set by the Board, as highlighted in the Chairman's statement in this report, and cover risks as they apply to both the Investment Management functions, and Man Group itself.

1) For **Investment Management risks** (i.e. **risks to fund investors**), key areas addressed by the Risk Appetite Statements include:

- i) compliance with investment mandates,
- ii) maintenance of liquidity of investments in order to be able to meet contractual terms,
- iii) management of the portfolio in line with external financing terms when applicable, and
- iv) management and mitigation of counterparty risk.

There is also a focus on managing the firm's governance processes to avoid the occurrence of fraud events (both internal and external), and to minimise the risk of operational losses.

Given the broad range of Man's investment functions, across Man Multi-Manager, AHL and GLG, the methods of implementation of these principles within each function will vary, but with a consistent underpinning.

2) For **Man Group risks** (i.e. **those that affect shareholders directly**), the Risk Appetite Statements cover both Quantitative and Qualitative risks as they affect the firm's risk profile.

Statements relating to Quantitative measures of risk include:

- i) maintenance of positive net income,
- ii) management of risk taking activity in the Man balance sheet via a capital and liquidity framework,
- iii) adherence to the terms of Man's external financing arrangements

There is also a schedule of specific allowances for certain activities (e.g. loans to funds and seed capital) that are controlled under a range of "mandate and scale" limits.

Qualitative Risk Appetite Statements principally address:

- i) avoidance of unresolved conflicts of interest between Man and investors
- ii) risk of material consequences from the loss of key personnel, and
- iii) minimisation of reputational risk

### Balance sheet management

Following the acquisition of GLG, we have considered our alternatives around the management of our capital and liquidity base, given the changed profile of the balance sheet. As summarised in the Chairman's section of this report, we have used a risk based approach in considering the possibilities for capital deployment into organic growth opportunities and selective proprietary positions in support of the investment management businesses.



We have also reviewed the potential for use of Man's liquidity resources in the future in a possible stressed environment, and used this as input into planning our Treasury funding needs for the combined group.

The consequences of this analysis and framework is that we will be able to make efficient decisions around the use of both capital and liquidity resources over the coming years, taking into account the new risk profile of the group balance sheet following the acquisition of GLG.

The current position of the firm with respect to capital and liquidity management is shown in the [Financial Review \(Notes 17, 21 and 22\)](#).

### Man principal risks

In the course of 2010, and looking ahead to 2011, there are a number of specific principal risks that we have sought to manage – these are explained below, together with mitigating actions that we have established.

#### 1) Integration risk

Through the integration of the Man businesses with GLG, we have been conscious of the need to assess and manage a range of risks across human resources, operational controls, technology and compliance, as the relevant functions have been combined.

These risks included:

- i) Risk of loss of staff
- ii) Risk of control weaknesses from changes in organisational structure
- iii) Risk of technology failure as systems were integrated
- iv) Risk of governance processes being incorrectly structured for the combined firm

An integration committee, with senior management membership, was established in mid 2010, and reported regularly to the Risk Assurance Committee on the progress in identifying and mitigating a wide range of specific risks – a process that is now largely complete. Going forward, the integration risks will be addressed within ongoing functional risk management.

#### 2) Fund underperformance risk

A principal risk to Man shareholders is the risk of the underperformance of the funds. Persistent underperformance would likely result in reduced levels of funds under management (FUM) and consequent lower management fees, as well as reduced performance fees.

In mitigation of this risk, we maintain a high quality, diversified range of investment styles and products, principally across quantitative (AHL), discretionary (GLG) and funds of funds (Man Multi-Manager) strategies. This diversity gives us protection against concentrated under-performance from any one sector. We develop our products for both private and institutional investors with an eye to a diversified mix of investments, with significant resource devoted to portfolio selection, and operational due diligence in Man Multi-Manager.

With respect to our guaranteed product range, we test the portfolio of underlying investments against a wide range of market conditions, so that the products remain robust through market cycles, and thereby ensure that the investor can remain invested for the long term in the face of short term market volatility.

Our largest exposure to this risk remains with respect to the managed futures style and the AHL family of funds, given that this forms a significant part of our revenue base. In general, AHL will tend to benefit in markets with strong underlying trends.

#### 3) Discretionary trading risk

A key area of risk management in 2010 has been the integration of the GLG investment risk management function into the combined firm. Given Man's primary investment activities have in the past focused around AHL's quantitative strategies and the Man Multi-Manager fund of funds businesses, the controlled investment risk management of discretionary trading is a new activity from Man's perspective.

There is a well established team of risk managers within GLG who monitor positions against trading limits across a range of metrics including Value at Risk, position concentrations, stress events, scenario analysis and liquidity measures. Using internally developed risk management software, the team are capable of monitoring risk attributes both pre- and post trade throughout the day. A structured approach to limit setting, on top of the risk transparency made available through the software, allows the Investment Manager to be conscious of the portfolio risk dynamics and most importantly be comfortable with the risk exposures within each portfolio throughout the day. This team has an independent reporting line separate from the trading function, and is able to provide control and challenge on risk issues at a detailed level and across the varied investment strategies offered by GLG.

In terms of oversight, the GLG Risk Committee, whose membership comprises the Chief Risk Officer and Chief Operating Officer for Man, the head of GLG investment risk and senior GLG traders, meets bi-weekly to review investment performance and risks as well as strategies and topical issues in the light of current market conditions. These processes provide risk control and oversight to the activity of the GLG trading desks, as well as providing transparency to Company wide management.

#### 4) Operational risk

During the course of the year, we have continued to further develop our existing operational risk framework and processes. A failure in this area could adversely affect the business and the prospects for Man Group, and we consequently look to identify, control and mitigate these risks across a broad range of scenarios, and covering the integrated business. Following the GLG acquisition, their existing operational risk function as well as their operations and technology functions have been integrated into the broader Company.

From March 2011, Man Group has outsourced certain fund related activities, primarily shareholder servicing for retail clients – this decision was taken after a careful operational risk assessment and the implementation of a comprehensive oversight model. We believe that in aggregate, this change will result in lower operational risk for the Company and our fund investors, as well as a superior and cost efficient service.

We continue to reassess our exposures to operational risk, and hold appropriate capital as assessed using a broad range of scenarios, which are reviewed regularly via the Risk Assurance Committee. These scenarios span both losses from potential failures in operations and technology, and those from possible litigation risks.

#### 5) Regulatory risk

This is discussed by Stephen Ross, our Group General Counsel.

#### 6) Reputation risk

Successful investment management is highly dependent on building and preserving a successful corporate reputation. For Man, key aspects of reputation management include the culture and values of the Company, and the way these drive behaviour; branding, corporate sponsorship engagement with the communities in which we operate; our strong relationships



## Risk management continued

with regulatory authorities globally; as well as the entirety of our risk management and corporate governance frameworks.

To this end we seek to ensure that integrity is respected as a core value across Man's employee base and business functions, through specific focus within our performance management process, adherence to compliance and risk management across the firm, and through the leadership of senior management to ensure that all conflicts and issues are managed appropriately. Our focus on integrity delivers a variety of business benefits, from securing large institutional mandates such as BVK to winning PwC's Building Public Trust Award for our 2010 Annual Report.

Following the acquisition of GLG, we have created a brand hierarchy which recognises the strength of the overarching Man brand, but also of the AHL and GLG investment management brands. We continue to sponsor the Man Booker literary prize, and have a global programme of community engagement. ➔ **PG 52**

Regulatory expertise, risk management and corporate governance are key areas of focus for the Man Group Board. ➔ **PG 80**

### 7) Key person risk

We recognise that we employ a talented array of individuals across our businesses, and view both their retention and the continued recruitment of additional professionals as a key priority for the future success of the Company. We aim to utilise our leading position in the hedge fund industry, together with a consistent performance management process and experienced senior management and leadership, to achieve this. We constantly aim to attract the best talent within the industry, and the historical strength of both the Man and GLG brands is a key factor in helping us to achieve this.

We operate a large distribution network and investment management capability, as well as a wide range of products, and thereby have resilience to the loss of particular key individuals. We also have a well established succession planning process in place.

### Regulatory risk



**Stephen Ross**  
Group General Counsel

**The global regulatory agenda is evolving. Proactive management and assessment of these regulatory changes is key to Man's continued ability to meet the expectations of investors and regulators around the world, whilst allowing us to maximise any opportunities that may arise.**

In the wake of the financial crisis (and particularly the banking crisis), regulators globally continue to reassess and search for solutions to create a more stable long term framework for the world's financial system. This process (as described by Manny Roman on [page 29](#)) has led to proposals which impact the hedge fund industry. Within Europe there has in particular been continued progress on implementation of the Alternative Investment Fund Manager Directive (AIFMD), and we continue to take an active role in shaping the outcome.

Regulators across the globe are developing architecture around areas including product selling and advice, central clearing, position limits, bringing products on exchange and remuneration. We are supportive of proportionate and considered regulation and given that we operate regulated entities in many jurisdictions around the world, we are encouraged by the increased co-ordination of authorities to find global solutions where appropriate.

Following Man's acquisition of GLG, Man has integrated the Man and GLG Compliance functions into one unit, comprising individuals with experience across the entire range of compliance topics that affect our enlarged business. The team's activities span such activities as licensing, advisory, monitoring, approvals, policy, training and projects on areas such as corporate, distribution, marketing, investment management and trading, investment advice and anti-money laundering measures. The Compliance team also manage the Group's relationships with regulators, including the Group's lead regulator, the UK Financial Services Authority (FSA). 39 entities with the Group are currently licensed by 22 financial regulators and self-regulatory organisations (SROs). The ongoing activities of the Compliance function form part of the Risk Assurance Committee agenda, ensuring senior management familiarity with current issues.

Risk management is an essential component of maintaining a high quality, sustainable business for our stakeholders. Man's Legal department has an integrated role in managing legal and regulatory risk through its involvement in all material aspects of the business cycle. This integrated role enables Man to navigate through the increasingly complex global legal and regulatory framework in a thorough and responsive manner.



## Man's literary sponsorships

The 2010 shortlist



↓ Bi Feiyu

↓ Howard Jacobson



**Since 2002, Man has been proud to sponsor the annual Man Booker Prize, the world's most important literary award, as well as the biannual Man International Prize, awarded to a living writer for a lifetime's achievement in literature on the world stage.**

The Man Booker Prize aims to promote excellence in fiction by recognising the best novel published by a citizen of the Commonwealth or Republic of Ireland. The winning novel is selected by a panel of judges, including a literary critic, an academic, a literary editor, a novelist and a major public figure. The prize is worth £50,000 to the winning author.

Recent winners have included Howard Jacobson for *The Finkler Question* (2010), Hilary Mantel for *Wolf Hall* (2009), Aravind Adiga for *White Tiger* (2008), Anne Enright for *The Gathering* (2007) and Kiran Desai for *The Inheritance of Loss* (2006).

In 2011 the Man Booker Foundation awarded a special prize created for the late Beryl Bainbridge – the Man Booker Best of Beryl. Bainbridge was shortlisted five times for the prize – more than any other author – but never won. The winner, selected by a public vote, was her 1998 novel *Master Georgie*.

In May it was announced that the winner of the fourth Man Booker International Prize was Philip Roth, the US author of numerous controversial and compelling novels including *Portnoy's Complaint*, *American Pastoral*, *I Married a Communist* and *The Human Stain*. The prize, worth £60,000, has previously been awarded to Ismail Kadaré in 2005, Chinua Achebe in 2007 and Alice Munro in 2009.

In addition to the Man Booker Prize, Man also sponsors the Man Asian Literary Prize, an annual literary award given to the best novel by an Asian writer, either written in English or translated into English, and published in the previous calendar year. The winning author is awarded \$30,000 and the translator (if any) \$5,000. The 2010 prize was awarded to Bi Feiyu for *Three Sisters*.





## Community engagement



**Lesley King-Lewis**  
Director, Man Charitable Trust

### Total Charitable Expenditure %



	2011	2010
1. Disadvantaged youth	21	23
2. Literacy & numeracy	5	17
3. Vulnerable populations	12	17
4. Disaster relief	17	7
5. International	22	13
6. Environment	6	8
7. Employee related	6	6
8. Other donations	11	9



### Trustees of the Man Charitable Trust ("the Trust")

Peter Clarke (Chairman), Jon Aisbitt, John Angell (resigned January 2011), Mark Chambers, David Kingsley (appointed March 2011), Triona O'Keeffe (resigned March 2011), Jasveer Singh.



### Key to business sustainability

- Demonstrating integrity to all stakeholders in our communities
- Supporting employees' actions on issues they care about

### Performance indicators

- Value of charitable donations
- % of employees involved

It has been an extremely challenging 12 months for the voluntary sector, with the difficult economic environment placing a huge burden on charities and the people they are trying to help. Cuts in central and local statutory funding combined with a decline in other traditional sources of funding such as corporate donations will further exacerbate the situation.



At Man we are determined to maintain our presence in our local communities, by supporting charities and expanding our volunteering programme in order to maximise our impact through donations, time and expertise.

We are responding to the funding crisis by creating an emergency appeal fund for charities that we currently support. Many are enduring real financial hardship especially those that rely heavily on government/local authority funding.



We continue to support charities working with the most disadvantaged in our society including programmes for young people at risk of exclusion from education; literacy and numeracy programmes for both children and adults; education and work skills for homeless people and support to the long term unemployed to start up in business. We support programmes which raise aspirations and allow people to gain the skills they need to effect a real positive change in their lives.



Following the devastating earthquake and tsunami in Japan the Trust made an immediate \$1 million donation to disaster relief efforts. In conjunction with our Tokyo office we focused our support on children impacted by the crisis. We pledged \$900,000 to Save the Children's Japan Emergency Appeal and \$100,000 to local children's charities.

Save the Children's Japan office has a strong local presence and has therefore been able to respond quickly to the needs of up to 100,000 children who have been displaced, suffered trauma or lost parents as a result of the disaster. Our donation will help these vulnerable children rebuild their lives.



**“Our long established and close relationship with Japan, means that we are naturally very anxious to play our part in joining with local and international efforts to alleviate the huge suffering that has been caused.”**

**Peter Clarke**

Chairman, Man Charitable Trust



Man paid \$3.8 million to the Trust and charitable committees of our overseas offices and \$7 million was spent on charitable donations in FY 2011. The Trust built up its reserves in 2009 in order to ensure we were able to maintain a consistent level of giving during a time of economic uncertainty.

Our overseas charitable committees in Switzerland, USA, Canada and Australia continue to support their local communities and educational charities including Teach for America and Canadian Safe Schools.



The Annual Charity chosen by our UK employees was The Prostate Cancer Charity. With an initial donation of \$160,000 from the Trust, UK employees raised an additional \$200,000 over the course of the partnership. Our people were inspired to raise money and awareness for the charity through a range of activities including taking part in “Movember”, the moustache growing charity event held each year to raise funds and awareness for men’s health.



Our new Annual Charity for 2011 will be The Place2Be, a school-based counselling service, dedicated to improving the emotional wellbeing of children, their families and the whole school community. We very much look forward to working with them.



We know that community and philanthropy are key issues for our employees and that our volunteer programmes can bring significant benefits to both the individuals involved, who have the opportunity to give something back to their local community, and the charities for which they volunteer.



We encourage our people to take their skills and use them in a way that is different to their every day role at Man and are delighted that 21% of our employees have taken part in our programmes, including running CV and interview workshops for the homeless, facilitating inspiring enterprise days for 12-14 year olds and helping primary school children with their reading skills on a weekly basis.

We would like to thank all of our employees who have volunteered their time, enthusiasm and skills over the year and to those who have donated via their Give as You Earn accounts and the Trust’s sponsorship matching scheme.

**Lesley King-Lewis**

Director, Man Charitable Trust

## Community highlights



### Skill Force

The Trust supported Skill Force, an educational charity which delivers an alternative curriculum to young people across London who are in danger of exclusion in mainstream education. Their instructors are mainly ex-Services personnel who having served their country are now serving their local communities by providing young people with knowledge, skills and most importantly, the self-belief to aspire and achieve.



### The Connection at St Martin-in-the-Fields

The Connection at St Martin’s is the UK’s busiest centre for homeless people, offering practical and emotional support to over 5,500 individuals a year. The Trust made a three year commitment to Workspace, the charity’s employment, training and education service, helping homeless people in London to move towards independence.



### East London Small Business Centre

The Trust supported ELSBC, a not for profit support agency, committed to helping create jobs and increasing social wealth and mobility through the support of small businesses across a deprived part of East London. The area suffers from a high number of long-term unemployed and high levels of existing social problems.



### Teach For America

Like many large US cities, Chicago’s low-income inner city schools have struggled to improve student performance and to bridge the achievement gap between low-income and more affluent communities. TFA recruits outstanding recent college graduates from America’s top universities to teach in high-need schools. Man’s US charitable committee made a donation of \$50,000 in support of its “Math & Science Seminars Series” for one year.



### Children of Sikkim Foundation

Swiss employees selected the Children of Sikkim Foundation (COSF) as their Annual Charity. COSF supports orphaned and needy children from the poorest families of the Himalayan state of Sikkim with children’s homes, schools, vocational training and medical supplies. The \$50,000 donation was used to improve the local drinking water system for the village, the school and the orphanage. Employees raised a further \$65,000 for the charity from their annual charity swim in Lake Zurich.

During the year the Company did not make 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.





# Financial Review

The Financial Review contains information and explanations that give you an understanding of the results of our business strategy, financial performance, capital and liquidity. This information, together with the Additional Financial Information, comprises the consolidated financial statements of the Group.



## Navigating the financial statements:

The image shows a screenshot of the Financial Review and Group Income Statement. A red circle highlights the 'Audited information' section, which includes the 'Group Income Statement' and 'Group Statement of Comprehensive Income'. The 'Audited information' is indicated by grey background shading in the original document.

The primary statements are contained within the Financial Review (FR) together with narrative content.

If any information is detailed in the Additional Financial Information (AFI), this will be indicated in the notes as AFI 00.

A detailed index is provided opposite.

Audited information has been indicated in the Financial Review and Additional Financial Information by grey background shading.

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Regulatory capital (unaudited)	FR22	75



## Financial Review

### Our Approach to Reporting our Financial Performance

In this year's Annual Report we have adopted a different approach to presenting the financial statements and financial review. We have summarised the key financial metrics of the business and the Key Performance Indicators on [pages 20 to 25](#) to give you the salient facts regarding how our business performed this year. The Financial Review contained on [pages 54 to 75](#) gives a more detailed explanation of our financial performance by integrating the financial statements, accounting policies and explanations regarding our performance, capital and liquidity. This section is aimed at giving salient information to you in a format that explains the relationships between funds under management, margins, profit, cash flow and capital, which underpin our sustainable business model. The Additional Financial Information provided at the end of the Annual Report includes additional disclosures required to be compliant with accounting standards or the Companies Act. Our view is that this Additional Financial Information is important but less significant to an understanding of our business and could be accessed through our website by readers requiring this level of detail. Throughout the Annual Report we have added index tables and cross references to help navigate the report.

#### Change of financial year end

We have decided to move to a December year end to align our reporting cycle with that generally adopted in the asset management industry. Our next reporting period will be a nine month period to 31 December 2011, which will include an interim report for the first six months ending 30 September 2011. The Board expects to declare/recommend two dividend payments in relation to this period, in November 2011 and in February/March 2012.

Throughout this document we use the following terminology:

FY2011 or 2011 (FY2010 or 2010) refers to the financial year ended 31 March 2011 (31 March 2010);

CY2011 (CY2010) refers to the calendar year ending 31 December 2011 (31 December 2010);

CP2011 refers to the nine month period ending 31 December 2011.



# 1. Basis of Preparation

## Accounting policies

The audited consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Man's principal accounting policies have been consistently applied in the preparation of the financial information presented in the Financial Review and Additional Financial Information. Accounting policies are included in the relevant sections, and an index of the significant policies is provided in the [Additional Financial Information Note 2](#). The impact of new accounting standards and amendments applicable to Man's financial year ended 2011 and accounting standards that are not yet effective are not expected to be significant. The impact is outlined in [AFI 2](#).

Man acquired GLG Partners, Inc (GLG) on 14 October 2010, which became a wholly owned subsidiary of Man from that date. As a result, the income and expenses of GLG are included in the Group Income Statement, and the cash flows of GLG are included in the Group Cash Flow Statement, for the last 5.5 months of the financial year. The assets and liabilities of GLG are included in the Group Statement of Financial Position as at 31 March 2011. Further details relating to the accounting for the GLG acquisition are included in [Note 13](#).

## Consolidated group and reporting currency

The consolidated group is Man Group plc and its subsidiaries ("Man"). The stand alone parent company financial statements of Man Group plc have been included in the Additional Financial Information. The majority of revenues, assets, liabilities and funding are denominated in USD and therefore Man's reporting currency is US dollars (USD).

## Judgemental areas and accounting estimates

The areas of significant judgement are: the assignment and evaluation of franchise value (goodwill) and intangible assets; and the determination of fair values for investments, deferred compensation awards and pension obligations. A description of the assumptions made is given in the relevant sections of the Financial Review and Additional Financial Information.

## Going concern

Man's business activity is discussed on [pages 1 to 47](#), together with the significant risk factors ([pages 48 to 50](#)). Man's liquidity and capital positions are set out in [Notes 17 and 21 and 22](#) respectively. The directors have concluded that there is a reasonable expectation that Man has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the consolidated and parent financial statements have been prepared on a going concern basis using the historical cost convention, except for the measurement at fair value certain financial instruments that are available-for-sale or held at fair value through profit or loss.

## Financial reporting controls

The Company's systems of internal control aim to safeguard assets, ensure that proper accounting records are maintained, and ensure that the financial information used in the business and published externally is robust and reliable. The financial reporting controls comply with the guidance given in "Internal Control: Revised Guidance for Directors on the Combined Code". The Corporate Governance Report is provided on [pages 80 to 93](#).

## Independent audit

The Independent auditors' report from PwC on [page 76](#) expresses an unqualified opinion. Audited financial information has been indicated with grey background shading.

## Man's relationship with independent fund entities

Man acts as the investment manager to fund entities. Having considered all significant aspects of Man's relationships with fund entities, the directors are of the opinion that, although Man may have significant influence over the fund entities, the existence of independent boards of directors at the fund entities; termination provisions in the investment management agreements, which allow for the removal of the investment manager; the influence of investors; and, the arm's length nature of Man's contracts with the fund entities; Man does not control the fund entities and their associated assets, liabilities and net income should not be consolidated into Man's financial statements. An understanding of the aggregate funds under management and the fees earned from the fund entities is relevant to an understanding of Man's results and earnings sustainability and this information is provided in [Note 2](#) and [AFI 17](#).



## Financial Review continued

### 2. Funds under management (FUM) (unaudited)

The growth in FUM is a key indicator of our performance as an investment manager and our ability to remain competitive and build a sustainable business. Average FUM multiplied by our fee margin equates to our revenue earning capacity. Our objective is therefore to grow funds under management while maintaining our fee margin.

Funds under management are shown by product groupings that have similar margin and investor characteristics. The GLG FUM and FUM movements are included from the acquisition date 14 October 2010. FUM, fund flows and margins are discussed further in Section 4 and [AFL 3](#).

\$bn	Guaranteed	Open-ended alternative	Institutional FoF and other	GLG long only	Total
<b>FUM at 31 March 2010</b>	<b>14.0</b>	<b>12.8</b>	<b>12.6</b>	<b>–</b>	<b>39.4</b>
<b>Acquired 14 October 2010</b>	<b>–</b>	<b>11.5</b>	<b>0.7</b>	<b>13.2</b>	<b>25.4</b>
Sales	0.6	5.9	1.8	3.4	11.7
Redemptions	(2.4)	(4.4)	(3.2)	(3.7)	(13.7)
<b>Net inflows/(outflows)</b>	<b>(1.8)</b>	<b>1.5</b>	<b>(1.4)</b>	<b>(0.3)</b>	<b>(2.0)</b>
Investment movement	0.4	0.9	0.4	1.1	2.8
FX	0.5	0.6	0.8	0.1	2.0
Other	2.0	–	(0.4)	(0.1)	1.5
<b>FUM at 31 March 2011</b>	<b>15.1</b>	<b>27.3</b>	<b>12.7</b>	<b>14.0</b>	<b>69.1</b>

Guaranteed product FUM increased by 8% during the year mainly driven by FX and the re-gearing of the funds following strong AHL performance in CY2010, which offset redemptions.

Open ended alternative FUM increased by 113% during the year due to the acquisition of GLG and net inflows following strong demand for alternative formats and positive fund performance in both AHL and GLG. The FUM of \$27.3 billion at the year-end comprised \$13.7 billion from AHL open-ended products and \$13.6 billion from GLG alternatives.

Institutional FUM remained broadly flat during the year with net outflows being offset by positive FX movements related to the strengthening of the Euro. 63% of Institutional FUM is denominated in non USD currencies.

GLG long only FUM increased by 6% post acquisition driven by strong fund performance.

#### Margins

The management fee margin is calculated as revenue divided by average FUM. Previously the share of management fees from associates, primarily from BlueCrest, were included in the gross management fee margin. The sale of the interest in BlueCrest in March 2011 will result in lower associate income in future periods, therefore in the analysis of management fee margins in the table below we have excluded income from associates for all periods. Gross management fee margins by product channel are shown in the table below.

	FY 2011 Average FUM \$bn	FY revenue \$m	Margin bp	FY 2010 Average FUM \$bn	FY revenue \$m	Margin bp
Average FUM / Total	52.4	1,452	277	42.6	1,293	304
Guaranteed			470			463
AHL open ended			360			356
GLG alternatives			156			155
Institutional			115			93
Long only			75			83

The guaranteed products gross management and other fees margin was 470 bp (2010: 463 bp). The small increase is primarily the result of higher redemption fee income received, mainly in the first half of the year. Margins on recent guaranteed products are consistent with historical levels.

The AHL gross management and other fees margin on open-ended products was 360 bp, broadly the same as in 2010.

The GLG alternatives gross management and other fees margin was 156 bp, compared to 155 bp for 2010 based on GLG average margins for the period from 1 October 2009 to 31 March 2010. An increase in the net flows and investment performance of higher yielding funds being broadly offset by inflows and investment performance into lower yielding managed accounts.

Institutional gross management and other fees margin was 115 bp, compared to 93 bp for 2010. The primary reason for the increase relates to additional management fees earned following the achievement of net asset thresholds in certain Pemba funds. Margins on institutional products are expected to reduce as a result of a mix shift towards managed account mandates which have an average margin of 50 bp.

Long only gross management and other fees margin was 75 bp, compared to 83 bp for 2010. The primary reason for the decrease is due to material inflows of lower yielding institutional mandates.



## Group Income Statement For the year ended 31 March

\$m	Note	2011	2010
Revenue:			
Gross management and other fees	3	1,452	1,293
Performance fees	3	203	52
		1,655	1,345
Gains/(losses) on investments and other financial instruments		25	39
Distribution costs	4	(318)	(325)
Asset services	5	(16)	–
Amortisation of acquired intangible assets	13.3	(28)	–
Compensation	6	(566)	(349)
Other costs	7	(307)	(266)
Share of after tax profit of associates and joint ventures	18	65	70
Gain on disposal of BlueCrest	9, 18	257	–
Impairment of Man Multi-Manager and Ore Hill	9, 13.2, 18	(397)	–
Gain arising from residual interest in brokerage assets	9, 15	–	34
Finance expense	8	(86)	(36)
Finance income	8	40	29
<b>Profit before tax – continuing operations</b>		<b>324</b>	<b>541</b>
Taxation	10, AFI 6	(51)	(96)
<b>Profit for the year – continuing operations</b>		<b>273</b>	<b>445</b>
Discontinued operations – brokerage	AFI 5	(62)	–
<b>Statutory profit for the year attributable to owners of the parent</b>		<b>211</b>	<b>445</b>
<b>Earnings per share from continuing operations:</b>	11, AFI 8		
Basic (cents)		14.2	25.1
Diluted (cents)		14.0	24.8
<b>Earnings per share from continuing and discontinued operations:</b>	11, AFI 8		
Basic (cents)		10.7	25.1
Diluted (cents)		10.5	24.8
<b>Adjusted profit before tax - continuing operations</b>	9	<b>599</b>	<b>560</b>

## Group Statement of Comprehensive Income For the year ended 31 March

\$m	2011	2010
<b>Statutory profit for the year attributable to owners of the parent</b>	<b>211</b>	<b>445</b>
<b>Other comprehensive (expense)/income:</b>		
Available for sale investments:		
Valuation (losses)/gains taken to equity	(5)	62
Transfers from/(to) statement of comprehensive income upon sale or impairment	10	(66)
Foreign currency translation of subsidiaries	64	100
Tax credited	2	5
<b>Total comprehensive income for the year attributable to the owners of the parent</b>	<b>282</b>	<b>546</b>



## Financial Review continued

### 3. Revenue and operating margins

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), subject to high water marks and in some cases performance hurdles. Performance fees are only recognised when they can be measured reliably. Performance fees can only be measured reliably at the end of the performance period as the net asset value (NAV) of the fund products could move significantly, as a result of market movements, between Man's financial reporting period end and the end of the performance period. 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.

Investor risk and return appetite drives the demand for the investment products we sell. As markets become more volatile or investment returns do not meet expectations demand can change or investors can redeem from fund products. The level of FUM drives the aggregate level of management fee revenue so in order to sustain a profitable business operating costs must be flexible with different levels of FUM. Our strategy with regards to financial sustainability is to maintain net margins through a flexible cost base that reacts to changes in FUM. The significant costs associated with the business are: distribution costs, asset services costs, compensation and other costs.

### 4. Distribution costs

Distribution costs paid to intermediaries and employees are directly related to their sales activity and the FUM serviced by them. The expense is therefore scalable to sales volumes, FUM and the associated management fee income to sustain margins.

Distribution costs of \$318 million (2010: \$325 million) consist of two components: placement fees which are payable to distributors and employees when a fund product is first launched and are based on the amount of investors' capital introduced; and servicing fees which are payable to distributors and employees for ongoing services and are based on the current NAV of the fund products.

Placement fee expense for the year was \$151 million (2010: \$171 million), as is described in Note 13.3. This relates primarily to amortisation of placement fees. Servicing fee expense is charged to the income statement in the period incurred. Servicing fee expense for the period was \$167 million (2010: \$154 million).

Distribution costs include \$36 million (2010: \$42 million) relating to employees.

### 5. Asset services

Asset services includes custodial, valuations, fund accounting, and registrar functions performed by third parties under contract to Man, on behalf of the funds. The cost of these services is based on activity or FUM, therefore variable with activity levels. Previously many of these services had been performed internally. During the year we commenced an initiative to transition these services to third party providers and thereby reduce our internal resources. Asset services costs for the year were \$16 million (2010: nil). It is anticipated that these costs will increase during calendar year 2011 (CY2011) with a corresponding decrease over time in internal costs, primarily compensation and headcount related other costs.

### 6. Compensation

\$m	2011	2010
Salaries – fixed	173	145
– variable	165	87
Share-based payment charge	86	50
Fund product based payment charge	15	5
Social security costs	40	26
Pension costs	22	17
Compensation costs – before restructuring and GLG acquisition costs	501	330
Restructuring	55	19
GLG acquisition costs	10	–
Total compensation costs	566	349

Compensation is our largest category of expense and an important component in our ability to retain and attract talent at Man. Our compensation strategy is set out in the Remuneration Report on [pages 94 to 106](#). In the short term the variable component of compensation adjusts with performance. In the medium term the active management of headcount can reduce fixed based compensation, if required. Historically Man's compensation has been in the range of 18% to 25% of revenues, excluding restructuring costs. The compensation at GLG has been between 55% – 65% of revenue.

Salaries, including bonuses, are charged to the Income Statement in the period in which they are incurred.





The accounting for share-based and fund product based compensation arrangements is covered in [Note 19](#). The unamortised deferred compensation at year end was \$177 million (2010: \$65 million) which had a weighted average remaining vesting period of 2 years. The increase in the balance primarily results from the acquisition of GLG. Base salaries and the amortisation of deferred compensation are fixed expenses. The discretionary bonus element of compensation, which comprises 33% of total compensation, is variable with the performance of the business economics.

Compensation costs incurred as part of 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. Included in restructuring costs of \$55 million are termination costs of \$43 million (2010: \$13 million) of which \$17 million relates to payment on severance arrangements established before the acquisition of GLG to certain key individuals in GLG and \$12 million in accelerated share-based payment charges (2010: \$6 million). This is not expected to re-occur as headcount has been permanently reduced in these functions. GLG acquisition costs relate to \$10 million compensation costs paid to employees involved in the transaction. These items are treated as adjusting items to statutory profit ([Note 9](#)).

Included in pension costs is \$12 million relating to the enhanced transfer exercise relating to the Defined Benefit Pension plan ([Note 20](#) and [AFI 15](#)).

Disclosures relating to average number of employees and directors' remuneration are given in the Remuneration Report on [page 102](#).

## 7. Other costs

Other costs, before restructuring and GLG acquisition costs, were \$265 million in the year, compared to \$232 million in the prior year. The increase in other costs compared to the prior year is the result of consolidating the expense base of GLG of \$40 million for the 5.5 months post acquisition. The other cost annual expense base of GLG was \$98 million at the date of the acquisition.

### Analysis of other costs

\$m	2011	2010
Occupancy	55	40
Travel and entertainment	16	14
Technology	37	28
Communication	18	13
Consulting and professional services	42	36
Depreciation and amortisation	51	45
Charitable donations	4	3
Other	42	53
Other costs – before restructuring and GLG acquisition costs	265	232
Restructuring	17	34
GLG acquisition costs	25	–
Total other costs	307	266

The number of employees drives many of the expenses including occupancy, communications, technology 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 is actively managed to preserve operating leverage and the sustainability of margins.

Occupancy expense has increased by \$15 million in the year which relates to rental expense during the fit-out period of the new London headquarters and the inclusion of GLG.

Included in depreciation and amortisation is \$25 million (2010: \$22 million) of amortisation of capitalised computer software ([Note 13.3](#)) and \$24 million (2010: \$21 million) of depreciation ([AFI Note 12](#)) primarily on computer equipment.

Restructuring costs primarily relate to \$16 million (2010: \$4 million) of professional fees. In the prior year restructuring costs also included \$18m of onerous lease provisions in respect of leasehold properties; and an impairment charge of \$11 million in relation to capitalised fixed assets associated with unused floor space. GLG acquisition costs of \$25 million, primarily relating to legal fees, reporting accountants' fees and advisor fees, have been expensed and do not form part of franchise value.

Auditors' remuneration, included in consulting and professional services, is disclosed in more detail in the Corporate Governance Report on [page 93](#).

## 8. Finance expense and finance income

Finance expense includes interest expense on borrowings and fees of \$86 million (2010: \$36 million), reflecting an increase in average debt levels compared to the previous year ([Note 17](#)). Finance income is \$40 million (2010: \$29 million), which includes interest income on cash and cash equivalents of \$27 million and a gain of \$11 million on the repayment of the BlueCrest existing loan note as part of the disposal of the interests in BlueCrest ([Notes 15](#) and [18](#)).



## Financial Review continued

### 9. Adjusted profit before tax – continuing operations

Statutory profit before tax from continuing operations is adjusted for material items to give a fuller understanding of the underlying profitability of the business.

\$m	Note	2011	2010
Statutory profit before tax from continuing operations		<b>324</b>	541
Adjusting items:			
Gain on disposal of BlueCrest	18	<b>(257)</b>	–
Impairment of Man Multi-Manager and Ore Hill	13.2, 18	<b>397</b>	–
Compensation – restructuring	6	<b>55</b>	19
Other costs – restructuring	7	<b>17</b>	34
GLG acquisition costs	6, 7	<b>35</b>	–
Amortisation of acquired other intangible assets (provisional)	13.1, 13.3	<b>28</b>	–
Gain arising from residual interest in brokerage assets	15	<b>–</b>	(34)
<b>Adjusted profit before tax from continuing operations</b>		<b>599</b>	560
Tax	10	<b>(85)</b>	(104)
Adjusted net income – continuing operations		<b>514</b>	456
<b>Adjusted earnings per share from continuing operations:</b>			
Adjusted diluted (cents)	11, AFI 8	<b>27.6</b>	25.5
Adjusted basic (cents)	11, AFI 8	<b>28.0</b>	25.8

Further details of adjusting items are provided in the relevant notes as indicated above.

### 10. Taxation

Man is a global business and therefore operates across many different tax jurisdictions. Income and profits are allocated to these different jurisdictions based on transfer pricing methodologies which are agreed with the relevant authorities. The effective tax rate results from the combination of taxes paid on earnings attributable to the tax jurisdictions in which they arise. The majority of the Group's profit continues to be earned in Switzerland and in the UK and the current effective tax rate of 15.7% (2010: 17.7%) is consistent with this earnings profile. Further analysis is given in [AFI 6](#). The effective tax rate on adjusted profits ([Note 9](#)) is 14.2% (2010: 18.6%). The lower rate is principally the result of prior year adjustments from the settlement of tax returns as well as a reduction in the closing UK deferred tax liability, following the reduction in the UK Corporation tax rate from 28% to 26% ([AFI Note 6](#)).

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

The calculation of basic EPS is based on a basic post tax earnings for the year of \$187 million (2010: \$421 million) and ordinary shares of 1,749,928,034 (2010: 1,678,121,503), being the weighted average number of ordinary shares in issue during the year after excluding the shares owned by the Man 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 ordinary shares of 1,776,547,509 (2010: 1,700,089,060). Adjusted net income for adjusted basic and adjusted diluted EPS, together with details of the adjusted diluted and basic EPS is given in [AFI 8](#).

### 12. Segmental analysis

The criteria for identifying an operating segment is that it is a component of Man whose results are regularly reviewed by the Executive Committee to make decisions about resources to be allocated to the segment and to assess its performance. Management information regarding revenues, gross management fee margins, investment performance and distribution costs relevant to the operation of the investment managers, products and the investor base are reviewed by the Executive Committee. A centralised shared infrastructure for operations, products structuring and distribution means that operating costs are not and cannot meaningfully be allocated to constituent parts of the investment management businesses. As a result, resources are allocated and performance is assessed by the Executive Committee on the basis of the investment management business of Man as a whole. Accordingly we operate and report as a single segment investment management business, together with relevant information regarding FUM flows, gross margins, and distribution costs to allow for the analysis of the direct contribution of products and the respective investor base. Geographical disclosures are given in [AFI 9](#).



## Group Cash Flow Statement For the year ended 31 March

\$m	Note	2011	2010
Profit for the year - continuing operations		<b>273</b>	445
Adjustments for:			
Gain on disposal of BlueCrest	18	<b>(257)</b>	–
Amortisation of other intangible assets	13	<b>145</b>	132
Impairment of franchise value and other investments	13, 18	<b>397</b>	–
Other adjustments		<b>14</b>	(41)
Changes in working capital		<b>(45)</b>	218
<b>Cash flows from operating activities</b>	AFI 4.1	<b>527</b>	754
<b>Cash flows from investing activities</b>	AFI 4.2	<b>(31)</b>	85
<b>Cash flows from financing activities</b>	AFI 4.3	<b>(1,311)</b>	(25)
<b>Net increase in cash and cash equivalents</b>		<b>(815)</b>	814
Cash and cash equivalents at the beginning of the year		<b>3,174</b>	2,360
<b>Cash and cash equivalents at the end of the year</b>	17	<b>2,359</b>	3,174

Cash flows from operating activities is 193% of statutory post tax income. The primary difference between post tax income and cash from operating activities relates to non-cash items: the impairment charge for the Man Multi-Manager and Ore Hill businesses; the amortisation of intangibles; offset by the gain on sale of BlueCrest.

In the prior year, cash flows from operating activities is 169% of statutory post tax income. The primary difference between post tax income and cash from operating activities relates to amortisation and working capital movements, primarily a decrease in receivables and other financial assets.

Cash flows from investing activities primarily relate to the cash component (except for repayment of the convertible note) of the consideration paid to acquire GLG ([Note 13.1](#)) of \$692 million, partly offset by the cash acquired from GLG (\$206 million) and the consideration received from the disposal of the equity holding in BlueCrest (\$443 million).

In the prior year, cash flows from investing activities primarily relate to proceeds from the sale of other investments, partly offset by the purchase of other intangible assets.

Cash flows from financing activities primarily relates to: the payment of dividends to ordinary shareholders (\$613 million); the repayment of the convertible notes and senior debt acquired with GLG (\$583 million); and the repurchase of own shares by the ESOP trust (\$108 million).

In the prior year, cash flows from financing activities primarily relate to proceeds from borrowings, partly offset by dividend payments.



## Financial Review continued

### Group Statement of Financial Position At 31 March

The Statement of Financial Position represents the assets and liabilities of Man as at the year end. The most significant assets of Man are the franchise value (goodwill) invested in our business through acquisitions and the cash balances which represent part of our liquidity pool. These assets, together with other operating assets are supported by our shareholder equity base and issued debt. Details of guarantees and commitments are disclosed in [AFI Note 18](#).

The difference between the market valuation of Man of \$7.4 billion at the balance sheet date and the balance sheet valuation of Man of \$4.4 billion is an indication of other franchise value not recorded on the Statement of Financial Position, for example, the full value of the AHL franchise, the global distribution network, our investor base as represented by FUM and our people. While not recognised in the historical financial statements these assets underpin the sustainability of Man's business.

\$m	Note	2011	2010
<b>ASSETS</b>			
Cash and cash equivalents	17	<b>2,359</b>	3,229
Fee and other receivables	15	<b>522</b>	320
Investments in fund products	14	<b>917</b>	784
Other investments and pension asset	14, 20	<b>102</b>	141
Investments in associates and joint ventures	18	<b>68</b>	351
Leasehold improvements and equipment	AFI 12	<b>138</b>	72
Franchise value and other intangibles	13	<b>2,712</b>	1,135
<b>Total assets</b>		<b>6,818</b>	6,032
<b>LIABILITIES</b>			
Trade and other payables	16	<b>647</b>	366
Current tax liabilities	10	<b>157</b>	180
Borrowings	17	<b>1,478</b>	1,489
Deferred tax liabilities	AFI 6	<b>100</b>	10
<b>Total liabilities</b>		<b>2,382</b>	2,045
<b>NET ASSETS</b>		<b>4,436</b>	3,987
<b>EQUITY</b>			
<b>Capital and reserves attributed to the owners of the parent</b>	21	<b>4,436</b>	3,987

Approved by the Board of Directors on 26 May 2011

**Peter Clarke**  
Chief Executive

**Kevin Hayes**  
Finance Director



### 13. Franchise value (goodwill) and other intangible assets

\$m	2011			2010		
	Franchise value	Other intangibles	Total	Franchise value	Other intangibles	Total
<b>Cost:</b>						
<b>At beginning of year</b>	<b>798</b>	<b>1,028</b>	<b>1,826</b>	785	1,018	1,803
Currency translation difference <sup>(i)</sup>	<b>13</b>	<b>–</b>	<b>13</b>	24	–	24
Acquisition of business	<b>1,403</b>	<b>674</b>	<b>2,077</b>	–	–	–
Additions	<b>–</b>	<b>78</b>	<b>78</b>	–	155	155
Reclassifications	<b>–</b>	<b>(11)</b>	<b>(11)</b>	–	–	–
Redemptions/disposals	<b>–</b>	<b>(162)</b>	<b>(162)</b>	(11)	(145)	(156)
<b>At 31 March</b>	<b>2,214</b>	<b>1,607</b>	<b>3,821</b>	798	1,028	1,826
<b>Aggregate amortisation and impairment:</b>						
<b>At beginning of year</b>	<b>–</b>	<b>(691)</b>	<b>(691)</b>	(11)	(652)	(663)
Disposals	<b>–</b>	<b>102</b>	<b>102</b>	11	93	104
Amortisation	<b>–</b>	<b>(145)</b>	<b>(145)</b>	–	(132)	(132)
Impairment	<b>(375)</b>	<b>–</b>	<b>(375)</b>	–	–	–
<b>At 31 March</b>	<b>(375)</b>	<b>(734)</b>	<b>(1,109)</b>	–	(691)	(691)
<b>Net book value at 31 March</b>	<b>1,839</b>	<b>873</b>	<b>2,712</b>	798	337	1,135
Made up as follows:						
AHL	<b>83</b>			74		
Man Multi-Manager	<b>353</b>			724		
GLG	<b>1,403</b>			–		

(i) The currency translation difference relates to Man Investments Australia franchise value, which is denominated in Australian dollars.

Franchise value represents the excess cost of an acquisition over the fair value of the net identifiable assets of the acquired business at the date of acquisition. The cost of an acquisition of a business is the fair value of the assets given, equity instruments issued and liabilities incurred at the date of acquisition.

Franchise value is carried in the Statement of Financial Position at cost less accumulated impairment losses. Franchise value has an indefinite useful life, is not subject to amortisation and is tested for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, based on a valuation prepared on the basis of management's judgements regarding the future prospects for the business, estimates of future cash flows and discount rates.

#### 13.1. Acquisition of GLG

On 14 October 2010, Man acquired GLG (the Acquisition), which then became a wholly owned subsidiary of Man. The Acquisition was structured as a cash acquisition with respect to the GLG Public Shareholders and a share exchange in respect of the GLG Principals and key employees. The cash consideration for the Public Shareholders was around \$1.0 billion, which was funded from existing cash resources. The GLG Principals and key employees were granted in aggregate 162,732,446 newly issued shares of Man in exchange for their shares in GLG. The shares issued are subject to sale restrictions of between two and three years and, in some cases, service vesting conditions.



## Financial Review continued

### 13. Franchise value (goodwill) and other intangible assets continued

Man engaged external valuation specialists to advise on the allocation of the purchase price between franchise value, intangible assets and net tangible assets. Provisional values for the acquired business, at the date of acquisition, are set out in the table below:

\$m (Provisional)	Book value	Fair value adjustment	(Provisional) Fair value
Cash and cash equivalents	206	–	206
Fee and other receivables	110	4	114
Investments in fund products	29	–	29
Leasehold improvements and equipment	7	–	7
Franchise value and other intangible assets	34	640	674
Trade and other payables	(202)	(88)	(290)
Borrowings	(484)	(99)	(583)
Deferred tax arising on other intangible assets	–	(141)	(141)
Net assets acquired	(300)	316	16
Repurchase of convertible notes			297
Franchise value arising on acquisition			1,403
			<b>1,716</b>
Purchase consideration:			
Cash consideration			997
Value of shares issued			628
Share replacement schemes, net of deferred tax			91
			<b>1,716</b>

The fair value adjustment relating to other intangible assets above relates to the valuation of investment management contracts (IMCs) of GLG (\$596 million) along with other intangibles such as the GLG brand name (\$34 million) and distribution channel (\$42 million) as well as other assets of \$2 million. The fair value adjustments to trade and other payables primarily relates to compensation accruals on un-crystallised performance fee income at the date of the acquisition. This accrual was crystallised in December 2010 when the performance fees were realised. The remaining adjustment relates to the fair value of the GLG premises lease and other liabilities. The fair value adjustment to borrowings relates to the convertible debt and term loan, which were both repaid soon after the acquisition. Deferred tax has been provided on the value of the intangible assets, and this is a non-cash item as the liability arises due to the tax non-deductibility of the amortisation of IMCs. The share replacement schemes component of purchase consideration relates to the fair value of new Man share awards issued on acquisition date to replace pre-existing GLG employee share awards ([AFI 14](#)).

The franchise value primarily represents the significant revenue synergies to be generated from acquiring and integrating the GLG businesses with Man together with cost synergies from combining the two operating platforms. Man has the potential to add significant incremental FUM through combining GLG's investment offering with Man's structuring and distribution expertise. The franchise value is not expected to be deductible for tax purposes.

The post tax result for the period since the acquisition date for GLG alone amounted to a profit of \$11 million, excluding pre-tax items in relation to post-acquisition amortisation of purchased intangibles of \$28 million, a charge of \$17 million for restructuring costs included within adjusting items and an acquisition balance sheet fair value adjustment relating to compensation of \$54 million. If the Acquisition had taken place at the beginning of the financial year, the loss after tax of GLG would have been \$36 million, excluding amortisation of purchased intangibles of \$60 million and a charge of \$17 million for restructuring costs included within adjusting items. This result does not include any benefit from cost or revenue synergies. Revenue for the period since the acquisition date for GLG amounted to \$255 million, and if the Acquisition had taken place at the beginning of the financial year, the revenue for GLG would have been \$431 million.

Other intangible assets have been recognised in respect of acquired IMCs, the distribution network and the GLG brand value. These intangible assets are recognised at the present value of the expected future cash flows of the investment management contracts and distribution channels acquired and are amortised on a straight-line basis over the expected life which is provisionally 9 to 12 years, and 10 years for the GLG brand name ([Note 13.3](#)).

From a capital management perspective all acquisition intangibles, net of deferred taxes, and franchise value is supported with shareholders' equity. This approach is consistent with our regulatory capital treatment. The acquisition of GLG was supported with existing excess shareholders' capital and the issuance of new Man shares to the principals and key employees.

#### 13.2. Impairment of Man Multi-Manager (MMM)

In respect of the MMM business, although the business is profitable and making good operational progress, particularly with its managed account based solutions, the key sensitivity in the regular impairment review of this cash generating unit is the outlook for sales. Man's structured products are now expected primarily to use GLG strategies in place of MMM content, which means that future sales and margins anticipated for the MMM business may be lower than previously expected.





The value of the MMM business has been reassessed at 31 March 2011 by applying a discounted future cash flow model, which reflects lower sales and margin expectations, and by assessing the fair value of the business based on market multiples applied to net fee income. Both methodologies resulted in a similar valuation. As a result an impairment of \$375 million has been recognised. This impairment is a non-cash charge and has no impact on the excess regulatory capital position.

The discounted cash flow valuation has been based on the Three Year Plan (for the calendar years ended 31 December 2013) which was approved by the Board of Directors, and which factored in expected gross sales growth of 20% per annum, average redemptions of around 14% of FUM, lower fee margins reflecting the sales content mix, average investment performance of 8% and cost estimates. The discounted cash flows have been modelled for three years to be consistent with the Three Year Plan. The cash inflows and outflows are then modelled to increase by 2% per annum in perpetuity, as a reasonable approximation of historic US long term growth rates. This is used due to the low certainty around forecasting over longer time frames. The risk adjusted discount rate is based on the pre-tax weighted average cost of capital (WACC) of 11.25%.

If the fair value amount was to fall to below the discounted cash flow valuation, the following sensitivities around the discounted cash flow valuation would result in further impairment.

The individual sensitivities around the key assumptions applied in the discounted cash flow model highlight that the MMM business continues to be dependent on the sales budget and fund performance being achieved and the discount rate applied, as below:

- If gross sales are \$550 million lower than budget for the financial year ending 31 December 2011, the valuation would fall by around \$40 million
- If fund performance is flat in the financial year ending 31 December 2011, instead of the assumed 8% return, the valuation would fall by around \$165 million
- If the discount rate is increased by 1%, the valuation would fall by around \$45 million.

### 13.3. Other intangible assets

\$m	2011				2010		
	IMCs and other acquired intangibles <sup>1</sup>	Placement fees	Capitalised computer software	Total	Placement fees	Capitalised computer software	Total
<b>Cost:</b>							
<b>At beginning of the year</b>	–	916	112	1028	928	90	1,018
Acquisition of business	672	–	2	674	–	–	–
Additions	–	52	26	78	113	42	155
Reclassifications	–	–	(11)	(11)	–	–	–
Redemptions/disposals	–	(146)	(16)	(162)	(125)	(20)	(145)
<b>At 31 March</b>	<b>672</b>	<b>822</b>	<b>113</b>	<b>1,607</b>	<b>916</b>	<b>112</b>	<b>1028</b>
<b>Aggregate amortisation and impairment:</b>							
<b>At beginning of the year</b>	–	(638)	(53)	(691)	(611)	(41)	(652)
Redemptions/disposals	–	92	10	102	83	10	93
Amortisation	(28)	(92)	(25)	(145)	(110)	(22)	(132)
<b>At 31 March</b>	<b>(28)</b>	<b>(638)</b>	<b>(68)</b>	<b>(734)</b>	<b>(638)</b>	<b>(53)</b>	<b>(691)</b>
<b>Net book value at 31 March</b>	<b>644</b>	<b>184</b>	<b>45</b>	<b>873</b>	<b>278</b>	<b>59</b>	<b>337</b>

1 Includes investment management contracts, the GLG brand name and distribution channels, refer to Note 13.1. The amortisation relating to the GLG Brand name was \$2 million and the distribution channels was \$2 million.

#### Placement fees

Placement fees are paid to distributors and employees for selling fund products, generally structured products. The majority of placement fees paid are capitalised as an intangible asset which represents the contractual right to benefit from future income from providing investment management services. The amortisation period is based on management's estimate of the weighted average period over which Man expects to earn economic benefit from the investor in each product, estimated to be five years. The carrying value of this intangible asset in the Statement of Financial Position is based on cost less accumulated amortisation, and is amortised on a straight-line basis.

If an investor redeems their investment in a fund product the corresponding unamortised placement fee is written off. Generally a redemption fee is charged to the investor. The placement fees intangible is also 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 balance. Amortisation expense, amounts written off, and any impairment losses, are included in distribution costs in the Income Statement.

At year end the unamortised placement fees were \$184 million (2010: \$278 million) and the amortisation charge for the period was \$92 million (2010: \$110 million). The weighted average remaining amortisation period of the unamortised placement fees at 31 March 2011 is two years.

From a capital management perspective we evaluate the risk of the placement fee taking account of the redemption fee payable by the investor on early redemptions. The risk is that we accelerate the amortisation charge due to poor investment performance. From a regulatory capital perspective placement fees are an intangible asset and are required to be supported with Tier 1 regulatory capital.



## Financial Review continued

### 13. Franchise value (goodwill) and other intangible assets continued

#### Capitalised computer software

Costs that are directly associated with the procurement or development of identifiable and unique software products, which will generate economic benefits exceeding costs beyond one year, are recognised as capitalised computer software. Capitalised computer software is amortised on a straight-line basis over their estimated useful lives (3 years) and are subject to regular impairment reviews. Amortisation of capitalised computer software is included in other costs in the Income Statement. Certain technology assets were reclassified from intangible assets to leasehold improvements and equipment during the year.

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

	2011				2010			
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Total	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Total
\$m								
Investments in fund products:								
Loans to fund products	–	–	551	551	–	–	373	373
Other investments in fund products	363	3	–	366	409	2	–	411
	363	3	551	917	409	2	373	784
Other investments <sup>1</sup>	–	11	–	11	–	72	–	72

1 This excludes the Pension Asset of \$91 million (2010: \$69 million) which is discussed in [Note 20](#).

Investments are initially recognised at fair value. Purchases and sales of investments are recognised on trade-date.

A financial asset is classified '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, and are carried at amortised cost using the effective interest method. 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, and are carried at fair value, with gains and losses taken to equity, until sold or impaired, at which time the cumulative gain or loss previously reported in equity is included in the Income Statement.

Other investments in fund products and other investments expose Man to market risk and therefore the commitment process is subject to limits consistent with the Board's risk appetite. The largest single investment in fund products was \$45 million (2010: \$70 million). The market risk from other investments in fund products and other investments is modelled using a value at risk (VaR) methodology using a 95% confidence interval and one month time horizon. The VaR is estimated to be \$30 million at 31 March 2011 (2010: \$59 million).

#### 14.1. Loans to fund products

Loans to fund products are short term advances primarily to Man structured fund products (ie IP220 products). The loans are repayable on demand. The average balance is not materially different from the year end balance (2010: \$599 million). The increase in the balance compared to the prior year is due to routine rebalancing in March as a result of negative performance. Refer to [AFI Note 18](#) for a discussion regarding funding commitments to fund products. Loans to fund products are funded from available cash liquidity. The liquidity requirements of loans to fund products are subject to our routine stress testing and any stress liquidity requirements are provided by either cash or capacity from the committed bank facility.

Loans to fund products expose Man to credit risk and therefore the credit decision making process is subject to limits consistent with the Board's risk appetite. The carrying value represents Man's maximum exposure to credit risk. Loans are closely monitored against the assets held in the funds. The largest single loan to a fund product was \$41 million (2010: \$18 million). Fund entities are not externally rated, but our internal modelling indicates that fund products have a probability of default that is equivalent to a credit rating of BBB+ or better.

#### 14.2. Other Investments in fund products

Man uses capital to invest in our fund products as part of our ongoing business to build our product breadth and to trial investment research developments before we market the products to investors. These investments are generally held for less than one year. Other investments in fund products are recorded at fair value with gains and losses reported in the Income Statement.

Total net gains on investments in fund products reported in income were \$32 million (2010: \$52 million).

Investment in fund products includes \$50 million (2010: \$18 million) of Man and GLG fund products which are held against outstanding deferred compensation arrangements. Any movement in fair value of these assets will be offset by a corresponding move in the deferred compensation liability in the Income Statement.



Other investments in fund products are not actively traded and the valuation at the fund level cannot be determined by reference to other available prices. The fair values of investments in fund products are derived from the reported 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 Man, Man has established oversight procedures and due diligence processes to ensure that the net asset values reported by the VSP are reliable and appropriate. Man 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. Fair value hierarchy of financial assets is disclosed in [AFI Note 11](#).

## 15. Fee and other receivables

\$m	2011	2010
Fee receivables	<b>112</b>	52
Prepayments and accrued income	<b>164</b>	119
Other receivables	<b>246</b>	149
	<b>522</b>	320

Fee and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Fee receivables and accrued income represent management and performance fees from fund products and are received in cash when the funds' NAV is determined. All fees are deducted from the NAV of the respective funds by the independent administrators and therefore the credit risk of fee receivables is minimal. No balances were overdue or delinquent at year end.

Other receivables includes the BlueCrest new loan notes, issued in March 2011, with a par value of \$100 million, as part of the consideration received upon disposal of our equity stake (Note 18). The new loan notes, which carry a 6.5% cash coupon, are repayable in 2016, although BlueCrest has the right to repay the new loan notes before this date. In certain circumstances, the maturity of the new loan notes can be extended by BlueCrest, in which case the coupon may increase, but the final maturity will not be later than April 2019. Man expects that the new loan notes will be held to maturity and fully repaid. The balance at 31 March 2010 included the existing loan notes which were redeemed at their par value of \$37 million.

For the Open Ended Investment Collective Funds businesses, Man acts as receiving agent for the collection of subscriptions due from customers and payable to the funds, and for redemption requests receivable from funds and payable to customers. At 31 March 2011 the amount included in other receivables is \$38 million (2010: nil). The unsettled fund payable is recorded in trade and other payables.

The value of foreign exchange contracts as at 31 March 2011 was \$15 million (2010: \$3 million), notional value \$1.2 billion (2010: \$535 million). All forward foreign exchange contracts mature within one year and all foreign exchange swap contracts mature within five weeks of year end. During the year there were \$23 million net realised and unrealised gains arising from derivative financial instruments (2010: \$10 million net gains). The prior year derivatives balance within other receivables also included \$23 million (notional value \$132 million) related to the forward sale agreement of the residual stake in MF Global, which was terminated and settled during the current year. A net gain of \$34 million was recognised in the income statement in the prior year. Derivatives are classified as Level 2 under Man's fair value hierarchy.

At 31 March 2011, \$85 million (2010: \$49 million) of fee and other receivables are expected to be settled after more than 12 months.

## 16. Trade and other payables

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

Trade and other payables includes: accruals of \$303 million (2010: \$108 million), which includes compensation accruals for the final quarter of the financial year; trade payables of \$56 million (2010: \$4 million), which primarily relate to GLG's OEIC business; and other payables of \$288 million (2010: \$254 million) which include servicing fees payable to distributors and redemption proceeds due to investors. Included in trade and other payables at 31 March 2011 are balances of \$87 million (2010: \$39 million) that are expected to be settled after more than 12 months. Man's policy is to meet its contractual commitments and pay suppliers according to agreed terms.

## 17. Cash, liquidity and borrowings

Cash and cash equivalents of \$2,359 million (2010: \$3,229 million) represent our funded liquidity resources to support our ongoing operations and our stress liquidity requirements. The cash is invested in accordance with strict limits consistent with the Board's risk appetite, which consider both the security and availability of the liquidity. Accordingly the cash is invested in short term bank deposits and on occasion in reverse repurchase agreements (over highly liquid collateral and with a guarantee from the bank's parent where applicable). At year end cash balances were placed with 30 individual banks. The single largest counterparty exposure of \$435 million was held with an AA- rated bank. Balances with banks in the AA ratings band or better aggregated to \$529 million (2010: \$871 million) and balances with banks in the A ratings band aggregated to \$1,830 million (2010: \$2,358 million).



## Financial Review continued

### 17. Cash, liquidity and borrowings continued

#### Foreign exchange and interest rate risk

Man is subject to risk from changes in interest rates or foreign exchange rates on monetary assets and liabilities. 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 \$13 million (2010: \$2 million gain/loss), with a corresponding impact on equity. In respect of Man's monetary assets and liabilities which earn/incur interest indexed to floating rates, as at 31 March 2011, a 50bp increase/decrease in interest rates, with all other variables held constant, would have resulted in a \$8 million increase/\$5 million decrease (2010: \$14 million increase/\$9 million decrease) in net interest income, with a corresponding impact on equity.

#### Liquidity and borrowings

The business is cash generative at an operating level and it has the ability to generate significant equity and cash through performance fees, particularly from AHL. Man's strategy is to have a diversified borrowing base combining both funded and unfunded facilities and sourced from financial institution and capital market sources.

Man's liquidity resources, aggregated to \$4.8 billion at year end (2010: \$5.6 billion) comprising; net free cash balances (cash and cash equivalents less funded debt) of \$0.6 billion (2010: \$1.5 billion); total debt of \$1.8 billion (2010: \$1.7 billion), held as cash balances; and an undrawn committed syndicated loan facility of \$2.4 billion (2010: \$2.4 billion).

The maintenance of funded capacity and liquidity forms part of Man's strategy to manage the franchise risks of the business through different market conditions and business cycles. The amount of potential liquidity requirements is modelled based on scenarios that assume stressed market and economic conditions. To maintain maximum flexibility none of our credit facilities have any covenants that are linked to maintaining minimum levels of funds under management, financial metrics or credit ratings. With the exception of committed purchase arrangements (AFI 18) the funding requirements relating to the investment management process are discretionary. Where funding is utilised, transactions are evaluated on the economic benefit to the overall franchise and return on the capital deployed. The mix of funded debt and committed facilities is a matter determined by the Board based on funding needs, availability and funding capacity in the capital and bank markets and therefore can change over time.

The liquidity profile of Man is monitored on a daily basis and the stress scenarios are updated regularly. The Board reviews Man's funding resources at each Board meeting and on an annual basis as part of the strategic planning process. Man's available liquidity is considered sufficient to cover the current and stress liquidity requirements.

The following table summarises Man's available liquidity maturity as at 31 March 2011 based on contractual maturity.

31 March 2011 \$m	Total	Less than 1 year	2 years	3 years	Greater than 3 years
2013 Senior Fixed Rate Notes	229	–	–	229	–
2015 Senior Fixed Rate Notes	847	–	–	–	847
2015 Subordinated Floating Rate Note	171	–	–	–	171
2017 Subordinated Fixed Rate Note	231	–	–	–	231
<b>Funded debt</b>	<b>1,478</b>	<b>–</b>	<b>–</b>	<b>229</b>	<b>1,249</b>
Perpetual Subordinated Capital Securities	300	–	–	–	300
Undrawn committed revolving loan facility	2,430	–	630	1,800	–
<b>Total funding</b>	<b>4,208</b>	<b>–</b>	<b>630</b>	<b>2,029</b>	<b>1,549</b>
Cash and cash equivalents	2,359				
<b>Total available liquidity (cash plus undrawn committed facilities)</b>	<b>4,789</b>				
31 March 2010 \$m	Total	Less than 1 year	2 years	3 years	Greater than 3 years
Funded debt	1,434	–	–	228	1,206
Perpetual Subordinated Capital Securities	300	–	–	–	300
Undrawn committed facility	2,430	–	–	630	1,800
Total funding	4,164	–	–	858	3,306
Cash net of overdraft	3,174				
Total available liquidity (cash plus undrawn committed facilities)	5,604				

Borrowings are initially recorded at fair value net of transaction costs incurred, and are subsequently stated at amortised cost. The difference between the amount repayable at maturity on the borrowings and the carrying value is amortised over the period up to the expected maturity of the associated debt in accordance with the effective interest method.

The \$229 million senior fixed rate notes issued in 2008 under Man's \$3 billion Euro Medium Term Note Programme (EMTN Programme) mature on 1 August 2013 and have a coupon of 6.5% per annum payable semi-annually in arrears up to and including the maturity date (2013 Senior Fixed Rate Notes).



The €600 million senior fixed rate notes issued in 2010 under the EMTN Programme mature on 18 February 2015 and have a coupon of 6.0% per annum payable annually in arrears up to and including the maturity date (2015 Senior Fixed Rate Notes). The 2015 Senior Fixed Rate Notes are usually swapped into USD on an ongoing basis and invested in USD.

The \$171 million subordinated floating rate notes were issued in 2005 and mature on 22 September 2015 (2015 Subordinated Floating Rate Notes). The 2015 Subordinated Floating Rate Notes may be redeemed in whole at Man's option 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 1.65%.

On 9 August 2010, \$231 million of the 2015 subordinated floating rate notes were exchanged at par into new seven year subordinated fixed rate notes which have a coupon of 5% and mature on 9 August 2017 (2017 Subordinated Fixed Rate Notes).

The \$300 million RegS 11% perpetual subordinated capital securities (Capital Securities) were issued in 2008 and have a perpetual maturity date with optional par redemption at Man's discretion on 7 May 2013 and any coupon date thereafter, subject to FSA approval. On any coupon date we may exchange or vary the Capital Securities for qualifying non-innovative Tier 1 securities (e.g. perpetual non-cumulative preference shares). The 11% per annum coupon is payable quarterly in arrears and is deferrable at the discretion of Man. The Capital Securities have been classified as equity on the basis that they are irredeemable except at the option of Man, and coupon payments and principal repayments can be deferred indefinitely. The coupon is therefore classified as dividends in the equity section.

The committed syndicated revolving loan facility of \$2.4 billion was entered into in June 2007 with 31 financial institutions to make available a multicurrency revolving facility and two dollar swingline facilities for general corporate purposes (Committed revolving loan facility or Committed facility). The Committed facility was undrawn as at year end and was drawn for 61 days during the year, with an average drawn amount of \$350 million and a maximum drawn amount of \$400 million. \$630 million of this facility matures in June 2012, with the balance maturing in June 2013.

The carrying amounts at year end included in borrowings were as follows:

\$m	2011	2010
Bank overdrafts	–	55
2013 Fixed Rate Senior Notes	229	228
2015 Fixed Rate Senior Notes	847	806
2015 Subordinated Floating Rate Note	171	400
2017 Subordinated Fixed Rate Note	231	–
	<b>1,478</b>	1,489

The fair value was not significantly different to the carrying value of borrowings at year end.

The expected payment profile of future undiscounted cash flows on borrowings (excluding principal amounts), totalling \$322 million (2010: \$367 million), is as follows: \$81 million is expected to be due within one year (2010: \$80 million); \$152 million within 2 and 3 years (2010: \$154 million); and \$89 million is expected to be due after three years (2010: \$133 million).

Disclosures in relation to financial guarantees and commitments are included in [AFI 18](#).

## 18. Investments in associates and joint ventures

\$m	2011	2010
<b>At beginning of year</b>	<b>351</b>	317
Currency translation differences	13	11
Disposal of BlueCrest	(227)	–
Share of post-tax profit	65	70
Dividends received	(112)	(47)
Impairment of Ore Hill	(22)	–
<b>At 31 March</b>	<b>68</b>	351

At 31 March 2011, investments in associates and joint ventures carrying amount primarily relates to a 25% interest in Nephila Capital Ltd., an alternative investment manager specialising in the management in funds which underwrite natural catastrophe reinsurance and invest in insurance-linked securities and weather derivatives.



## Financial Review continued

### 18. Investments in associates and joint ventures continued

Associates are entities in which Man holds an interest and over which it has significant influence but not control. Joint ventures are entities in which Man has joint control through contractual arrangements. Investments in associates and joint ventures are recorded by the equity method of accounting and at cost plus (or minus) our share of cumulative post-acquisition movements in undistributed profits (or losses). Our share of post-acquisition distributable profits or losses, net of taxes is recognised in the income statement, and our share of post-acquisition movements in reserves is recognised in reserves. 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.

Where Man has investments in certain fund entities over which it is able to exert significant influence but not control, these are classified as associates. Man 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 or loss.

Summary financial information of our associates has not been provided as it is considered excessive in length and is not considered meaningful. Details of all associates will be annexed in the Company's annual return.

#### BlueCrest Capital Management

The interest in BlueCrest Capital Management LLP (BlueCrest), previously reported as an associate, together with the existing loan note was sold on 21 March 2011 for \$533 million of cash and \$100 million par value new loan note. A gain of \$257 million has been recorded on the sale of the equity interest and a gain of \$11 million has been recorded on the repayment of the loan note in finance income in the Income Statement. In 2011 the share of associate income after tax from BlueCrest was \$67 million (2010: \$73 million).

#### Ore Hill

Man's 50% equity investment in Ore Hill, a US based credit specialist fund manager, was acquired in 2008, and is treated as a joint venture. On 29 March 2011 we reached a definitive agreement with the principals of Ore Hill to acquire the remaining 50% equity interest in their business for approximately \$18 million, including the issuance of \$15 million of Man shares to the principals. An impairment charge of \$22 million has been recorded against the existing carrying value to be in line with the valuation of the overall business. The transaction subsequently completed on 3 May 2011, following investor and regulatory consents.

### 19. Deferred compensation arrangements

Man operates cash and equity settled, share-based schemes as well as fund product based compensation arrangements. Details of these schemes may be found in the Remuneration Report on [pages 94 to 106](#).

In respect of equity settled share-based 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 fair value of the share awards and options granted in exchange for employee services is calculated using a binomial 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 performance conditions. Forfeiture and early vesting 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 contained in the [Additional Financial Information Note 14](#). 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. Changes to the original estimates, if any, are included in the Income Statement, with a corresponding adjustment to equity. For cash settled share-based compensation schemes, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the Income Statement for the year, taking into account the period of vesting to date.

Man also operates compensation plans in which deferred compensation is invested in Man fund products. The fair value of the employee services received in exchange for the fund units 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, re-measured 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.

During the year, \$101 million (2010: \$55 million) was included in compensation expense for share-based payment and deferred fund product plans, split between equity settled charge of \$76 million (2010: \$50 million), cash-settled share based payments totalling \$10 million (2010: nil), and deferred fund product plans of \$15 million (2010: \$5 million).

#### 19.1 Employee Trusts

The Employee Trusts have the obligation to deliver shares, options and fund product based payments which have been granted to employees. Man contributed funds in order for the Trusts to meet their current year obligations of \$24 million (2010: \$44 million) in the period. At year end the Employee Trusts held 51.8 million Man shares, derivative contracts over \$50 million notional value options and \$17 million fund units to deliver against the future obligations. The Trusts are fully consolidated into Man and shares held are treated as treasury stock for EPS purposes.





## 20. Pension benefits

Man operates 12 (2010: 11) defined contribution plans and two (2010: two) funded defined benefit plans.

### Defined contribution plans

Man pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Man has no further payment obligation once the contributions have been paid. Defined contribution pension costs totalled \$8 million (2010: \$6 million). The contributions are recognised as employee benefit expense when they are due.

### Defined benefit plans

A defined benefit plan creates a financial obligation to provide funding to the pension plan to provide a retired employee with pension benefits usually dependent on one or more factors such as age, years of service and compensation. The two defined benefit plans operated are the Man Group plc Pension Fund in the UK (the UK plan) and the Man Group Pension Plan in Switzerland (the Swiss plan). At 31 March 2011, the UK plan comprised 78% (2010: 80%) of the total defined benefit pension obligations. The UK plan was closed to new members in May 1999. The Swiss plan remains open to new members.

The asset recognised in the Statement of Financial Position in respect of defined benefit pension plans is the fair value of the plan assets (including the Reservoir Trust described below) less the present value of the defined benefit obligation at the balance sheet date. This net asset or liability represents the shareholders' obligation to the pension plans and the potential use of the Man's resources in the future.

The latest funding valuation of the UK plan was carried out by independent qualified actuaries as at 31 December 2008 and indicated a deficit of £75 million. Man has agreed that from April 2010 additional cash contributions each year will be made to cover the cost of accruing benefits less the contributions made by active members. In addition, to remove the funding deficit it was agreed that Man 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. Under these arrangements £7.3 million (2010: £7.3 million) of cash contributions were made to the UK plan this year.

In order to maintain flexibility with regards to the funding of the UK plan, Man also set up the Man Group Reservoir Trust (the Reservoir Trust) in 2010. Man contributed \$76 million of assets to the Reservoir Trust on 31 March 2010 and 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. The Reservoir Trust gives the pension trustees comfort that Man can fund a deficit at 31 December 2015 and in the event that the UK plan is fully funded, allows Man to recover the assets so that the plan is not overfunded.

In addition, to reduce the pension liabilities in the UK plan, Man offered deferred members the ability to transfer their pension out at an enhanced amount to the current value of their pension. This allowed participants, at their option, the flexibility to move their pension to an alternative investment plan. 36 percent of participants transferred their pensions and reduced the future pension obligation by £29 million. For Man this process reduced the risk of longevity, interest rate and inflation changes on the future pension liability, and reduced the administration cost of the UK plan.

The amounts recognised in the Statement of Financial Position are determined as follows:

\$m	2011	2010
Present value of funded obligations	<b>(366)</b>	(384)
Fair value of plan assets	<b>401</b>	391
Surplus	<b>35</b>	7
Unrecognised actuarial losses	<b>56</b>	61
Unrecognised past service cost	<b>–</b>	1
Net pension asset in the Statement of Financial Position at 31 March	<b>91</b>	69

Additional information regarding the actuarial valuation and changes in plan assets and liabilities has been included in the [Additional Financial Information Note 15](#).

Our economic capital model includes capital in respect of a possible deficit in the pension plans. This is also the amount of regulatory capital we hold under Pillar 2 in respect of the pension plans.

**Financial Review** continued**Group Statement of Changes in Equity**  
**At 31 March**

	Equity attributable to shareholders of the Company					
	2011			2010		
	Share capital and capital reserves	Revaluation reserves and retained earnings	Total	Share capital and capital reserves	Revaluation reserves and retained earnings	Total
\$m						
<b>At beginning of the year</b>	<b>2,626</b>	<b>1,361</b>	<b>3,987</b>	2,608	1,584	4,192
Profit for the year	–	<b>211</b>	<b>211</b>	–	445	445
Other comprehensive income	–	<b>71</b>	<b>71</b>	–	101	101
Perpetual capital securities coupon	–	<b>(24)</b>	<b>(24)</b>	–	(24)	(24)
Acquisition of business	<b>694</b>	<b>(65)</b>	<b>629</b>	–	–	–
Share-based payments	<b>26</b>	<b>27</b>	<b>53</b>	18	(5)	13
Disposal of business	–	<b>22</b>	<b>22</b>	–	5	5
Movement in close period buyback obligations	–	<b>100</b>	<b>100</b>	–	–	–
Dividends	–	<b>(613)</b>	<b>(613)</b>	–	(745)	(745)
<b>At 31 March</b>	<b>3,346</b>	<b>1,090</b>	<b>4,436</b>	2,626	1,361	3,987

During the year there have been no changes in the underlying instruments of shareholders' equity, which are described in the Additional Financial Information.

Shareholders' equity increased during the year as a result of profits and issuance of shares in relation to the GLG acquisition, net of dividend payments. In 2010 shareholders' equity decreased as a result of dividend payments exceeding profits.

The proposed final dividend will reduce shareholders' equity by \$229 million (2010: \$425 million).

Included in [AFI Note 13](#) are details of share capital and capital reserves, revaluation reserves and retained earnings and related movements.



## 21. Capital management

Investor confidence is an important element in the sustainability of our franchise. 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. This capital has given Man flexibility to support our investors, intermediaries and financial partners and to allow them to make informed decisions regarding their investment exposures. This confidence gives our franchise credibility and sustainability.

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 and the launch of new fund products. We view this as a competitive advantage and allows us to align directly our interests with those of investors and intermediaries.

Man monitors its capital requirements through continuous review of its regulatory capital and economic capital, including monthly reporting to Finance Committee and the Board. The Board approach to the use or distribution of available capital surpluses is discussed in the Chairman's Review.

## 22. Regulatory capital (unaudited)

For regulatory capital purposes Man is subject to consolidated financial supervision by the UK Financial Services Authority (FSA) in the same manner as our bank intermediaries and counterparties. Our regulatory capital requirements are in accordance with FSA rules consistent with the Capital Requirements Directive. We use the Standardised Approach to calculate Pillar 1 requirements for both credit risk and operational risk. Our assessment of internal capital adequacy for Pillar 2 purposes is based on our economic capital model which uses a combination of stochastic and scenario modelling. Our financial resources have exceeded our financial resource requirements (regulatory capital requirements) at all times during the year.

The majority of our regulatory capital requirements relate to acquisition franchise value and other intangibles which, as we are subject to consolidated supervision, must be deducted in full from our Tier 1 capital. The remaining financial resource requirements, mainly in relation to operational risk (see [page 49](#) for more details) and risks arising on investments in fund products ([Note 14](#)) are supported by available Tier 1 and Tier 2 capital.

The table below summarises the regulatory capital requirements. The reduction in excess capital from the previous year results primarily from the use of capital relating to the franchise value arising on the acquisition of GLG as discussed in [Note 13.1](#).

### Group's regulatory capital position

\$m	31 March 2011	31 March 2010
Permitted share capital and reserves	<b>3,653</b>	3,524
Innovative Tier 1 Perpetual Subordinated Capital Securities	<b>178</b>	300
Less franchise value and other intangibles:		
– Franchise value	<b>(1,704)</b>	(798)
– Investments in associates/JVs	<b>(66)</b>	(282)
– Placement fees	<b>(184)</b>	(278)
– Other intangibles	<b>(690)</b>	(59)
<b>Available Tier 1 Group capital</b>	<b>1,187</b>	2,407
Tier 2 capital – subordinated debt	<b>383</b>	400
Other Tier 2 capital	<b>126</b>	–
Material holdings deductions	<b>(20)</b>	(200)
<b>Group financial resources</b>	<b>1,676</b>	2,607
Less financial resources requirement	<b>(1,025)</b>	(1,127)
<b>Excess capital</b>	<b>651</b>	1,480



## Independent auditors' report on the Group's financial statements

We have audited the group financial statements of Man Group plc for the year ended 31 March 2011 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Equity, the Group Cash Flow Statement and the related notes, which, as noted on [page 55](#), are included in the Financial Review on [pages 56 to 75](#) and the Additional Financial Information on [pages 112 to 125](#) and are described as having been audited. 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 113](#), 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Man Group plc Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on 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 2011 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.

### 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.

Under the Listing Rules we are required to review:

- the directors' statement, set out on [page 57](#), in relation to going concern;
- 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; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

### Other matter

We have reported separately on the parent company financial statements of Man Group plc for the year ended 31 March 2011 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  
26 May 2011



## Five-year Record

	2011 \$m	2010 \$m	2009 \$m	2008 \$m	2007 \$m
<b>Income statement – continuing operations</b>					
Profit before adjusting items	<b>599</b>	560	1,243	2,079	1,301
Adjusting items <sup>1</sup>	<b>(275)</b>	(19)	(500)	–	–
<b>Pre-tax profit</b>	<b>324</b>	541	743	2,079	1,301
Taxation	<b>(51)</b>	(96)	(240)	(362)	(191)
<b>Profit for the year on continuing operations</b>	<b>273</b>	445	503	1,717	1,110
<b>Income statement – discontinued operations</b>					
<b>Pre-tax (loss)/profit</b>	<b>(62)</b>	–	–	1,788	263
Taxation	<b>–</b>	–	–	(35)	(89)
<b>(Loss)/profit for the year on discontinued operations</b>	<b>(62)</b>	–	–	1,753	174
<b>Total profit for the year</b>	<b>211</b>	445	503	3,470	1,284
<b>Earnings per share (diluted)</b>					
Continuing operations (cents)	<b>14.0</b>	24.8	28.4	90.2	55.4
Continuing and discontinued operations (cents)	<b>10.5</b>	24.8	28.4	182.0	63.9
<b>Statement of Financial Position (\$m)</b>					
Net cash	<b>881</b>	1,740	1,718	1,474	1,832
Net assets	<b>4,436</b>	3,987	4,192	4,711	4,563
<b>Other statistics</b>					
Post-tax return on equity – continuing operations (%)	<b>6.5</b>	10.1	13.5	41.6	32.2
Ordinary dividends per share (cents)	<b>22.0</b>	44.0	44.0	44.0	20.0
Funds under management (\$bn)	<b>69.1</b>	39.4	46.8	74.6	61.7
Average headcount – continuing operations	<b>1,538</b>	1,574	1,776	1,731	1,548
Average headcount – discontinued operations	<b>–</b>	–	–	3,252	3,174
Sterling/US dollar exchange rates					
Average	<b>0.6427</b>	0.6261	0.5817	0.4981	0.5280
Year end	<b>0.6235</b>	0.6588	0.6970	0.5043	0.5079

<sup>1</sup> Adjusting items are those items presented separately on the face of the income statement by virtue of their size or nature – see [Note 9 of the Financial Review](#) section for further details.



# Governance





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## Corporate Governance Report



**Jon Aisbitt**  
Chairman

**In my Chairman's Review I highlighted the priorities and main areas of focus for the Board during the last financial year. In this report, I am pleased to discuss more fully the work and operation of the Board and the framework of governance it deploys to lead and control the business and report on the Company's performance.**

### **What is the role of the Board?**

Our core purpose is to create and deliver the long term success of the Company and long term return for shareholders. This requires us to determine business strategy and our appetite for risk. We need to monitor management's performance in delivering against that strategy and ensure that the risk management measures and internal controls they put in place are appropriate and effective. We must ensure that the funding and talent available to the business will support it long term. Finally, we must remain aware of the Company's obligations to its shareholders and other stakeholders and respond to their needs with transparent reporting and active engagement.



To help discharge these key responsibilities, the Board has defined the business and governance issues which are reserved for its final decision. These form the basis of its core agenda and are summarised below:

#### Schedule of matters reserved for the Board Strategy

- Determining strategy and approval of medium term plans and budgets.
- Approval of major acquisitions and disposals.
- Approval of new ventures which extend beyond the Company's current business mandate and risk appetite.

#### Risk appetite, funding and liquidity

- Determining the Company's risk appetite.
- Agreeing the Company's capital structure, funding, borrowing limits and liquidity.
- Approval of Treasury policies including credit exposures and interest rate and foreign exchange hedging.

#### Risk management and internal controls

- Reviewing the effectiveness of the Company's risk management framework and internal controls and reporting on that review to shareholders.
- Approval of the Company's capital adequacy submission to the FSA.

#### Financial reporting and dividends

- Recommending and declaring dividends.
- Approval of major accounting policies.
- Approval of financial statements and results announcements.
- Approval of all shareholder circulars and notices of meeting.

#### Appointments

- Appointment of directors.
- Appointment of auditors.
- Appointment of Board Committees – terms of reference and membership.

#### Remuneration

- Approval of the Company's remuneration philosophy and the principles of its remuneration policy.
- Approval, on the recommendation of the Remuneration Committee, of the Company's total variable compensation spend each year.
- Approval of new share incentive plans prior to their submission to shareholders for approval.

#### How is the Board structured?

I lead a focussed close knit Board comprised of an effective balance of executive and non-executive directors. Biographical details of each director, together with their Board Committee memberships and terms of appointment, are set out in the table on [pages 82 and 83](#).

The executive directors, supported by senior management, are responsible for the day to day operation and development of the business. The non-executive directors are appointed to bring an external and independent view, both to support and, when appropriate, challenge their management colleagues.

Our non-executive directors closely monitor management performance against the agreed strategy and direction and seek remedial or alternative action where objectives are not being met. Their independence from management also allows them to play a critical part in key Board governance functions through their detailed work on three Board Committees, the summary roles of which are outlined below.

The Chairman of each Committee reports to the Board on matters discussed at Committee meetings and highlights any significant issues requiring Board attention. Reports from the Chairman of the Audit and Risk and Remuneration Committees on the work of those Committees during the year are given on [pages 91 and 94](#) respectively. A report from me on the work of the Nomination Committee follows on [page 90](#). Full terms of reference for these Board Committees can be found on our website [www.mangrouplc.com](http://www.mangrouplc.com) (under About Man, Board of Directors).

## Board of Directors

- sets strategy
- determines risk appetite
- monitors Company and management performance
- engages with shareholders



#### Audit and Risk Committee

- reviews the integrity of financial reporting to shareholders
- reviews the effectiveness of the Company's risk management framework and internal controls
- determines the scope of external audit and reviews its findings and effectiveness
- reviews Internal Audit reports and monitors management's response to their recommendations

#### PG 91 Audit and Risk Committee report

#### Remuneration Committee

- determines and agrees with the Board the principles of the Company's remuneration policy
- determines the total compensation for executive directors, Executive Committee members and FSA Code staff within that policy
- recommends to the Board the quantum of the Company's annual variable compensation
- approves executive directors' annual objectives and sets the performance conditions and vesting criteria for their share incentive plans
- agrees executive directors' contractual termination terms

#### PG 94 Remuneration Committee report

#### Nomination Committee






- reviews the Board's skill and experience base and proposes any necessary changes
- directs the search and selection process for new appointments and recommends preferred candidates to the Board
- oversees senior management succession planning to ensure continuity of executive resource at and just below Board level

#### PG 90 Nomination Committee report



## Corporate Governance Report

### Board of Directors

	 <p><b>Jon Aisbitt</b> Chairman of the Board and Chairman of the Nomination Committee</p>	 <p><b>Alison Carnwath</b> Senior Independent Director</p>	 <p><b>Peter Clarke</b> Chief Executive</p>	 <p><b>Phillip Colebatch</b> Independent non-executive director and Chairman of the Remuneration Committee</p>	 <p><b>Dugald Eadie</b> Independent non-executive director</p>
<b>Biography</b>	Jon Aisbitt has 20 years' experience in international corporate finance and was previously a Partner and Managing Director in the Investment Banking Division of Goldman Sachs.	Prior to joining the Board, Alison Carnwath spent 20 years working in investment banking and was an Independent Director of MF Global Holdings Limited until August 2010.	Peter Clarke joined Man 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.	Prior to joining the Board, Phillip Colebatch was a member of the Executive Boards of Swiss Reinsurance Company and Credit Suisse Group.	Dugald Eadie has held a number of senior executive positions in the fund management industry. He was 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 CFA Society of the UK.
<b>Term of office*</b>	Jon was appointed to the Board as a non-executive director in August 2003 and was appointed non-executive Chairman in September 2007. Jon's current 3 year term of office expires in July 2012.	Alison was appointed to the Board as a non-executive director in January 2001. She was appointed Senior Independent Director in July 2009. Alison's current term of office expires in July 2011. Subject to her reappointment** by shareholders at the 2011 AGM her term of office will be renewed until the 2012 AGM.	Peter was appointed to the Board in 1997 and became Finance Director in May 2000. He was appointed Deputy Group Chief Executive in November 2005 and Chief Executive in March 2007. Peter has no fixed term of office and his service contract is terminable on 12 months' notice.	Phillip was appointed to the Board as a non-executive director in September 2007. Phillip's current 3 year term of office expires in July 2011. Subject to his reappointment by shareholders at the 2011 AGM, his term of office will be renewed until July 2014.	Dugald was appointed to the Board as a non-executive director in January 2002. He is retiring from the Board at the 2011 AGM.
<b>External appointments</b>	Jon is an Advisory Board Director of Celtic Pharma I and Celtic Pharma II (biotechnology) and a Director of New Forest Company Holdings (African forestry).	Alison is Chairman of Land Securities Group plc, a non-executive Director of Barclays PLC and an Independent Director of Paccar Inc.	None.	Phillip is a non-executive director of Insurance Australia Group and Lend Lease Corporation and is on the Boards of Trustees of the LGT Group Foundation and the Prince of Liechtenstein Foundation.	None.
<b>Committee membership</b>	Jon is Chairman of the Nomination Committee and a Member of the Remuneration Committee. He attends Audit and Risk Committee meetings by invitation.	Alison is a Member of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee.	Peter regularly attends Remuneration Committee and Nomination Committee meetings by invitation.	Phillip is Chairman of the Remuneration Committee and a Member of the Nomination Committee.	Dugald is a Member of the Audit and Risk Committee and a Member of the Nomination Committee.

\* All directors' appointments are subject to their retirement by rotation and reappointment by shareholders at the Company's Annual General Meetings (AGMs).

\*\* As Alison Carnwath has served on the Board for more than 9 years, her reappointment is required to be confirmed by shareholders annually.



**Kevin Hayes**  
Finance Director

Kevin Hayes joined Man as Chief Financial Officer in March 2007 from Lehman Brothers, where he served in a variety of senior finance and strategy positions based in New York and London. 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.

Kevin was appointed to the Board as Finance Director in May 2007. Kevin has no fixed term of office and his service contract is terminable on 12 months' notice.

None.

Kevin regularly attends Audit and Risk Committee meetings by invitation. He attends Remuneration Committee meetings for certain items of business.



**Ruud Hendriks**  
Independent non-executive director

Ruud Hendriks was previously with Goldman Sachs Asset Management where he was 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 was appointed to the Board as a non-executive director in August 2009. His current 3 year term of office expires in August 2012.

Ruud is Chairman of the Advisory Board of Financial Assets (a Dutch recruitment firm), Senior Advisor, for the Netherlands, to Kohlberg Kravis, Roberts & Co., Senior Advisor to the Board of Syntrus Achmea and a Member of the Corporate Board of Taler Group (a Dutch asset manager). Ruud was appointed President of Man Investments SGR S.p.A in May 2011.

Ruud is a Member of the Remuneration Committee and a Member of the Nomination Committee.



**Frédéric Jolly**  
Independent non-executive director

Frédéric (Fred) Jolly was Chief Executive Officer of Russell Investments (Europe, Middle East and Africa) until the summer of 2008. Prior to this, Frederic was Head of Investment Consulting at The Wyatt Company, Paris (now Watson Wyatt).

Fred was appointed to the Board as a non-executive director in August 2009. His current 3 year term of office expires in August 2012.

Fred is founding Partner of Lexam Partners, an advisory business specialising in financial services.

Fred is a Member of the Audit and Risk Committee and a Member of the Nomination Committee.



**Matthew Lester**  
Independent non-executive director

Matthew Lester was Group Finance Director of ICAP plc from 2006 to 2010. Prior to this he worked at Diageo plc in a number of senior finance roles, including Group Financial Controller.

Matthew was appointed to the Board as a non-executive director in May 2011. His current 3 year term of office expires in May 2014 subject to shareholder approval of his appointment at the 2011 AGM.

Matthew is Chief Finance Officer of the Royal Mail Group. He is on the main Committee of the Hundred Group of Finance Directors.

Matthew is a Member of the Audit and Risk Committee and a Member of the Nomination Committee.



**Patrick O'Sullivan**  
Independent non-executive director and Chairman of the Audit and Risk Committee

Patrick O'Sullivan was previously Vice Chairman of the Group Management Board, as well as Group Finance Director, of Zurich Financial Services Group.

Patrick was appointed to the Board as a non-executive director in September 2007. His current 3 year term of office expires in July 2013.

Patrick is Chairman of Old Mutual plc and a non-executive director of the Bank of Ireland and COFRA Holding AG.

Patrick is Chairman of the Audit and Risk Committee and a Member of the Nomination Committee.



**Emmanuel Roman**  
Chief Operating Officer

Emmanuel (Manny) Roman joined Man as Chief Operating Officer in October 2010 following the acquisition of GLG. He joined GLG in 2005 as Co-Chief Executive Officer after 18 years with Goldman Sachs where he was Co-Head of Worldwide Global Securities and Co-Head of the European Securities Division.

Manny was appointed to the Board in May 2011. Manny has no fixed term of office and his service contract is terminable on 12 months' notice. He is seeking shareholder approval of his appointment at the 2011 AGM.

Manny is a non-executive director of Grupo Prisa SA. (education, media and entertainment).

Manny regularly attends Audit and Risk Committee meetings by invitation.



## Corporate Governance Report continued

### What are the key Board relationships?

Of critical importance to the effective working of the Board is my relationship with the Chief Executive, Peter Clarke. While I am responsible for leading and running the Board, Peter leads and runs the business. A summary of our clearly differentiated but complementary roles is given opposite. Peter keeps me closely informed on developments in the business. I regularly discuss with him the Board's thinking and concerns, challenging management's perspective where appropriate and identifying issues for further debate. Together we explore ways in which we can best engage the Board on important issues and maximise non-executive contribution.

### Senior Independent Director

Another key figure on the Board is our Senior Independent Director, a role currently held by Alison Carnwath. Alison provides a great source of advice and experience drawn from her broad financial career and long service on the Man Board. I regularly use her as a sounding board to test ideas and proposals before progressing them with the full Board. I know that she would, if required, be a skilful intermediary with the non-executives and provide an effective alternative channel of communication with shareholders if the Company's regular engagement were to fail. Alison appraises my performance as Chairman on an annual basis in private discussion with the other non-executive directors, taking account of input from the executives. I appreciate and greatly value the direct and candid feedback she gives me from these sessions.

### What part does the Chairman play?

In addition to my regular dialogue with the Chief Executive on management's interface with the Board, I spend a lot of time working on the Board's forward agenda and on detailed preparation for meetings in conjunction with the Company Secretary. Our aim is that Board meetings should allow full and free discussion, unburdened by time constraint and over prescription, while still delivering proper governance and the timely addressing of issues. We keep non-executive Board members updated on all important and topical developments and give them the opportunity to raise any issues of concern. Materials and information presented by management are designed to facilitate well informed decision making. In chairing Board meetings I encourage the expression of the broadest range of views, particularly those which may challenge management. I seek to foster open and trusting relationships between executive and non-executive Board members and am regularly rewarded with robust, incisive and good humoured debate.



#### Chairman

- Leads the Board and sets its agenda including agreeing strategy and determining risk appetite.
- Ensures the regular flow of accurate and relevant management information to enable the Board to make sound decisions and monitor business performance.
- Ensures, with the support of the Nomination Committee, effective Board succession planning.
- Fosters effective Board relationships, evaluation of Board performance and follow up action.
- Ensures effective communication with shareholders and that the Board develops a clear understanding of their views.

To help give me a comprehensive view of Board activity and Board members' contribution, I attend Audit and Risk Committee meetings by invitation and Remuneration Committee meetings as a member. In addition, I am in frequent touch with Board members between formal meetings to keep them updated or seek their views on particular issues. I am always keen to preserve the immediacy and informality of communication which I believe is one of the great strengths of our Board. To supplement our formal Board programme, we meet for dinner on the evenings before Board meetings and as part of our annual strategy review. These occasions provide the opportunity for further learning and the relaxed and creative exchange of views on the business. They also allow private discussion between non-executive Board members if required.

### What was on the Board agenda last year?

As mentioned in my Chairman's Review, the first part of the year was dominated by the Board's scrutiny and execution of the GLG acquisition. This gave rise to an increased number of meetings for which Board members were often required to make themselves available at short notice. The table on page 85 summarises the main business topics addressed by the Board during the year in addition to their regular review of business



#### Chief Executive

- Leads the Executive Committee in developing business strategy for Board approval and in managing risk.
- Runs the business, through the executive management, on a day to day basis and reports to the Board on performance and significant developments.
- Builds and maintains an effective Executive Committee and management team.
- Communicates and instils throughout the business a shared purpose, culture and set of values.
- Maintains, in conjunction with the Finance Director and investor relations team, an effective dialogue with shareholders.

performance. The table below provides a record of directors' individual attendance at main Board meetings, in person or by telephone.

### Directors' attendance at Board meetings

Number of meetings held	14
Number of meetings attended	
Jon Aisbitt	14
Alison Carnwath*	11
Peter Clarke	13
Phillip Colebatch	12
Dugald Eadie	13
Kevin Hayes	14
Ruud Hendriks	13
Frederic Jolly	13
Patrick O'Sullivan	13

\*Owing to a potential conflict of interest, Alison Carnwath did not attend the meeting which approved the terms of the MF Global litigation settlement.





## Summary of Board business

### 2010

<b>April</b>	<b>GLG</b> <ul style="list-style-type: none"> <li>Analysis of strategic case for acquisition</li> <li>Agreed negotiating mandate and price parameters</li> </ul>	<b>Nov</b>	<b>Interim results</b> <ul style="list-style-type: none"> <li>Approval of interim results, report and interim dividend</li> <li>Review of risk appetite statements</li> <li>Review of progress on actions arising from 2010 Board evaluation</li> <li>Approval of change in accounting year and transitional arrangements</li> </ul>
<b>May</b>	<b>GLG</b> <ul style="list-style-type: none"> <li>Review of transaction structure, pricing and due diligence</li> <li>Approval to proceed</li> </ul> <b>Year end results</b> <ul style="list-style-type: none"> <li>Review of 2010 year end results and reporting</li> <li>Year end review of risk management and internal controls</li> <li>Recommendation of final dividend</li> <li>Approval of notice of AGM</li> <li>Approval of additional funding for Oxford-Man Institute of Finance</li> <li>Endorsement of Chief Executive's delegation of authority framework</li> <li>Update on reaction to GLG announcement and next steps</li> </ul>	<b>Dec</b>	<b>Visit to Oxford-Man Institute of Finance</b> <ul style="list-style-type: none"> <li>Review of contribution of Institute research to AHL</li> </ul> <b>Board Strategy Review</b> <ul style="list-style-type: none"> <li>Updates on progress in AHL and new and refocused business areas</li> <li>Review of new sales opportunities and cost base</li> <li>Shaping of business over the next 18 months</li> <li>Debate on implications of longer term macro risks</li> <li>Approval of settlement of MF Global litigation</li> </ul>
<b>July</b>	<b>GLG</b> <ul style="list-style-type: none"> <li>Review and approval of shareholder circular, prospectus and US Proxy Statement</li> <li>Initial review of integration plans</li> <li>Approval of updated capital adequacy statement for FSA</li> </ul> <b>Funding and liquidity</b> <ul style="list-style-type: none"> <li>Approval of offer of exchange of the Company's Floating Rate Loan Notes for an alternative debt instrument</li> <li>Consideration of the adequacy of available liquidity in the light of future potential stress scenarios</li> </ul>	<b>2011</b>	
<b>Sept</b>	<b>Risk day</b> <ul style="list-style-type: none"> <li>Review of the implications of a range of macro-economic scenarios for Man's operating environment and performance</li> <li>Review of existing risk appetite statements and agreement to change</li> <li>Review of the framework for the Board's governance of risk</li> </ul> <b>GLG</b> <ul style="list-style-type: none"> <li>Half day review of integration programme</li> <li>Endorsement of new governance framework for the integrated business</li> </ul> <b>Strategy update</b> <ul style="list-style-type: none"> <li>Update on workstreams agreed at the 2009 Board Strategy Review</li> <li>Review of the output from the product profitability and business efficiency workstream</li> </ul>	<b>Jan</b>	<b>Visit to Pfaffikon office and meetings with local management</b> <ul style="list-style-type: none"> <li>Approval of disposal of stake in BlueCrest</li> <li>Approval to take 100% ownership of Ore Hill</li> <li>Approval of Remuneration Committee recommendations on compensation</li> </ul>
		<b>March</b>	<b>Planning for 2011</b> <ul style="list-style-type: none"> <li>Final approval of revised risk appetite statements</li> <li>Review of liquidity and capital position and executive proposals for change</li> <li>Approval of 2011 Budget and three year Medium Term Plan</li> <li>Consideration of new Board appointments</li> </ul>



## Corporate Governance Report continued

### What do the non-executives contribute?

Our Board benefits from a broad and rich base of non-executive expertise. Together our non-executives bring to Man a powerful mix of experience in corporate finance, financial services, institutional investment and client development. Some have worked at director level in large multinational organisations. Others have boutique experience and are proven entrepreneurs. Each has the global perspective and outlook required for the successful direction of Man's business.

### Time commitment

Non-executive directors are appointed for an initial three year term, subject to their retirement by rotation and reappointment by shareholders at the Company's AGMs, after which a second term of three years may be mutually agreed. Their annual time commitment will vary according to their service on Board Committees and the demands of the business. The minimum time expectation set out in their letters of appointment is in the range of 24 to 33 days per annum. Each director confirms at the time of their appointment that they have sufficient time to give to the role and their commitment is reviewed as part of our annual Board evaluation. The non-executive directors make every effort to attend all scheduled and short notice meetings, even if on occasion this requires them to join a meeting by telephone or via video conference from a different time zone.

### Independence

One of the key qualities required of non-executives is that they should have the independence of character and judgement which enables them to challenge their executive colleagues constructively and dispassionately and to carry out their broad governance role. We recognise the importance of non-executives' independence to our shareholders and it is one of the issues we test in our annual evaluation of directors' effectiveness. We are aware, however, that, for some investors, length of non-executive service on the Board beyond nine years and in particular co-tenure over that period with the same executive director will prejudice a non-executive's independence.

This seems to us to be an over prescriptive view. We firmly believe that Alison Carnwath, who has now served on our Board for more than nine years, continues to bring to her role the same rigorous enquiry and intellectual challenge from which the Board has always benefited. She is quick to test executive assertions and regularly seeks direct feedback from staff on their perspective on the business and the impact management is having. Her continuity of service brings the Board an in depth understanding of Man which is of enormous value as the Company transitions to a broader stage with new players. Her familiarity with the business enhances rather than weakens her contribution.

We have discussed Alison's continuing appointment with some of our key investors and they have indicated their support for the benefit which long serving directors bring to the Board provided that there is robust succession planning and regular refreshment of the membership as a whole.

### External interests

All directors have a duty to avoid situations which create or may create a conflict with the interests of the Company. For this reason we ask our non-executive directors to notify us of their external business appointments and interests prior to joining the Company and to keep us advised of any changes on a continuing basis. Any director wishing to take up a new external appointment must first discuss it with me. Any interests which are perceived to represent a potential conflict are reviewed and, if thought fit, authorised by the Board.

Alison Carnwath's directorship of MF Global was previously identified as representing a potential conflict of interest. For this reason Alison never took part in any Board discussion of MF Global and did not receive any related Board minutes or papers. Following Alison's departure from the MF Global Board in August 2010, this potential area of conflict no longer exists.

### What changes have there been to the Board this year?

We regularly review the composition of the Board and consider how its skill, knowledge and experience base could be enhanced to meet the needs of the business. This is the prime focus of the Nomination Committee and I report on its work on [page 90](#).

Earlier this month the Board appointed Emmanuel (Manny) Roman, who joined Man as Chief Operating Officer last year following the acquisition of GLG, as an additional executive director. Manny has a wealth of experience in trading, markets and business management. He played a leading role in the integration of GLG and will continue to help the executive team realise the opportunities available to the combined business.

We have also appointed Matthew Lester, a former Group Finance Director of inter-dealer broker ICAP, as a non-executive director and as a member of the Audit and Risk Committee. His broad financial and markets experience will be a great asset to us.

Dugald Eadie, who has given the Company nine years' committed service as a non-executive director and as a former Chairman of the Remuneration and Audit and Risk Committees, will retire at this year's AGM. As a further step in the refreshing of Board roles, Alison Carnwath will step down as Senior Independent Director after the AGM while remaining on the Board. Alison will be succeeded by Patrick O'Sullivan,

the Chairman of the Audit and Risk Committee. Like Alison, Patrick brings extensive Board experience from outside Man to this role and will give me excellent support.

### Induction for new directors

We offer our new non-executive directors an induction tailored to their particular needs. This typically starts with a broad overview from the Chief Executive and is followed by meetings with each of our Executive Committee members, providing a thorough grounding across investment management, distribution, product structuring and operations, finance, legal and compliance and human resources. In addition, the firm's experts will lead sessions on specific corporate areas including funding and liquidity, capital planning, risk management and compliance, corporate communications and investor relations.

For directors who are unfamiliar with the UK listed company regime, the Company Secretary will provide guidance on directors' individual duties and the legal, regulatory and governance obligations that are imposed on the Company and Board. To meet the specialised requirements of Audit and Risk and Remuneration Committee members, we identify the principal technical and regulatory areas which directors need to understand and arrange appropriate briefings with Committee chairmen, internal experts and external auditors and advisers.

### Directors' indemnities and insurance cover

On their appointment new directors are granted an indemnity by the Company, to the extent permitted by law, in respect of any third party liabilities which they may incur as a result of their service on the Board. The Company arranges directors' and officers' liability insurance to cover certain liabilities and defence costs which the Company indemnity does not meet. Neither the indemnity nor the insurance provides any protection in the event of a director being found to have acted fraudulently or dishonestly in respect of the Company.

### How does the Board improve its effectiveness?

#### Continuing education and development

There is considerable emphasis on keeping the Board's knowledge of the business substantive and current. Following the acquisition of GLG, the Board received presentations from GLG's Chief Investment Strategist and the managers of its Global Macro, Emerging Market and Long/Short Funds. Later in the year it visited the Oxford-Man Institute to explore the ongoing contribution of the Institute's research to the development of AHL's trading model and discussed recent enhancements with AHL's CEO. As part of the annual strategy review, the Board received an update on the Man Multi-Manager strategy from the new CEO of that business and an overview of current market opportunities across different geographies and



sales channels from the Global Head of Sales and Marketing. The Board were also given an introduction to the strategy, development and ambition of Man Systematic Strategies. To keep in touch with business developments and management overseas, the Board makes an annual visit to the Company's Swiss offices and holds meetings at other locations of strategic importance for the business. A visit to our Tokyo office is planned for later this year.

Of parallel importance is the need for directors to keep up to date with relevant regulatory developments, corporate governance trends and changes in investor expectations, some of which impact in particular on the non-executive role. The Company Secretary researches and regularly circulates details of external programmes to facilitate this. In addition, all directors are aware that they may, if they consider it necessary, seek independent professional advice at the Company's expense in relation to the discharge of their role.

#### Board evaluation

Every year the Board conducts a review of its performance as a Board both collectively and as individuals and identifies issues on which it needs to work. The table opposite lists the main issues identified for attention in last year's evaluation and a summary of actions taken during 2010.

#### 2011 evaluation

Our 2011 review was led by an independent third party who interviewed each of the directors and the Company Secretary and sought their assessment of the Board's performance against key drivers of effectiveness including strategy development, the decision making process, Board relationships, information flows and succession planning. Feedback was also sought on the operation of the principal Board Committees and on the contributions of individual directors.

This year's review indicated that overall the Board and its principal Committees were operating effectively and to high standards of governance. In particular, the Board had set a clear strategy and made a strong case for the acquisition of GLG. The relationship between the Chairman and CEO was considered to be sound and it was felt that major issues were fully discussed before decisions were made.

The following table lists the main issues which were identified as warranting further consideration in 2011 and will be addressed by the Board collectively in the course of this year.

Feedback on individual director's contribution will be the subject of private discussion between the Chairman and those directors. Feedback on the Chairman has been provided by the Senior Independent Director as noted earlier in this report.

### Board Evaluation

#### Areas identified for focus in 2010

Articulation of a clear strategic plan and process for execution.

#### Action taken

Clear workstreams established and progress reported. Substantive delivery of diversification into discretionary strategies through the acquisition of GLG.

Review of risk appetite and risk management oversight.

Full Board meeting dedicated to risk. Approval of revised risk appetite statements. Review of Board and Audit and Risk Committee risk governance framework.

Adequacy of senior executive resource and succession planning.

Appointment of a COO, a new CIO of Man Multi-Manager, a new Chief Risk Officer and a broad injection of GLG investment management talent.

Board insight into investor expectations and concerns.

Chairman's meetings with top investors. Consultation by the Chairman of the Remuneration Committee on new remuneration proposals. Detailed reporting on investor response to GLG.

#### Areas identified for focus in 2011

- Provision of more competitor information.
- Renewed work on succession planning for executives at and immediately below Board level and the creation of a formal succession plan.
- Review of the process for the timely submission of Board papers and circulation of minutes.



## Corporate Governance Report continued

### How does the Board govern risk?

The Board is ultimately responsible for the framework of the Group's risk governance and risk management. The Board is responsible for:

- setting risk appetite;
- determining overall risk management strategy;
- ensuring that risk is monitored and controlled effectively; and
- the Group's systems of internal control.

### Governance framework

The Audit and Risk Committee of the Board provides independent oversight and challenge in relation to internal control and risk management systems.

The Chief Executive has, through the authority given to him by the Board, given delegated authority for the oversight of risk from within the business to two risk committees:

- the Risk Assurance Committee (RAC); and
- the Finance Committee.

These Committees comprise senior management from both line businesses and risk control functions and provide oversight across all risks faced by the business. RAC is chaired by the General Counsel and oversees the operational, regulatory and reputational risks faced by the Group and the internal control environment and other mitigating actions to manage these risks. Further information on the operation of the RAC is contained in the Audit and Risk Committee report on [page 91](#). The Finance Committee is chaired by the Finance Director and approves actual and contingent use of the Group balance sheet and monitors the adequacy of economic and regulatory capital and liquidity buffers in accordance with the Board's risk appetite.

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 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 and 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.

### Operational risk and internal controls

Operational risk arises from the potential for the Group to suffer losses due to failures in processes or procedures in its business. Operational risk is mitigated by the Group's control environment. The directors and senior managers of the Group are committed to maintaining high standards of control and a risk aware culture to safeguard the Group's assets, reputation and franchise. 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. 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.

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. 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.

The risk management processes and internal control systems described above have been in place in respect of Man's business excluding GLG throughout the year and up to the date of this Annual Report. They have applied to GLG's business since its acquisition on 14 October 2010. These systems 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 and risk management systems

The Board receives reports from line management and Group Risk 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 its risk appetite. This includes reports on the current and forward looking assessments of capital and liquidity adequacy. The Audit and Risk Committee receives reports from RAC which considers the effectiveness of risk controls through regular monitoring of risk scenarios, key risk indicators and operational risk incident reports. This is described in more detail in the Risk management section of the report from the Chairman of the Audit and Risk Committee. Objective assurance on the operation and effectiveness of internal controls is provided by Internal Audit whose audit programme is targeted on the business areas and processes that are most significant in terms of the Group's risk profile and where there are key controls on which the Group relies.

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 process, which was also reviewed by RAC and the Audit and Risk Committee, covered all controls – operational, financial and compliance – and risk management systems. It included a review of all significant operational risk incidents and internal audit findings raised during the year. It did not include the system of internal control and risk management in place in respect of the business of GLG prior to its acquisition by Man. 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.



## How does the Board engage with shareholders?

### Institutional shareholders

Man undertakes a comprehensive programme of meetings and events for institutional investors and research analysts which this year included over 200 meetings. The Board were kept fully informed of the immediate market response to the proposed acquisition of GLG and later received a detailed written report on the feedback given to the Chief Executive and Finance Director in the course of their extensive round of investor meetings. The Board routinely receives, as part of the Finance Director's monthly reporting, updates on significant movements on the share register, analysts' consensus forecasts, market sentiment and feedback from investor meetings.

I attend results presentations to analysts and hear at first hand their perceptions and concerns about the business. The Chairman of the Remuneration Committee has renewed our dialogue with institutional investors regarding our executive compensation arrangements. The Senior Independent Director is always available to talk to shareholders about any issues of concern but has not had cause to do so during the year.

### Private shareholders

We are always pleased to hear the views of our private shareholders and to answer their queries by telephone or in writing through our shareholder mail box (shareholder@mangroupplc.com) We encourage them to make maximum use of our website to access Company reports, notices of meetings and general shareholder and dividend information. The website also provides a direct link to Shareview ([www.shareview.co.uk](http://www.shareview.co.uk)) which enables shareholders to view and manage their account online.

Last year's AGM included a presentation by the Chief Executive on the progress of the business and an open question period allowing shareholders to ask about any areas of the Company's performance as well as to discuss the specific resolutions proposed at the meeting. All our directors were available to answer questions and many circulated and talked to shareholders informally after the meeting. Voting on all the resolutions was conducted by poll. Some 61% of the shares in issue were voted and all the resolutions were passed.

In September the Company held a general meeting to approve the acquisition of GLG and all of the executive directors attended. During the meeting shareholders were provided with an update on the progress of the acquisition and an overview of the rationale behind the transaction. Shareholders were given the opportunity to ask questions formally during the meeting and to continue their discussion with directors after the meeting.

We are looking forward to welcoming shareholders to our 2011 AGM and updating them on the significant changes to the business this year. In addition, in response to requests made by shareholders at last year's AGM, I and members of our investor relations team will be meeting separately with members of The UK Shareholders' Association for a general discussion.

**Jon Aisbitt**  
Chairman

## Statement of compliance with the Combined Code

The Company has, throughout the year ended 31 March 2011, applied the principles of and complied with the provisions of Section 1 of the Combined Code on Corporate Governance (2008) except in the following respect:

Provision B.2.2 of the Combined Code requires that the Remuneration Committee should have delegated responsibility for setting the remuneration of the Chairman. At Man, the remuneration of the Chairman is determined by the Board based on the recommendation of the Remuneration Committee. This gives full transparency and allows the views of the executive directors to be taken into account.





## Corporate Governance Report continued

### Nomination Committee report

#### Role and membership

The principal role of the Committee is to keep under review the competencies, knowledge and experience of the Board in the context of the challenges facing the business, to agree the skills and profile specification for new appointments, to lead the search process and to recommend suitable candidates to the Board. The Committee is also responsible for overseeing senior management development and succession plans to ensure that there is continuity of appropriate executive resource at and immediately below Board level. The Committee's full terms of reference can be found on our website [www.mangroupplc.com](http://www.mangroupplc.com) (under About Man, Board of Directors).

The Committee comprises all the non-executive directors. Meetings are also attended by the Chief Executive and the Global Head of Human Resources. The Company Secretary acts as Secretary to the Committee. The Committee held three meetings during the year at which everyone was present.

#### Work of the Committee during the year

##### Review of executive succession

Midway through the year, as part of its oversight of executive succession, the Committee received a presentation from the Chief Executive on changes in top management responsibilities and the establishing of an Executive Committee to run the combined business following the acquisition of GLG. They were kept updated on the search for a new Chief Investment Officer for the Man Multi-Manager business. They endorsed the proposed appointment of Emmanuel (Manny) Roman, former co-CEO of GLG, as Chief Operating Officer and recommended that consideration be given to further developing his role in the combined business.

##### Review of senior management diversity

The Committee took time to review, in the context of the current focus on the value of gender diversity, Man's approach to the diversity of its management and a specific analysis of the representation of women in senior roles. They discussed and endorsed, for implementation through the Executive Committee, a range of actions proposed to create an environment which would support the development of female talent and maximise women's contribution to the business.

#### Appointment of Emmanuel (Manny) Roman as an executive director

Later in the year the Committee discussed and gave their support to the Chief Executive's proposal that Manny Roman be appointed an executive director of the Company. Their decision took account of the key role which Manny had played in the integration of the two businesses, his extensive trading, markets and business management experience and the contribution he could make to helping the executive realise new opportunities. The Committee also debated the impact that the appointment might have on the dynamics of the Board and the balance of executive and non-executive directors. Noting that the Board had previously operated effectively with an additional executive director, they were satisfied that the current directness and candour of Board discussions would be sustained.

#### Conduct of non-executive search

As part of their review of non-executive succession and taking account of Dugald Eadie's proposed retirement in 2011, the Committee identified the need for the recruitment of a new non-executive director and discussed the appropriate role specification. It was agreed that this should include the requirement for recent and relevant financial expertise suitable for Audit and Risk Committee membership.

An independent consultant was appointed to conduct the search and a long list of names was shared with Committee members. I interviewed a number of shortlisted candidates and some were further interviewed by both the Chief Executive and Finance Director. Although several had the capability to discharge the role, it was felt that they were very similar in experience, career profile and outlook to existing Board members and might not, therefore, bring sufficient diversity of thinking to the Board.

It was also disappointing, given our wish to capture value from gender diversity, that only 10% of the names put forward were female and that one candidate with relevant experience withdrew from the process as she wished to gain non-executive experience in a different sector.

#### Appointment of Matthew Lester as a non-executive director

In March this year, after a prolonged search, the Committee was pleased to recommend to the Board the appointment of Matthew Lester. This followed his interview by me, the executive directors and the Chairman of the Audit and Risk Committee. We believe that Matthew, who was previously Group Finance Director of ICAP, will bring substantial financial, markets and regulatory experience to both the Board and the Audit and Risk Committee.

#### Renewal of non-executive appointments

In March the Committee reviewed the requirement for the retirement of directors at the 2011 AGM under the Company's articles of association and the Combined Code on Corporate Governance (the "Code"). They noted that in future years, under the new UK Corporate Governance Code, all directors would be required to retire and seek reappointment by shareholders at every AGM. For 2011 it was, however, agreed to recommend to the Board that the Company should continue to adopt the retirement by rotation principle which currently applied to directors under the Code.

The Committee noted the requirement under the Code for Alison Carnwath, who has served on the Board for more than nine years, to retire and seek reappointment by shareholders at the AGM each year. They discussed and strongly supported the Board's view of Alison's continued independence, notwithstanding her length of service, and proposed that the Board should recommend her reappointment to shareholders at the 2011 AGM. They also proposed that the Board should recommend the reappointment of Phillip Colebatch, who was due to retire by rotation at the 2011 AGM, and that, subject to the reappointment of Alison Carnwath and Phillip Colebatch by shareholders, the Board should renew their terms of appointment for a further 12 months and three years respectively.

As a further step in the refreshing of Board roles, and taking account of Alison's wish to stand down as Senior Independent Director while remaining on the Board, the Committee endorsed, for Board approval, the proposal that Patrick O'Sullivan should be appointed as her successor in this role following the 2011 Annual General Meeting.

**Jon Aisbitt**  
Chairman





## Audit and Risk Committee report



**Patrick O'Sullivan**  
Chairman of the Audit and Risk Committee

**The Board relies on the Audit and Risk Committee to provide effective governance over risk management and external financial reporting and to report its findings and conclusions to the Board. I am pleased to present my report on the work and operation of the Committee during the year with particular emphasis on the specific matters we have examined.**

### Role of the Chair of the Committee

I work closely with the Finance Director, Legal Counsel, Chief Risk Officer, Head of Internal Audit, Committee Secretary and other senior management to create and maintain an agenda for the Committee that examines emerging risks and issues within the wider context of providing overall assurance to the Board on Man's risk governance. My recent and relevant financial experience is essential to this. The agenda is driven by Man's principal risks, as set out in Risk management on [PG 48](#). In chairing each meeting, I aim to have the necessary expertise from within Man, and externally if necessary, to cover the topics under consideration. I consider it important for the Committee to be able to meet face to face with key executives and challenge them on their opinions and conclusions. The Committee has a full agenda, so the meetings are demanding in terms of quality reporting from management and focused discussion and analysis. I believe that this is done well, as supported by this year's independent review of the Committee's effectiveness.

### Who attends the Committee?

The Committee comprises four independent non-executive directors under my chairmanship. It met six times during the year. All meetings were attended by the four non-executive members, Finance Director and Secretary to the Committee, who is also Head of Internal Audit. Invited to attend each meeting were the Board Chairman, external audit partner, Head of Group Risk and Financial Controller, who all attended all six meetings. Executive attendance at the Committee was increased following the appointment of a Chief Operating Officer and Chief Risk Officer during the year. Our General Counsel also now attends meetings in his capacity, from October, as Chairman of the executive level Risk Assurance Committee. The Committee's terms of reference have been updated to incorporate these changes in attendees and can be found on our website [www.mangroupplc.com](http://www.mangroupplc.com).

I also now invite Ernst & Young who provide an independent assessment of internal controls within certain areas of Man's business to present their reports and management letters.

Other external providers of assurance over our risk management and internal controls are invited when applicable.

### Has the Committee's way of working changed?

The only significant change in the Committee's formal remit in 2011 has been the closer working relationship required with the Remuneration Committee following the implementation of the FSA's Remuneration Code. This has required a flow of additional information to the Remuneration Committee on matters relevant to the compensation pool principles and calculation, on correct identification of Code Staff roles and on any risk or control matters relevant to the remuneration of groups of staff or individuals. I report formally to the Remuneration Committee on these matters in accordance with an agreed annual timetable. These changes are now reflected in the Committee's updated terms of reference. Risk governance has been further improved by closer alignment of the Committee to risk oversight performed by executive management. A Risk Assurance Committee of senior executives has existed for many years, but in 2011 it was re-established with new terms of reference and revised membership to provide a clearer mandate for risk governance. This was reinforced by the appointment of our Legal Counsel as its Chair. The appointment of a Chief Risk Officer during the year is also relevant in this context.

### Governance over risk management

I aim to achieve an effective balance between the examination of new and emerging risks alongside the management of existing risks. An essential part of the Committee's work is to receive regular reports on risk, compliance and internal control. However, most of the Committee's time is spent on specific risk matters either presented through the Risk Assurance Committee process or direct to the Committee. The following specific matters were considered during the year:

- the proposed acquisition of GLG. The Committee dedicated a majority of its meeting in July 2010 to the consideration of the prospectus and shareholder circular,



## Corporate Governance Report continued

with the working capital and regulatory capital being particular areas of focus. Integration risks were also examined, taking into account specific learning points from previous transactions, and a mitigation plan agreed. This was monitored at subsequent meetings;

- a report in November providing a comprehensive update on how IT aspects of GLG integration were being managed. A particular focus here was effective separation of GLG, AHL and Man Multi-Manager businesses;
- an Internal Audit report on the results of an audit of key risks and controls in GLG Trading. The Committee noted the effective operation of trading limits;
- updates from management on progress in the appointment of global service providers for registrar and fund administration services and presentations on the impact of the arrangements on Man's risk profile and internal controls;
- results of an independent, external review of the operational risks of trading in AHL. No significant concerns were highlighted;
- a report in May from the Head of Compliance on our state of readiness for the Bribery Act 2010, coming into force from 1 July 2011. The Committee were satisfied with the assessment of risk and management's preparations;
- a presentation from management on the newly formed business unit Man Systematic Strategies, setting out the risk profile of the business, mitigating internal controls and residual risks. The reputational and operational linkages with AHL and GLG were examined;
- updates from management on updating the existing Ethical Policy for the combined organisation, and the plans for communicating and embedding it; and
- consequences of the proposed change of financial reporting date from March to December. No significant obstacles were envisaged.

### Regular risk and control reporting to the Committee

From October, a substantial agenda item at each Committee meeting has been a presentation from the Chair of the Risk Assurance Committee, review of its minutes, updates on the management of GLG post transaction integration risks and focused reviews of specific operational risk scenarios. The area of focus in November was the risk of mis-selling, in March it was the risk of external fraud (including that risk within external managers) and May the risk of internal fraud and unauthorised activities, such as rogue trading. The close alignment between the two committees is still relatively new and we continue to improve the quality of information being provided.

The Head of Compliance reports six monthly to the Committee on emerging trends in global and local regulation and the potential impact on the Group. The Head of Technology reports annually on existing and emerging technology risks. The Committee was pleased to note the significant improvement in controls achieved by creation of Man's new global Data Centre and the significant benefits being achieved through rationalising Man's legacy IT systems.

The Head of Group Risk provides regular reports to the Committee on recent market conditions, the Group's risk profile and prudential 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 2011 has been the monitoring of the actual and expected level of regulatory capital surplus (as required by the Board), anticipating any constraints and remediation planning. Close attention continues to be paid to the value at risk on investments in funds.

Internal Audit provides the Committee at each meeting with a 12 month rolling assessment, independent of the business, of the effectiveness of the Group's control environment within the context of the Group's risk management framework. This is supported by reports of Internal Audit's key findings in the period together with management's proposed actions. Internal Audit tracks management actions and verifies them when reported by management as complete. The Committee receives a report at each meeting of overall progress on these actions and a more detailed analysis and explanation of risks that have not been quickly or adequately mitigated. The Committee addresses any concerns direct with executive management on matters needing further attention. From May, the Committee considers at each meeting Internal Audit's assessment of the key inherent risks of business areas scheduled for audit. These assessments are also reviewed by the Risk Assurance Committee.

The external auditors' management letter covering their internal control findings and conclusions for the year ended 31 March 2010 was considered at the July meeting of the Committee and an initial report for the current year was considered at the March meeting. Also considered at the March meeting were Ernst & Young's reports on internal controls within the Man Multi-Manager business and Man Valuation Services Limited, in accordance with Statement of Auditing Standards No. 70,

and a report for AHL on its compliance with the best practice standards of the Hedge Fund Standards Board.

### Governance over external financial reporting

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. For the annual financial statements, this review took place in March. A similar review was undertaken in January to assist the Remuneration Committee in determining the pool available for performance bonuses to be paid in February, and in September for the interim results.

Topics reviewed by the Committee in these focused meetings included impairment testing of goodwill in the Man Multi-Manager business; the value of GLG Investment Management Agreements and related customer relationships as part of the assessment of goodwill arising on the acquisition of GLG; the recoverability of capitalised commission costs from future income on the related products; the valuation of proprietary capital positions; and the impact of the GLG acquisition on 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 considered at meetings of the Committee held shortly before the Board meeting held to approve them. Drafts are distributed sufficiently in advance of the 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.

The Committee looks to the Group's Financial Controls Framework to provide assurance that internal controls over financial reporting are adequately designed and operating in practice. Internal Audit provides independent assurance over these controls, based on an audit plan agree with the Committee.

### External financial reporting - the external auditors

The Committee also discussed the planning, conduct and conclusions of the external auditors during the year as explained below.

The Committee approved the auditor's group audit plan in November after discussion with them. The auditors explained the programme of work they planned to undertake to ensure that the identified risks did not lead to a material



misstatement of the financial statements.

Where they thought it would be effective to do so, this work included the evaluation and testing of Man's internal controls. They also explained where they planned to obtain direct external evidence and were using experts to assist with their audit. The external auditors shared their assessment of financial statement risks with the Committee. The three key risks were the potential for misstatement of Man's financial performance through internal fraud; misstatement of goodwill in the Man Multi-Manager business; and (as required by auditing standards) a presumption that fee income is not correctly stated. The Committee discussed these risks with the auditors and considered the related audit procedures.

The Committee discussed these issues with them again at the time of their review of the half year summary financial statements in September and again in March and May at the conclusion of their audit of the financial statements for the year. As they concluded the audit, they explained:

- The work they had done to test managements assumptions and estimates and how they had satisfied themselves that these were reasonable;
- They had reviewed the group's application of its accounting policies; and
- The results of their testing of the controls and other procedures carried out in the major overseas locations and the issues they had found there.

The external auditors also reported to the Committee the misstatements that they had found in the course of their work and the Committee confirmed that there were no such material items remaining unadjusted in the financial statements.

The existing external audit partner for GLG was invited to attend part of the January and March meetings to discuss the audit plan for the year ended 31 December 2010, progress and matters arising from the audit.

#### Relationship with the external auditors

The Committee holds a private meeting with the external auditors at least annually 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.

The Committee considers the reappointment of the external auditors, including the rotation

\$'000	2011	2010
Fees payable to the Company's auditors for the audit of the Company's financial statements	<b>1,991</b>	1,013
Other services:		
The audit of the Company's subsidiaries pursuant to legislation	<b>2,507</b>	2,500
Other services pursuant to legislation	<b>371</b>	497
Other services relating to taxation	<b>646</b>	873
Services relating to corporate finance transactions	<b>1,794</b>	–
All other services	<b>422</b>	1,141
<b>Total auditors' remuneration</b>	<b>7,731</b>	6,024

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 a formal policy governing the engagement of the external auditors to provide non-audit services – this policy was reviewed and re-approved in January. 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. The remuneration paid to Man's auditors, PricewaterhouseCoopers LLP and its worldwide associates is shown in the table above.

The increase in the Company's audit fee includes \$510,000 for the GLG business acquired in the year. 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 Man'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. Services relating to corporate finance transactions primarily concerned the requirements relating to the prospectus and shareholder circular for the GLG acquisition. Other services include work in connection with Man's pension liability and corporate restructuring.

#### Relationship with 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 a 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 plan for the nine months to 31 December 2011 was reviewed and approved in January. The Committee noted the successful integration of audit work with the SAS70 for the

Man Multi-Manager business and the further steps necessary to provide comprehensive assurance to the Committee on Internal Controls over Financial Reporting, both key priorities in the 2011 Internal Audit plan. Man and GLG resources, already merged within one team, have adopted Man's well established, risk based audit approach.

The Committee considers the effectiveness of Internal Audit annually. A review has been carried out at least every five years by an independent consultant and otherwise annually by internal assessment. Input is also sought from the external auditors. The internal assessment completed in March included factors such as the successful management of the action tracking process, successful completion of the 2011 plan and contribution to specific areas of internal control improvement. An independent assessment is to be carried out in Autumn 2011.

#### Committee evaluation

The Committee conducts an annual review of its performance and effectiveness. This review is facilitated externally at least every three years. For 2011 it was conducted externally by an independent consultant, selected by and reporting to the Board. The review concluded that the Committee was effective in carrying out its duties.

Actions agreed by the Committee in March 2010 as part of the prior year review have been completed, although further steps are being taken to improve our training for new and existing members of the Committee.

#### Patrick O'Sullivan

**Chairman of the Audit and Risk Committee**



## Remuneration Report



**Phillip Colebatch**  
Chairman, Remuneration Committee

**I am pleased to present the annual Remuneration Report summarising Man's remuneration policy and providing information on the Company's remuneration approach and arrangements for executive and non-executive directors for Financial Year 2011. This is presented in the context of company performance, market position and our corporate governance framework.**

Remuneration highlights on [page 42](#) sets out key remuneration developments this year, the steps taken by the Remuneration Committee on remuneration governance and risk management, the impact of the GLG acquisition and a summary of the Man Group plc remuneration principles; the full Statement of Remuneration Principles is available on the Company's website at [www.mangroupplc.com/investor-relations](http://www.mangroupplc.com/investor-relations).

This year the Remuneration Committee's focus has been on:

- Achieving a balance between rewarding staff for performance and maintaining the Company's competitive position whilst ensuring that remuneration is consistent with sustainable business development;
- Reviewing its terms of reference (available at the Company's website as set out above);
- Remuneration policy and processes to achieve alignment of reward with risk management; and
- Reviewing performance and determining the remuneration for executive directors and also approving remuneration for the Executive Committee members, Code Staff, senior control functions and other senior staff. Information about the Remuneration Committee meeting attendance is set out below.

### Directors' attendance at Remuneration Committee meetings

Number of meetings held	6
<b>Number of meetings attended by:</b>	
<b>(a) Committee members</b>	
Phillip Colebatch, Chairman	6
Jon Aisbitt	6
Alison Carnwath	6
Ruud Hendriks	5
<b>(b) Other Directors<sup>1</sup></b>	
Peter Clarke	5
Kevin Hayes	6
Patrick O'Sullivan <sup>2</sup>	1

<sup>1</sup> Attended the whole or part of the meeting by invitation.

<sup>2</sup> Patrick O'Sullivan, Chairman of the Audit & Risk Committee, was invited to attend to provide confirmation on risk issues in relation to remuneration.

This has been a year when we have seen regulation grow further and best practice continue to evolve. The Committee has taken advice from independent advisors as appropriate to keep itself informed about executive remuneration and other developments. Patterson Associates

has been appointed by and advised the Remuneration Committee regarding executive directors' incentives. Patterson Association does not provide any other services to the Company. PwC has advised management on the FSA Remuneration Code. McLagan and Towers Watson have also been engaged by management to provide independent compensation survey data where available. The Remuneration Committee was also assisted by the Chief Risk Officer, Group Head of HR and the Chief Executive.

With the acquisition and integration of GLG after consultation with major shareholders the Company adopted a firm-wide staff performance and remuneration process for the period ending December 2010. This resulted in a nine-month performance evaluation and remuneration period for Man staff (from 1 April 2010 to 31 December 2010) alongside the annual performance and remuneration cycle of GLG staff. This will be followed by an annual cycle for all staff for calendar years 2011 onwards, consistent with the financial reporting years. The results for the financial year ended 31 March 2011 accordingly include a three month accrual (1 January 2011 to 31 March 2011) on account of bonuses in respect of the remuneration cycle for the year to 31 December 2011.

Major shareholders were also consulted on the renewal of the Man Group Executive Share Option Scheme 2001 (ESOS) at the end of the plan's 10 year life. Please refer to the Notice of 2011 Annual General Meeting for full information on the ESOS plan renewal.

Remuneration is delivered in a combination of cash and deferred share-based and fund product based arrangements. In delivering remuneration, amongst other measures, the Remuneration Committee tracks the Company's compensation to revenue ratio, which has been amongst the lowest in the industry given the dominance of systematic investment strategies in Man's business. Discretionary investment management businesses such as GLG typically have higher compensation to revenue ratios. The acquisition of GLG will accordingly increase the firm's overall compensation ratio, but the Committee will continue to target a combined ratio which appropriately reflects the balance of the firm's business.

This Remuneration Report has been submitted by the Remuneration Committee and approved by the Board for the year ended 31 March 2011. We recommend this Remuneration Report to you. It will be put to an advisory vote of the Company's shareholders at the 2011 Annual General Meeting on 7 July 2011.

**Phillip Colebatch**  
Chairman, Remuneration Committee

26 May 2011



## Employee remuneration policy

Remuneration is managed within a governance framework with risk controls whilst being competitive in hiring, motivating and retaining staff. Remuneration includes base salary, benefits, an annual performance bonus, and, for senior contributors, share and fund grants.

Element	Additional Information	Condition
<b>Base Salary</b>	<ul style="list-style-type: none"> <li>– Reflects individual responsibility and market value for employees of comparable status, responsibility and skills.</li> <li>– Independent remuneration surveys are used for comparison.</li> <li>– Reviewed annually.</li> </ul>	Skills and experience.
<b>Pension and Benefits</b>	<ul style="list-style-type: none"> <li>– Includes retirement, medical cover, life and sickness assurance and holiday benefits.</li> <li>– Based on local market practice and legislation.</li> </ul>	Pensions and holiday are service-related.
<b>Performance Bonus</b>	<ul style="list-style-type: none"> <li>– Annual performance bonus.</li> <li>– Incentive for individual and group performance.</li> <li>– Marketing incentives for Sales.</li> </ul>	Employee contribution to business objectives including managing risk. Performance measured against individual objectives.
<b>Share/Fund Based Incentives</b>	<ul style="list-style-type: none"> <li>– For senior employees, alignment of interest with long term return to shareholders and interest of investors in funds.</li> <li>– Annual vesting over three years.</li> </ul>	Service related.

## Performance bonus

The bonus pool is determined by the profitability of the business for the financial year after a charge on surplus capital. The Audit and Risk Committee reviewed judgemental accounting items and reported to the Remuneration Committee to provide guidance determining the bonus pool. The success of the business, within a governance framework, is therefore the direct driver of compensation levels. Employees are measured against both delivery on business objectives, and risk management compliance 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 consistent 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 50% of variable compensation. Awards are through the Man Group share plans to align them with the shareholders and the future performance of the Company. Deferred compensation awards for senior investment managers are also invested in fund based incentives to align employees with the interests of investors in funds managed by the Company. Senior sales staff are rewarded through a mix of performance bonus and marketing incentives based on funds under management.

## Executive Committee remuneration

The Executive 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.

A significant proportion of their remuneration has been delivered as long-term deferred awards. Variable incentives are structured such that 50% 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 3 and 10 years from the anniversary of grant.





## Remuneration Report

### continued

#### Deferred incentive plans for the Executive Committee, other senior staff excluding executive directors

Plan	Plan Information	Additional Information
Deferred Share Plan ("DSP")	Participants are awarded nil priced options over shares in Man Group plc. Additionally, key contributors may be awarded options over shares 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 awarded in 2011 there will be incremental vesting of one third over three years for Man legacy employees and a two year vesting schedule for GLG legacy employees. The 10% premium priced options will vest after three years and can be exercised between the third and tenth anniversary after grant.	The deferral into 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 have a minimum of 25% of their deferral and may have up to 100% of their deferral invested in one of the fund products in the area they manage. In all other respects the FPP mirrors the DSP.	The requirement for at least 25% of the deferral to be in funds is new for senior investment managers from March 2011. This is to align investment managers with the investors in the Company products.

**Note:** The Deferred Share Plan replaced the Co-Investment scheme in 2008. No further awards have been made under the Co-Investment scheme. The 2007 Co-Investment awards will vest in June 2011.

#### UK All Employee Share Plans

Participants in the UK Sharesave Scheme ("SAYE") are 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 at the time the option is granted. This is an HMRC approved scheme. Contracts are for three or five year periods.

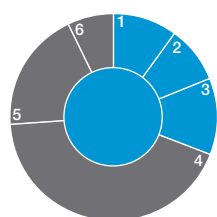
The Company encourages employee share ownership and has a high level of staff participation in employee share plans with 50% participating in the all employee or senior staff share plans.

#### Executive directors' remuneration

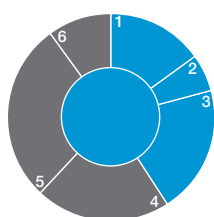
The executive directors' remuneration has a direct and recognisable alignment between the executive directors and shareholders. This focuses on performance measures that are critical value drivers for the Company.

#### Executive directors' remuneration for 2011

Peter Clarke<sup>(a)</sup>



Kevin Hayes<sup>(a)</sup>



#### Unconditional compensation

- 1 Base salary and benefits
- 2 Performance bonus in cash
- 3 Performance bonus with mandatory deferral for PSP match

#### Conditional compensation

- 4 Restricted 10 year options<sup>(c)</sup>
- 5 Performance Share Plan (PSP) basic and match<sup>(b)</sup>
- 6 Executive Share Option Scheme (ESOS)<sup>(b)</sup>

#### Notes:

- a) Performance period for 2011 was the nine months from 1 April 2010 to 31 December 2010 since the new financial year will be changed to a 31 December year end so this change has been made to harmonise the compensation year.
- b) 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. Performance-based share grants have been included at 2011 market value which takes account of the share price volatility and dividend yield at the time of grant.
- 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.

#### Policy

Whilst ensuring shareholder interests are managed within a robust governance framework, the Company 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 consistent with 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;
- maintenance of strong capital and liquidity positions; and
- addition of senior talent, building succession for leadership and setting a strong governance structure for the Board's delegated authorities.





The Company operates in the alternative investment management sector and is listed in the FTSE 100, 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 consistent with the return to shareholders. For this reason, awards of Company shares under the Company's incentive plans are a significant proportion of the executive directors' total remuneration. This harmonises 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 taken into account. These market and internal reviews cover the individual elements of base salaries, benefits and total compensation. Whilst the fixed component of remuneration is sufficiently high to allow the Company to operate a fully flexible bonus policy in order to preserve alignment with shareholder interests, the Remuneration Committee seeks to deliver a high proportion of total compensation as mandatory deferral into shares and into options over Company shares and as long term incentives.

### Summary of executive directors' remuneration

Element		Further Information
Base Salary		– Base salaries have been frozen at the same level for a third year. Positioned below the median of the FTSE 100 financial services.
Pension and Benefits		– Group Personal Pension (GPP) or contribution to an alternative arrangement. The employer contribution is up to 14% of pensionable base salary. – Family private medical insurance, life assurance and permanent health insurance are provided. – Flexible benefits can be purchased from base salary.
Performance Bonus		– Cash. – Mandatory deferral into shares, held for three years to receive PSP match. – Deferred Bonus Share and Option Plan: Restricted options at 10% premium – three year service condition.
Long-Term Incentive Plans awarded by the Remuneration Committee	Performance Share Plan (PSP)	– PSP match on 1:1 basis against mandatory deferral of performance bonus determined by the Remuneration Committee. – Basic PSP: 1 x salary. – PSP performance conditions: growth and returns measures of adjusted ROE and net management fee income growth over three year performance period. Further one year holding period.
	Executive Share Option Scheme (ESOS)	– ESOS: 2 x salary. – ESOS performance conditions: as PSP.

### Service contracts

Provision	Service Contract
Contract Dates	Peter Clarke: 1 April 1997. Kevin Hayes: 31 May 2007.
Current appointment term	No fixed term.
Notice period (by either Company or director)	12 months.
Contractual entitlement to fixed bonus or share based incentive	None.
Provisions for contract termination	Base salary and benefits for the notice period. Treatment of long term incentive share awards is covered under relevant shareholder approved plan rules.

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 Remuneration Committee must approve in advance any termination payments. The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors.

Emmanuel Roman was appointed to the Board of the Company on 5 May 2011. Under his service contract, his base salary is \$1,000,000. He does not receive any employer contribution to pension; benefits are consistent with those offered to the other executive directors. Any discretionary performance related remuneration will be considered at the end of the financial year. Emmanuel Roman is a major shareholder; his shareholding at appointment to the Board was 19,529,418 shares. Emmanuel Roman is a non-executive director of Grupo Prisa SA; he retains any fees in respect of this directorship.



## Remuneration Report

### continued

#### Base salary and benefits

Salaries are reviewed annually taking into account market benchmarks for executives of comparable status, responsibility and skill. Salaries were reviewed but, for the third year, there was no increase.

Base Salary at	Peter Clarke	Kevin Hayes
1 April 2010	\$925,000	\$625,000
1 April 2011	\$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; this was the date of the last base salary increase.

#### 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, bonuses for 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. Executive directors are awarded bonuses from the same bonus pool as employees which is subject to the governance and risk management set out in the employee section.

To harmonise with the new accounting cycle and the rest of the Company, the executive directors had a nine month performance evaluation and bonus period ended 31 December 2010.

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.

In our 2010 Annual Report, we set out five strategic priorities for the firm in the 2011 financial year.

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

The Remuneration Committee, in assessing performance and the bonus, is pleased to report significant progress on all five of these priorities, and particularly on our acquisition of GLG Partners, Inc. ("GLG").

To align executive directors with shareholders, there is a mandatory deferral of part of the annual performance bonus into Company shares which are matched by a long term incentive award in the Performance Share Plan. A further element of the performance bonus is deferred and awarded as options over shares with an exercise price set 10% above the market price at grant. These have been awarded under the Deferred Bonus Share and Option Plan (DBSOP). The premium pricing ensures that a return is delivered to the shareholders before the award has value for the executive directors. The Remuneration Committee has sought to weight the award with a smaller proportion as cash bonus and a larger proportion as mandatory deferral into shares and into options set at a 10% premium price so that executive directors have the same interests as shareholders with the quantum of payout directly reflecting share price achieved.

Information about the Deferred Bonus Share and Option Plan is below.

#### Deferred Bonus Share and Option Plan (DBSOP)

DBSOP Award	– Restricted options have been awarded to the executive directors at 10% premium price.
Additional Information	<ul style="list-style-type: none"> <li>– Awards under the DBSOP have a three year service condition.</li> <li>– The options are exercisable between 3 and 10 years from the anniversary of grant.</li> <li>– Options may be granted at market value or premium priced at 10% or such other percentage as the Remuneration Committee determines.</li> </ul>

#### Long-term share-based incentive plans

Executive directors are currently eligible to participate in the Performance Share Plan and Executive Share Option Scheme, at the Remuneration Committee's discretion.

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. These targets are considered by the Remuneration Committee to be both challenging and appropriate given the regulated nature of the Company's business.



Both PSP awards and ESOS awards have the same three-year growth and returns performance measures. There is an additional one year holding period for the PSP. These performance conditions have been chosen as relevant to the environment in which the Company operates and to the Company's business imperatives. The growth measure of Net Management Fee Income Growth (NMFIG) is a critical long-term value driver for Man. The performance conditions vesting thresholds have been selected to be challenging but motivational in current business conditions to encourage the executive directors to deliver value to shareholders.

The performance conditions for the 2011 awards have been weighted as follows:

- Cumulative three-year Net Management Fee Income Growth (NMFIG) – 75%; and
- Average three-year Adjusted Return on Equity (AROE) – 25%.

Performance measure	Vesting	
	Performance measure Threshold	Vesting percentage
Net Management Fee Income Growth (NMFIG)	10%	25%
	50%	100%
Average three-year Adjusted Return on Equity (AROE)	10%	25%
	25%	100%

There is straight line vesting between the threshold and maximum vesting.

The performance conditions are measured on the performance achieved over a three-year period with performance metrics derived from the Company financial statements in accordance with share plan rules. The shares and options subject to these performance conditions are set out on [pages 104 to 105](#).

The executive directors have been made awards in the long-term share-based incentive plans below.

#### Long Term Incentive Plans

PSP Award	<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) for that part of their performance bonus which is mandatorily deferred into Company shares and held for at least three years.</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 Company.</li> </ul>
ESOS Award	<ul style="list-style-type: none"> <li>– Individual share option awards are subject to annual cap of 200% of base salary, on a face value basis.</li> <li>– For 2010, the executive directors were awarded ESOS options equivalent to 200% of base salary.</li> <li>– Options issued under the Scheme may normally only be exercised between three and ten years from the date of grant and are subject to the satisfaction of performance conditions.</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>
Performance target	<ul style="list-style-type: none"> <li>– March 2011 PSP and ESOS awards: see above performance conditions.</li> <li>– 2009 and 2010 PSP and ESOS awards: performance-related over a three year measurement period. For all grants in July 2009 and June 2010 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.</li> <li>– Outstanding PSP awards to June 2008: performance conditions, are on the level of post-tax return on average shareholders' funds ("Return on Equity") achieved by the Group throughout the three year performance 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>– Outstanding ESOS awards to June 2008: 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> </ul>



## Remuneration Report

### continued

#### 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
2011–2014 <sup>(b)</sup>	25% for each target	10% AROE 10% NMFIG	25% AROE 50% NMFIG	n/a	n/a
2010–2013	8%	See long term incentive plans for information on the dual performance conditions of adjusted Return on Equity and growth in net management fees		n/a	n/a
2009–2012	8%			n/a	n/a
2008–2011	10%	20%	30%	10.4%	nil
2007–2010	10%	20%	30%	21.7%	26%
2006–2009	10%	20%	30%	29.3%	92%

#### (Notes:

(a) Performance is assessed over a three year period. Following the three year period, awards are subject to one further year service before vesting.

(b) 2011 awards are weighted with 75% on the NMFIG and 25% on the AROE performance condition.

#### 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
2011–2014 <sup>(a)</sup>	25% for each target	10% AROE 10% NMFIG	25% AROE 50% NMFIG	n/a	n/a
2010–2013	8%	See long term incentive plans for information on the dual performance conditions of adjusted Return on Equity and growth in net management fees		n/a	n/a
2009–2012	8%			n/a	n/a
2008–2011	50%	RPI plus 5%	RPI plus 10%	–24.1%	nil
2007–2010	50%	RPI plus 5%	RPI plus 10%	–19.5%	nil
2006–2009	50%	RPI plus 5%	RPI plus 10%	9.4%	50%

(a) 2011 awards are weighted with 75% on the NMFIG and 25% on the AROE performance condition.

#### Share ownership requirements

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 106](#).

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 own an estimated 11.3% of the Company's share capital, either directly or through employee trusts established and funded for this purpose. The Board alone directly holds 0.45% 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 on [page 101](#). 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. The non-executive directors and the Chairman's fees were not increased during the year.



## Structure of non-executive director fees

Base non-executive director fee (includes Nomination Committee membership)	Committee membership fees				
	Audit & Risk		Remuneration		Senior Independent Director <sup>1</sup>
	Member	Chair <sup>1</sup>	Member	Chair <sup>1</sup>	
£65,000	£15,000	£15,000	£10,000	£15,000	£10,000

<sup>1</sup> In addition to the committee membership fee.

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 2011

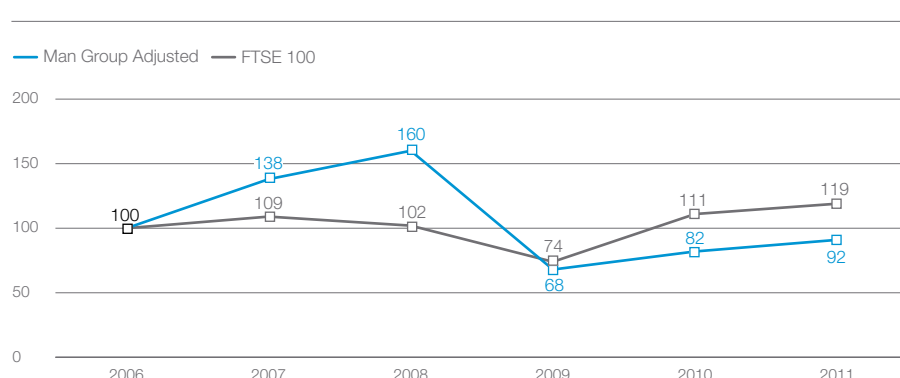
Name	Date of Appointment to the Board	Start of current term of office	Base Fee £000	Additional Fees					
				Audit & Risk Committee		Remuneration Committee		Senior Independent Director £000	Total Board Fees £000
				Chair £000	Member £000	Chair £000	Member £000		
Jon Aisbitt (Chairman)	20 August 2003	10 July 2009	450						450
Alison Carnwath	24 January 2001	9 July 2010	65		15		10	10	100
Phillip Colebatch	1 September 2007	11 July 2008	65			15	10		90
Dugald Eadie	29 January 2002	11 July 2008	65		15				80
Ruud Hendriks	1 August 2009	1 August 2009	65				10		75
Frederic Jolly	1 August 2009	1 August 2009	65		15				80
Patrick O'Sullivan	1 September 2007	9 July 2010	65	15	15				95

Matthew Lester was appointed to the Company Board on 5 May 2011 as a non-executive director. Under his letter of appointment he receives fees of £80,000 per annum. This includes his base fee and an additional fee for Audit and Risk Committee membership.

## Performance graph

The performance graph below compares the Company's total shareholder return performance against the FTSE 100 Index. This index has been chosen because it is a widely recognised performance comparison for large UK companies.

### Total shareholder return – five year performance to 31 March 2011



Source: Datastream



## Remuneration Report

### continued

#### Code Staff Remuneration

The FSA classifies Code Staff as those staff whose activities could have a material impact on a firm's risk profile. They have been identified through a rigorous risk mapping process to determine those with responsibility for risk and the risk control framework. The Remuneration Committee determined the remuneration for Executive Directors, and reviewed and approved remuneration for the Code Staff for the performance period to 31 December 2010.

A total of 19 individuals have been identified as Code Staff



#### Notes:

- (a) Aggregate unconditional and conditional remuneration for financial period ending 31 March 2011 for Code Staff was \$37m.
- (b) Unconditional compensation represents salary, employer pension contribution, benefits, performance bonus and performance bonus with mandatory deferral.
- (c) Conditional compensation represents deferred awards in respect of the nine month period 1 April to 31 December 2011: (i) share, option or fund grants with service and price conditionality, or, (ii) share and option grants with performance conditionality. The actual amount of remuneration which will eventually be received is subject to these conditions. Performance-based share grants have been included at 2011 market value which takes account of the share price volatility and dividend yield at the time of grant.
- (d) Man's performance and bonus period for 2011 was the nine months from 1 April 2010 to 31 December 2010. GLG Code Staff performance and bonus period for 2010 was for twelve months from 1 January 2010 to 31 December 2010. Bonus and share awards have been included for this period. Salary and benefits has been included for the financial year 2011 with GLG Code Staff included from GLG's acquisition in October 2010.

## Audited Section

#### Average number of employees

Number	2011	2010
UK	726	661
Switzerland	469	554
USA	120	127
Other countries	223	232
Average number of employees	1,538	1,574

#### Key management compensation

Key management 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 Man, are as follows:

	2011 <sup>(a)</sup> \$000	2010 \$000
Salaries and other short-term employee benefits <sup>(b)</sup>	9,360	6,670
Post-employment benefits <sup>(c)</sup>	393	1,885
Share-based payments <sup>(d)</sup>	8,504	(3,508)
Other long term benefits <sup>(d)</sup>	937	–
Total	19,194	5,047

#### Notes:

- (a) After the acquisition of GLG, a new Executive Committee of the board ("Exco") was set up. Employees that are members of this Committee are included in key management compensation above from the Committee's formation on 22 November 2010.
- (b) Salary, benefits, performance cash bonus and performance bonus with mandatory deferral into shares and social security.
- (c) Money purchase pension and defined benefit increase in transfer value pension benefit.
- (d) Other long term benefits relate to fund product deferrals. Refer to [Note 19 of the Financial Review](#) section for further explanation of share-based and fund product based deferred compensation arrangements. Further information around share-based payments is also included in [Note 14 of the Additional Financial Information](#).

#### Directors' remuneration

	2011 <sup>(a)</sup> \$000	2010 \$000
Fees and remuneration	6,466	6,669
Gains made on transfer of share awards and exercise of share options in the year	3,606	8,166
Contributions to money purchase pension schemes	151	51

#### Note:

The remuneration above is for executive directors and non-executive directors including social security.





The remuneration of the directors listed by individual director:

	2011					2010 Total \$'000
	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)</sup> \$'000	Total \$'000	
<b>Executive directors</b>						
Peter Clarke	925	21	750	1,000	2,696	2,697
Kevin Hayes	625	2	200	700	1,527	1,727
<b>31 March total</b>	<b>1,550</b>	<b>23</b>	<b>950</b>	<b>1,700</b>	<b>4,223</b>	<b>4,424</b>
Sterling equivalent (£'000) total	£1,000	£15	£596	£1,067	£2,678	£2,869

**Notes:**

(a) 2011 was a 9 month performance period for the bonus and 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 for nine-month period. Mandatory deferral into shares for three years. Peter Clarke's mandatory deferral has been granted as a pre-tax share award in the Performance Share Plan.

	2011 Fees £'000	2010 Fees £'000
<b>Non-executive directors</b>		
Jon Aisbitt	450	450
Alison Carnwath <sup>(a)</sup>	100	92
Phillip Colebatch <sup>(b)</sup>	90	88
Dugald Eadie <sup>(c)</sup>	80	85
Ruud Hendriks <sup>(d)</sup>	75	50
Frederic Jolly <sup>(e)</sup>	80	53
Patrick O'Sullivan <sup>(f)</sup>	95	88
Glen Moreno <sup>(g)</sup>	–	26
<b>31 March (£'000) total</b>	<b>970</b>	<b>932</b>

**Notes:**

(a) Alison Carnwath was appointed Senior Independent Director on 9 July 2009.

(b) Phillip Colebatch ceased to be a member of the Audit and Risk Committee on 31 July 2009.

(c) Dugald Eadie 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) Frederic 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) Glen Moreno retired from the Board on 9 July 2009.

**Retirement benefits**

Retirement benefits contributions to money purchase schemes were as follows:

	2011 £'000	2010 £'000
Money Purchase Schemes		
<b>Executive director</b>		
Peter Clarke	65	–
Kevin Hayes <sup>(Note)</sup>	32	32

**Note:**

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.



## Remuneration Report

### continued

#### Defined benefit

Retirement benefits accruing to Peter Clarke under a defined benefit pension scheme were as follows:

	Age	Accrued pension at 31 March 2011 <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>(b)</sup> £'000 per annum	Transfer value at 31 March 2011 of increase in accrued pension during the year (net of inflation) <sup>(c,d,e)</sup> £'000	Transfer value of accrued pension at 31 March 2011 <sup>(d,e)</sup> £'000	Transfer value of accrued pension at 31 March 2010 <sup>(d,e)</sup> £'000	Increase in transfer value over the year £'000
Peter Clarke	51	69	3	–	–	2,107	2,003	104

#### Notes:

- (a) Peter Clarke continues to be employed on a full-time basis as the Group Chief Executive. However, he 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 pension in payment as at 31 March 2011, calculated in accordance with the rules of the Fund. The equivalent figure at 31 March 2010 was £66,000. The accrued pension as at 31 March 2010 disclosed last year was the accrued pension before the reduction applied in exchange for the cash lump sum of £531,747 taken by Peter Clarke under the Fund rules. Peter Clarke will not accrue any further benefits in the Man Group plc Pension Fund. Pension provision after 1 March 2010 has been provided via an alternative pension arrangement into which the Company contributes 14% of basic salary.
- (b) The increase in accrued pension figures compares the pension in payment as at 31 March 2010 (£66,000) against the pension in payment as at 31 March 2011.
- (c) The increase in transfer value represents (i) the increase in the value of Peter Clarke's pension as a result of the annual increase granted to pensions in payment and (ii) a change in the underlying transfer value assumptions and market conditions. No adjustment has been applied to these figures for directors' contribution paid since none have been paid during the year.
- (d) The transfer values have been calculated in accordance with the relevant legislation using the approach set by the Trustees of the Fund.
- (e) The transfer value figures at 31 March 2011 and 31 March 2010 exclude benefits paid to Peter Clarke prior to the respective dates of calculation, in particular his cash lump sum of £531,747. They are calculated based on market conditions as at 31 March 2011 and 31 March 2010 respectively.

#### Shares under option in the Deferred Bonus Share and Option Plan (DBSOP) – subject to service conditions and an exercise price set 10% above the market price at grant

		Number of Options <sup>(a)</sup>							
	Date of grant	01 April 2010	Granted during year	Exercised during year	Lapsed during year	31 March 2011	Option exercise price	Earliest exercise date	Latest exercise date
<b>Executive directors</b>									
Peter Clarke	June 2010	–	2,997,442	–	–	2,997,442	280.1799p	June 2013	June 2020
	March 2011	–	3,629,238	–	–	3,629,238	273.0795p	March 2014	March 2021
Kevin Hayes	June 2010	–	749,360	–	–	749,360	280.1799p	June 2013	June 2020
	March 2011	–	777,693	–	–	777,693	273.0795p	March 2014	March 2021

The obligations of the executive share plans are externally economically hedged. Refer to [Note 16](#) and [Note 19 of the Financial Review](#) section.

#### Shares under option under the Man Group Executive Share Option Scheme 2001 – subject to performance and service conditions

		Number of Options <sup>(a)</sup>							
	Date of grant	01 April 2010	Granted during year	Exercised during year	Lapsed during year	31 March 2011	Option exercise price	Earliest exercise date	Latest exercise date
<b>Executive directors</b>									
Peter Clarke	June 2006	93,789	–	–	–	93,789	399.83p	June 2009	June 2016
	June 2008	157,306	–	–	157,306	–	604.5p	June 2011	June 2018
	July 2009	478,941	–	–	–	478,941	239.25p	July 2012	July 2019
	June 2010	–	484,179	–	–	484,179	258.3p	June 2013	June 2020
	March 2011	–	345,073	–	–	345,073	247.5p	March 2014	March 2021
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
	June 2010	–	327,148	–	–	327,148	258.3p	June 2013	June 2020
	March 2011	–	233,157	–	–	233,157	247.5p	March 2014	March 2021

#### Notes:

- (a) For grants prior to 2009, the performance condition was earnings per share growth in excess of RPI over a three year 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). For all grants in March 2011 75% of vesting is subject to achieving cumulative three year NMFIG and 25% of vesting is subject to achieving three year average AROE. More information is provided on [pages 98 to 100](#).



## Share Awards and Matching Awards under the Performance Share Plan - subject to performance and service conditions

Performance Share Plan – Share Awards <sup>(a)</sup>							
Number of Awards							
	Date of award	01 April 2010	Awarded during year <sup>(c)</sup>	Transferred during year <sup>(b)</sup>	Lapsed during year	31 March 2011	Transfer Date
Peter Clarke	June 2006	87,740	–	87,740	–	–	June 2010
	June 2007	19,907	–	–	–	19,907	June 2011
	June 2008	77,335	–	–	77,335	–	June 2012
	July 2009	225,824	–	–	–	225,824	July 2013
	June 2010	–	251,212	–	–	251,212	June 2014
	March 2011	–	172,537	–	–	172,537	March 2015
Kevin Hayes	June 2008	52,253	–	–	52,253	–	June 2012
	July 2009	152,584	–	–	–	152,584	July 2013
	June 2010	–	169,738	–	–	169,738	June 2014
	March 2011	–	116,579	–	–	116,579	March 2015

Performance Share Plan – Matching Awards <sup>(a)</sup>							
Number of Awards							
	Date of award	01 April 2010	Awarded during year <sup>(c)</sup>	Transferred during year <sup>(b)</sup>	Lapsed during year	31 March 2011	Transfer Date
Peter Clarke	June 2006	421,159	–	421,159	–	–	June 2010
	June 2007	210,786	–	–	–	210,786	June 2011
	June 2008	1,128,674	–	–	1,128,674	–	June 2012
	July 2009	1,464,802	–	–	–	1,464,802	July 2013
	June 2010	–	271,581	–	–	271,581	June 2014
	March 2011	–	248,702	–	–	248,702	March 2015
Kevin Hayes	June 2008	327,110	–	–	327,110	–	June 2012
	July 2009	732,401	–	–	–	732,401	July 2013
	June 2010	–	230,843	–	–	230,843	June 2014
	March 2011	–	174,091	–	–	174,091	March 2015

### Notes:

- (a) For grants prior to 2009, the performance condition was ROE. 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). For all grants in March 2011 75% of vesting is subject to achieving cumulative three year NMFIG and 25% of vesting is subject to achieving three year average AROE. More information is provided on pages 98 to 100. Based on performance conditions, the 2006 awards have vested at 92% and were transferred in June 2010; the 2007 awards have vested at 26% and will be transferred in June 2011; the 2008 awards have lapsed in their entirety.
- (b) On 9 June 2010 the following award shares under the Performance Share Plan were transferred:  
Peter Clarke: shares awarded in 2006 when the share price was 393.2 pence per share giving a market value at grant of £2,000,991. At transfer date the share price was 236.88 pence giving a market value of £1,205,480.
- (c) In relation to shares awarded on 23 June 2010, the share price was 248.92 pence representing the 5 day average prior to that date. In relation to the shares awarded on 24 March 2011, the share price was 247.5 pence representing the mid-market quotation on the previous day.

## Matching Share Awards under the Group's Co-Investment Plan - subject to service conditions

	01 April 2010	Awarded During year	Exercised in Year	31 March 2011
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.
- (b) On 31 March 2011 the following award shares under the Co-Investment Plan were transferred:  
Kevin Hayes: shares awarded in 2007 when the share price was 543.00 pence per share giving a market value at grant of £2,546,214. At transfer date the share price was 247.24 pence giving a market value of £1,159,348.



## Remuneration Report

### continued

#### Shares under option under the Man Group Sharesave Scheme

		Number of Options							
	Date of grant	1 April 2010	Lapsed during year	Granted during year	Exercised during Year	31 March 2011	Option Price	Earliest exercise date	Latest exercise date
Executive directors									
Peter Clarke	June 2009	4,653	—	—	—	4,653	195.0p	August 2012	January 2013
Kevin Hayes	June 2010	3,476	3,476	8,174	—	8,174	189.0p	August 2015	January 2016

#### Directors' Interests in Ordinary Shares of Man Group plc

	Number of shares <sup>(a)</sup>	
	31 March 2011 <sup>(b)</sup>	31 March 2010
<b>Executive directors</b>		
Peter Clarke <sup>(c,d)</sup>	4,958,281	4,709,245
Kevin Hayes <sup>(c,d)</sup>	1,104,731	663,738
<b>Non-executive directors</b>		
Jon Aisbitt	1,631,250	1,631,250
Alison Carnwath	239,125	217,115
Phillip Colebatch	10,000	10,000
Dugald Eadie	360,000	360,000
Ruud Hendriks	101,246	93,796
Frederic Jolly	9,705	9,705
Patrick O'Sullivan	86,353	80,000

#### 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 2011 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:

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.

Kevin Hayes: Number of shares to which the warrants relate: 260,474, Number of warrants purchased: 260,474, Price per warrant: 57.59p.

(d) 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.

The market price of the Company's shares at the end of the financial year was 245.9p. The highest and lowest daily closing share prices during the financial year were 311.0p and 201.9p respectively.

For and on behalf of the Board

**Phillip Colebatch**  
Chairman, Remuneration Committee

26 May 2011



# Directors' Report

The directors submit their report, together with the audited financial statements, for the year ended 31 March 2011 (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.

To enable you, as our shareholders, to assess how the directors have performed their duty to promote the success of the Company, the Companies Act 2006 requires the directors to set out in this Report a fair review of the business of the Group during the year, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group. Information fulfilling these requirements and those contained in the FSA's Listing Rules and 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 and operating subsidiaries
- Principal risks and uncertainties
- Key performance indicators
- Main trends and factors impacting on business performance
- Environmental factors
- Employee and corporate responsibility

Audited financial statements

Financial risk management and financial instruments

Research and development

Board of directors and directors' biographical details

Statement of directors' responsibilities

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## Substantial voting interests

As at 26 May 2011 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.

	%
BlackRock Inc	13.06
AXA S.A.	4.15
Legal & General plc	3.70
G&S Trustees Limited – Pierre Lagrange	3.41

## 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 Articles of Association. A copy of the Articles is available on request from the registered office of the Company. The Articles may be amended by special resolution of the shareholders.

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.

## Change of control

### Significant agreements

The agreement with Citi contains a provision which, upon a change in control, allows for Citi to terminate the agreement. The directors are not aware of any other 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.

### Share transfer restrictions

As at the year-end there are 125,423,940 shares, which were issued to certain principals of GLG as consideration for the acquisition of GLG Partners, Inc, which are subject to share lock up agreements. Under the terms of such agreements, and with limited exceptions, the shares must not be disposed of until 14 October 2013 (the third anniversary of the acquisition), subject to the right of each principal to dispose of up to one third of the shares on or after 14 October 2012.

The Board can decline to register a transfer of any share which is not a fully paid share. In addition, registration of a transfer of an uncertificated share may be refused in the circumstances set out in the uncertificated securities rules and where the number of joint holders exceeds four.

## 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, under the Trust Deed the trustees have discretion to vote or abstain from voting.

By Order of the Board

**Rachel Rowson**  
Company Secretary

26 May 2011

## Essential contracts

Man has an agreement with Citi Global Transaction Services (Citi) under which Citi provides global shareholder and transfer agency services for AHL and Man Multi-Manager private investor products (further details on services provided are given in the [Financial Review Note 5](#)).

## 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.



## Shareholder and company information

Man is always seeking to improve its communication with shareholders and to identify the issues which are important to you. In this section we have set out some key information to assist you in managing your shareholding in Man, including dividend details, our reporting timetable and communications.

### Dividends

#### 2011 final dividend

The Directors have recommended a final dividend of 7.68p per share, for the year ended 31 March 2011. Payment of this dividend is subject to approval at the 2011 Annual General Meeting ("AGM"). Key dates relating to this dividend are given below:

#### 2011 final dividend timetable

Ex-dividend date	29 June 2011
Record date	1 July 2011
DRIP election date	1 July 2011
AGM (to approve the final dividend)	7 July 2011
Payment date	19 July 2011
DRIP certificates received/CREST accounts credited	25 July 2011

#### Change in financial year-end and dividend timetable

In November 2010 Man announced its decision to move to a December year end to align its reporting cycle with that generally adopted in the asset management industry. This means that the current financial period, which started on 1 April 2011, will be a nine month period to December 2011. This change will result in dividend payments after 31 December 2011 being made earlier than in previous years. We thought it would be useful to provide you with a comparison of relevant dates for calendar year 2011 and for calendar year 2012. Please note, however, that future dates are provisional only and may be subject to change.

2011		2012	
Final results for the year ended 31 March 2011	announced May	Final results for the period ended 31 December 2011	announced March
Annual report published	June	Annual report published	March
Annual General Meeting	July	Annual General Meeting	May
Final dividend paid	July	Final dividend paid	May
Interim results announced/ report published	November	Interim results announced/report published	July
Interim dividend paid	December	Interim dividend paid	August

#### Dividend history

To help shareholders with their tax affairs, details of dividends paid in the 2010/2011 tax year are detailed below. For details of historical payments, please refer to the dividend section of our corporate website ([www.mangroupplc.com](http://www.mangroupplc.com)), which can be found under the 'Shareholder Information' pages of the 'Investor Relations' section. Please note that the dividend amounts are declared in US dollars but paid in Sterling. For ease of reference the Sterling dividend amounts have been detailed in the table.

Payment date and dividend	Amount per share (p)	Ex-dividend date	Record date	DRIP share price (p)	DRIP share purchase date
14/12/10 (2010/11 interim)	5.91	24/11/10	26/11/10	287.57	14/12/10
20/07/10 (2009/10 final)	17.20	30/06/10	02/07/10	214.44	21/07/10

#### Dividend payment methods

You can choose to receive your dividend in a number of ways. Dividends will automatically be paid to you by cheque and sent to your registered address unless you have chosen one of the options below:

1. Direct payment to your bank: Cash dividends can be paid directly to a UK bank or building society account. 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. To switch to this method of payment you can download a dividend mandate form from the dividend section of our corporate website ([www.mangroupplc.com](http://www.mangroupplc.com)), under 'Shareholder Information' in the 'Investor Relations' section, or from our Registrar's (Equiniti) Shareview website ([www.shareview.co.uk/shareholders/](http://www.shareview.co.uk/shareholders/)). Alternatively, you can contact Equiniti on 0871 384 2112\*, who will also be able to assist with any questions you may have.
2. Overseas payment service: 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\*\*. Further information can be found on the Shareview website ([www.shareview.co.uk/shareholders/](http://www.shareview.co.uk/shareholders/)) or via the Equiniti helpline 0871 384 2112\*.
3. Dividend Reinvestment Plan (DRIP): The Company offers a DRIP which gives shareholders the opportunity to use their dividend to purchase further Man shares. Instead of receiving cash, shareholders receive as many whole shares as can be bought with their dividend, taking into account related purchase costs. Any residual cash will be carried forward and added to their next dividend.

\* 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.

\*\* Please note that a payment charge would be deducted from each individual payment before conversion into your local currency.





If you wish to join the DRIP, you can download copies of the DRIP terms and conditions and the DRIP mandate form from the 'Investor Relations' pages of the Man website under the 'Dividends' section of 'Shareholder Information'. Simply complete the DRIP mandate form and return it to Equiniti. Should you have any questions on the DRIP or wish for a paper mandate form to be sent to you, please contact Equiniti on 0871 384 2268\*. Please note that if you wish to join the DRIP in time for the 2011 final dividend, our Registrars, Equiniti, must have received the instruction by 1 July 2011. Instructions received by Equiniti after this date will be applied to the next dividend.

## Communications

### Annual and interim reports

Man publishes an annual and interim report every year. The annual report is sent to shareholders through the post as a printed document unless the shareholder has chosen to receive e-communications (see below). The interim report is published on Man's website and a printed copy is available from the Company Secretary on request. Please see the table under 'Dividends' for details of the publication timetable for 2011 and 2012.

### E-communications

The Company offers shareholders the opportunity to access shareholder documents, such as annual reports and notices of AGM, via e-communications rather than receiving printed documents in the post. 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 Man's corporate website.

### Corporate website

Shareholders are encouraged to visit Man's corporate website ([www.mangroupplc.com](http://www.mangroupplc.com)), which contains a wealth of information about Man. The website includes information about the industry in which we operate, our strategy and business performance, recent news from Man and corporate responsibility initiatives. The Investor Relations section is a key tool for shareholders with information on the share price, our financial results, shareholder meetings and dividends, as well as a 'Frequently asked questions' section. You can also download current and past annual and interim reports.

### Shareholder registration and 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\* or Text tel 0871 384 2255\*, quoting Ref No 874. Callers from outside the UK should telephone +44 121 415 7592.

Alternatively you can address your question directly to the Man team by emailing [shareholder@mangroupplc.com](mailto:shareholder@mangroupplc.com).

\* 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.

## Shareholder Alerts

### Unsolicited investment advice and fraud

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).
- Any approach from such organisations should be reported to the FSA, as they also maintain a list of unauthorised overseas firms who are targeting, or have targeted, UK investors. This will assist the FSA to keep the list up to date and undertake other appropriate actions as considered necessary. 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 calls persist, hang up.

Please note that if you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

More detailed information on this or similar activity can be found at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk).

### Share Dealing Service

You can buy shares through 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 plc 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.

### Registered office (with effect from 6 June 2011)

#### Man Group plc

Riverbank House  
2 Swan Lane  
London  
EC4R 3AD

**Telephone:** 020 7144 1000

**Fax:** 020 7144 1923

**Registered in England and Wales with registered no:** 2921462

### Company Advisors

**Auditors:** PricewaterhouseCoopers LLP

**Corporate Brokers:** Bank of America Merrill Lynch  
Credit Suisse

**Public relations:** The Maitland Consultancy Limited



# Additional Financial Information



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## Additional Financial Information

**The Additional Financial Information includes additional disclosures required to be compliant with accounting standards or the Companies Act. Our view is that this Additional Financial information is important but less significant to an understanding of our business and could be accessed through our website by readers requiring this level of detail. Throughout the Annual Report we have added index tables and cross references to help navigate the report.**

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.



## 1. Financial reporting governance - Statement of directors' responsibilities

The directors are responsible for preparing this Annual Report, the Remuneration Report, and the consolidated financial statements in accordance with applicable law and regulations. In preparing these consolidated 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business for the foreseeable future.

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 of the directors confirms that, to the best of their knowledge:

- the consolidated 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;
- the management report contained in Sections 1-7 ([pages 1 to 53](#)) includes a fair review of the development and performance of the business and the position of Man, together with a description of the principal risks and uncertainties that it faces; and
- there is no relevant audit information of which Man's auditors are unaware, and that they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that Man's auditors are aware of that information.

## 2. Significant accounting policies schedule

Policy	Reference	Page
Franchise value	<a href="#">FR 13.1, 13.2</a>	<a href="#">65</a>
Other Intangible assets		
– Investment management contracts, distribution network and brand name	<a href="#">FR 13.1</a>	<a href="#">65</a>
– Placement fees	<a href="#">FR 13.3</a>	<a href="#">67</a>
– Capitalised software	<a href="#">FR 13.3</a>	<a href="#">68</a>
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Investments in associates and joint ventures	<a href="#">FR 18</a>	<a href="#">71</a>
Revenue	<a href="#">FR 3</a>	<a href="#">60</a>
Compensation - share based payments	<a href="#">FR 19</a>	<a href="#">72</a>
Compensation - restructuring	<a href="#">FR 6</a>	<a href="#">61</a>

### Impact of new accounting standards

A number of new standards and amendments to existing standards and interpretations have been issued, some of which were mandatory for the financial year beginning 1 April 2010, with the remaining becoming effective in future periods. The new standards and amendments to existing standards effective for the financial year ended 31 March 2011 that have had an impact, and have been adopted by Man, are as follows:

- IFRS 2 'Share based Payment amendment relating to group cash-settled transactions'
- IFRS 3 (revised) 'Business Combinations'
- IAS 27 (revised) 'Consolidated and separate financial statements'
- Annual Improvements to IFRS 2008 and 2009

The most significant new standard or amendment to existing standards effective for the financial year ended 31 March 2011 is IFRS 3 'Business Combinations'. In relation to the acquisition of GLG, the implementation of IFRS 3 requires the costs relating to the business combination to be expensed in the income statement (where previously these costs were capitalised). The GLG acquisition costs were \$35 million.



## Additional Financial Information

### continued

#### 2. Significant accounting policies schedule continued

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 Man:

- IFRS 9 – 'Financial Instruments'
- IFRS 7 – 'Financial Instruments: Disclosures' - Amendments enhancing disclosures about transfers of financial assets
- IAS 12 – 'Income Taxes' – Limited scope amendment (recovery of underlying assets)
- IAS 24 – 'Related Parties' – Revised definition of related parties
- Annual Improvements to IFRS 2010
- Amendment to IFRIC 14, 'Pre-payments of a Minimum Funding Requirement'
- IFRIC 19 – 'Extinguishing financial liabilities with equity instruments'
- IFRS 10 – 'Consolidated financial statements'
- IFRS 11 – 'Joint Arrangements'
- IFRS 12 – 'Disclosure of Interests in Other Entities'
- IAS 27 – 'Separate Financial Statements'
- IAS 28 – 'Investments in Joint Ventures and Associates'

#### 3. Funds under management (FUM) (unaudited)

The Financial Review includes a summary of FUM and the movements during the year. FUM and movements in FUM flows are important to understand the business.

An investor subscribes capital to fund products based on the fund's prospectus which defines the relationship between the investor and the fund entity. The fund entity is controlled by an independent fund board which represents the interests of the investors. Man's relationship with the fund entity is defined by the investment management agreement (IMA). The IMA specifies the investment objectives, the types of permitted investments, and the fee arrangements. Investors are charged management fees based on asset exposure and in certain cases 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'.

FUM grow through new investor subscriptions, increased leverage, positive investment performance and foreign currency movement; and reduce by redemptions, reduced leverage, negative investment performance and foreign currency movements.

Generally there is a strong correlation between investment performance and growth in FUM. 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. 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. The investment performance during FY2011 of the fund products is explained in the Investment Manager section starting on [page 30](#).

#### Movements in funds under management

The movements in FUM are described below:

##### Net sales

Positive net sales is a measure of our ability to attract new investors and retain existing investors. Redemptions generally occur when performance is less than expected or the investor wishes to change investment strategy. A switch by the investor from one fund product immediately into another product within Man is netted in the analysis.

##### Investment performance

The investment performance is the investors' return and generates performance fees for Man when the fund has reached the performance high-water mark or benchmark. Performance fee income is only recognised at the end of the performance period as that is the point at which it can be reasonably estimated with sufficient certainty.

##### Foreign exchange impact on funds under management

Changes in FUM as a result of foreign currency are not relevant to the investor as they choose the currency of their fund based on their particular investment strategy. As FUM is a measure of Man's earning base, changes in FUM denominated in currencies other than USD affect the management and performance revenue earned.

##### Other movements

Other movements reflect the change in leverage as a result of the routine re-balancing of the level of leverage in the fund products, primarily the guaranteed products. This re-balance is primarily determined by investment movement that increases or decreases the investors' equity that is available to support the borrowing.





#### 4. Group Cash Flow Note

The breakdown of cash generated from operations, investing activities and financing activities is provided below.

##### 4.1 Cash flows from operating activities were as follows:

\$m	2011	2010
Profit for the year	273	445
Adjustments for:		
– Income tax	51	96
– Loss on sale of subsidiary	2	6
– Net finance expense	46	7
– Share of results of associates and joint ventures	(65)	(70)
– Gain on disposal of BlueCrest	(257)	–
– Depreciation and impairment of leasehold improvements and equipment	27	34
– Amortisation of other intangible fixed assets	145	132
– Share-based payments expense	88	56
– Fair value losses/(gains) on available-for-sale financial assets	11	(31)
– Impairment of franchise value and other investments	397	–
– Gain arising from residual interest in brokerage assets	–	(34)
– Net gains on financial instruments	(2)	(23)
– Increase in provisions	–	18
– Increase in pension asset	(18)	(6)
– Other non-cash movements	68	73
	766	703
Changes in working capital:		
– Decrease in receivables	19	115
– (Increase)/decrease in other financial assets	(92)	201
– Increase/(decrease) in payables	28	(98)
Cash generated from operations	721	921
Interest paid	(74)	(26)
Income tax paid	(87)	(141)
<b>Cash flows from operating activities – continuing operations</b>	<b>560</b>	<b>754</b>
<b>Cash flows from operating activities – discontinued operations</b>	<b>(33)</b>	<b>–</b>
<b>Cash flows from operating activities – total Group</b>	<b>527</b>	<b>754</b>

##### 4.2 Cash flows from investing activities were as follows:

\$m	2011	2010
Purchase of leasehold improvements and equipment	(81)	(44)
Purchase of other intangible assets	(78)	(155)
Purchase of other investments	(7)	(43)
Net proceeds from sale of other investments	41	253
Acquisition of subsidiary, net of cash acquired	(486)	–
Interest received	25	26
Dividends received from associates and other investments	112	48
Proceeds from sale of associate	443	–
<b>Cash flows from investing activities – continuing operations</b>	<b>(31)</b>	<b>85</b>

##### 4.3 Cash flows from financing activities were as follows:

\$m	2011	2010
Proceeds from issue of ordinary shares	26	18
Purchase of own shares by ESOP trust	(108)	(61)
Proceeds from borrowings net of issue costs	–	813
Repayment of borrowings	(583)	(17)
Dividends paid to Company shareholders	(613)	(745)
Dividend payments in respect of capital securities	(33)	(33)
<b>Cash flows from financing activities – continuing operations</b>	<b>(1,311)</b>	<b>(25)</b>

##### 4.4 Net (decrease)/increase in cash and bank overdrafts

	2011	2010
Cash and cash equivalents at the beginning of the year	3,174	2,360
<b>Cash and cash equivalents at the end of the year</b>	<b>2,359</b>	<b>3,174</b>

Cash and cash equivalent at year end comprises \$366 million (2010: \$214 million) of cash at bank on hand, and \$1,993 million (2010: \$3,015 million) in short term deposits, net of overdrafts of nil (2010: \$55 million). Cash ring-fenced for regulated entities totalled \$261 million (2010: nil).



## Additional Financial Information

### continued

#### 5. Discontinued operations – brokerage

In September 2010, an independent arbitrator found in favour of MF Global, awarding them \$33 million, in respect of a claim raised by MF Global in April 2009 relating to certain financial adjustments in relation to their closing IPO statement of financial position.

A further loss of \$33 million resulting from the settlement of a class action suit relating to the IPO has been recognised. In addition, a \$4 million tax provision made at the time of the IPO has been released.

The settlement of the actions above will extinguish all related and adjacent current and future claims. These losses relate to a discontinued business and reduce the gain on sale on the IPO previously recognised in the year ended 31 March 2008 and disclosed in the 2008 Annual Report.

#### 6. Taxation

\$m	2011	2010
<b>Analysis of tax charge for the year:</b>		
Current tax:		
UK corporation tax on profits of the year	49	67
Foreign tax	47	44
Adjustments to tax charge in respect of previous periods	(19)	(14)
Total current tax	77	97
Deferred tax:		
Origination and reversal of temporary differences	(27)	(7)
Adjustments to tax charge in respect of previous periods	1	6
Total tax charge	51	96
Effective tax rate	15.7%	17.7%

The tax on Man's total profit before tax is lower (2010: lower) than the amount that would arise using the theoretical effective UK tax rate applicable to profits of the consolidated companies, as follows:

\$m	2011	2010
Profit before tax	324	541
Theoretical tax charge at UK rate – 28% (2010: 28%)	91	151
Effect of:		
Overseas rates compared to UK	(51)	(35)
Adjustments to tax charge in respect of previous periods	(18)	(8)
Impairment of goodwill and other investments	114	–
BlueCrest disposal and partnership profits	(74)	–
Other	(11)	(12)
	(40)	(55)
Total tax charge	51	96

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the rates expected to be applied when the asset or liability is realised. The deferred tax closing balance of \$100 million (2010: \$10 million) relates to the tax arising on the intangible assets purchased as part of the Acquisition of \$141 million (See [Note 13.1 of the Financial Review](#)) reduced by the impact of intangible amortisation (\$6 million), and the change in the UK tax rate to 26% (\$6 million). The closing balance is also net of deferred tax assets primarily related to employee share schemes (\$17 million), tax allowances over depreciation (\$8 million) and other temporary differences (\$4 million).

#### 7. Dividends

\$m	2011	2010
<b>Ordinary shares</b>		
Final dividend paid for 2010 – 24.8 cents (2009: 24.8 cents)	441	419
Interim dividend paid for 2011 – 9.5 cents (2010: 19.2 cents)	172	326
Dividends paid during the year	613	745
Proposed final dividend for 2011 – 12.5 cents (2010: 24.8 cents)	229	425

Dividend distribution to the Company's shareholders is recognised directly in equity and as a liability in Man's financial statements in the period in which the dividend is paid or, if required, approved by the Company's shareholders.



## 8. Earnings per ordinary share

The details of movements in the number of shares used in the basic and fully dilutive earnings per share calculation are provided below. A discussion of the earnings per ordinary share is included in [Note 11 of the Financial Review](#).

	2011		2010	
	Total Number (millions)	Weighted average (millions)	Total Number (millions)	Weighted average (millions)
Number of shares at beginning of year	1,712.3	1,712.3	1,707.9	1,707.9
Issues of shares	6.4	1.6	4.4	2.8
Business combinations	162.8	74.9	–	–
Number of shares at 31 March	1,881.5	1,788.8	1,712.3	1,710.7
Shares owned by employee trusts	(47.1)	(38.9)	(26.8)	(32.6)
<b>Basic number of shares</b>	<b>1,834.4</b>	<b>1,749.9</b>	1,685.5	1,678.1
Share awards under incentive schemes		26.1		21.9
Employee share options		0.5		–
<b>Dilutive number of shares</b>		<b>1,776.5</b>		1,700.0

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

	Year to 31 March 2011			
	Basic post-tax earnings \$m	Diluted post-tax earnings \$m	Basic earnings per share cents	Diluted earnings per share cents
Earnings per share on continuing and discontinued operations	187	187	10.7	10.5
Discontinued operations – brokerage	62	62	3.5	3.5
Earnings per share on continuing operations*	249	249	14.2	14.0
Items for which EPS has been adjusted ( <a href="#">FR9</a> )	275	275	15.7	15.5
Tax on the above items	(33)	(33)	(1.9)	(1.9)
Adjusted Earnings per share	491	491	28.0	27.6

	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 from continuing operations*	421	421	25.1	24.8
Items for which EPS has been adjusted ( <a href="#">FR9</a> )	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

\* 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 ([Note 13](#)), totalling \$24 million post-tax at 28% (2010: \$24 million).

## 9. Geographical disclosure

Disclosure of revenue by geographic location is required by IFRS based on the registered domicile of the fund entity paying Man fees. This geographic analysis is therefore not necessarily representative of the spread of our global business. The geographic analysis of funds under management based on the location of the intermediary or institutional investor is given on [page 45](#) and may be more relevant to an understanding of the geographic spread of our business. 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.

\$m	2011			2010		
	Non-current assets	Revenues by fund location	Revenues by legal entity	Non-current assets	Revenues by fund location	Revenues by legal entity
Bermuda	43	451	–	44	470	4
Cayman Islands	–	408	43	–	329	–
Cook Islands	–	234	–	–	205	–
Ireland	–	172	12	1	136	7
Switzerland	426	2	899	903	7	884
United Kingdom	158	185	621	358	85	371
United States of America	2,160	41	66	138	31	58
Other Countries	131	162	14	114	82	21
	<b>2,918</b>	<b>1,655</b>	<b>1,655</b>	1,558	1,345	1,345

Revenue from any single fund during the year does not exceed 10% of total revenues. Non-current assets above exclude financial instruments, deferred tax and pension assets, and are allocated based on where the assets are located. Operating segments are discussed in the Financial Review [Note 12](#).



## Additional Financial Information

### continued

#### 10. Foreign currencies

The majority of revenues, assets, liabilities and funding are denominated in US dollars (USD) and therefore Man's presentation currency is USD.

The assets and liabilities of consolidated entities that have a functional currency other than USD are translated into USD at the balance sheet date rate. Income and expenses are translated at the average rate for the year in which the transactions occur. Exchange differences which arise are recorded in other comprehensive income.

In consolidated entities with the same USD functional currency, monetary assets and liabilities denominated in foreign currencies are translated at each balance sheet date rate. Transactions denominated in foreign currencies are converted at the spot rate at the date of the transaction or if appropriate the average rate for the month in which the transaction occurs. Resulting exchange differences 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	
	2011	2010	2011	2010
Euro	<b>0.7057</b>	0.7403	<b>0.7559</b>	0.7073
Sterling	<b>0.6235</b>	0.6588	<b>0.6427</b>	0.6261
Swiss Franc	<b>0.9183</b>	1.0541	<b>1.0139</b>	1.0631

#### 11. Fair value hierarchy of financial assets

Man uses 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 hierarchy of financial assets as at 31 March can be analysed as follows:

\$m	2011				2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held at fair value:								
Investments in fund products (FR 14)	<b>27</b>	<b>75</b>	<b>264</b>	<b>366</b>	33	79	299	411
Other investments (FR 14)	<b>4</b>	–	<b>7</b>	<b>11</b>	4	–	68	72
Other receivables (FR 15)	–	<b>15</b>	–	<b>15</b>	–	25	1	26
	<b>31</b>	<b>90</b>	<b>271</b>	<b>392</b>	37	104	368	509

The basis of measuring the fair value of Level 3 investments is outlined in [Note 14.2 of the Financial Review](#). Movement in Level 3 financial assets, measured at fair value, during the year can be analysed as follows:

\$m	2011			2010		
	Financial assets at fair value through profit or loss	Available -for-sale financial assets	Total	Financial assets fair value through profit or loss	Available -for-sale financial assets	Total
<b>Level 3 financial assets held at fair value</b>						
At beginning of year	<b>301</b>	<b>67</b>	<b>368</b>	643	64	707
<b>Total gains in comprehensive income</b>	<b>18</b>	<b>(17)</b>	<b>1</b>	34	15	49
Included in profit for the year	<b>18</b>	<b>(14)</b>	<b>4</b>	34	(4)	30
Included in other comprehensive income	–	<b>(3)</b>	<b>(3)</b>	–	19	19
Purchases	<b>153</b>	<b>3</b>	<b>156</b>	275	–	275
Settlements	<b>(203)</b>	<b>(46)</b>	<b>(249)</b>	(574)	(14)	(588)
Transfers to Reservoir Trust	–	–	–	(76)	–	(76)
Other adjustments	<b>(5)</b>	–	<b>(5)</b>	(1)	2	1
<b>At end of the year</b>	<b>264</b>	<b>7</b>	<b>271</b>	301	67	368
Total gains for the period included in the statement of comprehensive income for assets held at 31 March	<b>4</b>	–	<b>4</b>	34	1	35



## 12. Leasehold improvements and equipment

The increase in leasehold Improvements and equipment reflects the costs associated with the completion of our new Data Centre facility (Woking) and the fit out of our new London headquarters, Riverbank House.

\$m	2011			2010		
	Leasehold improvements	Equipment	Total	Leasehold improvements	Equipment	Total
<b>Cost</b>						
<b>At beginning of the year</b>	<b>54</b>	<b>137</b>	<b>191</b>	19	148	167
Acquisition of business	3	4	7	–	–	–
Additions	78	3	81	19	25	44
Disposals	(7)	(29)	(36)	(1)	(19)	(20)
Reclassifications	(2)	13	11	17	(17)	–
<b>At 31 March</b>	<b>126</b>	<b>128</b>	<b>254</b>	54	137	191
<b>Aggregate depreciation:</b>						
<b>At beginning of the year</b>	<b>(23)</b>	<b>(96)</b>	<b>(119)</b>	(11)	(92)	(103)
Charge for year	(2)	(24)	(26)	(2)	(21)	(23)
Impairment	(1)	–	(1)	(11)	–	(11)
Disposals	1	29	30	1	17	18
<b>At 31 March</b>	<b>(25)</b>	<b>(91)</b>	<b>(116)</b>	(23)	(96)	(119)
<b>Net book value at 31 March</b>	<b>101</b>	<b>37</b>	<b>138</b>	31	41	72

All leasehold improvements and equipment are shown at cost, less subsequent depreciation and impairment. Depreciation is calculated using the straight-line method over the asset's estimated useful life as follows: leasehold improvements over the life of the lease; and equipment over 3 – 10 years. Certain technology assets were reclassified during the period from other intangible assets. Assets in the course of construction totalled \$94 million at year end, mostly relating to Riverbank House.

From a capital perspective, leasehold improvements and equipment are supported by a combination of shareholders' equity and subordinated debt for both economic and regulatory capital purposes.

## 13. Capital management

### 13.1 Share capital and capital reserves

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 21 of the Financial Review](#).

#### Ordinary shares

Ordinary shares have a par value of 3<sup>3</sup>/<sub>7</sub> US cents per share (2010: 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 (2010: nil). As at 26 May 2011, the Company had an unexpired authority from the previous year's Annual General Meeting, to purchase further shares up to a maximum amount of 171,234,154 ordinary shares.

#### Deferred sterling shares

Unlisted deferred sterling shares, representing 0.1% of the Company's issued share capital of 50,000, 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. The deferred sterling shares are freely transferable and have no rights to participate in the profits of the Company, 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 in certain circumstances.



## Additional Financial Information

### continued

#### 13. Capital management continued

##### Authorised share capital

The Companies Act 2006 abolished the requirement for a company to have an authorised share capital, subject to the company having removed references to authorised capital from the articles of association. At the 2010 annual general meeting shareholders adopted new articles of association which contained no such reference and therefore the Company only has an issued share capital.

Issued and fully paid share capital	2011			2010		
	Number	\$m	£m	Number	\$m	£m
At beginning of year	1,712,341,544	59	–	1,707,896,491	59	–
Issue of ordinary shares:						
Employee share awards/options	719,186	–	–	4,445,053	–	–
GLG Partnership Plans	5,667,513	–	–	–	–	–
Shares issued in business combinations	162,732,446	6	–	–	–	–
Ordinary share capital as at 31 March	1,881,460,689	65	–	1,712,341,544	59	–
Deferred sterling shares as at 31 March	50,000	–	–	50,000	–	–
<b>Total issued capital</b>		<b>65</b>	<b>–</b>		<b>59</b>	<b>–</b>

##### Share capital and reserves

\$m	Share capital	Capital securities	Share premium account	Capital redemption reserve	Total
<b>At 1 April 2010</b>	59	300	975	1,292	2,626
Ordinary shares issued in business combinations	6	–	688	–	694
Employee share awards/options	–	–	26	–	26
<b>At 31 March 2011</b>	<b>65</b>	<b>300</b>	<b>1,689</b>	<b>1,292</b>	<b>3,346</b>
<b>At 1 April 2009</b>	59	300	957	1,292	2,608
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>

#### 13.2 Revaluation reserves and retained earnings

\$m	Available-for-sale reserve	Own shares held by ESOP trust	Cumulative translation adjustment	Profit and loss account	Total
<b>At 1 April 2010</b>	<b>(3)</b>	<b>(134)</b>	<b>(32)</b>	<b>1,530</b>	<b>1,361</b>
Currency translation difference	–	(8)	69	3	64
Movement in close period buyback obligations	–	–	–	100	100
Share-based payments charge for the year	–	–	–	110	110
Purchase of own shares by ESOP trusts	–	(93)	–	(35)	(128)
Disposal of own shares by ESOP trusts	–	66	–	(21)	45
Fair value losses taken to equity	(5)	–	–	–	(5)
Deferred tax credit taken to reserves	2	–	–	–	2
Taxation taken to equity with respect to capital securities	–	–	–	9	9
Transfer to income statement on sale or impairment	10	–	–	–	10
Acquisition of business	–	(65)	–	–	(65)
Disposal of business	–	–	22	–	22
Dividends	–	–	–	(613)	(613)
Dividends with respect to capital securities	–	–	–	(33)	(33)
Profit for the year	–	–	–	211	211
<b>At 31 March 2011</b>	<b>4</b>	<b>(234)</b>	<b>59</b>	<b>1,261</b>	<b>1,090</b>





\$m	Available-for-sale reserve	Own shares held by ESOP trust	Cumulative translation adjustment	Profit and loss account	Total
<b>At 1 April 2009</b>	(2)	(163)	(145)	1,894	1,584
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
Deferred tax credit 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>	(3)	(134)	(32)	1,530	1,361

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 will be posted to the Income Statement on disposal of foreign currency subsidiaries.

#### 14. Share-based payments: share grant information

Share-based payments are described in [Note 19 of the Financial Review](#). The following information shows the movements in share-based payments during the year with comparative information.

The fair values of share options granted during the year to employees, and the assumptions used in the calculations, are as follows:

	Key executive option plan	Executive share option scheme	Deferred bonus share option plan	Other employee share option schemes
Grant dates	23/6/2010– 23/3/2011	23/6/2010– 24/3/2011	23/6/2010– 24/3/2010	26/6/2010–2/7/2011
Weighted average share price at grant date (\$)	4.35	3.90	3.92	3.73
Weighted average exercise price at grant date (\$)	4.78	3.92	4.31	2.84
Share options made in the year	43,544,308	1,389,557	8,153,733	510,256
Vesting period (years)	3	3	3	3–5
Expected share price volatility	40%	40%	40%	40%
Dividend yield	6%	6%	6%	6%
Risk-free rate	2.6%	2.4%	2.5%	1.7%
Expected option life (years)	8.1	8.0	8.1	3.7
Number of options assumed to vest	43,554,308	1,359,557	7,883,733	374,749
Average fair value per option granted (\$)	1.06	1.02	0.95	1.02

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.

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

	2011		2010	
	Number	Weighted average exercise price (\$ per share)	Number	Weighted average exercise price (\$ per share)
Share options outstanding at beginning of year	4,792,677	5.47	4,599,249	7.09
Granted	53,597,854	4.67	3,311,457	3.62
Forfeited	(1,479,551)	7.18	(2,050,056)	7.13
Exercised	(118,829)	3.26	(1,067,973)	3.51
Share options outstanding at 31 March	56,792,151	4.68	4,792,677	5.47
Share options exercisable at 31 March	634,604	5.16	665,352	4.94

Included in the tables above are 263,594 Executive Share Plan 2008 awards outstanding as at 31 March 2011, which will not meet the performance criteria and will hence all lapse.



## Additional Financial Information

### continued

#### 14. Share-based payments: share grant information 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)	2011			2010		
	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	55,422,256	4.66	7.6	3,489,853	3.37	3.3
5.01–7.00	1,087,116	5.52	6.4	363,912	6.07	4.7
7.01–9.00	19,185	7.82	0.8	675,318	8.60	4.4
9.01–11.00	263,594	9.69	5.7	263,594	9.18	6.7
	<b>56,792,151</b>			<b>4,792,677</b>		

The share awards granted during the year to employees, and the assumptions used, are as follows:

	Performance share plan	Deferred share plan	Sage and Lavender partnership plan <sup>1</sup>	GPS and Laurel share plans <sup>1</sup>	Unrestricted share plan
Type	Equity	Equity	Cash	Equity	Cash
Grant dates	23/6/2010– 24/3/2011	1/6/2010– 23/3/2011	14/10/2010	14/10/2010	14/10/2010
Weighted average share price at grant date (\$)	3.91	3.77	4.26	4.26	4.26
Share awards made in the year	1,635,283	18,022,868	15,308,506	14,036,234	6,903,649
Vesting period (years)	4	1–4	1–3	1–2	1–3
Average fair value per share granted (\$)	3.09	3.77	4.26	4.26	4.50

1 Legacy GLG partnership and share plans.

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

	2011 Number	2010 Number
Share awards outstanding at beginning of year	<b>31,223,806</b>	37,971,004
Granted	<b>19,658,151</b>	10,737,352
Granted – GLG acquisition	<b>36,248,389</b>	–
Transferred	–	21,699
Forfeited	<b>(2,217,258)</b>	(1,606,002)
Exercised	<b>(21,479,115)</b>	(15,900,247)
Share awards outstanding at 31 March	<b>63,433,973</b>	31,223,806
Share awards exercisable at 31 March	<b>2,331,197</b>	2,056,069

#### 15. Pensions: actuarial information

Pension benefits are described in the [Financial Review Note 20](#).

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

\$m	2011	2010
Present value of funded obligations at beginning of year	<b>384</b>	296
Currency translation difference	<b>26</b>	16
Current service cost (employer portion)	<b>7</b>	7
Interest cost	<b>17</b>	19
Employee contributions	<b>4</b>	4
Actuarial (gains)/losses	<b>(12)</b>	66
Actual benefit payments	<b>(15)</b>	(17)
Past service costs	–	(2)
Settlement/curtailment	<b>(45)</b>	(5)
Present value of funded obligations at 31 March	<b>366</b>	384



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

\$m	2011	2010
Fair value of plan assets at beginning of year	<b>391</b>	248
Currency translation difference	<b>27</b>	13
Expected return on plan assets	<b>24</b>	17
Actuarial (losses)/gains on plan assets	<b>(13)</b>	37
Employer contributions	<b>32</b>	94
Employee contributions	<b>4</b>	4
Benefits paid	<b>(15)</b>	(17)
Assets distributed on settlements	<b>(49)</b>	(5)
Fair value of plan assets at 31 March	<b>401</b>	391

The Plan assets are invested approximately one third in equities, bonds and hedge funds. The actual return on plan assets was \$11 million (2010: \$54 million).

The other expenses recognised in the Income Statement are as follows:

\$m	2011	2010
Current service cost (employer portion)	<b>7</b>	7
Interest cost	<b>16</b>	19
Expected return on plan assets	<b>(24)</b>	(17)
Amortisation of unrecognised past service cost	<b>1</b>	1
Amortisation of unrecognised net loss	<b>2</b>	1
Past service costs	<b>–</b>	(2)
Settlement/curtailment	<b>12</b>	2
Total charge	<b>14</b>	11

The contributions expected to be paid during the year ending 31 December 2011 amount to \$5 million.

All cumulative actuarial gains and losses at the date of the Group's IFRS transition (1 April 2004) were recognised in full. Actuarial gains and losses arising subsequently 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.

The principal actuarial assumptions used in the valuations of the two plans as at 31 March 2011 were:

	UK plan		Swiss plan	
	2011 % pa	2010 % pa	2011 % pa	2010 % pa
Discount rate	<b>5.5</b>	5.5	<b>2.7</b>	2.7
Price inflation	<b>3.5</b>	3.7	<b>1.5</b>	1.5
Expected return on plan assets	<b>6.5</b>	6.9	<b>4.4</b>	4.5
Future salary increases	<b>3.5</b>	3.7	<b>2.5</b>	2.5
Social security increases	<b>–</b>	–	<b>1.0</b>	1.0
Interest crediting rate	<b>–</b>	–	<b>3.0</b>	3.0
Pension in payment increases	<b>3.8</b>	3.8	<b>–</b>	–
Deferred pensions increases	<b>5.0</b>	5.0	<b>–</b>	–

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 7.6% (2010: 7.9%), expected bond returns of around 4.9% (2010: 5.0%), expected return on hedge funds of around 7.6% (2010: 7.9%), expected return on diversified growth funds of around 7.1%, and expected average return on other plan assets (cash) of around 4.3% (2010: 4.5%). The Reservoir Trust holds a different mixture of hedge funds, the expected return on these assets is around 7.4% (2010: 7.4%). In Switzerland, investment market conditions suggest an expected return on equities of around 5.8% (2010: 6.0%), expected bond returns of around 2.0% (2010: 2.2%), expected returns on property of 4.3% (2010: 4.5%), expected hedge fund returns of around 5.8% (2010: 6.0%) and expected average return on other plan assets (commodities) of around 5.8% (2010: 6.0%).

For both 2010 and 2011, mortality rates in the UK plan are assumed to be in line with 120% 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.

The 31 March 2011 mortality rates in the Swiss plan are assumed to be in line with the Swiss BVG 2010 generation tables.



## Additional Financial Information

### continued

#### 15. Pensions: actuarial information continued

History of experience gains and losses:

	2011		2010		2009		2008		2007	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
Experience gain/(loss) arising on plan assets (% of plan assets)	13	3.3	37	9.4	(35)	(14.1)	(19)	(5.3)	11	3.3
Experience gain/(loss) arising on plan liabilities (% of the present value of plan liabilities)	6.3	1.7	4.7	1.2	(11)	(3.7)	–	(0.7)	3	0.1
Present value of plan liabilities	(366)		(384)		(296)		(350)		(409)	
Fair value of plan assets	401		391		248		341		359	
Plan surplus/(deficit)	35		7		(48)		(9)		(50)	

#### 16. Employee Trusts

The balance sheet and financial results 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 Man. At year end the net assets of the employee trusts amounted to \$41 million (2010: \$110 million). These assets include 51,799,754 (2010: 26,837,328) 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. During the year the trustees of one of the employee trusts waived all of the interim dividend for the year ended 31 March 2011 on each of 38,521,152 of the ordinary shares registered in its name at the relevant date for eligibility for the interim dividend (2010 interim: all but 0.01p on 30,833,745 shares) and all of the final dividend for the year ended 31 March 2010 on each of 25,129,018 of the ordinary shares registered in its name at the relevant date for eligibility for the final dividend (2009 final: all but 0.01p on 33,238,809 shares).

#### 17. Related party transactions

Related parties comprise key management personnel, associates and joint ventures. Transactions with related parties include 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.

Total revenue earned from fund entities deemed to be associates, included in the Income Statement during the year was \$314 million (2010: \$445 million) and at 31 March total fee receivables and loan balances with fund entities deemed to be associates totalled \$41 million (2010: \$169 million). In addition, Man had entered into committed purchase agreements totalling \$67 million (2010: \$228 million) with fund entities deemed to be associates. All transactions with related parties were carried out on an arm's length basis.

Refer to the [Note 18 of the Financial Review](#) for details of income earned from equity accounted associates and for an explanation of the disposal of BlueCrest, an associate, in the year, and to the Remuneration Report ([page 102](#)) for details of related party transactions with key management personnel.

#### 18. Financial guarantees and commitments

##### 18.1 Committed purchase agreements (CPAs)

For certain structured products, Man has previously made commitments to buy underlying investments in single manager allocations in specific fund products at a discount to net asset value if requested by the fund board directors to create liquidity. Man has the option to defer a purchase, if so called, for three months. The commitment at year end covers investments in existing fund products totalling \$590 million (2010: \$556 million). No new CPAs have been granted since April 2008 and a CPA has never been called by the fund directors. Given the risk and liquidity management at the portfolio level by the investment manager the residual liquidity and market risk to Man from CPA is not significant. The stress liquidity and risk modelling performed across all structured products includes the CPAs and is provided for in our liquidity and risk management framework.

##### 18.2 Daylight settlement facilities

Man from time to time provides a guarantee over certain bank accounts of structured products entities to secure daylight settlement facilities which allow for the efficient movement of cash during the trading day. In aggregate these guarantees had a notional amount of \$400 million (2010: \$400 million). Ordinarily no net exposure exists at the end of any given day and the fair value of these commitments has been determined to be nil (2010: nil).

##### 18.3 Operating lease commitments

Operating lease commitments due within one year totalled \$43 million (2010: \$22 million), \$130 million from one to five years (2010: \$78 million) and \$259 million due after five years (2010: \$416 million). The commitments include offsetting sublease arrangements, totalling \$42 million (2010: \$30 million) for commitments less than five years and \$83 million (2010: \$91 million) for commitments over five years.

The operating lease commitments include the agreements for lease contracts for the new headquarters at Riverbank House, London (25 years) and the UK Data Centre, Woking (10 years) which aggregated to \$438 million (2010: \$442 million).

Included in the total lease commitments are Man's additional annual commitments acquired as part of the GLG acquisition in respect of non-cancellable operating leases for office space located in London, UK, Cayman Islands, Geneva, Switzerland and New York, US which expire on various dates through 2018. Rent and associated expenses for all leases are recognised on a straight-line basis over the life of the respective lease.



## 19. 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
GLG Partners LP <sup>2</sup>	England	100
<b>Group Services Company</b>		
E D & F Man Limited	England	100
<b>Group treasury and holding company</b>		
Man Investments Finance Limited <sup>1</sup>	England	100

1 Direct subsidiary.

2 Year end is 31 December.



## Parent Company financial information

### Company Balance Sheet

At 31 March

\$m	Note	2011	2010
<b>Fixed assets</b>			
Investments	<u>2</u>	<b>3,178</b>	1,601
<b>Current assets</b>			
Debtors	<u>3</u>	<b>3,447</b>	4,042
<b>Creditors – due within one year</b>			
Other creditors and accruals	<u>4</u>	<b>(92)</b>	(216)
<b>Net current assets</b>		<b>3,355</b>	3,826
<b>Creditors – due after one year</b>			
Borrowings	<u>5</u>	<b>(1,478)</b>	(1,434)
<b>Net assets</b>		<b>5,055</b>	3,993
<b>Capital and reserves</b>			
Called up share capital		<b>65</b>	59
Share premium account		<b>1,689</b>	975
Reserves		<b>1,592</b>	1,592
Profit and loss account		<b>1,709</b>	1,367
<b>Total shareholders' funds</b>	<u>6</u>	<b>5,055</b>	3,993

Approved by the Board of Directors on 26 May 2011

**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 on a regular basis in accordance with FRS 18. These policies have been applied consistently throughout the current and preceding year. The Company has adopted FRS 29 and has taken advantage of the exemption from providing further financial risk disclosures.

The profit for the financial year dealt with in the Company was \$781 million (2010: \$122 million loss). In accordance with Section 408 of the Act, 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.

### 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. Refer to [AFL 7](#) for more information on dividends paid during the year.

### 2. Investments

\$m	2011	2010
Investments in subsidiaries		
At beginning of year	<b>1,601</b>	1,545
Additions	<b>4,489</b>	–
Disposals	<b>(3,010)</b>	–
Share-based payment	<b>98</b>	56
<b>At 31 March</b>	<b>3,178</b>	1,601

The Company's shares in subsidiary undertakings are stated in the Balance Sheet of the Company at cost less provision for any impairment incurred. As noted in the Financial Review in the 2011 Annual Report, effective 14 October 2010 the company acquired GLG Partners, Inc (GLG), which became a fully owned subsidiary, for a cost of \$1,409 million. Other movements in investments in the year relate to the restructure of subsidiaries within the Group. 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. Details of the principal Group subsidiaries are given on [page 125](#).

### 3. Debtors

\$m	2011	2010
<b>Amounts falling due within one year</b>		
Amounts owed by subsidiaries	<b>3,434</b>	4,024
Current tax assets	<b>13</b>	18
	<b>3,447</b>	4,042

### 4. Other creditors and accruals

\$m	2011	2010
<b>Amounts falling due within one year</b>		
Other creditors	<b>75</b>	206
Accruals	<b>17</b>	10
	<b>92</b>	216



## Notes to the Company financial statements

### continued

#### 4. Other creditors and accruals continued

Other creditors include a liability of \$69 million (2010: \$104 million) which relates to the Company establishing indemnities to the benefit of some subsidiaries. In the prior year, a liability of \$100 million was included in relation to share buy-backs contractually undertaken with a third-party investment bank on behalf of the Company. Contracts entered into to buy back Company shares during a close period give rise to an obligation for the Company. This obligation is included in creditors and deducted from equity. At 31 March 2011 there were no contracts in respect of share buy-backs (2010: \$100 million), and the liability was released through equity.

The Company had no external trade creditors at 31 March 2011 or 31 March 2010.

#### 5. Borrowings

\$m	2011	2010
<b>Amounts falling due after more than one year</b>		
Fixed rate notes	<b>1,307</b>	1,034
Floating rate notes	<b>171</b>	400
	<b>1,478</b>	1,434

Borrowings are initially recognised initially at fair value net of transaction costs incurred and 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 17 of the Financial Review](#) in the 2011 Annual Report for further discussion around borrowings.

#### 6. Equity shareholders funds

\$m	Share capital	Share premium account	Capital redemption reserve	Capital Securities	Profit and loss account	Total
<b>At 1 April 2010</b>	<b>59</b>	<b>975</b>	<b>1,292</b>	<b>300</b>	<b>1,367</b>	<b>3,993</b>
Issue of ordinary share capital	6	714	—	—	—	720
Movement in close period buyback obligations	—	—	—	—	100	100
Taxation taken to equity with respect to capital security	—	—	—	—	9	9
Share-based payments charge	—	—	—	—	98	98
Profit for the year	—	—	—	—	781	781
Dividends	—	—	—	—	(613)	(613)
Dividends with respect to capital securities	—	—	—	—	(33)	(33)
<b>At 31 March 2011</b>	<b>65</b>	<b>1,689</b>	<b>1,292</b>	<b>300</b>	<b>1,709</b>	<b>5,055</b>
At 1 April 2009	59	957	1,292	300	2,202	4,810
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)
At 31 March 2010	59	975	1,292	300	1,367	3,993

The allotted and fully paid share capital of the Company is detailed in [Note 13 of the Additional Financial Information](#) in the 2011 Annual Report.

#### 7. Directors' remuneration

Details of the individual directors' emoluments, options, share awards and loans and key management compensation disclosures is given in the Remuneration Report on [pages 94 to 106](#).

#### 8. Statutory and other information

There are no employees of the Company (2010: nil). The directors of the Company were paid by another Group company in 2010 and 2011.

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 the Remuneration Report on [pages 94 to 106](#).

The Company provides financial instruments disclosures in accordance with IFRS 7 in its consolidated financial statements. Details can be found in [pages 68 to 71](#) to the consolidated financial statements of the Annual Report 2011. Consequently the Company has taken advantage of the exemption in FRS 29 from providing further financial instruments disclosures.



The Company provides full related party disclosures in its consolidated financial statements. Details can be found in [page 124](#) to the consolidated financial statements of the Annual Report 2011 and in the Remuneration Report on [pages 94 to 106](#). 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.

## 9. Guarantees

The Company has entered into a number of guarantees and commitments, as follows:

### Year ended 31 March 2011

Financial guarantees and commitments \$m	Note	Total	Less than 1 year	1–5 years	Over 5 years
Financial guarantees and commitments:					
Intra-day and overnight credit facilities	(i)	(925)	(925)	–	–
FX trading guarantees	(ii)	(1,500)	(1,500)	–	–
Operating lease and related commitments	(iii)	(393)	(1)	(34)	(358)
Other Group facilities	(iv)	(2,430)	–	(2,430)	–
		(5,248)	(2,426)	(2,464)	(358)

### Year ended 31 March 2010

Financial guarantees and commitments \$m	Note	Total	Less than 1 year	1–5 years	Over 5 year
Financial guarantees and commitments:					
MF Global brokerage account		(50)	(50)	–	–
Intra-day and overnight credit facilities	(i)	(925)	(925)	–	–
FX trading guarantees	(ii)	(4,600)	(4,600)	–	–
Operating lease and related commitments	(iii)	(520)	(3)	(48)	(469)
Other Group facilities	(iv)	(2,430)	–	(2,430)	–
		(8,525)	(5,578)	(2,478)	(469)

The financial commitments and guarantees disclosures included in [Note 18.2](#) and [18.3 of the AF](#) in the 2011 Annual Report also relate to the Company. In addition to the amounts outlined in these notes, the following facilities also relate to the Company:

#### (i) Intra day and overnight credit facilities

The Company guarantees the obligations of a subsidiary under a \$500 million (2010: \$500 million) intra-day and \$25 million overnight credit facilities (2010: \$25 million), used to settle the majority of the Group's banking arrangements. As at 31 March 2011 the exposure under the intra-day facility was nil (2010: nil) and the overnight exposures was nil (2010: \$25 million). The fair value of these commitments has been determined to be nil (2010: nil).

#### (ii) FX trading guarantees

The Company 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 \$1.5 billion (2010: \$4.6 billion). The fair value of these commitments have been determined to be nil (2010: 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, London (25 years). The fair value of these commitments has been determined to be nil (2010: 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 2011 and 31 March 2010. Refer to [Note 17 of the Financial Review](#) in the 2011 Annual Report for further details. The fair value of these commitments has been determined to be nil (2010: 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.



## Independent auditors' report on the parent company financial statements

We have audited the parent company financial statements of Man Group plc for the year ended 31 March 2011 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 Statement of Directors' Responsibilities set out on [page 113](#), 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Man Group plc Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on 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 2011;
- 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 2006

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 matter

We have reported separately on the group financial statements of Man Group plc for the year ended 31 March 2011.

### Richard Oldfield

#### (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
26 May 2011



## Notes



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