



Report and accounts

for the nine month period ended 31 December 2011

Man Group plc

This has been a tough trading period for Man. In this report, our Chairman ^{PG02} Chief Executive ^{PG06} and Finance Director ^{PG12} evaluate business performance for the period and our prospects for future growth.

Despite a challenging market backdrop, our sustainable **business model**, ^{PG30} growth-oriented **strategy** ^{PG20} and robust **risk management** ^{PG24} position us to deliver strong long-term **investment performance** ^{PG32} through tailored **investor solutions** ^{PG38} to a **growing global investor base**. ^{PG40} Our overriding goal is to be the **leading alternative investment manager globally**.

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Highlights 9 months ended December 2011

Change of financial year end

Man has changed to a December year end to align its reporting cycle with that generally adopted in the asset management industry.

This report covers the nine months from 1 April to 31 December 2011. We are required, for comparative purposes, to include the prior reported year ended 31 March 2011. The GLG acquisition was completed in October 2010. Therefore the results for the year ended 31 March 2011 include 5.5 months of GLG's results, whereas the current period includes GLG for the full nine months. The two periods are therefore not directly comparable and we have explained changes that occurred during the year in absolute terms rather than in relation to prior year.

Our next report will be for the period from 1 January to 31 December 2012.

Funds under management (FUM)

\$58.4bn

Down 15% from \$69.1bn at March 2011 in extremely challenging market conditions. The decrease comprises negative investment performance of \$4.0bn, net outflows of \$1.5bn, negative FX movement and acquired FUM of \$1.4bn and de-gearing and other movements of \$3.8bn.

Sales

\$16.7bn

Split \$13.9bn alternatives and \$2.8bn long only. Net outflows of \$1.5bn in total with net inflows of \$0.3bn into alternatives and net outflows of \$1.8bn out of long only. Prior year sales were \$11.7bn.

Revenue

\$1,254m

Gross revenue comprised \$1,160m of management fees and \$94m of performance fees. The aggregate gross management fee margin decreased from 280bps to 230bps during the period due to lower guaranteed product FUM and the inclusion of GLG products for the full period. Negative investment performance meant that products were below the threshold at which they earn performance fees for the majority of the period. Revenue for the prior year was \$1,655m.

Adjusted profit before tax

\$262m

Comprises net management fee income of \$281m, net performance fee income of \$37m and net finance expense of \$56m. The pre-tax operating margin was 15.4% compared to 18.6% in the previous year as loss of associate income from the sale of BlueCrest and lower gross revenues were only partly offset by lower expenses. Adjusted profit before tax for the prior year was \$599m.

Adjusted diluted earnings per share

10.7 cents

Decreased from 27.6 cents in the prior year due to lower adjusted profit before tax and an increase in the weighted average diluted number of shares as a result of the shares issued for the GLG acquisition.

Profit before tax – continuing operations

\$193m

Adjusting items include the amortisation of GLG acquisition intangibles (\$47m) and restructuring costs (\$22m). Profit before tax for the prior year was \$324m.

Diluted earnings per share – continuing operations

7.6 cents

Reconciliation between statutory and adjusted diluted earnings per share is given in Additional financial information note 8. Diluted earnings per share for the prior year was 14.0 cents.

Dividends for the nine month period

16.5 cents

Maintained on a pro-rata basis. Proposed final dividend of 7.0 cents per share. Payable at a rate of 4.38 pence per share.

→ PG 140 for dividend information

Active stewardship in tough times

The nine months ended 31 December 2011 were a period of extreme volatility across all asset classes, heavily influenced by economic uncertainty in the Eurozone and globally. This created very challenging trading and performance conditions for Man and severely tested investor appetite for risk. Although some of our funds performed strongly and sales held up well, we experienced a net decrease in funds under management from \$69.1 billion at the end of March 2011 to \$58.4 billion at 31 December 2011. Lower management and performance fees caused a reduction in earnings for shareholders.

While appreciating the negative impact of this downturn in performance, the Board remains confident in its strategy of offering diversified alternative investment returns, a broad range of liquid strategies and world class distribution. This strategy has created a firm foundation for future earnings growth and our focus this year will be on its execution. The Board will be challenging management to deliver against our key priorities of improving investment performance, meeting client needs and driving operational efficiency. We need to ensure that the business is well positioned to grow assets and earnings as markets normalise and risk appetite returns and, in the meantime, look at all options to increase shareholder value.



Jon Aisbett
Chairman

Chairman's review

Strategic priorities for 2012

Improving investment performance

Your Board has continued to make realising the full potential of AHL and delivering top quartile performance a key priority. We have closely followed and challenged the results of the management team's review of AHL's investment model and the output from its ongoing research and development programme. We have also explored and challenged the risk management approach adopted in periods of extreme price volatility. We continually monitor the performance of AHL against its competitor group and seek to establish the reasons for adverse variance.

Among the GLG funds, there was a mix of investment performance during the nine months. In periods of market volatility the focus of the Board is on enforcing strong risk management at the portfolio manager level. The Audit and Risk Committee, through the Compliance and Risk teams, has provided independent oversight of the investment management process. In addition, the Board has been active in reviewing and mitigating counterparty credit risk which continues to be a focus of attention.

Meeting client needs

At its annual strategy meeting, the Board conducted a thorough review of the opportunities and challenges presented by recent market trends and regulatory developments and identified a number of workstreams to be pursued by management to respond to changing investor preferences. These included a review of our strategies for client retention, the development of our product set and our entry into new markets.

The Board has continued to encourage and oversee the development of management capability to meet investor needs globally. In addition to his portfolio management responsibilities in London, Pierre Lagrange, Senior Managing Director of GLG, has been appointed as non-executive Chairman of Man Asia to oversee the expansion of Man's investment management activities through that region and to respond to investor demand for Asian based assets. Ruud Hendriks stepped down from the Board in December to take up the position of non-executive Chairman of Man's Institutional business and provide advice to their European Sales team. I am delighted that Ruud's new role will enable us to leverage more directly his extensive experience and relationships with European institutional investors.

Driving cost efficiency

The Board has sought to reshape the cost base to suit future business needs and reflect changes in product and margin mix. As planned, we delivered \$50 million of cost synergies from the GLG acquisition. The completion of the outsourcing of fund administration and the Board's decision to repay debt and reduce interest cost will reduce our expense base by \$40 million in 2012. In addition, in 2012 we will be closely monitoring management's delivery of a programme to achieve a further \$75 million of cost reduction, \$50 million of which is targeted to be achieved by the end of the year.

Chairman's review continued

Financial strength

Maintaining the Company's financial strength continues to be a key Board objective. In last year's review I explained how the Board had reviewed the Company's capital and stress liquidity positions in relation to its risk appetite and had reached a decision on the optimal sizing of each. In 2011, the Board approved the decrease of surplus liquidity to our target level through the reduction of the Company's committed bank facilities and the buy back of a substantial proportion of its senior bonds. Towards the end of the year, after due analysis of its financial impact, we approved a programme to repurchase for cancellation \$150 million of the Company's issued share capital. More recently, after further consideration of the Company's long term earnings potential and future capital requirements, we have reviewed and redefined our future distribution policy.

Distribution policy

- Dividend policy revised to pay out at least 100% of adjusted management fee earnings per share in each financial year by way of ordinary dividend
- Man expects to generate significant surplus capital, primarily from net performance fee earnings. Available surpluses will be distributed to shareholders over time by way of higher dividend payments and/or share repurchases
- The Board intends to apply this policy in 2012 to pay a total dividend for the year of 22 cents per share

Man has a long history of returning capital to shareholders, by way of both dividends and share repurchases. Distributions in the future will continue to reflect this track record and will be assessed against the Company's current and future earnings, our financial position and the Board's view of the long-term prospects for the business.

In future, Man's policy will be to pay out at least 100% of adjusted management fee earnings per share in each financial year by way of ordinary dividend. In addition, the Company expects to generate significant surplus capital over time,

primarily from net performance fee earnings. Available surpluses, after taking into account our required capital, potential strategic opportunities and a prudent buffer, will be distributed to shareholders over time by way of higher dividend payments and/or share repurchases. Whilst the Board continues to consider dividends as the primary method of returning capital to shareholders, it will continue to execute share repurchases when advantageous to shareholders.

Given Man's financial strength and the Board's confidence in the long-term prospects for the business, the Board intends to apply this policy during 2012 to pay a total dividend for the year of 22 cents per share, of which 9.5 cents will be paid as an interim dividend on 4 September 2012. After a capital buffer, Man currently holds surplus regulatory capital of over \$550 million.

Risk management

The Board is responsible for defining Man's risk appetite and monitoring its overall risk exposures. Strong risk management creates sustainable performance and is an essential feature of Man's business for both shareholders and fund investors. The Board has continued to strengthen its oversight and challenge in this area. The Audit and Risk Committee has reviewed and challenged the output from management's recently developed risk dashboard which monitors changes in the levels of key business risks. Building consideration of risk into the determination of reward has been reinforced. The Audit and Risk Committee and Remuneration Committee have worked together on risk matters as they affect the remuneration of executive directors and risk takers more broadly within Man. Further details of the Board's risk management activities are given in the Corporate governance report [→ PG 52](#) and the Audit and Risk Committee report [→ PG 56](#).

Remuneration

In making their remuneration decisions, the Board and Remuneration Committee are very aware of the downturn in the Company's performance and the need for this to be reflected in the compensation of its executive directors and senior management. They also need to set reward at a level which



(from left to right) Nina Shapiro, Frédéric Jolly, Jon Aisbitt, Kevin Hayes, Matthew Lester.

retains and motivates staff to rebuild the Company's funds under management and profitability. The key actions which we have undertaken to meet the challenge of aligning pay to performance while maintaining operating capability are set out in the Remuneration report [→ PG 62](#). In making our remuneration and dividend decisions in respect of the period to 31 December 2011, we considered carefully the balance between the return for employees for their performance and the return for shareholders from the profitability of the business. This period was difficult and earnings and FUM declined. The Board has, however, taken measures to improve the earnings potential of the business as set out in our strategic priorities. The Board believes that an appropriate balance was achieved such that employees have been rewarded for their performance and the business has maintained operating capacity for growth in 2012.

Shareholder engagement

The Board has kept close to shareholders' views and concerns during this difficult trading period. We receive regular and detailed feedback from our investor relations team and corporate brokers on the market's response to our results announcements and trading statements and keep attuned to the key areas of importance to our investor base. We are acutely aware of the need to focus on improving investment performance, building flows, delivering cost efficiency and communicating our policy on earnings distribution and capital allocation. We also recognise the need to communicate as openly and clearly as possible to provide the market with the information it needs to evaluate our business. In September we invited our institutional investors to a 'Meet the Managers' day which gave them more visibility on the Company's executive talent below Board level. Over the course of the year our management team met around 50% of our institutional shareholder base.

Board effectiveness

The success of the Board and its stewardship of the Company is ultimately dependent on the skills and experience of its members and the effectiveness of how they work together. The importance of bringing together individuals with diverse

backgrounds, outlooks and interests is well recognised. I lead a Board with a broad base of independent non-executive expertise which is regularly reviewed and refreshed. In May, our executive team was strengthened by the appointment of Emmanuel Roman, Chief Operating Officer and CEO of GLG. In the same month we welcomed Matthew Lester, former CFO of ICAP and currently CFO of the Royal Mail, as a non-executive director. Matthew brings substantial financial, regulatory and markets experience and took over the role of Chairman of the Audit and Risk Committee later in the year.

The Board has considered its position in relation to the Davies Review on the level of female representation on company boards. Our firm principle is that Board appointments should always be based on merit and overall suitability, irrespective of gender considerations, and we have in the past struggled to find female candidates with the appropriate experience who are interested in joining the Board. We were, therefore, delighted that Nina Shapiro accepted an appointment as a non-executive director in October last year. With a career spent in the World Bank, Nina has in-depth experience of capital markets, broad insight into government policies on the development of financial markets worldwide and extensive knowledge of emerging economies in which Man may wish to develop its business.

At this year's AGM, in line with UK Corporate Governance Code requirements, we are giving shareholders the opportunity to vote on the reappointment of every Board member. This Review has sought to give an overview of the priorities and actions of the Board during the period. Further details of our activities and the processes we employ to ensure we discharge our role to the best of our ability can be found in my Corporate governance report [→ PG 48](#) and on our website www.man.com. I hope that together these provide a clear picture of our focus on and commitment to shareholder value and give you confidence in the effectiveness of our stewardship.

Jon Aisbitt

Chairman



(from left to right) Patrick O'Sullivan, Phillip Colebatch, Emmanuel Roman, Alison Carnwath and Peter Clarke.

Trading conditions were difficult for Man and the broader asset management industry in 2011, especially in the final six months.

Section summary

2011: record sales; spike in redemptions after the volatile summer months

A full spectrum of alternative investment styles with cross cycle appeal

2012: focus on investment performance, efficiency and meeting client needs



To watch an interview with Peter giving an update on our strategic progress.

www.man.com



Peter Clarke
Chief Executive

Chief Executive's review

We ended the year with lower funds under management (FUM) of \$58.4 billion. Lower management and performance fees combined to reduce diluted earnings per share for the nine months to 31 December 2011 to 7.6 cents.

Man remains soundly profitable, strongly capitalised and well positioned strategically. In 2012, our focus on investment performance, meeting client needs and efficiency will move us towards our long term goal to be the leading alternative investment manager globally.

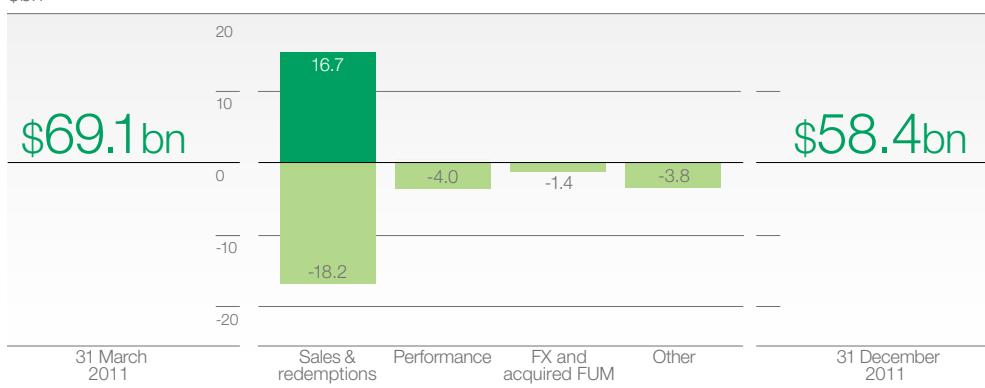
Liquid alternative investments remain a growing sector of the asset management industry. Our careful positioning, long established performance track record and capital strength position us to participate in this growth as investor sentiment improves.

2011 results ↗ PG 12

The nine months to 31 December 2011 were a challenging trading period for Man. Record sales early in the period contributed to gross sales for the nine months of \$16.7 billion. These were spread across strategies, investor types and geographies and reflect the breadth and depth of our enlarged business. Inflows were strongest in open-ended products, reflecting increased investor focus on liquidity, regulation and ease of access.

Extreme market volatility over the summer severely tested investor risk appetite across the asset management industry and caused redemptions to spike in September before they normalised in the final quarter. We ended the period with funds under management of \$58.4 billion, down from \$69.1 billion at the end of March 2011.

Movement in funds under management (FUM)
\$bn



Chief Executive's review continued

These challenging conditions impacted many markets, with the HFRX global hedge fund index ending the year down 8.9%. AHL, our systematic, trend-following managed futures manager, gave up about half of its 2010 gains in 2011 to finish the year down 6.8%, with short duration price trends and significant sharp reversals proving difficult to navigate. Performance at GLG varied significantly across investment styles. The European long short strategy outperformed industry benchmarks to finish the year up 7.0%. There was good relative performance from European distressed, equity market neutral, credit and macro styles, but emerging markets and equity styles driven primarily by stock selection recorded double digit negative performance. Man Multi-Manager also had a challenging year, but demonstrated that diversification across styles, disciplined strategy selection and defensive risk positioning could provide downside protection.

Adjusted profit before tax for the nine month period was \$262 million, compared to \$599 million for the twelve months to March 2011. Negative AHL performance and the resulting de-gear were key drivers of a substantial reduction in guaranteed product funds under management – the highest margin part of our product range. This adverse change in product mix, together with reduced performance fees, resulted in lower earnings.

While we remain well positioned for profitable growth as markets and investor demand improve, we have stepped up our focus on efficiency to reflect changes in our product and margin mix. In 2011, our biggest operational efficiency project was to outsource services such as valuations, fund accounting and registrar functions. This enabled our investors to benefit from the scale and expertise of a third party provider and will generate cost savings of \$20 million in 2012. We also looked at our funding requirements and bought back some of our outstanding debt to generate a further \$20 million of interest expense savings in 2012. With a further \$75 million of savings announced in January 2012, \$50 million of which will be delivered in 2012 and \$25 million in 2013, we have measures in place to reduce our 2012 cost base by a total of \$90 million.

Man remains well capitalised and cash positive. The Board has proposed a final dividend for the three month period to 31 December 2011 of 7.0 cents per share, to give a maintained total dividend, pro-rated for the nine month period, of 16.5 cents per share. Given our financial strength and confidence in the long term prospects for our business, we intend to pay a total dividend of 22 cents per share in 2012. The Chairman's review sets out our dividend policy. **→ PG 02**

2011 operating progress

In our previous Annual Report, we said that our key priority for this reporting period was to capitalise on the substantial business transformation we undertook with the acquisition of GLG. We made significant progress over the last nine months in shaping our enlarged business for future growth.

Man's corporate strategy is

To deliver strong long-term investment performance ...

... across a unique range of alternative investment strategies and formats ...

... to a growing global investor base ...

... with a strong framework of people management, governance, risk management, innovation and capital allocation.

A full spectrum of investment styles with cross cycle appeal **→ PG 38**

With the integration of GLG now complete, we are actively marketing a comprehensive suite of systematic and discretionary liquid alternative investment strategies to existing and potential new investors. Our 2011 sales featured \$2.5 billion from sources new to the enlarged firm including a \$1 billion GLG managed currency overlay in Japan, \$600 million in guaranteed products including the new Man-IP 220 GLG, \$800 million of allocations into GLG from new territories such as Australia and a \$145 million UCITS multi strategy product drawing on the trading capabilities of all our internal styles.

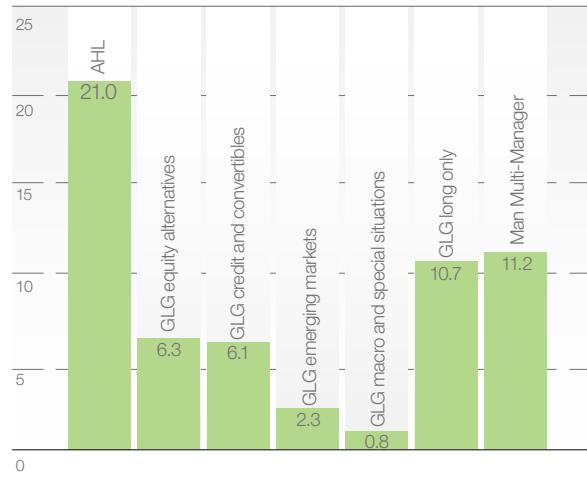
Sales synergies following
GLG acquisition

\$2.5bn

We acted to fill gaps in the market for new systematic strategies by bringing together quantitative expertise from AHL, GLG and Man Multi-Manager to form Man Systematic Strategies (MSS). Over the course of the year MSS successfully launched its first systematic equity fund, delivered positive returns of 25.6% from

FUM by style

\$bn



its volatility based TailProtect product and is bringing to market systematic offerings in fixed income and commodities. MSS finished the year with assets of around \$1 billion and considerable interest in TailProtect in particular, which has translated into early 2012 allocations.

Investment management excellence, close to markets with proven ability to integrate new trading talent

→ PG 32

Our ability to perform for investors is a function of the talent and commitment of everybody at Man. We continued our programme of investing in our investment management capabilities through 2011.

AHL expanded the number of instruments traded with beneficial effects on returns; recalibrated predictors; refined portfolio construction techniques; and formalised a sector team structure which aligned research more closely to price behaviour in specific markets. AHL's Hong Kong operation, expanded in May 2011 to create standalone trading capability, now covers 49 Asian markets and traded around \$4 billion a day in 2011. In the past two years, the Asia desk has reduced Asian trading costs by more than 20%.

The integration of GLG provides a robust and versatile investment management platform with significant potential to expand existing strategies and add new styles. Ore Hill was brought onto the GLG platform in New York to strengthen our credit capabilities and enhance Ore Hill's operational effectiveness. A new Asian team is building out our Asian discretionary investment capabilities to meet investor demand for exposure to Asian assets.

In Man Multi-Manager, more detailed position level analysis through an increased proportion of allocations to managed accounts has fed through into a more proactive approach to managing investor portfolios. Assets have steadied, and we now have \$8.1 billion under management in managed accounts. The GLG multi-strategy portfolio which dynamically invests across the firm's in-house styles finished the year over 400 basis points ahead of the industry's investable benchmark.

I was particularly pleased in the period with the way we used our expanded knowledge of the markets and trading dynamics to protect the firm and its investors from challenging counterparty issues. These arose in futures clearing markets and more broadly, as Eurozone exposures threatened to undermine finance counterparties in Europe and beyond.

The firm now benefits from a senior management team participating more directly in the markets we invest in, the money we run for clients and in developments across asset management, with the composition of our Executive Committee reflecting this. I am grateful not only to my Executive Committee colleagues but to everyone at Man who has contributed to the progress we have made this year.

Man Group Executive Committee

Peter Clarke	Chief Executive
Luke Ellis	Man Multi-Manager
Kevin Hayes	Finance Director
Pierre Lagrange	GLG
Christoph Möller	Global Sales
Michael Robinson	Human Resources
Emmanuel Roman	Chief Operating Officer
Stephen Ross	General Counsel
Jonathan Sorrell	Corporate Finance and Strategy
Tim Wong	AHL

Accessing deep markets by addressing investor preferences → PG 40

In 2011, we saw private investors, in particular in Europe, accessing the liquidity offered by our open-ended regulated products to build up cash holdings at a time of significant volatility. The resulting reduction in open-ended FUM says more about short term market dynamics than the popularity of these formats, which remain firmly part of investor preference for onshore, regulated investment vehicles. We will continue to participate in these markets and expect an increasing proportion of our private investor assets to be in this form.

Our biggest launch last year was Nomura Global Trend, an AHL fund offering daily liquidity and exposure to high yielding currencies, with the potential to pay a monthly dividend, features which are especially appealing to the Japanese private investor sector. We were the first manager to offer a managed futures product with these popular features to the \$760 billion Japanese onshore mutual fund market.

We continued to develop our institutional capabilities in markets as geographically diverse as Australia, where we saw our first institutional allocations to GLG, and the United States. We have continued to make progress in the United States, where we have created a tailored suite of US institution friendly products and have a range of strategies rated favourably by tier one consulting firms. We surpassed the billion dollar annual asset raising mark in the United States for the first time in 2011.

Chief Executive's review continued

2012 priorities

Building on our progress in 2011, we are focused on three priorities.

Very simply, this begins with investment performance.

Investment performance

At **AHL**, we are bringing renewed focus to broad themes such as speed of trading and, through our sector teams, to the specific markets where we have seen weaker relative performance. We will step up our collaboration with the Oxford Man Institute of Quantitative Finance on specific projects.

At **GLG**, we continued to refine our focus on capturing the upside from markets and managing the risks to capital from volatility and uncertainty, as we work hard to build products back to high water marks. A number of styles, notably equity long short, emerging markets and market neutral, have started 2012 very strongly.

In **Man Multi-Manager**, we will continue our 2011 work to create conviction-led returns from controlled risk taking, leveraging our managed account infrastructure and analytics. The Man Multi-Manager team is also responsible for managing our guaranteed product range, where the level of funds under management in AHL combination products is highly variable with AHL performance. ↪ **PG 25**

Our strong capital position and versatile investment management platforms enable us to contemplate additional investment opportunities on a targeted basis. However, we anticipate that our growth will be largely organic, as we capitalise on our investment management talent and infrastructure to build assets and demonstrate performance.

Meeting client needs

Looking at our 2012 product pipeline, we continue to see opportunities in both private investor and institutional markets.

We expect private investor demand to continue to be focused on ease of access through onshore products, reflecting a trend we have participated in over several years. The liquid nature of our chosen investment styles make them well suited for onshore formats, and we have \$8.5 billion of our funds under management in UCITS formats across 35 strategies.

The transition in our product mix from guaranteed formats to open-ended products will be reflected in our revenue base as well as in increased frequency in our redemptions and subscriptions. Creating onshore products within the constraints of sometimes embryonic regulatory frameworks and competing for assets in broader markets is a slower, more patient build process than we see in some of our other channels. However, having the scale and resources to participate in the growth of these markets remains a very significant competitive advantage.

On the institutional side, we will access demand through managed account platforms, detailed reporting, regulated structures and over thirty years of in depth knowledge and experience working with pension funds, insurance companies and sovereign wealth funds globally.

While the projected mix between institutional and private investor assets is always hard to assess, our structuring capabilities and local knowledge position us to participate in all sources of allocation.

Through uncertain markets, maintaining existing assets is as important for us as delivering new flows. Reporting on a clear and timely basis, operational excellence, informed regular dialogue with investors and being prepared for product rollovers and able to facilitate switches are all key to retaining assets.

Efficiency

While we have maintained our focus on investing for growth against a tough market backdrop, we continue to pursue efficiency gains to reflect changes in our product and margin mix. Sources of efficiency which we have already worked on include increasing screen-based reporting to clients, reducing transaction costs in the execution of our trading and expanding GLG's derivatives trading platform for use by AHL.

Our greatest asset is our people, and we continue to balance the need to attract, motivate and retain top talent with the imperative to distribute returns equitably between employees and shareholders. Our remuneration arrangements are closely linked to performance, with the result that cash bonus spend for the nine-month period reduced by 28%, in line with earnings. Our compensation cost to revenue ratio for the period was 33% and we aim to keep this ratio within a range of 30–40% – well in line with industry averages.

In 2012, we are intensifying our focus on working more effectively, without compromising investment performance or client service. In total in 2012, we will deliver \$70 million of operational savings, with a further \$20 million to be saved from a reduction in financing costs and another \$25 million of savings identified for 2013. After 18 months of integrated operations, we have identified opportunities to consolidate infrastructure, buildings and teams, rationalise product lines and reduce headcount. With the majority of the savings coming from operations functions rather than investment management or distribution, I am confident that we will be able to grow funds under management from our reduced cost base, and improve our earnings growth.

Outlook

Our discretionary investment managers have made a strong start to 2012, demonstrating the power of the combined business to counterbalance periods of weaker performance at AHL. At 27 February 2012, AHL was 10.9% below high water mark on a weighted average basis, and at 24 February 2012 two thirds of GLG funds were above or within 5% of performance fee highs.

While the product pipeline remains healthy and investor interest is rebuilding, in particular for some of the stronger performers from last year, I am expecting that the pace of asset raising will remain slow in the first half of 2012 – in the absence of substantial performance catalysts. Redemption levels will remain prone to swings in investor sentiment.

Funds under management at the end of February 2012 are estimated to be \$59.5 billion, reflecting positive investment performance but slightly negative asset flows so far this year.

My conversations with our largest fund investors and distributors reinforce the more general industry commentary that appetite for liquid alternative investments continues to build, and that established industry participants will be the largest gainers from this trend.

Although 2012 has the potential to be another challenging year for markets, recent performance suggests that market participants are pragmatic about the global economic outlook. At Man, we remain focused on maintaining the firm's unique positioning and managing the transition in our product and margin mix. The fundamental strength of our business will enable us to adapt and grow as market sentiment improves.

Peter Clarke
Chief Executive

The nine months to 31 December 2011 was a challenging trading period for Man.

Section summary

Reduction in profitability due to product mix shift

Total cost savings of \$115 million to be delivered by 2013

Strong and liquid balance sheet with net tangible assets of \$1.4 billion



To watch an interview with Kevin speaking about this year's performance.

www.man.com



Kevin Hayes
Finance Director

Finance Director's review

Change of financial year end

Man has changed to a December year end to align its reporting cycle with that generally adopted in the asset management industry.

This report covers the nine months from 1 April to 31 December 2011. We are required, for comparative purposes, to include the prior reported year ended 31 March 2011. The GLG acquisition was completed in October 2010. Therefore the results for the year ended 31 March 2011 include 5.5 months of GLG's results, whereas the current period includes GLG for the full nine months. The two periods are therefore not directly comparable and we have explained changes that occurred during the year in absolute terms rather than in relation to prior year.

Funds under management (FUM)

FUM at 31 March 2011 was \$69.1 billion and during the period declined to \$58.4 billion as a result of net outflows (\$1.5 billion), negative investment performance (\$4.0 billion), a reduction in leverage as the guaranteed products de-geared (\$3.8 billion) and negative foreign currency movement and acquired FUM (\$1.4 billion). We acquired the remaining equity interest in Ore Hill and this \$300 million of FUM is included from the date of acquisition on 3 May 2011.

FUM at 31 December 2011

\$58.4bn

Guaranteed products

Guaranteed FUM, our highest margin product grouping, reduced by \$5.1 billion in the nine months to December 2011 which had a significantly negative effect on revenues.

There were four launches of guaranteed products in the period which raised in aggregate \$625 million, including Man IP220 GLG, the first guaranteed product to combine AHL and GLG.

FUM summary

\$bn	Open-ended alternative			Institutional FoF and other	Long only	Total
	Guaranteed	AHL	GLG			
FUM at 31 March 2011	15.1	13.7	13.6	12.7	14.0	69.1
Sales	0.6	4.4	6.1	2.8	2.8	16.7
Redemptions	(1.5)	(2.8)	(6.7)	(2.6)	(4.6)	(18.2)
Net inflows/(outflows)	(0.9)	1.6	(0.6)	0.2	(1.8)	(1.5)
Investment movement	(0.5)	0.1	(1.3)	(0.8)	(1.5)	(4.0)
Foreign currency movement and acquired FUM	(0.3)	(0.5)	(0.6)	(0.1)	0.1	(1.4)
Other movement	(3.4)	(0.4)	(0.1)	0.2	(0.1)	(3.8)
FUM at 31 December 2011	10.0	14.5	11.0	12.2	10.7	58.4
Gross management fee margin 9 months to 31 December 2011	4.7%	3.3%	1.5%	1.1%	0.8%	2.3%
Gross management fee margin 12 months to 31 March 2011	4.7%	3.6%	1.5%	1.1%	0.7%	2.8%

Finance Director's review continued

Redemptions during the period were \$1.5 billion, approximately 12% of average FUM. \$500 million of guaranteed products matured during the period, \$150 million of which was reinvested into subsequent guaranteed product launches. In calendar year 2012 there is \$320 million of maturing guaranteed products and the weighted average life to maturity of the guaranteed product range is 7 years.

Negative investment performance for the guaranteed products was \$500 million. For the investor, the performance for Man-IP 220 for the nine months to 31 December 2011 was -0.3%, including the change in value of the securities supporting the guarantee, which is not included in FUM.

As a result of redemptions and negative investment performance, trading capital reduced and there was a \$3.8 billion de-gear in the products. There is a risk that a continued period of negative performance in AHL could reduce trading capital and cause a further de-gear of the product, thereby reducing FUM and revenue.

Open-ended alternative products

Open-ended alternative FUM decreased by \$1.8 billion in the nine months to 31 December 2011 with a \$2.6 billion decrease in GLG alternatives FUM being partially offset by a \$0.8 billion increase in AHL open-ended FUM.

Sales of AHL were \$4.4 billion, including \$2.5 billion raised in the quarter to 30 June 2011 in the new Japanese onshore open-ended AHL product: Nomura Global Trend. GLG alternative sales were \$6.1 billion, including \$1.0 billion of a currency overlay product for Nikko in Japan.

Quarterly redemption rates for open-ended alternatives were 29% in the second quarter of the calendar year and rose to around 50% in the third and fourth quarters as European retail investors in particular sought liquidity from the large proportion of our funds offering short notice periods. The composition of FUM by dealing date shows that 50% of FUM has daily and weekly dealing dates. These dealing dates are consistent with the liquidity of the underlying investment strategy and in certain products are required by regulation.

AHL had positive \$100 million of investment performance in the open-ended products, with flat performance in the second quarter of the calendar year followed by strong positive performance in the third quarter and negative performance in the fourth quarter.

GLG open-ended alternatives had overall negative \$1.3 billion of investment performance. Negative performance in emerging markets, alpha select and European opportunities styles was partially offset by positive performance in European long short, market neutral and credit strategies.

Foreign exchange movements, primarily in relation to the Euro, reduced reported open-ended alternatives FUM by \$1.1 billion.

Institutional products

Institutional FUM reduced by \$0.5 billion in the period. Sales of \$2.8 billion included \$1.6 billion of funding from the US\$ and BVK mandates. Institutional redemptions reduced during the period resulting in a net positive flow for the nine months.

Institutional investment performance was negative \$800 million as market reversals impacted performance across a range of styles.

Long only products

Long only FUM, our lowest margin product grouping, reduced by \$3.3 billion in the nine months to 31 December 2011 which included net outflows of \$1.8 billion reflecting redemptions from institutional clients.

Long only strategies had broadly flat performance in the second and fourth quarters but had a very challenging third quarter due to the sharp falls in the equity markets in August resulting in a negative investment performance of \$1.5 billion in the period.

Summary income statement

	9 months to 31 December 2011	12 months to 31 March 2011
\$m		
Management and other fees	1,160	1,452
Performance fees (including investment gains/losses)	93	228
Share of after tax profit of associates and joint ventures	3	65
Total income	1,256	1,745
Distribution costs	(237)	(318)
Asset servicing	(24)	(16)
Compensation	(415)	(501)
Other costs	(262)	(265)
Total costs	(938)	(1,100)
Net finance expense	(56)	(46)
Adjusted profit before tax from continuing operations	262	599
Adjusting items	(69)	(275)
 Statutory profit before tax – continuing operations	 193	324
Net management fees	281	476
Net performance fees	37	169
Net finance expense	(56)	(46)
Diluted EPS – continuing operations (statutory)	7.6	14.0
Adjusted diluted EPS (excluding the adjusting items above)	10.7	27.6

Gross management fees and margins

Average FUM for the period was \$67.6 billion compared to \$52.4 billion for the prior year (including FUM from GLG from the date of the acquisition). The average gross management fee margin was down 50 bp from the prior year reflecting the inclusion of GLG for the full period and a product mix shift caused by the reduced proportion of guaranteed products compared to open-ended products. This reduction in our highest margin guaranteed product FUM has caused a drop in revenue on an annualised basis of around \$105 million.

\$m	9 months to 31 December 2011	12 months to 31 March 2011
Gross management and other fees:		
Guaranteed	438	690
AHL open-ended alternative	391	473
GLG open-ended alternative	150	141
Institutional FoF and other	104	98
Long only	77	50
	1,160	1,452

Gross management fee margins by product were stable compared to the prior year, with the exception of AHL open-ended alternatives where gross management fees declined due to a product mix shift from sales of institutionally priced products, for example Nomura Global Trend.

The annualised run rate of gross management fees based on the composition of FUM at 31 December 2011 is approximately \$1,350 million, which is lower than the annualised gross management fees for the nine month period reflecting lower FUM and reduced guaranteed product FUM.

Performance fees

At 31 December 2011, approximately 60% 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. Just over half of AHL performance fees lock in weekly and just under half monthly. GLG records performance fees in June and December each year.

Gross performance fees for the period were \$94 million, \$38 million from AHL and \$56 million from GLG. Gross performance fees were \$203 million for the 12 months to 31 March 2011 split approximately equally between AHL and GLG. The decrease in gross performance fees in the period reflects negative investment performance which resulted in products being away from performance fee earning benchmarks. At 31 December 2011 60% of the GLG assets were within 5% of earning performance fees and AHL was approximately 12% on a weighted average basis from the previous performance fee high water mark.

Distribution costs

Distribution costs comprised \$83 million of placement fees and \$154 million of investor servicing payments.

Placement fees are paid for product launches or sales (typically 1–4% of new sales depending on product type) and are capitalised and amortised over 2–5 years. The capitalised placement fees at 31 December 2011 were \$157 million with a weighted average remaining amortisation period of 2.2 years. If an investor redeems their investment in a fund product the corresponding unamortised placement fee is written off.

Investor servicing fees are paid to intermediaries and employees for ongoing investor servicing and are around 0.5% of average alternative FUM. This rate depends on the volume of sales, the mix between retail and institutional channels and the mix of open-ended and guaranteed products.

Effective from 1 January 2011, the internal institutional sales force moved from discretionary bonus compensation to a commission based bonus regime. The effect of this was to increase distribution costs and reduce compensation costs by \$10 million in the current period.

Asset servicing

As previously announced, asset servicing has been transitioned to third party providers during the period. The internal costs associated with these processes have now been reduced resulting in a run rate saving of approximately \$20 million from 31 December 2011.

Compensation costs

Compensation comprises fixed base salaries, benefits and variable bonus compensation (cash and amortisation of deferred compensation arrangements). Compensation costs in total, excluding adjusting items, were \$415 million or 33% of revenue, compared to 34% for the previous year (excluding adjusting items and a GLG purchase price accounting credit of \$54 million).

Fixed compensation and benefits were \$191 million for the period compared to \$212 million for the 12 months to 31 March 2011. The prior year included fixed compensation for GLG from 14 October 2010, the date of the acquisition. During the period the remaining compensation cost synergies from the GLG acquisition were achieved.

The total compensation to revenue ratio is expected to be in a range of between 30% and 40% of total revenues. This ratio is likely to be at the higher end in periods when there is a higher proportion of GLG gross performance fees, as the compensation accrual on gross performance fees is around 50%.

Finance Director's review continued

Other costs

Other costs were \$262 million, excluding adjusting items, for the nine month period compared to \$265 million for the prior year (excluding adjusting items). On an annualised basis the increase in costs is due to the inclusion of a full year of GLG costs, net of acquisition synergies, and the previously indicated increase in rent and depreciation expense connected with the new London headquarters building. Further details on other costs are given in the Financial review Note 6 on page 81.

Cost savings

We have announced cost reductions of \$75 million. Combining these savings with the \$20 million reduction in costs noted under asset servicing there will be \$95 million of total savings, \$70 million of which will be realised in 2012 and \$25 million in 2013. Approximately \$66 million will be saved from other costs, \$19 million from fixed compensation and \$10 million from variable compensation. The costs to implement these savings are estimated to be \$15 million.

The base line at 31 December 2011 from which the announced savings will be measured is \$240 million for fixed compensation costs and \$360 million for other costs.

Net finance costs

Net finance costs were \$56 million for the period. This included \$20 million related to the premium paid on the repurchase of debt during the period. The annualised interest saving on the debt repurchased is \$20 million and including the impact of the reduced level of cash on which we earn interest, net finance expense is anticipated to be around \$42 million for the calendar year ending 31 December 2012.

Net management fees and net performance fees

	9 months to 31 December 2011	12 months to 31 March 2011
\$m		
Gross management and other fees	1,160	1,452
Share of after tax profit of associates and joint ventures	3	65
Less:		
Distribution costs	(237)	(318)
Asset services	(24)	(16)
Compensation	(360)	(446)
Other costs	(261)	(261)
Net management fees	281	476
Performance fees	94	203
(Losses)/gains on investments and other financial instruments	(1)	25
Less:		
Compensation		
– variable	(40)	(41)
– deferral amortisation	(15)	(14)
Other costs – charitable donations	(1)	(4)
Net performance fees	37	169

Net management fees decreased in the period as a result of the decrease in gross management fees, noted above, partly offset by reduced variable compensation. In addition the sale of the equity interest in BlueCrest in March 2011 resulted in minimal associate income being recorded in this period.

The decrease in net performance fees reflects reduced gross performance fees and relatively lower variable compensation in the year ended 31 March 2011 due to the inclusion of a GLG purchase price adjustment for performance based compensation of \$45 million.

Adjusted profit before taxes

The adjusted profit before tax is \$262 million, compared to \$599 million in the prior year. The adjusting items in the period, detailed in Note 8 of the Financial review primarily relate to the non-cash periodic amortisation charge for the GLG investment management contract intangibles (\$47 million), and restructuring charges.

Net income and taxes

Net income after tax was \$159 million (12 months to 31 March 2011: \$211 million). The average tax rate is 17.6%, compared to last year's rate of 15.7%, which was increased due to losses for which no tax relief has been recognised and reduced relief on share-based compensation costs. Net income applicable to ordinary shareholders, which is used in the earnings per share calculations, was \$141 million compared to \$187 million in the prior year, reflecting the inclusion of the post-tax coupon on the fixed rate Perpetual Subordinated Capital Securities (Financial review Note 17).

Balance sheet

The Group's balance sheet remains strong and liquid. At 31 December 2011, shareholders' equity was \$4.1 billion and net tangible assets were \$1.4 billion. Cash and cash equivalents decreased as a result of dividends, debt repurchases and the purchase of Lehman receivables from GLG funds, partially offset by reduced loans to fund products.

\$1.4bn

Net tangible assets at
31 December 2011

The carrying value of the franchise value (goodwill) and other intangibles, primarily relating to GLG (\$1.7 billion), was re-evaluated during the period based on a discounted cash flow valuation. The excess of this valuation over the carrying value of the GLG franchise value and intangibles is around \$95 million. The valuation approach uses cash flow projections based on a stressed version of Man's approved budget for the year to 31 December 2012 with a further two years of projections (2013 and 2014) plus a terminal value. The valuation is sensitive to the assumptions regarding net sales and investment performance in future periods as detailed in Note 12 of the Financial review. None of the recently announced \$75 million cost savings have been included in this evaluation. The process for the re-evaluation is covered in the Audit and Risk Committee report on page 57.

Balance sheet information

	31 December 2011	31 March 2011
\$m		
Cash and cash equivalents	1,639	2,359
Fee and other receivables	428	522
Total liquid assets	2,067	2,881
Payables	(793)	(804)
Net liquid assets	1,274	2,077
Investments in fund products	631	917
Other investments and pension asset	436	102
Investments in associates and joint ventures	41	68
Leasehold improvements and equipment	173	138
Total tangible assets	2,555	3,302
Borrowings	(1,066)	(1,478)
Deferred tax liability	(94)	(100)
Net tangible assets	1,395	1,724
Franchise value (goodwill) and other intangibles	2,665	2,712
Shareholders' equity	4,060	4,436

Liquidity

The business' operating activities are cash generative with operating cash flows of \$677 million. Net liquid assets were \$1.3 billion at 31 December 2011. During the period, €218 million (\$291 million) of the €600 million (\$777 million) 2015 Senior Fixed Rate Notes and \$58 million of the \$229 million 2013 Senior Fixed Rate Notes were repurchased. The committed syndicated revolving loan facility was renewed during the period at \$1.56 billion, with a final maturity date of 22 July 2016. This facility was undrawn at the period end. The committed facility and drawn debt do not have financial covenants or ratings triggers. At 31 December 2011 all borrowings had a maturity greater than two years except for the \$172 million of 2013 Senior Fixed Rate Notes. The management of capital and liquidity is described on pages 98 and 92 respectively.

Regulatory capital

Man is fully compliant with the FSA's capital standards and has maintained significant excess regulatory capital during the period. At 31 December 2011 excess regulatory capital over the regulatory capital requirements was \$587 million, after a capital buffer but before the proposed final dividend (Financial review Note 24).

Kevin Hayes
Finance Director

Marketplace and competitive landscape

Calendar year 2011 was a very testing performance year across asset classes.

Investors were faced with two central challenges. Firstly, the need to generate investment yield against a backdrop of low interest rates and rising inflation in order to satisfy long term liabilities. Secondly, the challenge of staying invested in markets which were extremely volatile, prone to reversal and highly sensitised to political outcomes.

Relative hedge fund performance over the decade to end 2011

	Annualised return	Annualised volatility
World stocks	1.9 %	15.3 %
World bonds	4.7 %	3.0 %
Hedge Fund Weighted Composite Index	5.9 %	6.5 %

1 January 2002 to 31 December 2011



While many substantial sectors – North American stocks, oil, gold and the Euro and Japanese yen versus the US dollar – all closed 2011 within 5–10% of their end 2010 levels, the intra year picture was much more turbulent. Japan's devastating earthquake, margin hikes on commodities, the US debt downgrade, interventions by the Japanese and Swiss central banks and Eurozone developments such as the Greek call for a referendum all triggered sharp spikes in volatility.

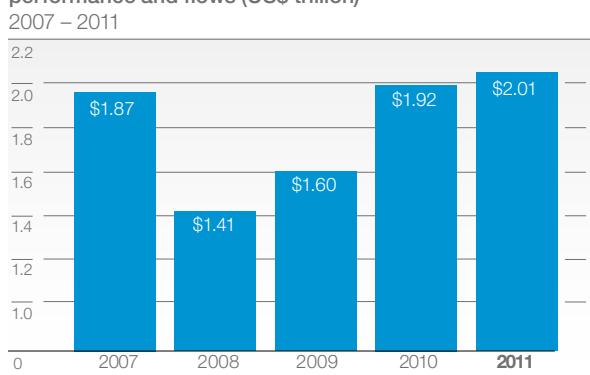
Hedge funds in aggregate gave back around half of their 2010 gains, closing the year down around 5%, some 30 bps ahead of world stocks but with less than half the volatility.

Performance across and within styles was mixed, with a 9% differential between the best and worst performing style indices and considerably greater disparity between individual managers. Both discretionary and systematic hedge fund styles often struggled in trading conditions characterised by reduced liquidity, increased correlation and sharp reversals. The cost of protecting against elevated levels of potential downside risk. Managers that successfully combined a broadly negative outlook, portfolio protection against extreme moves and active profit taking were generally the best performers.

Positive long term industry momentum

For the third consecutive year, hedge fund industry assets closed the year up, finishing 2011 at \$2.01 trillion, with positive net flows of around \$70 billion. In style terms, macro and relative value accounted for the vast majority of flows as investors reduced long exposure to equity markets and sought to position for macro volatility. Institutional investors, which are now estimated to account for nearly two thirds of industry assets, were the core drivers of flows. Pension plans, insurance companies, endowments and other institutions are looking at longer term performance measures, such as for the decade to the end of 2011, and then back at their annualised return requirements of between 5 and 8%. They see that it is hedge funds, rather than equities or bonds, that are delivering against this return expectation, with volatility levels significantly below equities.

Industry assets rebuild through a combination of performance and flows (US\$ trillion)



Source: HFR



"Looking at longer term institutional investor return expectations, it is hedge funds rather than equities or bonds which are delivering."

Emmanuel Roman
Chief Operating Officer



"Investors are looking for managers with high quality international legal and compliance experience and expertise."

Stephen Ross
General Counsel

Capital continues to concentrate with scale players

Over 70% of net inflows into the hedge fund industry in 2011 went to firms managing over \$5 billion in assets, with this proportion rising to close to 100% in the fourth quarter.

In a highly competitive landscape marked by increasing investor expectations and management firm operating costs, flows concentrated with substantial established managers with long track records of strong performance and client service. Niche managers and start-ups with compelling evidence of investment talent also continued to generate interest and flows, albeit in smaller scale.

In the absence of demonstrable added value through manager selection or managed account infrastructure, fund of funds lost ground, recording an aggregate net outflow of around \$8 billion in 2011.

From regulatory frameworks to rules

Legislators around the world have begun to put in place new regulatory frameworks in response to events in the financial markets, including the Alternative Investment Fund Managers Directive in Europe and the Dodd-Frank Act in the US. Work has been underway for some time now on establishing the detailed rules needed to implement these frameworks and this will continue through 2012. We will see the implementation of the first wave of new regulation in some areas for example, clearing of OTC derivatives, as well as debate and negotiation around other proposals (such as the review of MiFID in Europe, and the possible implementation of any financial transaction tax). Crafting workable rules is a challenging process, given the broad constituency of stakeholders, the need to balance differing policy goals, and the sophistication and global reach of the underlying markets and participants. Despite these challenges, genuine progress has been made.

Strong and transparent corporate governance will also continue to be a focus for investors, shareholders and regulators. Managers able to demonstrate deep, long-standing regulatory experience and a commitment to providing institutional-quality legal and compliance support will continue to benefit from competitive advantage.

Managing through uncertainty

Many hedge fund styles have made a positive start to 2012, benefiting from improved liquidity and the opportunity to exploit trade ideas based on sector and individual security analysis rather than correlated macro moves. However, the outlook remains uncertain. Forthcoming major elections in four out of five permanent UN security council members, with German elections to follow in 2013, are contributing to a heightened sense of political contingency in markets.

Against this backdrop, private investors, in particular in Europe, remain extremely tactical in outlook, although a more sustained period of positive performance and a clearer route map for resolution in Europe could rapidly strengthen appetite for risk. There are opportunities in these environments for investment managers to create investment products which offer some combination of near term liquidity, yield, downside protection, regulated formats and access to strategies with a more versatile and nimble approach to generating return and managing risk than conventional long only equity and bond investments.

Institutional investor participation in the hedge fund industry, based on a longer term assessment of liability management and risk adjusted returns, looks set to deepen. To retain and win new assets from these investors, managers are being held to an increasingly stringent interpretation of what institutional quality should mean. Performance, as ever, is a focus, but correlation, diversification, risk management, operational excellence, legal and regulatory expertise and excellent client service are vital too. Delivering this complete package requires breadth and depth of resources, experience and developed counterparty relationships and flows are reflecting investors' recognition of this.

Operating conditions for hedge fund firms remain tough into 2012, with performance under the microscope after mixed returns across strategies in 2011. In a testing environment, the opportunities and rewards for firms which can deliver the dual combination of fund and firm excellence should be substantial.



To watch an interview with Luke Ellis,
Head of Man Multi-Manager, on market trends.
www.man.com.

Strategy and objectives

What is our core purpose? To create and preserve investor wealth through long term, differentiated investment returns and our unique business model.

→ PG 30

What is our overriding goal?

To be the leading alternative investment manager, globally.

What progress have we made towards this goal?

Despite difficult trading conditions in the nine months to 31 December 2011, we have made substantial progress strategically.

- Integration of GLG to broaden the range of alternative investment styles we offer to investors
- Continued development of AHL, GLG and Man Multi-Manager to generate investment performance
- Successful launch of innovative new products e.g. Nomura Global Trend in Japan
- Focused expansion worldwide, with the build out of investment management in Asia and our sales presence in the US.

Is the market backdrop supportive?

Our analysis of key market drivers supports our growth aspirations. The hedge fund industry continues to grow. Alternative investments are the only asset class to consistently meet the return requirements of institutional investors. Capital continues to concentrate with scale players. Man is therefore well positioned to win market share as investor sentiment improves in our core markets, and we expand our global reach.

→ PG 18

Third consecutive year of hedge fund sector growth

\$2.01trn

Assets under management
December 2011

Institutional investors account for nearly 2/3 of industry assets

5-8%

Annualised return requirement

Capital continues to concentrate with scale players

70%

of new net flows into firms managing over \$5 billion

What is our corporate strategy?

To deliver strong long-term investment performance ...
... across a unique range of alternative investment strategies and formats ...
... to a growing global investor base ...
... with a strong framework of people management, governance, risk management, innovation and capital allocation.

How will we put our strategy into action?

Our corporate strategy remains consistent. The action we take to implement it varies from year to year. In 2012, we have three key priorities across our business.



Investment performance
Meeting client needs
Efficiency

These three priorities pervade this report, and drive activity across the firm. The quest for **investment performance** unites all of our investment managers and is evident in innovations such as Man Systematic Strategies (MSS). Our focus on **meeting client needs** spans the firm, from investment management, sales, and client reporting to operations. In the course of this year, we will take the action required to deliver \$75 million of cost savings over the next two years to improve **operational efficiency**.

What is Man's attitude to risk?

Man's approach to risk management is to establish risk appetite, identify and evaluate principal risks and respond appropriately.
→ PG 24

Current assessment of principal risks to our business



What are our Key Performance Indicators?

Success in achieving our three priorities will be measured over time by improvements in our six key performance indicators.
→ PG 22



What is our ambition for the future? To earn a place in every investor's portfolio.

Key performance indicators

Our financial and performance KPIs 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.

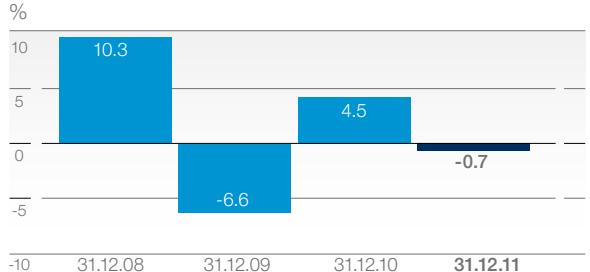
Our KPIs this period reflect the decrease in our FUM and revenue base due to the challenging market conditions, resulting in net outflows and negative investment performance.

The KPIs relating to gross revenues, net management fee income, and earnings per share are for the nine months ended 31 December 2011 and therefore are not directly comparable to other periods, as outlined in the Highlights section on page 1. Absolute values are shown for these KPIs as growth for a nine month period compared to a 12 month period would not be meaningful.

Under performance over last 3 years

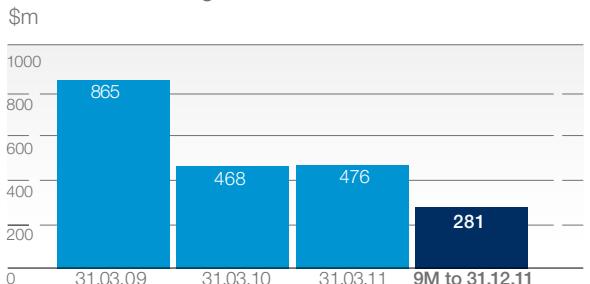
-2.9%

Fund outperformance vs benchmark %



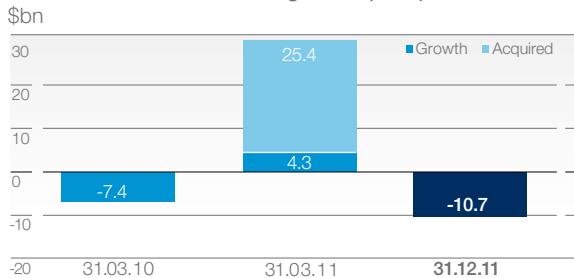
The weighted average investment performance measures the investment return to investors, net of fees. The outperformance compared to the benchmark gives an indication of the competitiveness of our investment performance against similar alternative investment styles offered by other investment managers. This measures our ability to deliver superior long term performance to investors. The Board reviews fund performance against benchmarks at a product and manager level. The KPI shows this information at an aggregated level.

Growth in net management fee income \$m



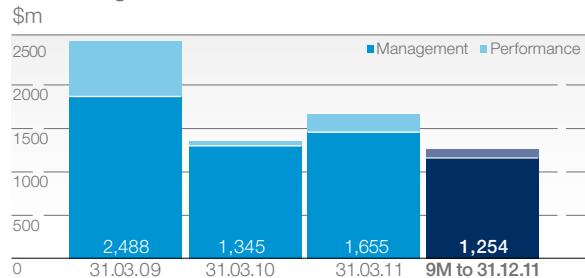
Net management fee income is a measure of our scale and efficiency. Net management fees for the 9 month period reflect a reduction in income following the sale of our equity holding in BlueCrest in March 2011 which contributed \$66 million to net management fee income for the year ended 31 March 2011. Lower average FUM for the highest margin guaranteed products has also contributed to the decrease in revenues. Compensation costs were 33% of revenue, compared to 34% in the prior financial year. Other costs have increased reflecting higher occupancy and depreciation costs.

Growth in funds under management (FUM)



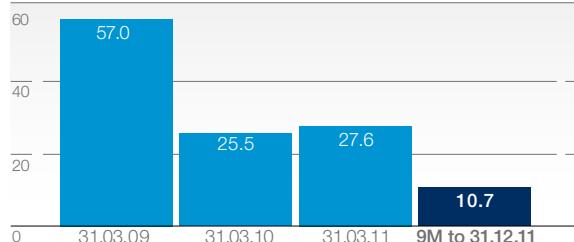
The increase or decrease in FUM during the periods is shown in the graph above, along with the FUM acquired from the GLG transaction. Growth in FUM is an important measure of our ability to retain and attract investor capital. FUM drives our financial performance in terms of management fees and our capacity to earn performance fees. FUM decreased by 15% over the nine month period in extremely challenging market conditions. The \$10.7 billion decrease comprised negative investment performance of \$4.0 billion, net outflows of \$1.5 billion, negative FX movements of \$1.7 billion and other movements of negative \$3.8 billion, primarily relating to de-gearing of the structured products following redemptions and negative investment performance in AHL, partly offset by \$0.3 billion of FUM acquired with Ore Hill.

Growth in gross revenues



The growth in gross management and performance fee revenue measures both our ability to grow FUM at stable margins and to generate investment performance for investors on which we earn performance fees. Gross revenue comprised \$1,160 million of management fees and \$94 million of performance fees. The aggregate gross management fee margin decreased from 280 bps to 230 bps during the nine months to 31 December 2011 due to lower guaranteed product FUM and the inclusion of GLG products for the full period. Negative investment performance meant that products were below performance fee highs for the majority of the period.

Growth in adjusted diluted earnings per share - continuing operations ¢

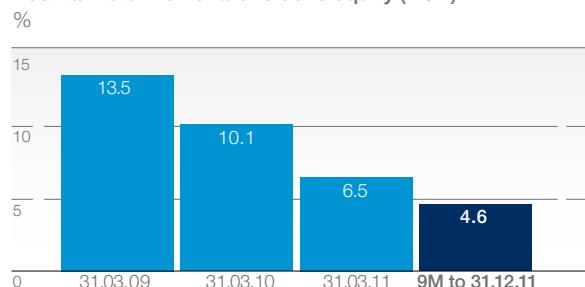


Growth in adjusted earnings per share measures the overall efficiency and sustainability of our business model, for the benefit of our shareholders. The decline primarily relates to the reduction in performance fees earned for the period, lower net management fees (as outlined), and an increase in the weighted average diluted number of shares to 1,857.9 million shares primarily as a result of the shares issued for the GLG acquisition.

Average over last 3 years

+8%

Post tax return on shareholder's equity (ROE)



Return on Equity measures the efficiency with which we invest our capital. The small decline in ROE is driven primarily by lower performance fee income and a higher equity base following the GLG acquisition, partly offset by lower costs relating to adjusting items.

Risk management

Strong risk management supports sustainable performance and is essential to protect the long-term interests of both Man's shareholders and the investors in our products.

Risk management framework

The Board is ultimately responsible for defining Man's risk appetite and monitoring the overall risk exposures. The risk management policies and supporting guidance communicate Man's attitude towards taking risk, minimum standards of control to be applied, acceptable risks and setting thresholds and limits for those risks that Man accepts.

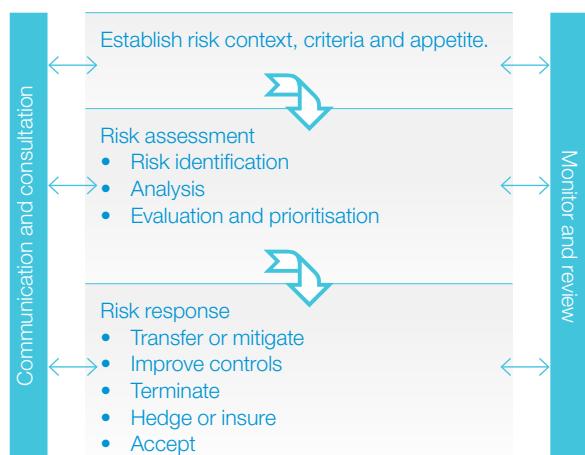
The Executive Committee is accountable for all risks assumed in the business and responsible for the execution of appropriate risk management discipline within the framework of policy and delegated authority set out by the Board and Chief Executive. The business units are the 'first line of defence' in our risk management framework. The principle of individual accountability and responsibility for risk management is an important feature of our corporate culture.

The Risk Assurance Committee and the Finance Committee comprise Executive Committee members and senior management from both the businesses and risk control functions and provide oversight across all risks faced by the business. The Risk Assurance Committee is chaired by the General Counsel and oversees the operational, regulatory and reputational risks faced by the Group and the internal control environment. 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. Both committees operate to monitor and manage risks according to the Board's risk appetite. Further information relating to the Risk Assurance Committee and Finance Committee is contained in the Risk Management section of the report from the Chairman of the Audit & Risk Committee.

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, which include Group Risk, Finance, Legal and Compliance, Human Resources and Information Security, act in conjunction with the Risk Assurance Committee and the Finance Committee as the 'second line of defence'. 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. Internal Audit acts as the 'third line of defence' by providing independent and objective assurance on the robustness of the risk management framework and the appropriateness and effectiveness of internal controls.

We are formalising our 'three lines of defence' framework for certain operation risks. This has been agreed conceptually in 2011 and is in the process of implementation across Man with a particular focus on Product & Client Operations and Technology.

Our risk management framework and system of internal controls are designed to identify and manage risks within the context of the Board's risk appetite. Although Man and the investors in its products are potentially susceptible to losses should negative events transpire, we believe our risk management framework creates long-term value through the process of risk aware decision making.



Risk appetite

In the first quarter of 2011, the Board revised and approved Man's Risk Appetite Statements which cover both investment management risks (i.e. risks arising from the execution of the investment management mandates for the funds) and Man risks (i.e. risks faced by our shareholders). The risk appetite statements related to the investment managers provide a consistent underpinning to risk appetite across Man's investment platforms (principally AHL, GLG and Man Multi-Manager). Key areas addressed include compliance with investment mandates, maintenance of liquidity, compliance with external financing terms, compliance with laws and regulations, management and mitigation of counterparty risk and the overall maintenance of our reputation as an investment manager.

The risk appetite statements for Man cover both quantitative and qualitative aspects. The key quantitative statements include maintenance of profitability, adherence to Man's external financing arrangements, and management of risk taking activity using Man's capital and liquidity framework. Qualitative statements address regulatory and reputational risks, operational risks in the execution of business plans, and risks related to decision making, especially in relation to new business opportunities.

Principal risks

As part of our risk governance framework we have created a risk dashboard, comprising more than 20 risk types faced by both the investment manager and Man. The status of these risks is regularly reported to the Executive Committee, Risk Assurance Committee, Audit & Risk Committee and the Board. The principal risks listed below are taken from the dashboard and are those that we believe could have a significant effect on our business in the current environment.

Fund underperformance risk Fund underperformance directly reduces funds under management and thus adversely impact potential management and performance fee income for the Company. Negative performance could have a proportionately larger impact for geared products, where investment exposure may be reduced on a leveraged basis. Furthermore, Man is exposed to the risk that investors redeem their investments because of poor performance, either on an absolute basis or relative to a benchmark, competitors or other investment opportunities.

Assessment Hedge fund strategies generally performed poorly in 2011 across the markets, as indicated by the 4.8% decline in the HFRI Weighted Composite Index. This decline marks the third year of negative performance since inception of the index in 1990, but the second such decline in the past four years. Details of our fund performance are on page 35. AHL performance in 2011 was down 6.8%.

Man regularly monitors its performance relative to competitors and attempts to attribute performance differentials.

In 2011, approximately 70% of Man's revenues were generated from AHL products or products which allocate to AHL. The Group's profitability is therefore significantly affected by AHL investment performance. As of 31-Dec-2011, Man's FUM attributed to guaranteed products was approximately \$10 billion. Due to the leverage in these products, their returns are more sensitive to underlying investment performance.

Response Although 2011 was a difficult year, Man accepts fund performance as a key business risk that also provides substantial upside revenue potential. The risk of negative investment performance from any particular strategy is mitigated by the diversified range of strategies and products that we offer our global client base.

Products that have leveraged exposure are actively managed to ensure that investors' capital is preserved and managed in accordance with each product's mandate.

Counterparty risk In the course of 2011, there was increased market focus on financial institution capital and liquidity as a result of European sovereign exposure and decreased profitability. These events have highlighted the importance and benefits of proactive counterparty risk management, a result of which Man and its fund investors avoided any credit losses during the period.

Assessment Man has significant counterparty exposure with respect to its cash held on deposit (see Finance Director's review on page 17).

Investors in Man funds and products are exposed to credit risk of prime brokers, clearing houses, futures clearers, depository banks and guarantee providers, if any.

Furthermore, a default that causes Man or its investors to experience losses may adversely affect our reputation and could increase fund underperformance risk (see above).

Amongst other tools and inputs that provide indicators of counterparty credit quality, Man monitors credit spreads of our main trading counterparties and banks as a forward indicator of their credit quality. During the second half of 2011, the average credit spread for banks nearly doubled to 400–500 basis points, which is considered stressed under current market conditions.

Response Man seeks to transact with the strongest financial institutions and to diversify counterparty risk. The Finance Committee meets regularly to review counterparties, reallocate exposures and set limits in line with Man's risk appetite.

In 2011, Man decided to reduce business or terminate relationships with a number of banks or brokers which had significant exposure to Eurozone risks.

AHL monitors counterparty risk for the exchanges and clearing houses where it chooses to trade.

Risk management continued

Operational risk Operational risk arises from the potential for the Group to suffer losses due to inadequate or failed internal processes, people and systems or external events. This can include losses arising from fraud, unauthorised trading, mis-selling of products or errors in fund prospectuses, failures of due diligence or breach of investment mandate, operational/technology failures, and errors in investment algorithms.

Assessment Operational risk incidents could adversely affect the business and the prospects for Man. Operational risk is routinely monitored and assessed by Group Risk and Compliance through:

- 1) key risk indicators – these are identified by the business and reported to the Risk Assurance Committee and Audit & Risk Committee;
- 2) analysis of internal and external operational risk incidents – operational incidents are analysed and reported by the business to the control functions so that improvements can be made to the control framework. These incidents are reviewed by the Risk Assurance Committee and Audit & Risk Committee; and
- 3) operational risk scenario analysis – we model 21 different operational risk scenarios across the business. Each scenario is evaluated in terms of potential loss and expected frequency. Controls (and insurance when appropriate) are identified to mitigate risk of loss and the residual risk is evaluated against the Board's risk appetite.

Response The Executive Committee and the business are the first line of defence to ensure that controls operate effectively to mitigate operational risks.

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 discretionary trading activities, product suitability, sales practices at intermediaries and the accuracy of its valuation and investor reporting processes.

Independent custodial, fund administrators and valuation service providers are engaged to provide services to the fund products. 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 is routinely tested to maintain effectiveness. An insurance programme provided by a syndicate of third party insurers is designed to maximise the breadth of cover in respect of key third party liabilities, loss of Group assets, business interruption and people-related exposures.

	1st line	2nd line	3rd line
Three lines of defence	<p>Investment Management, Business and Support Functions.</p>	<p>Group Risk, Compliance and Control Functions</p>	<p>Internal Audit</p>
During 2011, Man's Board has further developed and formalised its 'three lines of defence' model for certain operational risks.	<p>Ensure effective management of risks within organisational scope</p> <p>Risk identification and management</p> <p>Ensure compliance with relevant risk appetite statements</p>	<p>Independent oversight and controls</p> <p>Review and challenge risk assessment and reporting by 1st line</p> <p>Aggregate and review risks across the organisation</p> <p>Monitor adherence to risk appetite statement</p>	<p>Independent and objective assurance on robustness of risk management framework</p> <p>Review appropriateness of effectiveness of internal controls</p>

Discretionary trading risk Monitoring and controlling the activities of discretionary traders to ensure the resulting trades are consistent with each fund's investment mandate and within Man's broader Risk appetite statements.

Assessment The investment managers operate under investment mandates for the funds. These mandates specify, to varying degrees, the types of instruments that can be traded, concentration limits, leverage limits, and the overall risk and return parameters of the products. In addition, many of the products are required to comply to regulatory requirements that further specify credit and concentration limits and liquidity constraints.

The risk associated with a significant breach of a mandate could result in compensation by Man to the affected fund and potential payments of regulatory fines or sanctions.

Response The portfolio managers have automated processes to monitor at the desk level compliance with the investment mandates under which they trade. Within each investment manager there are dedicated risk management staff who monitor compliance throughout the day. The risk managers 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 generates daily reports and can monitor intraday risks. This forms the first line of defence. The independent risk managers reporting to the Chief Risk Officer form the second line of defence. These teams monitor the investment managers and in addition perform scenarios to identify potential risks and tail events.

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 biweekly 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 firm-wide risk management.

Risk management continued

Reputation risk Our ability to gain and retain the confidence of our investors and intermediaries is highly dependent on building and preserving reputation as a leading alternative investment manager. This risk is driven primarily by our other principal risks, as any material failure could ultimately impair our reputation.

Assessment For Man, key aspects of reputation management include the avoidance of negative publicity and maintaining competitive performance of our products. Reputation risk is difficult to quantify. The effects of a failure to maintain our reputation could result in investor redemptions and an inability to market our products. This could result in a loss of profitability in our business.

Response Our reputation depends primarily on how we manage our principal risks. As reputation is also built upon perception, Man regularly communicates with its stakeholders to understand their current concerns and to help bridge any communication gaps. Our governance framework, including our risk appetite statements, are established by the Board and cascaded through the organisation. From these, policies and procedures are compiled that form part of the employee handbook which communicates to our staff important matters that help preserve our corporate reputation. Man has regular training to raise staff awareness of specific issues.

All conflicts of interest and potential reputation risks are managed through the Risk Assurance Committee, the Audit & Risk Committee, and ultimately the Board.

Key person risk Man employs a talented array of individuals across our businesses. Their retention and the continued recruitment of additional professionals is a key priority for the future success of the firm.

Assessment Man operates a large distribution network and provides a broad range of investment management capabilities and products, thus minimising the impact of losing particular key individuals.

Response Man constantly aims to attract the best talent within the industry, and the historical strength of both the Man and GLG brands, together with our leading position in the hedge fund industry, is a key factor in helping us to achieve this objective.

Man further mitigates key person risk through a firmly established succession planning process.

Legal and regulatory focus

Man operates within a tightly-controlled legal and regulatory framework, appropriate to the nature of the products and services we provide. The last two years have seen a major overhaul of much of this framework, and this work will continue through 2012 and beyond. One of Man's key priorities is to anticipate, assess and respond to these changes, and to identify any opportunities that may arise.

The financial services industry is in the midst of a wide-ranging review of regulatory structures and rules at the national, regional and global level. For a business such as Man, legal and regulatory considerations impact all areas of the business: from our corporate governance, to the structuring and distribution of our products, and to the way we undertake business around the globe. As described in the Marketplace section on page 19, we are now seeing the first wave of implementation of detailed rules in key areas such as OTC derivative clearing, and this process is set to continue. We consider our strengths and resources in this area to be a key competitive differentiator.

Man has in place a strong legal and regulatory framework to address these requirements, built into the business and underpinned by our legal and regulatory function. This team was integrated immediately upon completion of the GLG transaction, and operates as a single unit across the firm.

Made up of individuals with experience in key areas, such as legal practitioners and compliance and finance professionals, and with a physical presence and local expertise in key jurisdictions, the team is able to provide a multi-disciplinary service to the business. The scope of its work encompasses areas such as:

- corporate structuring, transactions and governance
- the development, structuring and maintenance of fund platforms and products
- legal work around fund financing; advising and structuring local distribution arrangements
- legal due diligence on new managers for our multi-manager business
- legal work around prime brokerage and trading arrangements
- implementation and monitoring of appropriate global and local compliance policies and procedures
- leading and maintaining relationships with key regulators around the globe
- maintaining Man's UK listing and providing support to Man Group's Board through the company secretariat

Man's General Counsel also chairs the Risk Assurance Committee thereby providing strong legal and regulatory input to Man's risk management processes. A key challenge for 2012 will be to stay ahead of the anticipated regulatory changes, as we move into the implementation phase.

Man entities are regulated by 22 financial regulators and self-regulatory organisations in 17 jurisdictions around the world. Our long-standing regulatory experience and relationships with key regulators should position Man well to anticipate and maximise any opportunities that arise as a result of these regulatory changes, and to realise potential benefits and capture opportunities for investors and shareholders.

Regulatory framework risk Changes to the regulatory framework around Man's global business.

Assessment We are seeing a number of processes underway simultaneously: the finalisation and implementation of detailed rules in a number of key areas (e.g. OTC derivative clearing and the AIFM Directive); the negotiation of a number of further high-level 'framework' measures (such as the MiFID review); and the possibility of further, new regulatory measures (such as the possible implementation of a financial transaction tax).

Response Man has been planning around the new regulatory initiatives ever since their first emergence (e.g. the publication of the first draft of the AIFM Directive in April 2009). We have worked closely with regulators, trade bodies and other market participants to assess the potential impact of these changes on our investors and our business.

Upon identification of new regulatory changes, responsibility for the analysis and assessment of the new measures and their potential impacts is allocated to affected groups within the team, who then take them forward.

Distribution legal risk Changes to rules around distribution of products to retail investors in certain jurisdictions.

Assessment Changes are being made to the UK regime around distribution of investment products to retail investors (for implementation at the end of 2012); a similar review is currently under discussion at the European level.

Response Man has formed a working group aimed at assessing and responding to these regulatory changes that has recommended a number of changes to prepare for these developments in the UK.

A sustainable business model

Man's business model begins and ends with investment performance, and the ability of our investment managers to deliver strong long-term performance for our investors across a broad spectrum of alternative investment strategies. Our expertise in investment management, combined with local client and regulatory knowledge, longstanding relationships and operational scale enables us to build investor solutions for private investors and institutions, worldwide. This optimises the flow of new money into our funds. Our marketing, sales and client support deliver highly professional client service to investors and local partners, maximising inflows and minimising outflows. Investment performance and fund flows drive the economics of our business.

Surrounding our investment management, investor solutions and client engagement activities is a strong framework of risk management, people management, governance and community engagement which ensures the sustainability of our business model.



To find out more about our business model go online.
www.man.com

10

Investment management

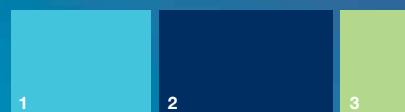
Man's investment managers have expertise in a diverse range of investment strategies, which offer investment returns matched to investor appetite for risk and reward.

AHL is a systematic, trend-following managed futures manager with a 25 year performance track record.

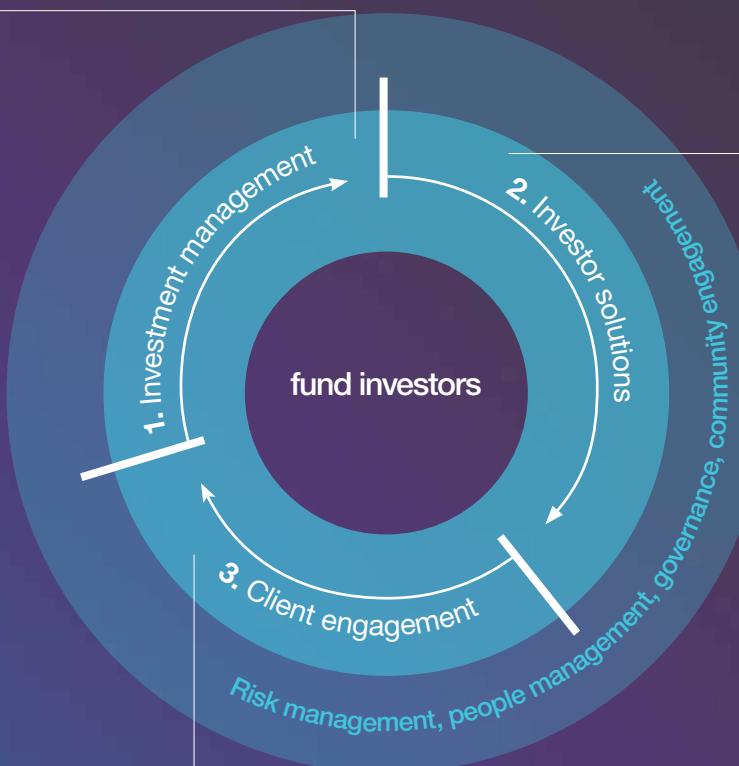
GLG has expertise across a wide range of discretionary investment strategies including equity long short and long only, credit and convertibles, emerging markets, macro and special situations.

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.

FUM by manager



	\$bn
1. AHL	21.0
2. GLG	26.2
3. Man Multi-Manager	11.2



20

Investor solutions

Investor priorities and regulatory regimes vary significantly between jurisdictions, meaning that investor solutions need to be carefully tailored to the needs of local markets. Man is able to offer a wide range of investment strategies and formats to meet these needs, in easy to access onshore formats approved by local regulators (such as UCITS), or on an offshore (international) basis.

Our structuring capabilities mean that we can provide capital guarantees and principal protection, and we offer additional transparency to institutional investors through managed accounts. Having the scale and expertise to be able to package investment returns appropriately to meet investor and regulatory requirements is a key source of competitive advantage.

FUM by format



1. Guaranteed	17%
2. Open ended	44%
3. Institutional and FoF	21%
4. Long only	18%

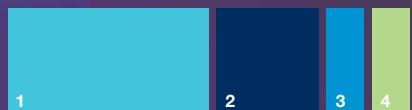
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Client engagement

Man has a geographically diverse investor base. We distribute to private investors through a network of over 4,000 intermediaries, and manage our institutional relationships directly. We have offices in 15 countries to serve our investors in local language and local time zone.

Client service is an essential part of our growth strategy. We focus equally on expanding our investor base and serving existing investors. Our extensive global distribution network, long established local relationships and high quality technology enabled investor reporting gives us competitive advantage.

FUM by geography



1. Europe	53%
2. Asia Pacific	27%
3. Americas	10%
4. Middle East and Africa	10%

10 Investment management

Man's investment managers are proven long-term leaders in their fields: AHL in systematic managed futures trading; GLG in discretionary strategies and Man Multi-Manager in bespoke, actively managed fund of fund offerings. An absolute focus on investment performance unites all of our managers, who together provide a uniquely diverse and complementary range of strategies.

Working side by side with our sales professionals, our investment managers commit considerable time and resources to meeting investor needs, maintaining regular dialogue with clients, directly and through intermediaries. They provide expert commentary and analysis on individual performance drivers as well as market context and macroeconomic and policy trends, through periods of both negative and positive performance.

In increasingly competitive markets, efficient trading is critical to the process of generating returns and our managers constantly look to maximise efficiency in data capture, analytics, trade expression and execution. Being efficient also has a human dimension. Frameworks around decision making and even office layouts are designed to promote optimal information flow and enhance effective, coordinated trading.

Our 2012 corporate priorities of performance, meeting client needs and efficiency pervade the activities of all three of our investment managers.



To watch an interview with Emmanuel Roman,
Chief Operating Officer, on investment performance.
www.man.com

To read more about our investment managers visit:
www.ahl.com
www.glgpartners.com
www.maninvestments.com

AHL



Tim Wong on the new AHL trading floor in London

The majority of investors in Man's managed futures manager, AHL, have a medium to long-term investment horizon. This approach is justified by the long-term performance of Man AHL Diversified plc¹, with the fund achieving a net annualised return of 15.1% since its inception in March 1996. This strong, long-term track record has been achieved across a wide 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 case for AHL within both traditional and hedge fund portfolios.

AHL track record since inception
26 March 1996 to 31 December 2011



	Man AHL Diversified plc ¹	World stocks	World bonds	Barclay BTOP 50 Index
Total return	820.6%	106.2%	153.2%	177.1%
Annualised return	15.1%	4.7%	6.1%	6.7%
Annualised volatility	17.5%	15.4%	3.0%	8.8%

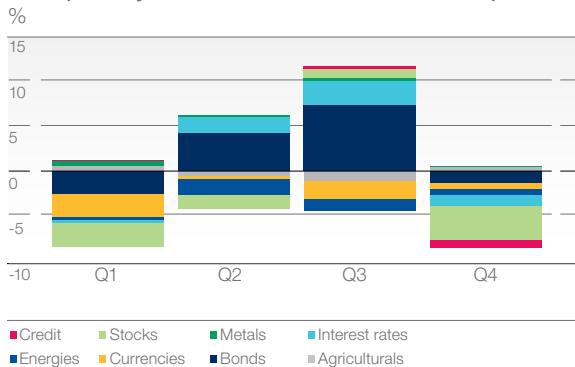
There is no guarantee of trading performance and past or projected performance is not a reliable indicator of future performance. Returns may increase or decrease as a result of currency fluctuations.

Investment management continued

2011 review

Following strong 2010 returns of 14.8%, Man AHL Diversified plc¹ finished 2011 down 6.8%. Fund performance was mixed during the year, with positive performance in the second and third quarters, offset by losses in the first and fourth. Price trend duration remained relatively short, with a number of significant sharp reversals over the year. Risk-averse trades fared the best with a general long fixed income exposure generating the majority of the programme's profits, supplemented by long positioning in precious metals. Currencies, stock indices and energy trading drove the largest losses in the portfolio due to a general whipsawing of positions coupled with sharp reversals, particularly in March and October. It was notable that our strongest period of performance occurred in August, which coincided with a significant equity sell-off, highlighting the diversification properties of our strategy.

2011 quarterly attribution of Man AHL Diversified plc¹



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. Assumptions have been applied to the calculation of sector contribution to show contribution net of fees. The sector contribution is only intended to be indicative.

A number of refinements were made to AHL's investment programme in 2011. These included expanding the number of instruments we trade, recalibrating existing predictors (for example in the fixed income sector, where our models are now better equipped to deal with the very low yields seen predominantly at the short end of the curve), enhancing current trading strategies with new predictors and the continued development of our portfolio construction techniques. While 2011 was an inauspicious year for managed futures, it was also clear that faster trading systems suffered more compared to less reactive systems. Our emphasis on execution research has afforded us the flexibility to trade faster than some of our competitors. This has served us well in the past, but we believe that currently the opportunities to trade at

these higher speeds are somewhat diminished. While research in this area is still very active, we have adjusted our portfolios to create a more even balance between fast and slower trading.

The move to our new headquarters in London created efficiencies, including enhanced trading technology and resilience and a new trading floor at the heart of our operation. Our two offices outside of London, Oxford and Hong Kong, continued to deliver significant benefits. In May we moved operational staff to Hong Kong to support our local trading desk, making it completely self-reliant. This means that in the unlikely event of failures to our UK main and back up trading sites we can still run our entire trading operation from Hong Kong. Being part of a world leading research university at Oxford gives us unique insights into academic developments and unrivalled access to staff.



UK Chancellor of the Exchequer George Osborne meets AHL traders at the opening of our new headquarters, Riverbank house.

Focus on trading efficiency, institutional opportunities

We have a vibrant research pipeline and are working on a variety of opportunities to improve performance. We currently have eleven models in test trading, and trading efficiency is being improved through streamlining of FX price discovery and co-located futures execution. We continue to work with Man's sales teams around the world to meet client needs, for example to explore institutional opportunities in Japan, Australia, the US and Canada. We also remain focused on operational efficiency, with initiatives including continued improvements to cash management and counterparty risk management.

AHL will be 25 years old this year. Since our foundation in 1987 significant changes have taken place in the markets we trade and in the managed futures industry as a whole. At the same time, client needs have grown in variety and sophistication. We continue to evolve, but the quality and rigour of our research operations and trade execution remain constant.



Investment performance

	Inception date	Annualised return since inception	Calendar year return to 31 December 2011	3 year annualised return to 31 December 2011
AHL				
Man AHL Diversified plc ¹	26.03.96	15.1%	-6.8%	-3.8%
GLG Alternatives				
Equity				
Europe				
GLG European Long Short Fund ²	29.09.00	10.1%	7.0%	11.4%
GLG European Opportunity Fund ³	31.12.01	6.3%	-16.7%	-0.8%
North America				
GLG North American Opportunity Fund ⁴	31.12.01	6.4%	-8.9%	10.6%
UK				
GLG Alpha Select Fund ⁵	31.08.04	8.4%	-10.4%	5.2%
Other equity alternatives				
GLG Global Opportunity Fund ⁶	04.02.97	11.3%	-10.5%	5.3%
Credit and convertibles				
Convertibles				
GLG Global Convertible Fund ⁷	30.09.97	7.5%	-8.2%	11.9%
Market Neutral				
GLG Market Neutral Fund ⁸	15.01.98	15.1%	0.8%	35.5%
GLG European Distressed Fund ⁹	31.08.09	25.1%	-1.6%	n/a
Ore Hill				
GLG Ore Hill Fund ¹⁰	01.04.02	9.0%	-0.4%	18.7%
Emerging markets				
GLG Emerging Markets Fund ¹¹	31.10.05	16.2%	-18.0%	7.6%
Macro and special situations				
GLG Atlas Macro Fund ¹²	27.02.09	10.3%	-0.4%	n/a
GLG Long Only				
GLG Japan Core Alpha Equity Fund ¹³	31.01.06	-7.4%	-20.8%	1.4%
GLG Global Equity Fund ¹⁴	05.03.97	6.6%	-11.7%	7.6%
MAN Multi-Manager				
Man-IP 220 ¹⁵	18.12.96	11.7%	-7.9%	-2.0%
Man Absolute Return Strategies ¹⁶	01.08.01	3.8%	-6.1%	3.4%
Man Dynamic Selection ¹⁷	01.03.01	4.8%	-6.9%	2.0%
GLG Multi-Strategy Fund ¹⁸	31.12.02	3.9%	-4.6%	8.6%
Indices				
World stocks	28.02.86	6.8%	-5.5%	9.7%
World bonds	31.01.85	7.4%	5.5%	3.3%
Corporate bonds	31.01.80	10.2%	17.9%	11.0%
Hedge fund indices				
HFRI Fund Weighted Composite Index	31.12.89	11.2%	-5.2%	7.9%
HFRI Fund of Funds Composite Index	31.12.89	7.4%	-5.6%	3.6%
HFRI Global Hedge Fund Index	31.03.03	1.2%	-8.9%	2.8%

The above is not an exhaustive list of investment products. Investment products chosen represent flagship products for each strategy to provide a representative indication of investment performance.

Source: Man database, Bloomberg and MSCI. World stocks: MSCI World Net Total Return Index hedged to USD. World bonds: Citigroup World Government Bond Index hedged to USD (total return). Corporate bonds: Citigroup High Grade Corporate Bond Index (total return). 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. Please note that the HFRI index performance over the past four months is subject to change.

- 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 Represented by GLG European Long Short Fund – Class D Restricted to Unrestricted (29/06/2007) – EUR.
- 3 Represented by GLG European Opportunity Fund – Class D Restricted to Unrestricted (31/08/2007) – EUR
- 4 Represented by GLG North American Opportunity Fund – Class A Restricted to Unrestricted (29/06/2007) – USD.
- 5 Represented by GLG Alpha Select Fund – Class C – EUR.
- 6 Represented by GLG Global Opportunity Fund – Class Z – USD
- 7 Represented by GLG Global Convertible Fund – Class A – USD.
- 8 Represented by GLG Market Neutral Fund – Class Z Restricted to Unrestricted (31/08/2007) – USD.

- 9 Represented by GLG European Distressed Fund – Class A – USD.
- 10 Represented by Ore Hill International Fund II Ltd.
- 11 Represented by GLG Emerging Markets Fund – Class A Restricted to Unrestricted (31/08/2007) – USD.
- 12 Represented by GLG Atlas Macro Fund – Class A – USD.
- 13 Represented by GLG Japan Core Alpha Equity Fund – Class C to Class AAX (28/01/2010) – JPY.
- 14 Represented by GLG Global Equity Fund Class I T USD. Formerly known as GLG Performance Fund – Class A.
- 15 Represented by Man-IP 220 Ltd from 18 December 1996 to 31 December 2005 and Man-IP 220 Ltd – USD class bonds from 1 January 2006.
- 16 Represented by Man Absolute Return Strategies USD I.
- 17 Represented by Man Dynamic Selection USD I.
- 18 Represented by GLG Multi-Strategy Fund – Class A – USD Shares.

Investment management continued**GLG**

Performance at GLG 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 and emerging markets to credit and convertibles. The aim since GLG's foundation in 1995 has been to exceed investor expectations by delivering a combination of attractive returns, portfolio transparency and outstanding client service. Traders at GLG are by definition fiercely individualistic, but at the same time we encourage a collegiate approach in which expertise and ideas are regularly shared, an environment which we believe makes GLG unique.

2011 review

2011 was a challenging year, with investment performance varying significantly across styles at different times. Several of GLG's alternative funds performed well throughout, with European long short and its sub-funds, such as technology and energy, delivering double or high single digit returns for the year. Other strategies such as global macro performed best at the most testing parts of the year, such as August, evidencing their diversification properties. Overall however, performance was disappointing, exacerbated by extreme volatility over the summer months, which affected the performance in particular of our emerging markets strategies and long only funds. By the final quarter of the year performance picked up, with funds on average back to recording positive returns.

The benefits of the GLG integration into Man continued to manifest themselves, particularly in the first half when we saw strong client interest in a number of products and good evidence of the structural benefits of the combined group. We recorded several large mandate wins, notably a \$1.0 billion GLG emerging market currency overlay with Nikko in Japan. Substantial progress was also made on developing the number of GLG strategies available as UCITS products, with UCITS launches in the European long short, global emerging markets, multi-strategy, strategic bond and north american equity strategies.

In July Man entered into a series of transactions to acquire the residual exposure to the Lehman estates from funds managed by GLG. These transactions remove any remaining uncertainty from these funds, to the benefit of investors. This additional clarity will also help raise assets more quickly in one of our most scalable and best performing strategies. We also completed the successful integration of Ore Hill, the credit manager platform acquired by Man in May. Ore Hill's investment management and risk management are now fully integrated into GLG's Global Credit platform with all middle and back office services provided by the combined group.



Pierre Lagrange at GLG's London office

One of our main priorities for 2011 was to develop our investment management expertise in Asia and considerable progress was made on this. In September, we announced the hire of a Head of Asia Equity. At the same time, Pierre Lagrange, Senior Managing Director of GLG, took on the additional role of Chairman of Man Asia. This non-executive role gives him oversight of the expansion of Man's investment management activities in the region. In November we announced the further significant appointment of a Country Chair for China.

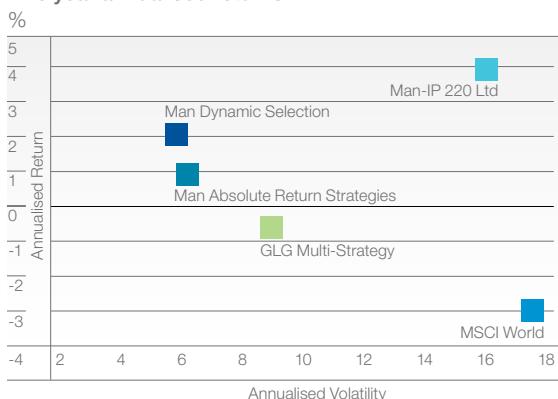
Focus on performance, Asia

The principal strategic priority for the coming year is to build on the return to positive performance we saw in the final quarter and first months of 2012 and to continue to meet investors' needs. As one of GLG's distinguishing features is the culture among colleagues across our diverse range of strategies and styles, we will endeavour to maintain our dynamism, while focusing on efficiencies. Following the hires in Asia, we intend to continue to boost our investment management resources locally in the region over the coming year, complementing our investment teams in London and New York. We will also continue to leverage Man's substantial international distribution capacity to make GLG's diverse range of products more widely available to meet investor demand globally.

Man Multi-Manager

Man Multi-Manager is responsible for Man's range of actively managed fund of fund portfolios, guaranteed product range and solution based managed account (MAC) platform for institutional investors, providing expertise and wide coverage of alternative investment strategies. Though 2011 was challenging for the whole industry, we continue to believe that from a diversification standpoint, hedge funds show the ability to alleviate or even offset the negative returns of traditional asset classes during extended drawdown periods. During 2011, we were largely defensively positioned, keeping portfolios liquid and oriented towards trading strategies on the realistic assumption of another major sell-off and/or a liquidity crunch. However, we accelerated decision making dramatically and encouraged our portfolio managers to take sensible risks. Progress in these areas has been significant and the benefit in investor returns should prove itself, in the medium-term, as our five year annualised returns versus world equities demonstrate.

Five year annualised returns



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.

2011 review

Over the short-term, performance in 2011 was disappointing, even though the downside was well contained during the crisis months of the summer. Performance across the industry was challenged by the velocity of markets swinging between risk-on and risk-off views and a tendency to focus on political events and announcements rather than fundamental economic themes. The cost of sensible risk management is capital protection during hard times with greater expectations of upside when markets stabilise. There is no more painful burden on long-term compounded returns than heavy drawdowns. The corollary is that risk management is more expensive during volatile markets. However, this is a price we think it is sensible to bear. The alternative is to double up on losing positions, a strategy which may have worked in 2011, but is certain to lead to disaster at some point.



Managed accounts analytics screen

We made substantial progress in an otherwise difficult year, resulting in new relationships with clients based on an ability to provide custom-tailored solutions and recognition of our leading managed account platform. We have focused on expanding the platform both as a discretionary investment tool, and as the foundation of a robust directed hedge fund allocation and risk advisory service. Managed accounts are crucial to our ability to do high quality research and build proactive portfolios using the position level transparency and provide on-line 'real time' reporting to engage clients. This is an area where we have been and will be investing in the technology that many of our peers are unable to afford. Tangible evidence of the success of this strategy came in the form several mandate wins, where clients awarded us with discretionary mandates.

Focus on analytics-driven performance improvement, client-oriented reporting

For 2012, we continue to remain focused on delivering positive performance and excellent client service. We have high aspirations and intend to continue building on our reputation as a pioneer in managed accounts, having first entered the space in 1998. Over the years we have made significant developments in technology and infrastructure, resulting in a MAC platform that is able to leverage off the resources of the wider Man Group in a scalable and efficient manner. This operational efficiency enables us to utilise existing resources and manage more assets whilst also maintaining a cost advantage for our investors through economies of scale.

We plan to extend parts of our in-house analytics portal to larger clients, to provide the very best in terms of real time interactive information and tools. This portal has the ability to give the type of transparency that clients demand and can utilise most efficiently, with a single dashboard providing detail of individual performance. Not only can they view the overall picture of their portfolio's performance, at the same time as viewing style-allocations, performance detail and risk, but can also drill right down into the fund, looking at performance decomposition by asset class and sector, and risk by industry, region and security. In essence, the client can share the same view as us, which will be a milestone in realising our vision of enhanced client-oriented reporting.

20

Investor solutions

Investor requirements vary significantly across investor types, geography and regulatory jurisdiction. With a well established network of offices in key locations and developed regulatory relationships in all of the markets in which we operate, Man has a powerful level of insight into investor preferences as well as regulatory requirements. The breadth of our investment strategies and strength of our structuring capabilities mean that we have the resources and experience necessary to support a wide range of investor solutions.

In December 2011, 43% of our funds under management were generated from products and solutions less than three years old, compared to 27% (ex GLG) in March 2011. In the rapidly evolving markets in which we operate, a constant flow of new ideas – and the capability to bring them to scale – is critical to the sustainability of our business model.

This page features a selection of the investor solutions we brought to market in 2011 to add to the broad range we already provide.

Innovative investment strategies



**Systematic
Strategies**

An AHL/GLG venture

Going into 2011, we identified market opportunity and investor demand for systematic quantitative strategies not covered by our existing range. We brought together quantitative expertise from AHL, GLG and Man Multi-Manager as well as research from the Oxford-Man Institute of Quantitative Finance to form Man Systematic Strategies (MSS).

MSS is currently marketing two successful strategies – a broker based long only equity strategy which draws on the analysis and evaluation of the most compelling broker ideas and TailProtect, an actively managed, long only volatility fund which aims to provide investors with affordable, optimised tail protection. Two further strategies are due for launch – a fixed income strategy that uses trend identification and mean reversion and capitalises on price inefficiencies and a long only commodity strategy that uses a trend following, fundamentals and roll-yield based investment approach.

Funds under management
in MSS

\$1 bn

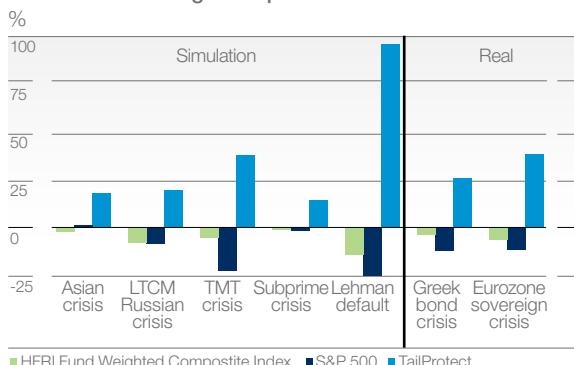
Taking TailProtect as an example, interest amongst institutional investors in hedging against tail risk has increased markedly in recent years. Extreme market events, which conventional statistical models predict should happen perhaps once in a lifetime, are happening with higher frequency. In an extreme market environment, most portfolio investments typically



To find out more about investor solutions visit:
www.man.com

become highly correlated, and it is during such periods that tail protection becomes essential. As demonstrated in the following chart, TailProtect performs strongly during periods of severe market crisis and therefore has significant potential to provide an investment portfolio with downside protection. A relatively small allocation to TailProtect can result in a significant improvement to a portfolio's overall risk/return profile. TailProtect also strongly controls the carry, or running cost, during quiet periods. It uses a number of sophisticated models, and draws on work from the Oxford Man Institute of Quantitative Finance.

Performance during crisis periods



■ HFRI Fund Weighted Composite Index ■ S&P 500 ■ TailProtect

Innovative formats

In 2011, an important investor trend was demand for near term liquidity. We saw this in onshore markets like Japan, where daily liquidity is a pre-requisite, in the continued popularity of UCITS formats, on investor platforms in territories as geographically diverse as the United States and Australia. Providing frequent liquidity has the obvious downside of creating greater turnover in our investor base, but these are deep markets where the ability to deliver alternative return streams in formats that look and feel like mainstream investments is a competitive advantage.

Nomura Global Trend

Nomura Global Trend was Man's biggest launch of 2011 and raised \$2.5 billion in the Japanese retail market. The product targets the \$760 billion Japanese onshore mutual fund market, and is an AHL-based product offering daily liquidity, exposure to high yielding currencies and the potential for monthly dividends – all features with specific appeal in this target market.

Man was the first manager to offer this product, and to take on the operational complexity of providing daily liquidity in the Tokyo time zone. It is based on an eight year relationship with Nomura – a leading distribution franchise – and relies on intensive co-operation between both parties. The Man team in Japan was responsible for an extensive programme of investor seminars and study sessions pre and post launch, and Nomura provides robust daily operational support, currency transactions and the administration of dividend payments.



Nomura Global Trend prospectus.

Australian platform market

The platform market is a significant investment conduit in Australia which gives primarily private clients access to sophisticated investment offerings. Over A\$400 billion of investments are held through platforms and gross inflows in 2011 exceeded A\$100 billion.

To be widely included on platforms, an investment needs to be structured as an onshore fund and offer daily pricing and liquidity. Investments that are approved for inclusion in 'model portfolios' on platforms can expect to receive regular inflows.

Man's first platform fund, Man AHL Alpha (AUD), has been in the market for over two years. The fund is now approved by 14 platforms, including four of the five largest. AHL is now the lead provider of managed futures on two of the three largest distributors in Australia, including 'model portfolio' representation. Man AHL Alpha (AUD) has now been joined by three funds based on GLG's macro and emerging markets strategies.

The presence already achieved with AHL, combined with high levels of interest in GLG, positions Man Australia well to capture substantial allocations from the platform market.



Client engagement

Building and maintaining relationships with existing and potential investors and distributors goes hand in hand with providing responsive and open investor service. We have made significant progress in 2011 on both of these aspects of client engagement by achieving record sales and by improving the scalability and efficiency of our investor servicing platform.

Global distribution

Man operates two distinct distribution models, marketing to private investors via third party intermediaries and directly to institutions. Our intermediary network covers a wide range of the largest global and strategic regional financial institutions as well as smaller intermediaries and offers us scale, flexibility and efficiency in the distribution of our products.

Our regional offices are predominantly staffed by local people such that investors and distributors can interact with specialists who speak their language and understand the culture and particular nuances of doing business in that region.

	Europe and Middle East	Asia Pacific	America
Sales Offices	London Pfäffikon Rotterdam Milan Guernsey Luxembourg Dubai	Tokyo Hong Kong Singapore Sydney	New York Chicago Toronto Montevideo Miami
Dedicated sales & marketing staff	170	100	60
Intermediary relationships	1,800	1,600	750
Investor base	Balanced mix of private investors and institutions	Mix of private investors and institutions with a skew towards private investors	Balanced mix of private investors and institutions
FUM at 31 Dec 2011	\$36.6bn	\$15.7bn	\$6.1bn

Sales and redemptions trends

Sales

Following the GLG acquisition, the Board set challenging sales targets for 2011. These sales targets were achieved with our distribution network delivering sales of \$16.7 billion for the nine month period and \$22.2 billion for calendar 2011.

\$16.7bn
(Calendar 2011: \$22.2bn)

Group sales
9M period
2011

In the nine months to December 2011 we saw the majority of investor demand coming from onshore liquid strategies with open-ended sales accounting for almost two-thirds of total sales in the nine month period. This was boosted by two large scale Japanese launches – a \$2.5 billion onshore AHL product with Nomura and a \$1.0 billion GLG emerging market currency overlay with Nikko. The success of both launches was due to the knowledge and expertise of our local team and their partners, and their appreciation of the structural importance to the Japanese markets of daily liquidity, currency and yield. We continue to see the importance of Asia for the future.



To read more about client engagement visit:
www.man.com

development of Man and have taken steps to establish a presence in China to take advantage of the growing investment management market there.

Institutional sales included \$1.6 billion of funding from the USS and BVK mandates with \$0.9 billion still to fund. With institutional investors now estimated to account for nearly two thirds of hedge fund industry assets, we continued to develop our institutional capabilities in markets as geographically diverse as Australia and the United States, strengthening our coverage of the highly influential global and US institutional consultants with new senior hires in London and New York. In Australia, where there are over \$1.3 trillion of institutional assets, we saw our first GLG allocations from institutions, supplementing allocations to AHL and Nephila, the reinsurance risk investment manager, in which Man has a 25% stake. In the United States, we surpassed the billion dollar annual asset raising mark for the first time in 2011, including a new mandate from a Fortune 50 US allocator and substantial fresh allocations from existing investors into Ore Hill. Asset raising in the US will remain a long term project for us and we are some way off a level of asset raising commensurate with our presence in other markets. However, we have worked through our enlarged product range to create a suite of US institutional tailored products and now have over 10 strategies rated favourably by eight tier one consulting firms, that in aggregate influence \$12 trillion in assets.

Redemptions

Redemptions totalled \$18.2 billion for the nine month period.

Redemptions in the quarter to 30 June 2011 were consistent with historical levels at \$5.3 billion. Extreme volatility over the summer months severely tested investor appetite for risk and saw Man record redemptions of \$7.3 billion in the second quarter. There was a significant acceleration in outflows towards the end of the quarter, specifically in GLG alternatives and long only styles, as European retail investors in particular sought liquidity from the large proportion of our funds offering short notice periods. In the third quarter redemptions trended back to historical levels at \$5.6 billion.

Asset retention is a key measure of our success in delivering investment performance, quality investor service and sales coverage. While clearly we had some exposure to retail capital flight in Europe in particular in September our redemption rates have now trended back in line with the industry average.

Key service initiatives

Our business is about identifying the right solution for each market and client segment so as to meet their relevant needs in an effective manner.

From an institutional perspective, continuing insistence on position-level transparency, particularly since the financial crisis, has brought about strong investor interest for managed accounts (MACs) and we now have \$17.8 billion in MACs of

which \$8.1 billion is in the Man Multi-Manager. Man recognises that investors want to know exactly what they are investing in, what the liquidity is and most importantly, that their assets are safe. We were one of the first managers to appreciate this, entering the MAC space in 1998 and have now launched over 300 MACs across all styles. In response to demand for top-quality reporting and investment insight, we initiated a project in 2010 to provide greater, but appropriate, transparency to investors, with an approach that would also satisfy the managers on the platform. The project has been a success and over \$2 billion of client assets are now monitored via the platform with clients providing positive feedback on the delivery and quality of the solution.

From a private investor perspective we continue to see increasing investor demand for transparent, regulated, onshore product formats which in many cases can be valued and transacted in a similar fashion to more traditional investments such as mutual funds. The range of liquid alternative investment return streams we have built at Man allows us to offer more liquidity than many other alternative investment managers. Man now has a total of \$8.5 billion under management in UCITS formats.

For existing investors the timeliness and accuracy of performance information is essential to maintain investor confidence in their investment decision. This is particularly important in turbulent markets when regular and timely reporting is essential to ensure that investors have the most up to date information on their portfolios to allow them to make informed decisions and valid choices between alternative strategies. During the year we made a decision to outsource our e-commerce activities to a provider with specialised capability. This will help to support enhanced reporting and will enable us to expand the e-application platform to support open-ended products.

We have taken further steps during the year to enhance client service and operational efficiencies by signing an agreement for Citi to perform global shareholder and transfer agency services for AHL and Man Multi-Manager private investor products. The agreement has been designed to maintain and enhance our reputation for strong client service and is a big step towards securing fully independent fund administration across the whole firm. Citi is investing heavily in new technology as part of the mandate. The bank has the global reach to service our sales force, intermediaries and investors. This has already proved beneficial in launching the AHL Remimbi share class where Citi's global footprint and banking capabilities were invaluable in ensuring the product could be supported operationally.

We have a global client service platform that provides us with competitive advantage. As the requirements of our investors and local regulators evolve we have global partners who provide us with scale and continued investment to enhance the client service for our investors.



Business sustainability

Ensuring the sustainability of our business and retaining the trust of our key stakeholders are fundamental to the success of our strategy.

Man has been in business for 229 years, starting life as a Thames-side barrel maker in the City of London and evolving into a best in class alternative asset manager. Adapting our business model to market opportunities, rigorously monitoring our strategy for growth and changing when necessary are at the core of the sustainability of our business. We monitor our progress through financial KPIs **→ PG 22** but also through more qualitative measures, such as employee length of service

and turnover **→ PG 45**, funds under management generated from innovative new products and solutions **→ PG 38**, the value of our charitable donations and the percentage of employees involved in their communities **→ PG 46**.

The table below shows our key stakeholders, the elements of business sustainability which interest them most and the places in this report where these areas are discussed.



To find out more about our business sustainability.
www.mansustainability.com

	Quality of investment management → PG 32	Client service → PG 40	Risk management → PG 24	Corporate governance → PG 48	Innovation → PG 38	People management → PG 44	Community engagement → PG 46
Distributors	•	•	•		•	•	
Employees (current and prospective)	•	•	•	•	•	•	•
Financial institutions	•		•	•			
Fund investors (institutional and retail)	•	•	•	•	•		
Shareholders	•		•	•	•	•	
Suppliers	•	•	•		•		
Trading counterparties	•	•	•	•			



Corporate responsibility

Corporate responsibility lies at the heart of business sustainability. Our corporate responsibility strategy is to pursue and evidence where possible the high standards of behaviour, both corporate and individual, which underpin our reputation and maintain the trust and loyalty of all our key stakeholders. We focus on five key areas of corporate responsibility.

1. World class governance and risk management



- **PG 24**
Risk management
- **PG 48**
Corporate governance

2. Responsibilities to our marketplace



- **PG 18**
Marketplace
- **PG 40**
Client engagement

3. Managing our people



- **PG 44**
People
- **PG 62**
Remuneration

4. Contributing to our communities



- **PG 46**
Community engagement

5. Protecting the environment



More information about Man's approach to business sustainability and corporate responsibility, including extensive measurement of our success in these fields, can be found at www.mansustainability.com. The website describes the development of our infrastructure (buildings and IT) using state of the art technology and demonstrates how this helps reduce our environmental impact. An example of this is Riverbank House, Man's new London office, which was awarded an Excellent category under BREEAM certification, the world's leading design and assessment method for sustainable buildings. The data featured on our sustainability website is independently verified by The Virtuous Circle Ltd.

In December 2011 Man became a signatory to the United Nations Principles for Responsible Investing (UN PRI). This framework encourages sustainable investing by incorporating environmental, social and governance (ESG) issues into investment decision-making and ownership practices. Man's investment management practices support the aims of UN PRI in the following ways.

- Investing in technology and training to enable investment managers to take ESG factors into account and encourage listed companies to improve on ESG criteria
- Running the GLG Global Sustainability Strategy and managing the Virgin Climate Change Fund
- Running an effective Corporate Responsibility programme, as judged by inclusion in the Dow Jones Sustainability Index
- Being a signatory to the Carbon Disclosure Project and a member of the FTSE4Good
- Encouraging independent academic teaching and research at the Oxford Man Institute → **PG 34**
- Supporting charities and local communities through the Man Charitable Trust → **PG 46**
- Sponsoring the Man Booker literary prizes and advocating literacy.



Our people

To achieve superior performance for our clients and shareholders we need to have the right people in the right roles, fully motivated and competitively paid. We are very conscious of the need to provide appropriate development for our talented and increasingly international workforce. Encouraging effective collaboration and teamwork across the Company, within the bounds of regulation and good governance, is a key part of our Human Resources strategy.



Michael Robinson, Global Head of Human Resources

Human resources strategy

Our human resources objectives are aligned with the strategic priorities for Man, designed to deliver superior investment performance whilst serving our clients in the most efficient and secure manner, without compromising risk. We achieve this by hiring the most able people and developing and motivating them in an environment which stimulates innovation and profitable growth.

Efficiencies

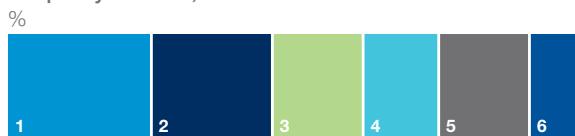
One of our key objectives in 2011 was to achieve cost savings through operational efficiency by streamlining and where possible merging activities across the business. This project affected every part of Man including sales and investment management. The largest savings however, were achieved in the client services and technology functions where we were able to take advantage of third party relationships to deliver efficient, cost effective operations and scale. This initiative resulted in 11% enforced turnover.

It is important that we treat those impacted by redundancy fairly and respectfully whilst protecting the Company from potential litigation. We provide assistance to individuals who are made redundant which includes career advice, interview preparation and guidance on developing their networks to help them transition to a new role.

Talent

Despite the challenging market conditions, we believe it is important to maintain a pipeline of talented individuals for the future of the business. Continued investment in graduate

People by function, as at 31 December 2011



1. Investment Management	25
2. Sales & Marketing	21
3. Product & Client Operations	17
4. Technology Group	13
5. Governance	16
6. Central Management & Support	8

People by region, as at 31 December 2011

Number	
UK	888
Switzerland	345
USA	138
Asia Pacific	89
Others	110
Total	1,570

recruitment has resulted in seven new recruits and a 90% conversion rate to permanent roles from the previous intake. The total number of graduate entrants confirmed in permanent roles since the scheme was started in 2007 is now 48.

We focus on retention through our annual performance evaluation and succession planning processes. During 2011 we revised our performance appraisal to align with the latest regulatory requirements and risk control policies. This annual review is a valuable opportunity for managers to give individuals feedback on their performance and how their careers can progress within the Company, particularly during difficult times. Our continuous succession planning process is designed to mitigate continuity risks by identifying key individuals for retention and further development. We maintained our strong record of no loss of key individuals through voluntary turnover during 2011.

This year we consolidated our global management and leadership programmes to contain costs whilst maintaining our commitment to individual and team development. These programmes play an important part in reinforcing the culture and values of the Company. We have combined our commitment to investing in our people with supporting the local community, working with the East London Business Alliance (ELBA) to create a collaborative experience involving our senior leadership programme participants and local school children. The facilities at Riverbank House, our new London office, allowed us to run these programmes on site, generating cost savings and reducing the time away from the office.

Remuneration

Our remuneration policy is set within a robust governance framework which supports Man's business strategy. Pay for the period reflected the performance of both the company and the individuals concerned. Our remuneration policies and practices are designed to enable us to remain competitive in the increasingly global markets in which we operate. We manage remuneration decisions on the basis of total compensation with a mix of fixed and variable performance related pay together with, where appropriate, long term incentives which reflect both current and future performance. We continue to encourage alignment between employees and shareholders through share and option plans and share ownership. 48% of staff currently participate in share and option plans and thus have the mindset of a shareholder. Additionally, the Board and employees own around 12% of the Company's share capital. Further information is set out in the Remuneration report → **PG 62**.

Employee engagement and support

Employees receive regular updates and presentations on Company results and major decisions which affect them through face to face meetings or, if necessary, via a video link. The Man intranet is used to provide supplementary updates from senior management on all aspects of our business and is a critical part of the dissemination of knowledge and information.

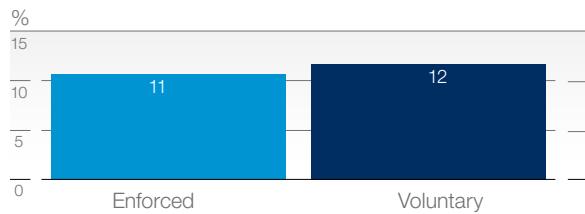
Man's culture is based on mutual respect for others and discrimination by any individual on the grounds of age, disability, gender, race, religion, sexual orientation or educational background is not acceptable. We offer tangible support through our employee assistance programmes, which are designed to assist individuals with aspects of their lives outside the workplace which may affect their ability to perform.

Global mobility

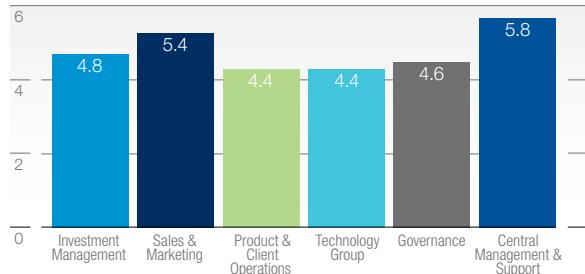
Our Global Mobility Programme enables us to meet specific business needs within given markets or business areas. Assigning people overseas assists us in attracting, retaining and developing our people in order to meet our business goals and strengthen our geographic footprint. This creates a diverse talent pool with varied perspectives and enhanced sharing of our knowledge base.

Our globally mobile population was 8% of headcount during 2011 with the majority moving between Switzerland, the UK, Hong Kong and the US.

Turnover – annualised, based on 9 months to 31 December 2011



Average length of service, as at 31 December 2011 Years





Community engagement

We are passionate about maintaining our presence in our local communities, particularly in this difficult economic climate, and are also expanding our volunteering programme in order to maximise our impact through time and expertise.



Total \$3.8m charitable expenditure for 9 months ended 31 December 2011

%



1. Disadvantaged Youth	33
2. Literacy & Numeracy	9
3. Vulnerable Populations	17
4. Disaster Relief	4
5. International	7
6. Environment	11
7. Employee Related	10
8. Other Donations	9

Trustees of the Man Charitable Trust (The Trust)

Peter Clarke (Chairman), Jon Aisbitt, Mark Chambers, David Kingsley, Britt Lintner (appointed June 2011), Lesley Northey (appointed September 2011, resigned February 2012), Jasveer Singh.

The predictions for the voluntary sector for 2012 are gloomy with most charities predicting an even worse year than 2011. Many charities survived the year by utilising their reserves, re-focusing their business models and making redundancies. Any further cuts in central and local statutory funding will place many in such a precarious position that it will dramatically affect the services they provide, causing even more hardship to the most vulnerable in our communities.



Lesley King-Lewis

Man's charitable contribution is based on the financial performance of the business. As a result of lower performance fees Man donated \$1.5 million in the period (\$3.8 million in the year ended 31 March 2011) to the Trust and charitable committees of our overseas offices. With less funding available we narrowed our focus to support those charities working with the most excluded and disadvantaged, such as supporting the homeless or long-term unemployed into education, training or employment. The Trust built up its reserves in 2009 in order to ensure we were able to maintain a consistent level of giving and therefore donated \$3.8 million in this period to support charities when they needed it the most.

Community and philanthropy have always been important to our employees and our employee volunteering programme **ManKind** has continued to be extremely popular with over 20% of our employees taking part. Activities range from serving breakfast to the homeless to facilitating employability workshops for disaffected youth and mentoring students in further education.

Our new Annual Charity for 2012 will be the Starlight Children's Foundation, which grants seriously and terminally ill children their once in a lifetime wish. We look forward to working with Starlight to help ease the pain, fear and isolation for even more of these children.

A huge thank you to all of our employees who have volunteered their time, energy and skills over the year and to those who have also donated via their Give as You Earn accounts and the Trust's sponsorship matching scheme.

Lesley King-Lewis

Director, Man Charitable Trust

Employee highlights



The Place2Be The Annual Charity chosen by our UK employees in 2011 was The Place2Be, a school-based counselling service, dedicated to improving the emotional well-being of children. With an initial donation of \$120,000 from the Trust, UK employees raised an additional \$133,000 for the charity through a range of activities including a 469-foot abseil down the Guy's Hospital Tower in London.



Tower Hamlets Education Business Partnership Every week a dedicated team of UK employees spend their lunch hour supporting children with their reading at a local primary school. The children not only benefit from the extra literacy support but improve their communication skills and self-confidence, as well as gaining an insight into a life often very different from their own.



The Connection at St Martin-in-the Fields The Workspace team at The Connection provide employment training and education support to London's homeless. Employees facilitated a number of workshops, helping homeless clients with mock interview and CV preparation, providing advice, guidance and feedback.



Spitalfields City Farm Located on the edge of the City of London, Spitalfields City Farm provides education and environmental opportunities to local communities. The farm is used to teach young people all aspects of the curriculum, through learning about animal care, gardening and sustainable city living. Our employees spent time carrying out tasks to help maintain the site which is a vital hub in the local community.



Organización San Vicente (OSV) The Annual Charity for Switzerland in 2011, OSV, is an organisation working in the biggest slum of Montevideo to improve the quality of life for families who survive out of what they can salvage from the garbage produced in richer areas. In addition to the \$50,000 initial donation received as Charity of the Year, OSV received a further sum of \$55,000 raised at the annual Charity Swim event held in Pfäffikon. This year, over thirty Man and Credit Suisse employees swam a distance of 1.2 or 2.4 km in Lake Zurich, with supporters cheering them on from the lake shore.

Community highlights



Eaves The Trust supports Eaves, a charity that provides support to vulnerable women through a range of services including accommodation, support and advocacy for women who are affected by domestic violence, rape or sexual abuse. The Trust made a three year commitment to The Poppy Project which provides support to women trafficked into the UK for the purposes of exploitation in prostitution and domestic servitude.



Community Links Community Links is an innovative east London charity, running a wide range of community projects in Newham for over 30,000 people every year. They have over 30 years of experience working with local people to support children, young people, adults and families in one of the most deprived boroughs in London. The Trust made a two year commitment to the charity's drop-in Advice Service which provides specialist advice to 10,000 vulnerable people on a wide range of issues every year.



The Passage The Trust supported The Passage, a charity that provides shelter and a variety of support services to the homeless in Victoria, London. Each day the charity provides help to more than 200 homeless and vulnerable men and women. Services include a Day Centre, offering basic care, advice, health, housing, education, training and employment and outreach services for rough sleepers.



The Mirabel Foundation The Mirabel Foundation is the only organisation in Australia specifically supporting children orphaned or abandoned due to parental illicit drug use. These children are now in the care of extended family (kinship care). Mirabel is currently supporting over 1,000 children throughout Victoria and New South Wales and believes that working closely with these children is the most proactive way of breaking the destructive cycle of abuse. Mirabel works at restoring a child's sense of self-worth, belonging and hope for the future in order for them to reach their full potential.

Corporate governance report



Jon Aisbitt

In my Chairman's review I discussed the Board's main areas of focus and action during the reporting period. This report gives more detail on how the Board and its Committees work, what they have done and how together they have provided the governance framework required for the direction and oversight of the business. It also provides an insight into the approach I take to running the Board and creating the conditions for its success.

Board membership

Of key importance for the effective running of the Board is the combination of individuals who sit around the Boardroom table, details of whom are given on pages 50 and 51. Our Chief Executive and Finance Director have a wealth of experience in funds, corporate finance and financial management. Our Chief Operating Officer brings additional market, trading and business management expertise from his previous roles at GLG and Goldman Sachs. Our non-executive directors have in depth experience in strategy development and operational and people management from their careers in a wide range of financial services organisations. Some have institutional investment and client development expertise. All have a keen understanding of financial markets and the international experience and global outlook necessary for the direction of Man's business. The specific contributions of our new non-executive directors appointed during the period – Matthew Lester and Nina Shapiro – are referred to in my Chairman's review on page 5.

Board governance structure

The overall role of the Board and the key governance mandates of each of its three main Committees are shown opposite. The full terms of reference and membership for each Committee are given on our website www.man.com and a report from the Chairman of each Committee on their work during the period follows later in this report. The overall remit of the Committees continues to grow in scope and complexity in response to ever increasing regulatory requirements. This has required the further coordination of certain aspects of the Committees' work

and the alignment of agendas and meeting schedules. An important example of this linkage is the advice given by the Audit and Risk Committee to the Remuneration Committee on the identification of those individuals with a material impact on the risk profile of the business and on the accounting judgements and risk issues to be taken into account when agreeing bonuses and incentives. Linkage and communication between individual Committees and the Board is achieved through regular reporting by Committee Chairmen at Board meetings and the circulation of minutes and papers when appropriate.

Refreshing Committee membership

We like to make changes to Committee membership from time to time and take advantage of the opportunities for switching roles created by new Board appointments. This rotation helps introduce a new perspective to Committee discussions and broadens non-executive directors' understanding of and contribution to the business. Frédéric Jolly has recently transferred from the Audit and Risk Committee to the Remuneration Committee to which he is able to bring his direct knowledge and experience of compensation in the investment management sector. Following his appointment as Senior Independent Director in July, Patrick O'Sullivan now sits on the Remuneration Committee as well as the Audit and Risk Committee. This gives him an overview of the full scope of the Board's governance activity which is essential for his new role.

Board of Directors

- Determine strategy
- Agree risk appetite and oversee management of risk
- Monitor business and management performance
- Communicate with and respond to shareholders



Audit and Risk Committee

- Review the integrity of the Company's financial reporting and the effectiveness of Man's risk management framework and internal controls
- Determine the scope of the external audit and review its effectiveness
- Review the scope and effectiveness of the internal audit function and management's response to their findings

→ **PG 56 Audit and Risk Committee report**



Remuneration Committee

- Determine and agree with the Board the principles of the Company's remuneration policy
- Recommend to the Board for approval the quantum of the Company's annual variable compensation and the annual objectives and compensation packages for individual executive directors
- Approve the total compensation for Executive Committee members and FSA code staff

↳ **PG 62 Remuneration report**



Nomination Committee

- Keep the Board's skill and experience base under continued review. Conduct search and selection process and recommend new appointments to the Board
- Oversee executive succession planning to ensure continuity of senior management resource

→ **PG 60 Nomination Committee report**

Corporate governance report continued



Jon Aisbitt
Chairman of the Board and Chairman of the Nomination Committee



Alison Carnwath
Independent non-executive director



Peter Clarke
Chief Executive



Phillip Colebatch
Independent non-executive director and Chairman of the Remuneration Committee



Kevin Hayes
Finance Director

Background and experience

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.

Peter Clarke joined Man in 1993 from the investment banking industry, having worked at Morgan Grenfell and Citicorp. He was appointed Head of Corporate Finance & Corporate Affairs at Man in 1995.

Prior to joining the Board, Phillip Colebatch was a member of the Executive Boards of Swiss Reinsurance Company and Credit Suisse Group.

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 from November 2007 to July 2009.

Date of appointment¹

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. Subject to his reappointment by shareholders at AGMs, his term of office will be renewed until May 2015.

Alison was appointed to the Board as a non-executive director in January 2001 and was Senior Independent Director between July 2009 and July 2011. Alison's current term of office expires at the 2012 AGM. Subject to her reappointment by shareholders at the 2012 AGM her term of office will be renewed until the 2013 AGM².

Peter was appointed to the Board in 1997 and was appointed 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. 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 2014.

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

External appointments

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.

Committee membership

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 Remuneration Committee and the Nomination Committee.

Peter regularly attends Remuneration Committee and Nomination Committee meetings by invitation. Peter is Chairman of the Executive Committee.

Phillip is Chairman of the Remuneration Committee and a member of the Nomination Committee.

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

¹ All directors' appointments are subject to their retirement and reappointment by shareholders at the Company's Annual General Meetings (AGMs).

² As Alison Carnwath has served on the Board for more than 9 years, her reappointment is reviewed and renewed by the Board on an annual basis.



Frédéric Jolly
Independent non-executive director



Matthew Lester
Independent non-executive director and Chairman of the Audit and Risk Committee



Patrick O'Sullivan
Senior Independent Director



Emmanuel Roman
Chief Operating Officer



Nina Shapiro
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, he was Head of Investment Consulting at The Wyatt Company, Paris (now Watson Wyatt).

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, Treasurer and Divisional Finance Director.

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

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.

Nina has had a long career of senior roles within the World Bank and was Vice President, Finance and Treasurer of the International Finance Corporation from 2000 to 2011.

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. Subject to his reappointment by shareholders at AGMs, his term of office will be renewed until May 2015.

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.

Patrick was appointed to the Board as a non-executive director in September 2007. He was appointed Senior Independent Director in July 2011. His current 3 year term of office expires in July 2013.

Manny was appointed to the Board in May 2011. Manny has no fixed term of office. His service contract is terminable on 12 months' notice.

Nina was appointed to the Board as a non-executive director in October 2011. Her current three year term of office expires in October 2014.

Fred was appointed Senior Advisor for Europe for Investec Asset Management in June 2011.

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

Patrick is Chairman of Old Mutual plc and is Deputy Governor of the Bank of Ireland. He is also non-executive Chairman of the Shareholder Executive and a non-executive director of COFRA Holding AG.

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

Nina is a director of African Minerals Ltd and Russian Rail Leasing.

Fred is a member of Remuneration Committee and a member of the Nomination Committee.

Matthew is Chairman of the Audit and Risk Committee and a member of the Nomination Committee.

Patrick is a member of the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee.

Manny regularly attends Audit and Risk Committee meetings by invitation.

Nina is a member of the Audit and Risk Committee and a member of the Nomination Committee.

Corporate governance report continued

Board priorities and activity

The table opposite highlights the main areas of Board activity during the period, reflecting the priorities and areas of focus discussed in my Chairman's review. For information on the full range of business and governance matters which are reserved for decision by the Board, please see the Schedule of reserved matters on our website. www.man.com

Risk management and internal controls

The Board is required to maintain sound risk management and internal control systems, to review their effectiveness and to report on this review to shareholders. Information on Man's risk management and internal control systems, which have been in place throughout the period and up to the date of this report, can be found in the Risk management section on pages 24 to 29. Details of Man's financial reporting controls and of the Board's oversight of its risk management and internal control systems are given below.

Financial reporting controls

The financial reporting control system operating across the Company includes the following control methodologies: control ownership, account ownership and entity ownership. These require certification of the key controls over the financial reporting processes and material financial statement line items. The financial controls framework is designed to maintain proper accounting records and provide assurance that financial information used within the business and for publication is reliable.

Review of risk management and internal control systems

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' (the 2005 Turnbull guidance).

Man's risk management and internal control systems are regularly reviewed by the Board. 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 the Board's risk appetite. These reports include current and forward looking assessments of capital and liquidity adequacy and a summary 'risk dashboard.' The Audit and Risk Committee receives reports from the Risk Assurance Committee which considers the effectiveness of risk controls through regular monitoring of risk scenarios, key risk indicators and operational risk incident reports. This process is described in more detail in the Report from the Chairman of the Audit and

Board priorities and areas of focus

Improving investment performance

AHL

- Continual monitoring of performance relative to competitor peer group
- Review and challenge of management actions taken to improve performance

GLG

- Maintained focus on risk management and counterparty risk
- Risk assessed and approved a transaction by which Lehman creditor claims impacting GLG funds were purchased by Man, positioning the funds for future growth

Meeting client needs

- Strategic review of opportunities and challenges presented by recent market trends and regulatory developments
- Workstreams identified for management action:
 - Client retention
 - Development of product set
 - New markets and entry strategies

Driving cost efficiency

- Reshaping the cost base for future business needs
- Delivered \$50 million GLG integration cost synergies
- Repaid debt and completed outsourcing of fund administration to reduce expense base by \$40 million in 2012
- Announced a further \$75 million cost reduction programme of which \$50 million to be delivered in 2012

Maintaining financial strength

- Renewed committed bank facilities at reduced level
- Buy back of substantial proportion of senior bonds, reducing interest expense
- Review and approval of regulatory capital requirement (ICAAP) for submission to the FSA
- Analysis of financial impact of share buybacks and implementation of \$150 million share buyback programme
- Review of economic capital requirement for future business needs and consideration of future distribution policy

Developing management talent

- Pierre Lagrange appointed non-executive Chairman of Man Asia to head up the expansion of investment management capability in that region
- Ruud Hendriks stepped down from the Board to become adviser to Man's European Institutional Sales Team
- Review of Executive Committee appointments and succession (see Nomination Committee report on page 60)

Risk Committee on pages 56 to 59. A number of operational and regulatory matters arose in the normal course of business and whilst we sought to improve our processes as a result, they were not sufficiently material in number or nature to either require separate disclosure or to indicate that the control environment has not been working effectively. 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 period end review of the effectiveness of the Group's risk management and internal control systems during the nine months and for the period up to the date of this Report. This process covered all material controls including operational, financial and compliance and included a review of all significant operational risk incidents and Internal Audit findings raised during the period. Additionally, as part of this review, the Board received attestation from senior management in the business units that the internal controls and risk management framework had been effective during the period. This positive assurance was consistent with the matters reported to and discussed at the Audit and Risk Committee and with the findings of Internal Audit as they carried out their audit work. No significant weaknesses or material failings in the risk management and internal control systems were identified in this review.

Directors' attendance at Board meetings (including strategy reviews)

Number of meetings held in the nine month period	7
Jon Aisbitt, Chairman	7
Alison Carnwath	7
Peter Clarke	7
Phillip Colebatch	6
Dugald Eadie ¹	2
Kevin Hayes	7
Ruud Hendriks ²	6
Frédéric Jolly	7
Matthew Lester	7
Patrick O'Sullivan	6
Emmanuel Roman	7
Nina Shapiro ³	2

¹ Dugald Eadie retired from the Board on 7 July 2011.

² Ruud Hendriks stepped down from the Board on 1 December 2011.

³ Nina Shapiro joined the Board on 10 October 2011.

Board diversity and independence

In my Chairman's review I referred to the Board's policy on diversity, further details of which are given in my Nomination Committee report on page 60. My aim in building and running the Board is to capture the value that is brought to Board debate and decision making by directors with diverse backgrounds, experience and outlook. Diversity also fosters the

independence of view and judgement which is a pre-requisite for effective non-executive directors and which is present in abundance on the Man Board. There is a belief within parts of the investment community that independence is eroded by long service on a board. It is my view that boards benefit from an appropriate balance of more recent and more long standing members. Continuity of service brings an in-depth knowledge of the business and experience of past challenges which is of considerable value to new members in periods of successive change. The Man Board has a good spread of non-executive directors in their first and second terms of office. One of our directors, Alison Carnwath, has now been with us for 11 years and has served in a variety of Committee roles and as Senior Independent Director during that time. She is a huge contributor to our challenge of the business and continues to be unquestionably independent in thought and judgement. We, therefore, continue to regard her to be an independent non-executive director.

Board climate

My aim as Chairman is to create an inclusive and open Board climate which welcomes challenge and promotes full and frank debate. Of key importance in this is my relationship with the Chief Executive, Peter Clarke, and his relationship with the other non-executive Board members. While I am responsible for leading the Board, Peter is responsible for leading the business. Our respective roles are clearly differentiated and summarised on our website www.man.com. Peter keeps me regularly updated on developments in the business and I share with him my sense of Board members' thinking and concerns, their information needs and their areas of challenge. Non-executive directors benefit from Peter's monthly Board reports on Man's investment performance, sales and redemptions, the market backdrop, regulatory issues and current business developments. I create opportunities for informal engagement between executive and non-executive Board members outside Board meetings, making full use of Board dinners and offsite meetings for reflective discussion on matters of broader or longer term concern. This helps prepare for more informed and focused debate at subsequent meetings.

I invest a lot of time in planning the Board's forward agenda and considering how the discussion of business challenges can best be approached and structured. I take soundings from Patrick O'Sullivan, our Senior Independent Director, and other non-executive directors on new or sensitive issues before they are brought to the full Board. By attending all main Board Committee meetings I gain a comprehensive view of Board activity and the thinking and stance of its members. I also ensure that I keep in regular touch with my colleagues in between formal meetings, updating them and seeking their views on important developments.

Board education

We put together a tailored and regularly reviewed induction programme for new Board members which introduces them to the heads of our business and corporate management team.

Corporate governance report continued

An outline of a typical programme is given on our website www.man.com. Further opportunities are created for our non-executives to build their knowledge of the business and key individuals through management presentations and overseas visits. The Board will normally make a trip to Switzerland and to another of our main overseas offices at least once a year. In September 2011, the Board visited the Tokyo office and were given an overview of the regional sales outlook and challenges for Japan, Australia, Hong Kong and our other Asian markets by the Regional Managers for those regions. Pierre Lagrange, our non-executive Chairman of Asia, discussed progress on the development of Man's investment management capability in that region and the shaping of products to meet local demand. The Board were also able to meet and engage with all the members of the Tokyo sales office whose effort had contributed to record sales earlier in the year.

The Board is kept aware of important regulatory developments impacting the business through presentations and updates by Man's Regulatory team. These provide an insight into the future regulatory landscape for alternative investment and the significant issues which the firm will need to address. In December, PwC updated the Board and led a discussion on the Department of Business, Innovation and Skills' proposals on directors' remuneration and their impact on the UK reporting regime. The learning opportunities offered by external programmes and seminars covering a wide range of legal, regulatory and governance developments relevant to Man are researched by the Company Secretary and made available to directors on a continuing basis.

Board evaluation

I reported in our Annual Report for the 12 months ended 31 March 2011 on the Board evaluation we had carried out in March 2011. We have not carried out another evaluation since that date. The March evaluation was led and managed by an independent third party who conducted in depth interviews with each of the directors and Company Secretary on their assessment of the Board's performance in key areas such as strategy development, the decision making process, information flows, Board relationships and succession planning. Detailed feedback was also sought on the operation and effectiveness of each of the three main Board Committees and on the contributions of individual directors. The table below sets out in blue the key areas arising from that evaluation which were identified for further focus and attention by the Board. The progress reported against these areas in a mid term review carried out in November 2011 is shown in grey.

Progress on key 2011 Board evaluation priorities

Review and restatement of the Board's strategic positions.

The Board strategy review in October explored a broad range of possible asset management models and confirmed the positioning of the business and areas for strategic build in 2012.

Provision of more competitor information – performance, sales, strategies and products.

The Board is now provided with and monitors on a continuing basis comprehensive sector and peer group product performance.

Renewed work on senior management development and succession planning.

There was a mid-year review by the Nomination Committee of business critical roles at Executive Committee level and one level below. This identified roles for which no immediate successors are available and which are subject to ongoing review.

Feedback on the contribution of individual directors was discussed with them by me on a one to one basis. My own contribution as Chairman was reviewed by Alison Carnwath who was at that time Senior Independent Director. Alison sought views on my performance from all Board members and gave me direct and candid feedback.

Plans for 2012 evaluation

The Board is planning to conduct its next evaluation later in 2012 which will allow the impact of the changes in the business and the changes in Board membership since the 2011 review to be properly reflected. We intend once again to seek the involvement of an independent facilitator which we believe is the most effective way of exploring issues and allowing views on the Board's methods of working to be thoroughly and openly debated.

Communicating with shareholders

Institutional investors

In the course of a difficult 2011, the Board paid particular attention to the views and concerns of the investment community, remaining acutely aware of the need to build earnings and communicate our policy on governance and capital allocation to the market. We receive regular and detailed feedback on market views from our investor relations team and

corporate advisers. We have strengthened that team and refreshed our advisers with the appointment of Goldman Sachs as corporate broker alongside Bank of America Merrill Lynch and Credit Suisse. We have also improved our reporting and disclosures, specifically in respect of funds under management, fund performance and costs.

As Chairman, I attend our final and interim results presentations and enjoy meeting institutional investors in private meetings. Both I and our Senior Independent Director are always available to talk to shareholders about any issues of concern. Our executive team have met with around 50% of our institutional shareholder base in the nine month period and are in regular contact with analysts and other market commentators. In September, we held a 'Meet the Managers' event to introduce institutional investors and managers to our broader executive team. Following introductions from Peter Clarke and Manny Roman, Tim Wong (AHL), Pierre Lagrange (GLG) and Luke Ellis (Man Multi-Manager) talked about their investment management capabilities. Christoph Möller (Head of Sales) gave an overview of our global sales network and Hidehiko Hayashi, our Regional Manager in Japan, provided a first hand case study of our highly successful Japanese business. Highlights from the 'Meet the Managers' event are available to view in the Investor Relations section of our website www.man.com.

Private investors

We are always keen to hear the views of our private shareholders and we encourage them to use our shareholder mailbox (shareholder@man.com) for detailed enquiries and our website for Company reports and business information. The website also provides direct access to Shareview (www.Shareview.co.uk) which enables shareholders to manage their shareholding account online.

In June last year, I was delighted to meet members of the UK Shareholders Association in London and discuss with them the progress of the business and the Board's areas of strategic focus. At the AGM in July, Peter Clarke gave his regular update on the positioning of and outlook for the business. This was followed by short videos of the Heads of AHL, GLG and Man Multi-Manager talking about the opportunities and challenges for our investment management businesses. Shareholders were invited to ask questions formally during the meeting and to follow up their discussions with our directors on a one to one basis afterwards. I am looking forward to welcoming shareholders to our 2012 AGM and continuing our dialogue with you.

Jon Aisbitt

Chairman

Statement of compliance

The Company has, throughout the nine month period ended 31 December 2011, applied the principles of and complied with the provisions of the UK Corporate Governance Code (the 'Code') except in the following respects:

1. Provision D.2.2 of the Code requires that the Remuneration Committee should have delegated responsibility for setting the remuneration of all the executive directors and the chairman.

Executive directors' remuneration

At Man, the terms of reference of the Remuneration Committee were changed during the period to provide that the Committee should recommend, for approval by the Board, individual executive directors' objectives and compensation. This was subject to the continuing proviso that no director should participate in the approval of his or her objectives or compensation.

This change was made on the basis that, given the importance of motivating the executive team to deliver the Company's strategy, it is appropriate for all non-executive Board members, rather than just those who sit on the Remuneration Committee, to determine the executive directors' objectives and compensation packages.

Chairman's remuneration

At Man, the remuneration of the Chairman is determined by the Board based on the recommendation of the Remuneration Committee. This makes the process fully transparent and allows the views of all the directors, executive and non-executive, to be taken into account.

2. Provision B.7.1 of the Code requires all directors to be subject to annual election by shareholders.

Retirement and reappointment of directors at AGMs

At the AGM held in July 2011, our directors retired and sought reappointment in line with the provisions of the former Combined Code on Corporate Governance which required the retirement by rotation of one third of the Board.

All Board members will be retiring and seeking reappointment at the 2012 AGM in accordance with the new Code provisions.

Corporate governance continued

Audit and Risk Committee report



Matthew Lester

The Board relies on the Audit and Risk Committee to provide effective governance over risk management and external financial reporting, to monitor the integrity of the Financial Statements, to review the internal controls and risk management systems 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 for the nine month period ended 31 December 2011, with particular emphasis on the specific matters we have examined.

The following report on the work of the Committee during the period sets out meeting attendance, the key matters considered during the period and the conclusions reached. This information is presented thematically. Also included is any change in the way the Committee conducts its business. A description of the role of the Committee, the Committee membership and the Committee's terms of reference can be found on our website at www.man.com together with a description of the routine business of the Committee which is not repeated here.

Membership and meeting attendance

Attendance by Committee members during the nine month period ended 31 December 2011 is set out below:

Number of meetings held	5
Matthew Lester	5
Alison Carnwath	2
Dugald Eadie	2
Frédéric Jolly	4
Patrick O'Sullivan	5
Nina Shapiro	1

Matthew Lester joined the Board and the Committee in May and became Chairman in November 2011 in succession to Patrick O'Sullivan. Nina Shapiro was appointed to the Committee in October on her appointment to the Board. Alison Carnwath and Frédéric Jolly left the Committee in September and December respectively. Dugald Eadie retired from the Board and the Committee in July.

Matters considered during the period

Formalising our three lines of defence

Throughout the period, the Committee maintained its pursuit of increased formalisation and demonstrability of risk and control assessment within Man, building on our agreed three lines of defence principles (described on page 27) that are baked into our organisation structure, risk framework and delegation of authority. This provides an integrated approach to the identification and assessment of operational, financial and financial reporting risks. So far this has been applied to two key functions – Product & Client Operations and Technology Group – which will, when complete, achieve a good base. The next step is to agree a timetable for extending the formal risk and control self-assessment process to the remaining business processes. Progress is due to be considered by the Committee in April alongside a plan for implementation in other business areas through 2012. At the same time, Internal Audit will examine what has been achieved so far and recommend any enhancements.

External financial reporting

Our meetings in September and December were primarily focused on key judgemental items for financial reporting and the adequacy of our internal controls.

The most significant judgement is our assessment of the carrying value of the goodwill relating to the GLG acquisition. The determination of the recoverable amount clearly involved making a number of judgemental assumptions. In reviewing the valuation the Committee assessed the macro and micro economic environment that would impact the value. In assessing the macroeconomic environment, it was concluded that, despite the tough market conditions in the second half of 2011, there was no significant event or development in the post-acquisition performance that would imply that the investment rationale for the acquisition no longer remained valid. The assessment of the micro environment focused on the key input assumptions into the valuation model, in particular the sales, redemptions and performance return assumptions. Duff & Phelps, a specialist firm in this area, was appointed to make an independent estimate of the recoverable amount at 31 December 2011 and to provide a single point valuation. The resulting valuation of \$1.8 billion was comparable with management's estimate. The Committee ensured that a good level of disclosure was given in the financial statements (see Note 12 to the Financial review) to set out clearly how we reached our conclusions.

The other noteworthy judgemental matter was the valuation of the Lehman Brothers claims acquired from 29 GLG managed funds for \$355 million in July 2011. The Committee concluded that the Lehman assets were purchased at fair value, in an arms' length transaction, and that the valuation attributed to the assets at 31 December 2011 should not be significantly different from the original purchase price less subsequent distributions.

Service providers to funds

Management of service provider risk has been high on the Committee's agenda for some time, reflecting major projects over the last 12 months to focus the business on a small number of strategic providers. This had been discussed intensively earlier in 2011 when the providers were being selected, contractual arrangements put in place and monitoring arrangements established. In October we took a close look at the contingency arrangements in the event of the need to change custodians and the notification requirements for termination events. We also considered the existence and extent of insurance for one of the providers. The Committee is monitoring progress to ensure that best in class performance and risk monitoring arrangements are in place for all strategic providers.

GLG integration

Good progress was made in the period in integrating GLG into the Group such that, by September, an executive level integration steering group was able to be disbanded. All residual matters at that time became business as usual. The one remaining area of particular interest to the Committee has been the migration of critical GLG systems to our Global Data Centres in Woking and Redhill by December 2011, and remaining GLG systems by March 2012, in order to maintain system resilience at Group standards.

Corporate governance continued

Compliance and information technology

Given the vital importance of regulatory compliance and technology to our business, the Committee receives six-monthly reports from our Global Heads of those functions. The focus of the regulatory report was the UK Bribery Act and the practical steps taken to respond to its implementation from July. Key technology topics included:

- migration of GLG systems
- confirmation that GLG's IT team had been fully integrated with Man's team with key man risks being mitigated
- enhancement of system resilience by transfer of data held locally in European office data centres to the Global Data Centres
- Increased cyber security risk – and in particular how information security assurance is provided

The Committee has emphasised the need for more rigorous contingency planning to address random, short term electricity supply issues that have arisen in a few key sites.

Oversight of risk governance

Committee discussions through 2011 led to the development of a new risk dashboard for the Committee to monitor that key risks continue to be within the Board's risk appetite. This was adopted by the Committee at its December meeting and risk discussions at subsequent meetings are being framed in the context of this dashboard

The Committee also received at each meeting a report from the executive level Risk Assurance Committee and, from December, the Finance Committee.

We discussed with our General Counsel and Finance Director, who chair those Committees, and other executives how key matters were being addressed.

Responding to incidents

Significant external and internal incidents considered by the Committee include:

- A review of the various controls at GLG around unauthorised trading, in response to a well-publicised incident at a global investment bank
- Planning for timely and orderly response to possible failure of third-party brokers, including migration of accounts to alternative brokers
- Contingency planning around any possible withdrawal from or break-up of the Eurozone

Policy development

A significant part of the work of the Committee is in reviewing and challenging proposed new or updated risk, regulatory and compliance policies. Given the developing global regulatory framework, we have seen significant developments in this area. Examples of such policies which we have reviewed include:

- Updated whistleblowing policy (and the related processes to support confidentiality and independence)
- Group ethics policy (together with supporting processes, policies and statements of risk appetite)
- Group anti-bribery and corruption policy (and increased internal resourcing to analyse and implement these processes)

Risk reporting to the Remuneration Committee

The Remuneration report [PG 62](#) describes the way in which risk issues are communicated between Committees according to an agreed protocol that provides the Remuneration Committee with assurance, as part of the annual bonus process, that a robust risk control framework is in place for the financial period. Code staff roles have been properly identified and any risk items that may affect bonus pool or individual bonus calculations have been reported.

Oversight of Internal Audit

The Committee continues to receive a report on every significant audit finding, the actions agreed with management and the status of those actions. The Committee is satisfied with the speed and diligence with which these findings are resolved.

The Committee commissioned an independent accounting firm to conduct the periodic review of Internal Audit effectiveness. The results and recommendations arising from this review are under consideration.

External financial reporting – the external auditors

The two key issues discussed with the external auditors during the year were the carrying value of goodwill and various aspects of Man's control environment. They welcomed the involvement of external specialists to provide an independent valuation of goodwill relating to the GLG acquisition, which added a fresh view to this judgemental issue. The external auditors also provided valuable insight and guidance to the Committee during the discussion of three lines of defence and how the arrangements in Man compare with similar organisations.

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 precludes them from providing certain services and permits other limited services which are subject to low fee thresholds or which require prior approval from the Committee.

The remuneration paid in the nine month period to Man's auditors, PricewaterhouseCoopers LLP and its worldwide associates, is shown in the table below:

\$'000	9 months to December 2011	12 months to March 2011
Fees payable to the Company's auditors for the audit of the Company's financial statements	2,304	1,991
Other services:		
The audit of the Company's subsidiaries pursuant to legislation	3,955	2,507
Other services pursuant to legislation	333	371
Other services relating to taxation	592	646
Services relating to corporate finance transactions	—	1,794
All other services	393	422
Total auditors' remuneration	7,577	7,731

The increase in the audit fee relates to the GLG business which was acquired in October 2010. 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 and advisory services relating to reporting to the tax authorities, in particular in Australia and the US. Other services include further advisory work in connection with corporate restructuring and Man's pension liability.

Committee evaluation

A Committee effectiveness review was undertaken externally by an independent consultant in March 2011 and was reported in the 2011 Annual Report. The review concluded that the Committee was effective in carrying out its duties. It is expected that a further external evaluation of the Committee will be carried out later this year.

Matthew Lester

Chairman, Audit and Risk Committee

Corporate governance continued

Nomination Committee report



Jon Aisbitt

I am pleased to report below on the main areas of focus for the Nomination Committee during the nine month period to 31 December 2011. The Committee's principal role is to keep under review and make recommendations on the composition of the Board to ensure that it has the full range of competencies, knowledge and experience required for the direction and oversight of the business. The Committee also oversees senior management development and succession plans to ensure that there is continuity of appropriate executive resource immediately below Board level. Full terms of reference for the Committee are given on our website: www.man.com

Committee membership

All our non-executive directors are members of the Committee and meetings are normally also attended by the Chief Executive and the Global Head of Human Resources. The Committee met three times during the period.

Directors' attendance at Committee meetings

Number of meetings held	3
Jon Aisbitt, Chairman	3
Alison Carnwath	3
Philip Colebatch	3
Dugald Eadie ¹	1
Ruud Hendriks ²	2
Frédéric Jolly	3
Matthew Lester	3
Patrick O'Sullivan	3
Nina Shapiro ³	1

1 Dugald Eadie retired from the Board on 7 July 2011.

2 Ruud Hendriks stepped down from the Board on 1 December 2011.

3 Nina Shapiro joined the Board and the Committee on 10 October 2011.

Board diversity

There has been considerable debate on the topic of Board diversity, and in particular gender diversity, in recent times, prompted in part by the recommendations of the Davies Review. In my Chairman's review I referred to the value of bringing together on a board individuals with diverse backgrounds, experience and outlook. Gender is a vital part of this diversity and I have in the past been disappointed by the small numbers of female candidates with the appropriate skill set who have been identified and put forward to the Committee by executive search firms.

Policy on gender diversity

Our firm policy continues to be that we will make Board appointments based, first and foremost, on merit and overall suitability for the role. Subject to this principle, and to the availability of appropriate female candidates, our aim is to achieve a meaningful percentage of women on our Board in line with the recommendations of the Davies review, taking account of the size of the Board and the tenure of our existing Board members. Our full statement on gender diversity at Board and senior management level is given on our website. www.man.com

Appointment of Nina Shapiro

In June 2011, in the context of our continuing interest in potential women Board members with relevant experience, one of the executive search firms we regularly use introduced me to Nina Shapiro. After an initial discussion, arrangements were made for Nina to meet most of our Board members individually and informally over the summer period. The consensus view was that the Nomination Committee should formally consider her appointment as a non-executive director against the general requirements for the role and the particular needs of the business at the current time. The Committee's conclusion was that Nina's in depth experience of capital markets and sophisticated product structuring would bring significant value to the Man Board. It was believed that we would also benefit from her insights into government policy on the development of financial markets around the world and her knowledge of emerging markets more broadly. Following the Nomination Committee's recommendation and the securing of FSA approval, Nina was appointed to the Board and as a member of the Audit and Risk Committee in October.

Executive management development and succession

In July the Committee discussed the results of the review of succession plans for the Executive Committee and one management level below. This took account of the changes to the management structure introduced as part of the integration of GLG. The Committee noted that succession planning was a continuous process and that developing high calibre talent to strengthen management capability was a key objective of Executive Committee members. Attention focused on certain Executive Committee roles where no 'ready now' successors had been identified and where further discussion was required. The Committee also challenged the 'business critical' nature of some of the roles identified below Executive Committee level which it was agreed should be further reviewed.

In September the Committee was updated on the appointment of Pierre Lagrange as non-executive Chairman of Man Asia in addition to his responsibility for running GLG portfolios out of London. It was noted that Pierre would be supported in this role by the appointment of a new Head of Asia Equity, creating the infrastructure to increase Man's investment management

capabilities in the region and build a team on the ground to complement the existing investment management teams in London and New York. Other key developments discussed were the creation of the new role of Head of Strategy and Corporate Finance at Executive Committee level and succession planning for the Head of Marketing role for Europe and North America.

Review and renewal of non-executive appointments

As part of their responsibility for reviewing Board composition and succession, the Committee considered the renewal of the contracts of Alison Carnwath and Frédéric Jolly which were due to expire in the course of 2012. It was noted that the findings of the Board evaluation carried out in 2011 had confirmed their capability, contribution and commitment. The Committee noted the depth of experience brought to the Board by Alison's 11 years' service and the continuing independence of her thought and judgement. The Committee, therefore, continued to regard her as an independent non-executive director. The Committee recommended to the Board the renewal of Alison Carnwath's contract for a further 12 months and the renewal of Frédéric Jolly's contract for a further three years, subject to their reappointment at AGMs.

The Committee reviewed my own appointment as Chairman of the Board, which was due to expire in the course of 2012, and agreed to recommend the renewal of my contract for a further three years, subject to my reappointment by shareholders at AGMs. This review was led in my absence by our Senior Independent Director, Patrick O'Sullivan, and took account of the feedback on my performance given in the 2011 Board evaluation.

Board composition

The Committee was satisfied that, on the basis of the proposed reappointments, the composition of the Board would continue to be in line with the UK Corporate Governance Code requirement for at least 50% of the membership (excluding the Chairman) to comprise independent non-executive directors and would continue to comprise 20% female directors. It was agreed, following Ruud Hendriks' stepping down from his non-executive role on the Board to take up an advisory appointment within the business, to consider at a later date the need for a successor.

Jon Aisbitt

Chairman

Remuneration report



Phillip Colebatch

During 2011, Man experienced challenging market conditions. Man's Key Performance Indicators (KPIs) are set out on page 22 of the Report and accounts and provide the context for this period's remuneration outcome. As explained in the Chairman's review on page 5 the Board has sought to achieve an appropriate balance between our stakeholders. The Remuneration Committee has focused on remuneration governance and aligning pay with performance whilst safeguarding our operating capability to deliver long term shareholder value. Cash bonus spend has been reduced by 28% with a compensation cost to revenue ratio of 37%.

The remuneration highlights below set out the key remuneration messages for the nine month financial period to 31 December 2011 (9M 2011). This Remuneration report provides information on the activities of the Remuneration Committee, Man's remuneration policy and remuneration arrangements for executive and non-executive directors for 9M 2011. This is presented in the context of Company performance, our corporate governance framework and market position. The **Remuneration report** is presented in two parts as follows:

Part 1: Remuneration report highlights

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Part 2: Additional remuneration report information

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Change of financial year end and performance review period.

As stated on page 1, Man changed its financial year end to 31 December. In line with this, Man adopted a firm-wide staff performance and remuneration process on a calendar year basis from 2011. For comparison with the prior year please note the following:

1. P&L charge for compensation:

- **Current 9M 2011:** salary and bonus for nine months for all staff; and
- **Prior FY2011:** Man – salary and bonus for 12 months (bonus – 9 months' paid and 3 months' accrued). Incoming GLG – salary and bonus for 5.5 months (bonus 2.5 months' paid and 3 months' accrued).

2. Audited tables on management and director compensation:

- **Current 9M 2011:** salary for nine months and bonus entitlement for 12 months; and
- **Prior FY2011:** salary for 12 months and bonus entitlement for 9 months.

1. Remuneration developments

1.1 What has been delivered?

The integration with GLG, a large single-manager hedge fund, significantly changed the scope of our Company and the calibre of resources to support this. Different decision support tools are required, along with specific systems, compliance and risk oversight. As an example, on the investment and operational side, the merger with GLG added 50 investment strategies trading approximately 80 different financial instruments, when AHL has only 6 strategies trading approximately 10 financial instruments.

With economic uncertainty and volatile trading conditions we acknowledge the Company performance, measured by the Key Performance Indicators (KPIs), has experienced a downturn. For the 9M 2011 period, funds under management have reduced by 15% with a consequential reduction in profitability albeit the Company remains soundly profitable.

Recognising that the Company continues to be profitable, in determining how to reward staff we also have to consider how to motivate them so they continue their focus on rebuilding funds under management and profitability. To align pay with this reduced performance whilst maintaining operating capability we have:

- Reduced the Company cash bonus spend for 9M 2011 by 28% with payments to individuals down more or less depending on evaluated performance.
- Achieved a compensation cost to revenue ratio for the combined Man and GLG businesses below 40%, at 37% including marketing incentives (33% excluding marketing incentives).
- Reduced executive directors' calendar year 2011 remuneration with a reduction of 30% for the Chief Executive and 42% for the Finance Director.
- Scaled-back long-term incentive awards for executive directors. In prior years the Remuneration Committee has approved maximum awards to be granted to executive directors. In the light of the current share price and resultant increased number of shares that would be required to satisfy a grant at maximum levels, the Remuneration Committee has considered it appropriate to scale back the value of 2012 grants under both the PSP and the ESOS. Accordingly, for the 2012 financial year the basic PSP award has been reduced from 1x salary to 0.75x for the Chief Executive and 0.5x for the Finance Director; the ESOS award has been reduced from 2x salary to 1.5x for the Chief Executive and 1x for the Finance Director.
- Given the current Man share price, to mitigate the leverage which options could potentially deliver, reduced the quantum and replaced part of the Deferred Bonus Share Option Plan (DBSOP) 10% premium priced option award with conditional award of shares.

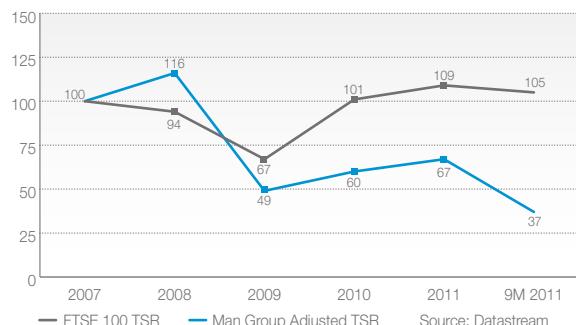
- Witnessed a nil payout for the executive directors prior year awards from the long-term incentives which completed their three-year performance period in March 2011. Additionally, the executive directors' prior year bonuses deferred in shares have reduced in value with the reduction in Man share price. As a result the Chief Executive had a 65% reduction in the unconditional compensation granted in 2008 at the end of its lock-up period in 2011; the reduction for the Finance Director was 60%. See tables R12 and R13 on pages 72 and 73.
- Aligned senior staff with shareholders through compensation deferrals with the result that all employee and executive share options were 'out of the money' (i.e. the share price was below the option strike price) at the period end. The value of share deferrals has reduced proportionately with the share price.
- Encouraged a high level of staff participation in share and option plans with 48% of staff in share and option plans and thus have the mindset of shareholders. Additionally the Board and employees own circa 12% of the Company's share capital.
- Frozen salaries for both staff and executive directors for the forthcoming year. There has been no increase in fees for the Chairman or non-executive directors.

The Board has focused on the allocation of profit between stakeholders. The dividend payment has been maintained at the same level as last year at 16.5 cents (46% covered by earnings with the balance met by a return of surplus capital) for the nine month financial period. In addition, given the continued availability of surplus capital, the Board supplemented the dividend payments to shareholders by returning \$143 million of capital to shareholders before the calendar year end, by way of a repurchase of shares for cancellation.

1.2 Total shareholder return

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.

Table R1
Total Shareholder return – Change over five year period



Remuneration report continued**1.3 What has changed?**

The Remuneration Committee has reviewed remuneration governance building on the robust governance framework already in place and taking steps to achieve full compliance with the FSA Remuneration Code. Further information is set out at section 2.

The following developments are important in understanding compensation costs in this period in comparison with the prior period:

- Integration of GLG: Discretionary investment managers such as GLG typically have higher compensation to revenue ratios. The Remuneration Committee has reviewed the GLG compensation arrangements, aligned these with Man where appropriate for competitive positioning and achieved a combined ratio which appropriately reflects the balance of the firm's business at 37%.
- GLG prior year figures: GLG is included for the full current nine month financial period ended 31 December 2011. With the acquisition of GLG in October 2010 the prior year figures for the year ended 31 March 2011 included only 5.5 months of GLG compensation.
- Bonus period: Man has moved from a 31 March to a 31 December year end and introduced a calendar year bonus period. The performance and bonus period for 2011 is 12 months to 31 December 2011 whereas the financial period is nine months to 31 December 2011 (9M 2011 in the table R2) plus an accrual for the three month period to 31 March 2011 (this accrual is included in 12 month FY2011 period in table R2). The comparable bonus period for Man employees for 2010 is based on 9 months to 31 December 2010.
- Man defers a significant proportion of remuneration (up to 50% for senior staff this period) to strengthen shareholder alignment and staff retention with awards subject to a period of future service. As a result the cost of these awards is recognised over the service period. The amortisation of prior year share awards is included in table R2.

1.4 Overview of key compensation metrics

To facilitate comparison with the prior year, inter-period comparisons included in table R2 have been calculated on an annualised basis, due to the change in the financial reporting period. The inter-period comparison does not capture the full impact of incoming GLG staff joining during FY 2011.

Table R2 – Key compensation information

	9M 2011 (nine months to 31 December 2011) \$million	FY 2011 (twelve months to 31 March 2011) \$million
Revenue	1,254	1,655
Salaries and related personnel costs (fixed costs)	191	212
Cash performance bonus costs ^(a) (Prior year – 9 month actual; 3 month accrual)	130	242
Amortisation of prior years' share awards (IFRS 2 charge)	94	101
Total compensation costs ^(b,c)	415	555
Marketing incentives	45	36
Change in variable: cash bonus	Annualised 1 year change	-28%
Compensation cost including marketing incentives/Revenue		37%
Diluted Earnings per share (EPS) on continuing operations (cents per share)		7.6¢
Change in diluted statutory EPS	Annualised 1 year change	-28%

Notes:

(a) As explained in the prior year 2011 Annual Report; Financial Review Note 13, the compensation charge in the year to 31 March 2011 excluded the compensation accrual on uncrystallised performance fees as at the date of the GLG acquisition. Since this amount of \$54 million was included in the GLG acquisition balance sheet this amount has now been included in the above table for comparison purposes.

(b) Before restructuring and GLG acquisition costs.

(c) Profit allocation to partners is included in compensation as required by accounting standards.

1.5 What are the next steps?

The corporate strategy for Man to be the leading alternative investment manager globally is set out at page 20. To put the strategy into action the three key priorities for 2012 are fund performance, client service and efficiency.

Remuneration policy is structured to support the corporate strategy. To meet the strategy it is fundamental that we are able to maintain operating capability and attract, motivate and retain talented employees in the specialised and competitive markets in which we operate and within a robust remuneration governance framework. Pay for performance is an underlying principle of our remuneration strategy with rewards received on the delivery of stretching objectives and reduced when these objectives are not achieved.

Senior staff continue to have a proportion of their compensation deferred. This year, many staff have seen their individual bonus amount decrease and compensation deferral increase as a percentage of the reduced bonus. Whilst the majority of staff continue to have a significant proportion of deferral in shares to align them with shareholders, this year the deferral programme has been broadened with more staff offered the opportunity to defer into funds to align them with fund investors since delivery of fund performance to fund investors is key to delivering Company performance to shareholders.

The performance metrics of the executive director long-term incentive plans have been reviewed and remain cumulative three-year Net Management Fee Income Growth (NMFIG) and average three-year Adjusted Return on Equity (AROE). Prior to annual grants being made, the Remuneration Committee reviews the vesting targets to ensure they remain challenging. Whilst the lower vesting targets remain unchanged for 2012 awards, the upper targets have been reviewed in the light of current market conditions and the Company forecast. The outcome has been to bring the NMFIG target for full vesting back to 30% as per awards granted in 2009 and 2010 before the GLG acquisition. The AROE upper target has been brought down to 17.5% recognising that industry expectations on ROE have been recalibrated. This follows a detailed review by the Remuneration Committee of vesting probabilities. The Remuneration Committee believes that these upper targets are stretching, have been set to deliver shareholder value over the three-year performance period and will only vest in full for significantly exceeding market expectations. These awards, the value of which has been determined and scaled back from previous years, have not been made at the date of this Annual Report but will be made after the close period.

Man's Statement of Remuneration Principles is on our website: <http://www.mangroupplc.com/assets/pdf/about-man/remuneration-principles.pdf>

2. Remuneration Committee and governance

Our shareholders rely on the Remuneration Committee to provide effective governance over remuneration policy and decision-making, reporting to the Board. I am pleased to present the Committee's report on its work and operation during the financial period including that on remuneration governance.

2.1 How has the role of the Remuneration Committee evolved on remuneration governance?

This year the Remuneration Committee reviewed remuneration governance within the context of evolving FSA and best practice requirements. This review has delivered:

- An update of the terms of reference of the Audit and Risk Committee to require its interaction with the Remuneration Committee, with reports on key risk issues being submitted by the Audit and Risk Committee to the Remuneration Committee. The annual meeting cycle agendas for both Committees have been revised to facilitate a timely flow of information between the Committees with management in both Risk and Human Resources (HR) working closely to support this. This has assisted the Remuneration Committee to address its responsibilities to reflect current and future risk in approving remuneration policy and quantum.
- Formalising the annual review of risks within the business with attribution of responsibility for these risks to identify the FSA Code Staff employees who could have a material impact on the risk profile of the Company.
- Annual review of the Remuneration Committee terms of reference in response to evolving best practice and the FSA Remuneration Code. The terms of reference of the Committee can be found on the Company's website <http://www.mangroupplc.com/about-man/board-directors/remuneration-committee.jsf>
- The Remuneration Committee has been strengthened by an additional member increasing membership to five – the Company Chairman, the Senior Independent Director and three further non-executive directors. The Senior Independent Director is also a member of the Audit and Risk Committee thereby facilitating the flow of information between the Committees.
- Regular meetings with a structured agenda – under its terms of reference the Remuneration Committee is required to meet at least four times during a financial year; the Committee met five times during this nine month financial period (as outlined in table R4) and eight times during the twelve month calendar year.
- Monitoring and implementing of regulatory and best practice updates.
- Compliance with the FSA Remuneration Code assessed and documented for the new FSA Remuneration Policy Statement approved by the Remuneration Committee.

Remuneration report continued

- Introduction of a policy on guarantees to confine their use to exceptional cases and limit amounts to that required to buy out existing incentive compensation. The Remuneration Committee has reviewed compensation packages proposed for senior hires to consider whether these are compliant and that there is a sound business case to justify these hires.
- Compensation is structured such that an appropriate proportion of employees' compensation is deferred into shares or funds. This creates a direct alignment between the rewards and risk exposure of employees with shareholders and investors. Deferral is at 50% of variable compensation for the Executive Committee and other senior employees.
- Review the performance evaluations for executive directors and recommending for Board approval the calendar year 2011 remuneration for executive directors. Given the importance of using compensation to motivate executive directors to deliver the Company's strategic plan, the Board approves executive directors' objectives and compensation.
- Oversight of and approval of remuneration for FSA Code Staff and other senior staff for alignment of remuneration with risk for this critical population.
- Closure of the final salary pension scheme to future accrual with effect from May 2011. In addition, the Company is currently reviewing various de-risking initiatives with regards to the final salary scheme.

2.2 How does the Remuneration Committee operate?

The Remuneration Committee is appointed by the Board and now comprises five members. In addition to the Committee members, the Chief Executive, Finance Director, Chief Operating Officer, Head of Human Resources and Head of Compensation, who is also Secretary to the Committee, attend selected agenda items requiring their contribution. No individual participated in the discussion or approval of his or her own compensation.

The Committee follows relevant legal and regulatory requirements including the principles and provisions of the UK Corporate Governance Code, the UKLA listing rules and the FSA Remuneration Code of practice on remuneration policies (the FSA Code), and leading investor representative body guidelines (including the ABI and NAPF). The committee invites independent consultants to provide advice on specific remuneration issues. This financial period the Committee has received advice from Johnson Associates on investment manager remuneration benchmarking and Fishtank Solutions on best practice sales compensation. Management appointments include PwC who provide advice on regulatory and best practice developments and McLagan and Towers Watson who provide market benchmarking for staff.

Table R3 – Key activities of the Remuneration Committee 9M 2011

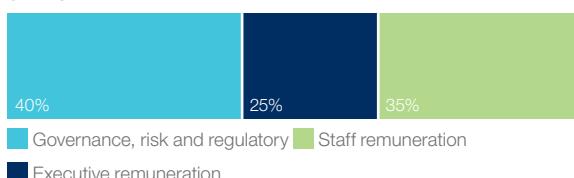


Table R4 – Remuneration Committee meeting attendance

Attendee	Comment	Meetings attended
Number of meetings held in 9M 2011		5
Jon Aisbitt (Company Chairman)		5
Phillip Colebatch (Committee Chairman)		5
Alison Carnwath		5
Ruud Hendriks	Left the Board 1.12.2011	3
Frédéric Jolly	Joined the Committee 1.12.2011	1
Patrick O'Sullivan (Senior Independent Director)	Joined the Committee 21.09.2011	1

3. Executive directors' remuneration and share ownership requirements

3.1 Base salary

Salaries are reviewed annually taking into account market benchmarks for executives of comparable status, responsibility and skill. Salaries were reviewed but, for the fourth year, there was no increase.

Table R5 – Base salary

Base Salary at	Peter Clarke	Kevin Hayes	Emmanuel Roman
1 April 2011	\$925,000	\$625,000	\$1,000,000
31 December 2011	\$925,000	\$625,000	\$1,000,000

Note:

The US dollar is the functional currency of the Company and directors' salaries are set in US dollars; June 2008 was the date of the last base salary increase.

3.2 Executive director remuneration policy

Executive directors' remuneration has a direct alignment with shareholders. This focuses on deferrals into shares and options and long-term incentives with performance measures that are critical value drivers for the Company. In addition to share and option plan participation, executive directors own 1.5% of Company shares.

The Company operates in the alternative investment management sector and is listed on the London Stock Exchange, 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 with the Group's shareholders through the promotion and encouragement of share ownership, and is subject to achieving return on equity and growth targets.

Table R6 – Summary of structure of executive directors' remuneration

Fixed remuneration	Variable remuneration		
Base salary	Short-term performance bonus	Deferral with value determined by three year share performance	Long-term – 3 and 4 years
Benefits	• Annual cash for performance	• Mandatory share deferral • Deferred Bonus Share and Option Plan	Alignment of interest with long-term shareholders. Three year performance period; PSP has four year service period • Performance Share Plan (PSP) • Executive Share Option Scheme (ESOS)
Pension			
Minimum shareholding requirement			

Remuneration report continued

Table R7 – Executive directors' remuneration – further information

Element	Strategic Purpose	Summary details	Further information	
Base Salary, Pension and Benefits	Based on experience and individual contribution to leadership and Company strategy	<p>Base Salary</p> <ul style="list-style-type: none"> • No change to base salaries which have been frozen at the same level for a fourth year. • Positioned below the median of the FTSE 100 financial services. <p>Pension and Benefits</p> <ul style="list-style-type: none"> • 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. • No change to benefits offered this year. 	Pages 67 and 126	
Performance Bonus	Annual incentivisation to reward delivery of Company performance and strategy. Three-year key individual retention and alignment of interests with shareholders to deliver sustainable performance.	<p>• Cash. Peter Clarke \$1,000,000; Kevin Hayes \$200,000</p> <p>At risk for three years</p> <ul style="list-style-type: none"> • Mandatory share deferral, held for three years to receive PSP match. Peter Clarke \$1,000,000; Kevin Hayes \$500,000 • Deferred Bonus Share and Option Plan: (i) Conditional share awards and/or (ii) Restricted options exercisable between 3 and 10 years from grant. Options may be granted at market value or premium priced at 10% or such percentage determined by the Remuneration Committee. Three year service condition. Peter Clarke \$1,500,000 conditional award in shares and \$1,250,000 options with strike price 10% above grant price; Kevin Hayes \$500,000 conditional award in shares. 	Page 69	
Long-term Incentive Plans	Performance Share Plan (PSP)	Three-year performance and four-year service period to reward growth in shareholder value.	<ul style="list-style-type: none"> • PSP match on 1:1 basis against mandatory deferral of performance bonus determined by the Remuneration Committee. See mandatory share deferral above. • Basic PSP: up to 1x salary. 2012 award to be granted at 0.75x salary for Peter Clarke and 0.5x salary for Kevin Hayes. <p>PSP performance conditions: growth and return measures of adjusted ROE and net management fee income growth over three year performance period. Four-year service period.</p>	Page 71
	Executive Share Option Scheme (ESOS)	Three-year performance period to reward growth in shareholder value.	<ul style="list-style-type: none"> • ESOS: up to 2x salary. 2012 award to be granted at 1.5x salary for Peter Clarke and 1x salary for Kevin Hayes. <p>ESOS performance conditions: as PSP.</p>	Page 71
Shareholding Requirement	Alignment of interest.	<ul style="list-style-type: none"> • 2x salary for Chief Executive; 1x salary for other Executive Directors. Executive Directors exceed limits and own 1.5% of Company shares. 	Page 73	

Note:

Emmanuel Roman's remuneration consisted of 100% salary and benefits. Please refer to page 126 for details of his share lock up agreement.

3.3 Annual performance bonus and deferral

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 on page 123.

The executive directors and employees had a twelve month performance evaluation and bonus period ended 31 December 2011.

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

- (a) Strategy assessment measured by the extent to which the individual has contributed towards achievement of the Company's strategic objectives;
- (b) Financial assessment measured by the extent to which the Group has achieved its financial targets; and
- (c) Qualitative assessment measured by the extent to which the individual has achieved their agreed personal objectives for the year.

With economic uncertainty and volatile trading conditions we acknowledge the Company performance, measured by the Key Performance Indicators (KPIs), has experienced a downturn. For the 9M 2011 period, funds under management have reduced by 15% with a consequential reduction in profitability albeit the Company remains soundly profitable, strongly capitalised and well positioned strategically with progress in accomplishing the following strategic objectives:

- (a) Integration of GLG to broaden the range of alternative investment styles we offer to investors;
- (b) Continued development of AHL, GLG and Man Multi-Manager to generate investment performance;
- (c) Successful launch of innovative new products e.g. Nomura Global Trend in Japan; and
- (d) Focused expansion worldwide, with the build out of investment management in Asia and our sales presence in the US.

To align executive directors with shareholders, there is a three year mandatory deferral of a proportion of the annual performance bonus into Company shares. The value of this mandatory share deferral for prior years has reduced with the share price. The share price for the prior year award in 2011 was £2.475; these shares will be released at 31 March 2014 and are currently valued at £1.257 (31/12/11), a 49% reduction in value. This deferral is matched by a long-term incentive award in the Performance Share Plan which only vests if performance conditions are achieved (see section 3.4.4).

A further element of the performance bonus is deferred and awarded under the Deferred Bonus Share and Option Plan (DBSOP). In previous years this has been awarded as options over shares with an exercise price set 10% above the market price at grant. The premium pricing ensures that a return is delivered to the shareholders before the award has value for the executive directors. Mindful of the current share price, this year the Remuneration Committee will make reduced DBSOP awards as a conditional award in shares for the Finance Director and will award the Chief Executive a reduced overall DBSOP award partially as a conditional award in shares and partially in 10% premium priced options. These awards will be made after the close period.

The Remuneration Committee has sought to weight the annual performance bonus with a smaller proportion as cash bonus and a larger proportion as mandatory share deferral and conditional compensation so that executive directors have the same interests as shareholders with the quantum of payout at the end of the three and four year vesting periods directly reflecting the share price achieved. Conditional compensation has been included below at its economic value but since it is subject to performance and service conditions awards this could lapse with nil value – as is the case for 2008 awards vesting this year – see tables R12 and R13.

Table R8 shows remuneration for the (a) current 12 month performance and bonus period ended 31 December 2011 and (b) prior 9 month performance and bonus period ended 31 March 2011. Remuneration Committee decisions on performance compensation were made for these periods.

Remuneration report continued

Table R8 – USD remuneration of the executive directors listed by individual director for the calendar year 2011 performance and bonus period

USD calendar year 2011: 12 month salary and 12 month performance bonus and mandatory share deferral									Prior period: 9 month salary and 9 month bonus		
		Cash		At Risk		Uncondi-	Conditi-	Uncondi-	Uncondi-	Uncondi-	Year over
		Base	Cash	Mandato-	Uncondi-	Calenda-	9 month	9 month	9 month	9 month	year
		salary ^(e) \$'000s	Benefits ^(f) \$'000s	Cash performance bonus ^(d) \$'000s	Calendar year 2011 cash Total \$'000s	share deferral \$'000s	calendar year 2011 Total \$'000s	Year 2011 Total \$'000s	9 month Total \$'000s	9 month Total \$'000s	annualised change
Executive directors											
P Clarke	925	22	1,000	1,947	1,000	2,947	4,030	6,977	2,460	7,462	-30%
K Hayes	625	3	200	828	500	1,328	1,107	2,435	1,371	3,153	-42%
E Roman ^(g)	1,000	43	0	1,043	0	1,043	0	1,043	N/A	N/A	N/A
Total	\$2,550	\$68	\$1,200	\$3,818	\$1,500	\$5,318	\$5,137	\$10,455	\$3,831	\$10,615	N/A

Notes:

(a) The USD amount of the conditional awards for CY11 and FY11 is based on economic value. These awards are subject to meeting performance and/or service conditions which may or may not be met. The actual amount of remuneration awarded this year, which is eventually received, is subject to these conditions. Prior period FY11 remuneration which is subject to performance conditions, based on subsequent performance, is likely to have a significantly reduced value to the economic value at grant. The economic value of performance-based share awards is the face value at the time of grant, multiplied by a performance factor which represented the expected percentage vesting of awards. A binomial lattice valuation factor has been applied to this expected vesting percentage to estimate the economic value – taking account estimated share price volatility, dividend yield and correlation between vesting outcome and share price. Share and option grants for calendar year 2011 will occur in 2012 after the close period.

(b) Conditional awards for Peter Clarke: DBSOP conditional award of shares \$1,500k, DBSOP options \$1,250k, PSP Basic \$423k, PSP Match \$610k and ESOS \$247k.

(c) Conditional awards for Kevin Hayes: DBSOP conditional award of shares \$500k, PSP Basic \$191k, PSP Match \$305k and ESOS \$111k.

(d) Calendar Year 2011 was a 12 month performance period for the cash performance bonus and mandatory 3 year share deferral.

(e) Calendar Year 2011 base salary stated prior to waiver into pension plan and for the 12 month period.

(f) Benefits provided are car, medical and other benefits.

(g) Emmanuel Roman was appointed to the Board effective 5 May 2011. Calendar year 2011 includes remuneration for 12 months.

(h) At risk: value of award will fluctuate with share price volatility and value when released to the director may be reduced (see tables R12 and R13 for impact of 2008 awards released in 2011).

Table R9 – Executive Directors' remuneration – 9M 2011 (awarded basis/value at grant)

Fixed compensation		Variable compensation		
Peter Clarke				
14%	14%	14%	40%	18%
Salary and benefits	Cash Bonus	Deferral – Unconditional	Deferral – Conditional	Long Term Incentives – Conditional
At risk compensation				
Kevin Hayes				
26%	8%	20.5%	20.5%	25%
Salary and benefits	Cash Bonus	Deferral – Unconditional	Deferral – Conditional	Long Term Incentives – Conditional
At risk compensation				

Note:

Emmanuel Roman's remuneration consisted of 100% salary and benefits. Please refer to page 126 for details of his share lock up agreement.

3.4 Long-term share-based incentive plans

3.4.1 Eligibility

Executive directors are eligible to participate in the Performance Share Plan (PSP) and Executive Share Option Scheme (ESOS). The PSP and ESOS limit the annual individual awards to 1x and 2x salary respectively.

In prior years the Remuneration Committee has approved maximum awards be granted to executive directors. In the light of the Company performance, the Remuneration Committee has considered it appropriate to scale back the value of 2012 grants under both the PSP and the ESOS. Accordingly, for the 2012 financial year the basic PSP award has been reduced from 1x salary to 0.75x for the Chief Executive and 0.5x for the Finance Director; the ESOS award has been reduced from 2x salary to 1.5x for the Chief Executive and 1x for the Finance Director.

All share and option awards are conditional and subject to forfeiture if an executive director resigns or the service contract is terminated for misconduct.

3.4.2 Dilution

Man share plans comply with the current ABI Guidelines on headroom which provide that overall dilution under all plans should not exceed 10% over any ten year period in relation to the Company's issued share capital, with a further limitation of 5% in any ten year period for discretionary plans. Share plan awards are within these limits.

3.4.3 Performance and service conditions

The PSP has a four-year service period. Both the PSP and ESOS have a three-year performance period with vesting subject to achieving performance conditions. There are no re-testing opportunities should performance measures not be met at the end of the third year.

The performance conditions are Key Performance Indicators (KPIs), namely, Net Management Fee Income Growth (NMFIG) and Adjusted Return on Equity (AROE). The three year performance period has been chosen as appropriate for business and the period over which growth and returns should be achieved.

The growth measure of NMFIG is a critical long-term value driver for Man. Net management fee income is the product of two components, namely the funds under management and the net management fee margins. Net management fee margins are after deduction of all fixed costs and variable costs not attributable to performance fees. The net margin excludes adjusting items and net finance income costs.

The return performance condition measures the efficiency with which we invest or return our capital. The adjustment to the ROE measure is to calculate equity excluding the Board's determination of any surplus capital not currently being utilised in the business. The surplus capital is additional capital in excess of (a) the minimum regulatory capital of the Group (Pillar 1 capital adjusted by the Individual Capital Guidance percentage agreed with the FSA plus any specific add-on), plus (b) a capital planning buffer set by the FSA, plus (c) a Board cushion as set by the Board from time to time to give operating flexibility. Notional interest incurred on surplus capital is deducted in calculating AROE. Capital strategy is a matter for the Board; executive directors can only influence the policy within the Board framework.

The Remuneration Committee has previously considered using relative return performance measures. However, since the 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, such measures were not considered appropriate. The Committee therefore sets performance conditions to target absolute returns for its shareholders that are designed to be both challenging and appropriate given the regulated nature of the Company's business.

3.4.4 Performance conditions for 2012 PSP and ESOS grants

Whilst the lower vesting targets remain unchanged for 2012 awards, the upper targets have been reviewed in the light of current market conditions and the Company forecast. The outcome has been to bring the upper NMFIG target back to 30% as per awards granted in 2009 and 2010 before the GLG acquisition. The AROE upper target has been brought down to 17.5% recognising that industry expectations on AROE have been recalibrated. This follows a detailed review by the Remuneration Committee of vesting probabilities. The Remuneration Committee believes that these upper targets are stretching and have been set to deliver shareholder value over the three-year performance period. These awards have not been made at the date of this Annual Report but will be made after the close period.

Remuneration report continued**Table R10 – 2012 PSP and ESOS: Targets**

	Vesting	
	Performance measure level	Vesting percentage
Net Management Fee Income Growth (NMFIG) – weighting 75%	Below 10%	Nil
	10%	25%
	30%	100%
Average three-year Adjusted Return on Equity (AROE) – weighting 25%	Below 10%	Nil
	10%	25%
	17.5%	100%

Note:

There is straight line vesting between lower and maximum vesting.

3.4.5 Performance conditions for 2011 PSP and ESOS grants

The performance conditions for the 2011 PSP and ESOS grants are set out below:

Table R11 – 2011 PSP and ESOS: Targets

	Vesting	
	Performance measure level	Vesting percentage
Net Management Fee Income Growth (NMFIG) – weighting 75%	Below 10%	Nil
	10%	25%
	50%	100%
Average three-year Adjusted Return on Equity (AROE) – weighting 25%	Below 10%	Nil
	10%	25%
	25%	100%

Note:

There is straight line vesting between lower and maximum vesting.

3.4.6 Remuneration outcome for 2008

The performance conditions are stretching. There was nil vesting in the current financial period for PSP and ESOS awards granted in 2008 at the completion of the three-year performance period and these awards have lapsed in 2011. This is the second year when ESOS has had nil vesting. The impact has been to reduce the 2008 compensation income for the Chief Executive and Finance Director as set out in tables R12 and R13.

Table R12 – Chief Executive 2008 remuneration outcome

Values in USD \$'000s	FY 2008	
	Item	Value at the end of three year performance period
Salary	903	903
Benefits ¹	23	23
Share deferral of bonus ³	13,500	4,118
Unconditional total	14,426	5,044
Value at end of three year performance period as a % of value granted	-65% Reduction	

Number of shares or options	Units Granted
PSP Basic ⁴	77,335
PSP Match ⁴	1,128,674
ESOS ⁴	157,306

Notes:

1 Pension not included.

2 FX rate – average rate used to convert FY08 details £1 = \$0.4981.

3 The value at end of three year performance period is based on share price at the end of the lock in period 12 June 2011 £2.37 and FX rate of £1 = \$0.6435. The value is shown grossed up for tax paid. The reference to tax gross up is to 'rebase to the gross' those awards which have been subject to tax withholding at grant (voluntary deferrals) i.e. tax withheld under PAYE so that 'gross' is compared to 'gross'.

4 The FY08 award performance period ended at 31 March 2011. These awards did not vest.

Table R13 – Finance Director 2008 remuneration outcome

Item	Value in USD\$'000s	FY 2008	
		Value Granted ²	Value at the end of three year performance period
Salary		602	602
Benefits ¹		2	2
Share deferral of bonus ³		3,913	1,194
Unconditional total		4,517	1,798
Value at end of three year performance period as a % of value granted			-60% Reduction
Number of shares or options		Units Granted	
PSP Basic ⁴		52,253	Nil
PSP Match ⁴		327,110	Nil
ESOS ⁴		106,288	Nil

Notes:

- 1 Pension not included.
- 2 FX rate – average rate used to convert FY08 details £1 = \$0.4981.
- 3 The value at end of three year performance period is based on Share price at the end of the lock in period 12 June 2011 £2.37 and FX rate of £1 = \$0.6435. The value is shown grossed up for tax paid. The reference to tax gross up is to 'rebase to the gross' those awards which have been subject to tax withholding at grant (voluntary deferrals) i.e. tax withheld under PAYE so that 'gross' is compared to 'gross'.
- 4 The FY08 award performance period ended at 31 March 2011. These awards did not vest.

3.5 Share ownership requirements

The Chief Executive is required to maintain a shareholding of 200% of base salary. The Finance Director and Chief Operating Officer are 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.

All executive directors meet the minimum shareholding requirement as shown in table R14.

Non-executive directors are encouraged to build a shareholding. The shareholdings of directors are set out in table R34 on page 133.

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 12.2% of the Company's share capital, directly or through employee trusts established and funded for this purpose. The Board alone directly holds 1.5% of the issued capital. The Employee Trusts are included in the Group's consolidated financial statements.

Table R14 – Executive director share ownership

Name	Requirement USD	Holding USD
Peter Clarke	USD 1,850,000	USD 10,096,520
Kevin Hayes	USD 625,000	USD 2,353,295
Emmanuel Roman	USD 1,000,000	USD 38,343,673

Note:

Shareholdings valued at 31 December 2011 share price of £1.257 and exchange rate of \$1.5540 = £1.

The Remuneration Report (inclusive of parts 1 and 2) has been submitted by the Remuneration Committee and approved by the Board for the nine month period ended 31 December 2011. We recommend this Remuneration Report to you. It will be put to an advisory vote of the Company's shareholders at the 2012 Annual General Meeting on 1 May 2012.

For and on behalf of the Board

Phillip Colebatch

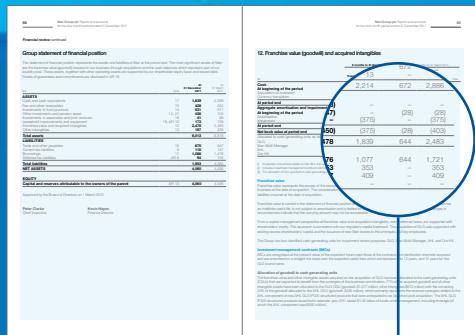
Chairman, Remuneration Committee

1 March 2012

Financial review

The Financial review contains information and explanations that give you an understanding of the results of our business strategy for 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 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 by blue background shading.

Audited information	section	page ref	
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Adjusted profit before tax – continuing operations	FR8	82	
Taxation	FR9	AFI 6	82,110
Discontinued operations		AFI 5	110
Earnings per ordinary share	FR10	AFI 8	82,111
Segmental analysis	FR11	82	
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Pension benefits	FR21	AFI 15	95,118
Capital management	FR22	AFI 13	98,115
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Unaudited information			
Statement of directors' responsibilities (unaudited)		AFI 1	107
Funds under management (unaudited)		AFI 3	108
Regulatory capital (unaudited)	FR24		99

Financial review

Our approach to reporting our financial performance.

The Financial review contained on pages 74 to 99 gives a 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 towards the end of this report (pages 105 to 121) 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 this report we have added index tables and cross references to help navigate the report.

1. Basis of preparation

Change in reporting period

During 2011 we announced the decision to change our financial year end to a calendar year to align our financial reporting with that of our funds and the asset management industry generally. We are therefore reporting our financial position and our results as at and for the nine months ended 31 December 2011. For comparative purposes we are required to disclose our results for the 12 months ended 31 March 2011. The acquisition of GLG was completed on 14 October 2010, and therefore the results for the 12 months ended 31 March 2011 had 5.5 months of GLG results compared to a full nine months in this period.

Accounting policies

The audited consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) 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 (AFI 2). The impact of new accounting standards and amendments applicable to Man's nine month period ended 31 December 2011 and accounting standards that are not yet effective is outlined in AFI 2.

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 US dollars (USD) and therefore Man's reporting currency is USD.

Judgemental areas and accounting estimates

The most significant area of judgement is the allocation and evaluation of franchise value (goodwill) and intangible assets, in particular the franchise value in relation to the GLG acquisition. This is discussed in detail in Note 12. The valuation of the franchise value and intangibles has been an area of focus for the Group Board, and in particular the Audit and Risk Committee, during the period. The report of the chairman of the Audit and Risk Committee discussed the involvement of the Committee in this evaluation on page 57. Other areas of significant judgement are: the determination of fair values for investments (including the Lehman claims); 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 24 to 29). Man's liquidity and capital positions are set out in Notes 17 and 22 and 24 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 of 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 48 to 61.

Independent audit

The independent auditors' report from PwC on page 100 expresses an unqualified opinion. Audited financial information has been indicated with blue 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 the Finance Director's review on page 13 and AFI 17.

Financial review continued

Group income statement

\$m	Note	9 months to 31 December 2011	12 months to 31 March 2011
Revenue:			
Gross management and other fees	2	1,160	1,452
Performance fees	2	94	203
		1,254	1,655
(Losses)/gains on investments and other financial instruments		(1)	25
Distribution costs	3	(237)	(318)
Asset services	4	(24)	(16)
Amortisation of acquired intangible assets	12	(47)	(28)
Compensation	5	(422)	(566)
Other costs	6	(277)	(307)
Share of after tax profit of associates and joint ventures	18	3	65
Gain on disposal of BlueCrest	8	–	257
Impairment of Man Multi-Manager and Ore Hill	8, 12, 18	–	(397)
Finance expense	7	(83)	(86)
Finance income	7	27	40
Profit before tax – continuing operations		193	324
Taxation	9, AFI 6	(34)	(51)
Profit for the period – continuing operations		159	273
Discontinued operations – brokerage	AFI 5	–	(62)
Statutory profit for the period attributable to owners of the parent		159	211
 Earnings per share from continuing operations:			
Basic (cents)	10, AFI 8	7.7	14.2
Diluted (cents)		7.6	14.0
 Earnings per share from continuing and discontinued operations:			
Basic (cents)	10, AFI 8	7.7	10.7
Diluted (cents)		7.6	10.5
 Adjusted profit before tax – continuing operations	8	262	599

Group statement of comprehensive income

\$m	Note	9 months to 31 December 2011	12 months to 31 March 2011
Statutory profit for the period attributable to owners of the parent		159	211
 Other comprehensive (expense)/income:			
Available for sale investments:			
Valuation losses taken to equity		–	(5)
Transfers from statement of comprehensive income upon sale or impairment		–	10
Foreign currency translation		(9)	64
Tax credited		–	2
 Total comprehensive income for the period attributable to owners of the parent		150	282

2. Revenue and margins

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. 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.

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.

3. Distribution costs

Distribution costs paid to intermediaries and Man's sales executives are directly related to their marketing activity and the investors serviced by them. The distribution expense is therefore variable to sales, FUM, and the associated management fee income to sustain management fee margins.

Distribution costs of \$237 million (12 months to 31 March 2011: \$318 million) comprise product placement fees of \$83 million (12 months to 31 March 2011: \$151 million) and investor servicing fees of \$154 million (12 months to 31 March 2011: \$167 million). Placement fees are paid for product launches or sales and are capitalised and amortised over the expected investment hold period (refer Note 13). Investor servicing fees are paid to intermediaries and employees for ongoing investor servicing and are expensed as incurred.

Man's internal sales force is compensated on the basis of commissions for originating assets and servicing investors and intermediaries. Distribution costs this period included \$10 million of internal sales commission costs, in particular for the institutional teams, which were previously included in compensation as these teams received discretionary compensation.

Distribution costs include \$45 million (12 months to 31 March 2011: \$36 million) relating to employees.

4. Asset services

Asset services include 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 and FUM. Previously many of these services had been performed internally. During the period we completed an initiative to transition these services to third party providers and thereby reduce our internal resources. Asset services costs for the period were \$24 million (12 months to 31 March 2011: \$16 million).

Financial review continued

5. Compensation

\$m	9 months to 31 December 2011	12 months to 31 March 2011
Salaries – fixed	166	173
Salaries – variable	124	165
Share-based payment charge	63	86
Fund product based payment charge	31	15
Social security costs	24	40
Pension costs	7	22
Compensation costs – before adjusting items	415	501
Restructuring	7	55
GLG acquisition costs	–	10
Total compensation costs	422	566

Compensation is our largest cost and an important component of our ability to retain and attract talent at Man. Our compensation strategy is set out in the Remuneration Report on pages 62 to 73. 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.

Compensation costs in total were \$415 million, before adjusting items, or 33% of revenue compared to 34% for the previous year (excluding adjusting items and a GLG purchase price accounting credit in the prior period of \$54 million).

Fixed compensation and benefits was \$191 million compared to \$212 million in the prior 12 month period ended 31 March 2011. Fixed compensation comprises: salaries – fixed; pension costs; and a share of the social security costs. The prior period included fixed compensation from GLG from 14 October 2010, the date of the acquisition. During the period the remaining compensation cost synergies from the GLG acquisition were achieved.

Salaries, both fixed and variable, are charged to the Income Statement in the period in which they are incurred. They include partner drawings.

The accounting for share-based and fund product based compensation arrangements is covered in Note 20. The unamortised deferred compensation at period end was \$91 million (12 months to 31 March 2011: \$177 million) which had a weighted average remaining vesting period of 1.6 years (31 March 2011: 2.0 years). The decrease is due primarily to the share-based and fund product based amortisation charges (as in the above table), net of a small amount of new additions in the period.

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. In the prior period GLG acquisition costs primarily relate to redundancy costs associated with achieving the acquisition cost synergies and were treated as adjusting items (refer Note 8).

Pension costs relate to Man's defined contribution and defined benefit plans (Note 21). In the prior period, pension costs include \$12 million related to amounts paid to beneficiaries in the defined benefit plan who elected to exit the plan.

Disclosures relating to directors' remuneration are given in the Additional remuneration report information on page 133.

6. Other costs

\$m	9 months to 31 December 2011	12 months to 31 March 2011
Occupancy	50	55
Travel and entertainment	17	16
Technology	37	37
Communication	19	18
Consulting and professional services	51	42
Depreciation and amortisation	42	51
Charitable donations	1	4
Other	45	42
Other costs – before adjusting items	262	265
Restructuring	15	17
GLG acquisition costs	–	25
Total other costs	277	307

The level of expenses, including occupancy, communication, end user technology and travel and entertainment is linked to headcount. Within a range of FUM balances we can achieve scalability. As FUM decreases beyond that range we have to take action to rebase our expenses in order to maintain our management fee margins.

Other costs, before adjusting items, were \$262 million in the period, compared to \$265 million in the prior period. The increase on an annualised basis in other costs compared to the prior period primarily relates to occupancy costs and depreciation in connection with the new London headquarters and the inclusion of GLG costs for the full period, partially offset by the cost synergies related to the acquisition.

Restructuring costs primarily relate to onerous lease contracts on property in New York, where the plan is to consolidate our three existing offices. In the prior period, the restructuring costs and GLG acquisition costs primarily related to professional fees. Restructuring and GLG acquisition costs are treated as adjusting items to statutory profit (Note 8).

Auditors' remuneration, including advisory and professional services, is disclosed in more detail in the Corporate governance section on page 59.

7. Finance expense and finance income

Finance expense includes interest expense on borrowings and fees of \$83 million (12 months to 31 March 2011: \$86 million). Finance income is \$27 million (12 months to 31 March 2011: \$40 million). The relative increase in finance expense from the prior period is primarily due to a \$20 million charge relating to the debt buyback during the period (refer to Note 17).

Financial review continued**8. 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	9 months to 31 December 2011	12 months to 31 March 2011
Statutory profit before tax from continuing operations		193	324
Adjusting items:			
Gain on disposal of interest in BlueCrest		-	(257)
Impairment of Man Multi-Manager and Ore Hill	12	-	397
Compensation – restructuring	5	7	55
Other costs – restructuring	6	15	17
GLG acquisition costs	5,6	-	35
Amortisation of acquired other intangible assets	12	47	28
Adjusted profit before tax from continuing operations		262	599
Tax		(45)	(85)
Adjusted net income – continuing operations		217	514

9. 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 set in accordance with the laws of the jurisdictions in which we operate. 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 was earned in Switzerland, Australia and in the UK and the current effective tax rate of 17.6% (12 months to 31 March 2011: 15.7%) is consistent with this earnings profile. Further analysis is given in AFI 6. The effective tax rate on adjusted profits (Note 8) is 17.2% (12 months to 31 March 2011: 14.2%). The higher rate is principally the result of losses for which no tax relief has been recognised and reduced relief on share-based compensation costs, which outweigh the effect of prior year tax credits.

10. Earnings per ordinary share (EPS)

The calculation of basic EPS is based on: a basic post-tax net income, after payments to holders of the Perpetual Subordinated Capital Securities (\$18 million after tax, \$24 million for the prior period), of \$141 million compared to \$187 million in the prior period; and ordinary shares of 1,826,586,175 (12 months to 31 March 2011: 1,749,928,034), being the weighted average number of ordinary shares in issue during the period 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 1,857,857,931 (12 months to 31 March 2011: 1,776,547,509). 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.

11. 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 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

\$m	Note	9 months to 31 December 2011	12 months to 31 March 2011
Profit for the period – continuing operations		159	273
Adjustments for:			
Gain on disposal of BlueCrest	18	-	(257)
Amortisation of other intangible assets	12,13	122	145
Impairment of franchise value and other investments	12,18	-	397
Other adjustments		79	14
Changes in working capital		317	(45)
Cash flows from operating activities	AFI 4.1	677	527
Cash flows from investing activities	AFI 4.2	(433)	(31)
Cash flows from financing activities	AFI 4.3	(964)	(1,311)
Net decrease in cash and cash equivalents		(720)	(815)
Cash and cash equivalents at the beginning of the period		2,359	3,174
Cash and cash equivalents at period end	17	1,639	2,359

Cash flows from operating activities are 426% of statutory post-tax income. The primary difference between post-tax income and cash flows from operating activities relates to: the non-cash amortisation of intangible assets, comprising GLG investment management contracts (\$47 million), and placement fees (\$75 million); other non-cash adjustments, including depreciation (\$21 million) and share-based payments expense (\$70 million); as well as a reduction in loans to fund products (\$217 million), which are considered to be part of working capital.

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

Cash flows from investing activities primarily relate to the purchase of the Lehman claims (Note 14.3) and the fit out of Riverbank House.

In the prior period, cash flows from investing activities primarily relate to the net cash paid to acquire GLG, partly offset by the consideration received for the disposal of the equity holding in BlueCrest.

Cash flows from financing activities primarily relate to the payment of dividends (\$394 million), the purchase of shares for cancellation (\$143 million), the purchase of shares for deferred compensation arrangements (\$56 million), and the purchases of senior debt (\$349 million) as described in Note 17.

In the prior period, cash flows from financing activities primarily relate to the payment of dividends to ordinary shareholders (\$613 million), the repayment of the convertible note and senior debt acquired as part of the GLG acquisition (\$583 million), and the purchase of own shares by the ESOP Trust (\$108 million).

Financial review continued

Group statement of financial position

The statement of financial position represents the assets and liabilities of Man at the period 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 18.

		Note	At 31 December 2011	At 31 March 2011
\$m				
ASSETS				
Cash and cash equivalents	17	1,639	2,359	
Fee and other receivables	15	428	522	
Investments in fund products	14	631	917	
Other investments and pension asset	14, 21	436	102	
Investments in associates and joint ventures	18	41	68	
Leasehold improvements and equipment	19, AFI 12	173	138	
Franchise value and acquired intangibles	12	2,478	2,483	
Other intangibles	13	187	229	
Total assets		6,013	6,818	
LIABILITIES				
Trade and other payables	16	675	647	
Current tax liabilities	9	118	157	
Borrowings	17	1,066	1,478	
Deferred tax liabilities	AFI 6	94	100	
Total liabilities		1,953	2,382	
NET ASSETS		4,060	4,436	
EQUITY				
Capital and reserves attributable to the owners of the parent		AFI 13	4,060	4,436

Approved by the Board of Directors on 1 March 2012

Peter Clarke
Chief Executive

Kevin Hayes
Finance Director

12. Franchise value (goodwill) and acquired intangibles

\$m	9 months to 31 December 2011			12 months to 31 March 2011		
	Franchise value	IMCs and other acquired intangibles ⁽ⁱ⁾	Total	Franchise value ⁽ⁱⁱ⁾	IMCs and other acquired intangibles ⁽ⁱ⁾	Total
Cost:						
At beginning of the period	2,214	672	2,886	798	–	798
Acquisition of business ⁽ⁱ⁾	22	22	44	1,403	672	2,075
Currency translation	(2)	–	(2)	13	–	13
At period end	2,234	694	2,928	2,214	672	2,886
Aggregate amortisation and impairment:						
At beginning of the period	(375)	(28)	(403)	–	–	–
Amortisation	–	(47)	(47)	–	(28)	(28)
Impairment	–	–	–	(375)	–	(375)
At period end	(375)	(75)	(450)	(375)	(28)	(403)
Net book value at period end	1,859	619	2,478	1,839	644	2,483
Allocated to cash generating units as follows:						
GLG	1,077	599	1,676	1,077	644	1,721
Man Multi-Manager	353	–	353	353	–	353
AHL	407	–	407	409	–	409
Ore Hill	22	20	42	–	–	–

(i) Acquisition of business relates to Ore Hill in the current period and to the GLG acquisition in the prior period.

(ii) Includes investment management contracts (IMCs), brand names and distribution channels.

(iii) The allocation of GLG goodwill to cash generating units was completed during the period. The comparative figures reflect this.

Franchise value

Franchise value represents the excess of the consideration transferred over the fair value of the net identifiable assets of the acquired business at the date of acquisition. The consideration transferred 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.

From a capital management perspective all franchise value and acquisition intangibles, net of deferred taxes, are 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.

The Group has four identified cash-generating units for impairment review purposes: GLG, Man Multi-Manager, AHL and Ore Hill.

Investment management contracts (IMCs)

IMCs are recognised at the present value of the expected future cash flows of the contracts and distribution channels acquired and are amortised on a straight-line basis over the expected useful lives which are between 9 to 12 years, and 10 years for the GLG brand name.

Allocation of goodwill to cash generating units

The franchise value and other intangible assets acquired on the acquisition of GLG has been allocated to the cash generating units (CGUs) that are expected to benefit from the synergies of the business combination. 77% of the acquired goodwill and all other intangible assets have been allocated to the GLG CGU (goodwill: \$1,077 million; other intangibles \$672 million) with the remaining 23% of the goodwill allocated to the AHL CGU (goodwill: \$326 million), which primarily represents the revenue synergies related to the AHL component of new AHL GLG IP220 structured products that were anticipated to be launched post acquisition. The AHL GLG IP220 structured products launched in calendar year 2011 raised \$1.05 billion of funds under management, including leverage (of which the AHL component was \$650 million).

Financial review continued

12. Franchise value (goodwill) and acquired intangibles continued**GLG cash generating unit recoverable amount**

The recoverable amount of each CGU is the benefit to be derived from the asset, either through future use ('value in use') or by disposal ('fair value less costs to sell') of the asset, whichever is the higher. In the case of the GLG CGU a value in use calculation gives the higher valuation, as a fair value approach would exclude some of the revenue synergies available to Man through its ability to distribute GLG products using its well established distribution channels, which is unlikely to be fully available to other market participants.

The value in use approach uses cash flow projections based on a stressed version of the Group's approved budget for the year to 31 December 2012 with a further two years of projections (2013 and 2014) plus a terminal value. The following valuation analysis is based on best practice guidance whereby a terminal value is calculated at the end of a short discrete budget period (in this case three years), and assumes no growth in asset flows after the three year budget period.

The value in use approach involves making judgemental assumptions. Management were assisted by independent valuation experts in carrying out this valuation, as discussed in the Audit and Risk Committee report on page 57.

As the GLG acquisition was completed just over a year ago in October 2010 and given recent market conditions, it would be reasonable to expect the net present value of modelled cash flows to be similar to the carrying value, all other things being equal. The strategic rationale for the acquisition and expectations of revenue synergies are still valid. In particular, all the portfolio manager teams are still in place and the key institutional relationships have been maintained. The anticipated cost synergies have been achieved and the anticipated revenue synergies are on track with the new sales achieved since acquisition in line with the original expectations, albeit redemptions have been somewhat higher than anticipated.

Given the relative size of the carrying value of the franchise value for this CGU and the volatility of redemptions and investment performance, management has subjected this valuation to extensive testing. The key assumptions used in the cash flow model relate to investment performance (which can give rise to performance fee income when products are above high water marks) and to net flows (sales and redemptions). Gross investment performance, sales and redemptions are the primary components which impact the growth/decline in funds under management, on which management fee income is based.

	Model assumption	Actual 3 year annualised return	Actual 5 year annualised return	Actual return since inception
Investment performance – gross return applied to years 2012 to 2014				
– Alternatives	(gross) 12% 6%	(gross) 14% 11%	(gross) 5% -3%	(gross) 16% 7%
– Long only				

In the above table for the model assumptions, the net performance return equivalent is approximately 8% for alternatives and 5% for long only. The actual historical gross returns are approximated from published net returns.

Sales	
– 2012	\$11.5bn
– 2013	\$12.6bn
– 2014	\$13.9bn

Redemption rates	
– 2012	45%
– 2013	35%
– 2014	35%

Implied long-term growth rate for total cash flows	2.1%
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12. Franchise value (goodwill) and acquired intangibles continued

In terms of investment performance, the GLG alternatives composite return since inception is around 16% (gross) and GLG long only composite return since inception of around 7% (gross). The three year track record, which Man uses as a benchmark in its quarterly trading updates to the market, and demonstrates performance post the financial crisis in 2008, is around 14% (gross) for the GLG alternatives composite return and around 11% (gross) for the GLG long only composite return. Man also typically discloses a five year annualised performance track record, which is around 5% (gross) for the GLG alternatives composite return and around -3% (gross) for the GLG long only composite return. The base case performance assumptions used in the impairment model appear to sit comfortably in the range of these historical benchmarks.

Post the financial crisis in 2008, market studies indicated that the alternative investment industry would continue to grow and the actual experience over the last three years has validated these studies. Therefore, in the absence of specific market predictions, historical data is a reasonable guide to future performance.

Despite the difficult market conditions in the second half of calendar 2011, gross sales relating to the GLG CGU were \$11.3 billion. The expected significant revenue synergies to be generated from acquiring and integrating the GLG business with Man, and evidence in 2011 that these revenue synergies are being achieved, support the gross sales assumption of \$11.5 billion in 2012 and growing at 10% for the two following years. The redemption rate assumption of 35% is in line with both the three and five year average redemption rates, which includes the particularly high redemption levels in 2008 and 2011. Redemptions in 2011 were high (50%) but given the market conditions in this period it is concluded that this was likely to be an exceptional year. Reflecting the high redemptions rates in 2011, the redemption rate assumption has been set at 45% in 2012 and then reducing to 35% in 2013 and 2014, reflecting the longer term historical averages.

The terminal value is calculated at the end of 2014. This is based on the closing funds under management as at 31 December 2014 and assumes nil net sales (sales less redemptions) in all future years. It is assumed that a constant amount of performance fee income is earned post 2014 (nil growth), so that funds under management, and therefore management fee income, only grow through the achievement of the investment performance assumption. This results in an overall terminal growth rate for total net cash flows of 2.1%.

A bifurcated discount rate has been applied to the modelled cash flows to reflect the different risk profile of net performance fee income and net management fee income. The post-tax discount rates applied to the after tax earnings are 11% for net management fee income and 17% for net performance fee income, reflecting the risk associated with each of these net income streams. On a pre-tax basis these discount rates are 12.5% and 20.9% respectively.

Results and sensitivity

The result of the value in use calculation suggests there is headroom of around \$95 million over the carrying value of the franchise value and other intangibles balance and therefore no impairment is considered appropriate. However, any reasonably significant adverse change to the key assumptions in the tables above is likely to result in an impairment charge in a future period. In determining meaningful downside sensitivities, a possible scenario, albeit one that is not expected, would be a repeat of the difficult market conditions experienced in 2011. The table below shows three increasingly adverse scenarios, whereby the base case key assumptions are changed to stressed assumptions, which mirror the actual experience in 2011. These stressed assumptions are applied to 2012 only in the first sensitivity; 2012 and 2013 in the second sensitivity; and in 2012, 2013 and 2014 in the third sensitivity. The stressed assumptions are: sales as per the base case – see above; redemption rate of 50%; and gross investment performance of negative 10% for alternative products and negative 14% for long only products. The table shows the effect of these scenarios and the associated modelled impairment charge that would result.

The results of these sensitivities make no allowance for actions that management would take if such market conditions persisted.

Stressed assumptions applied in:	2012 only	2012–2013	2012–2014
Modelled impairment (\$m)	(287)	(798)	(1,466)

If the post-tax discount rate for net management fee income was increased to 11.5% there would still be headroom of around \$16 million but an increase to 12% would result in an impairment of around \$53 million. Increasing both discount rates by 1% to 18% and 12% for net performance fee income and net management fee income respectively, would result in a modelled impairment of around \$60 million.

Financial review continued

12. Franchise value (goodwill) and acquired intangibles continued**Man Multi-Manager (MMM) cash generating unit**

The value of the MMM CGU has been reviewed at 31 December 2011 by assessing the fair value of the business based on sum of the parts market earnings multiples applied to the post-tax net earnings for calendar year 2011. It is concluded that no impairment charge is required.

The year ended 31 December 2011 has been chosen as the most appropriate period on which to base the valuation as it represents the restructured business under the leadership of Luke Ellis, who was appointed in September 2010, and is less subjective than choosing a future period.

The most significant assumptions in this valuation are: the allocation of costs relating to the centralised shared infrastructure for operations, product structuring, distribution and other support functions; and the earnings multiple applied to net management fee income. Centralised costs are allocated across internal business units using an activity based costing approach. The average earnings multiples applied by analysts to Man's business and companies similar to MMM are around 11.5 times for management fees and 6 times for performance fees. Applying these multiples to MMM's post-tax earnings of \$48 million for the calendar year 2011 would result in a recoverable amount for MMM of \$545 million with headroom of around \$180 million at 31 December 2011. It could be argued that it would be appropriate to use a lower multiple for MMM compared to that for the total Man Group as the quality of earnings for MMM may be considered to be lower than for AHL. Reducing the earnings multiple for net management fee income by 20% to around 9.2 times would result in a recoverable amount of \$435 million with headroom of approximately \$70 million. In addition, increasing the allocation of centralised costs by 10% would reduce this headroom to approximately nil.

AHL cash generating unit

The value of the AHL CGU has been reviewed at 31 December 2011 by assessing the fair value of the business based on market multiples. The average earnings multiples applied by analysts to Man's business are around 11.5 times for management fees and 6 times for performance fees. As the majority of Man's earnings relate to AHL, it is thought appropriate to apply these multiples to AHL. The fair value indicates a significant amount of headroom over the carrying value of the AHL goodwill and there are no realistic scenarios which would result in an impairment being recognised. AHL continues to contribute a significant majority of Man's overall profitability and the amount of purchased goodwill relating to the AHL business is relatively small.

13. Other intangibles

\$m	9 months to 31 December 2011			12 months to 31 March 2011		
	Placement fees	Capitalised Computer Software	Total	Placement fees	Capitalised Computer Software	Total
Cost:						
At beginning of the period	822	113	935	916	112	1,028
Acquisition of business	—	1	1	—	2	2
Additions	46	7	53	52	26	78
Reclassifications	—	—	—	—	(11)	(11)
Redemptions/disposals	(229)	(6)	(235)	(146)	(16)	(162)
At period end	639	115	754	822	113	935
Aggregate amortisation and impairment:						
At beginning of the period	(638)	(68)	(706)	(638)	(53)	(691)
Redemptions/disposals	210	4	214	92	10	102
Amortisation	(54)	(21)	(75)	(92)	(25)	(117)
At period end	(482)	(85)	(567)	(638)	(68)	(706)
Net book value at period end	157	30	187	184	45	229

13. Other intangibles continued

Placement fees

Placement fees are paid to distributors and employees for selling fund 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 between two to five years on a straight-line basis.

If an investor redeems their investment in a fund product, the corresponding unamortised placement fee is written off. 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.

The weighted average remaining amortisation period of the unamortised placement fees at 31 December 2011 is 2.2 years (31 March 2011: 2.1 years).

From a capital management perspective capital is held against the unamortised balance of placement fees based on an evaluation of the risk of an accelerated accounting charge relating to poor investment performance or early redemptions. From a regulatory capital perspective placement fees are an intangible asset and are required to be supported with Tier 1 regulatory capital.

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.

14. Investments in fund products and other investments

\$m	31 December 2011				31 March 2011			
	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
Investments in fund products comprise:								
Loans to fund products	–	–	334	334	–	–	551	551
Other investments in fund products	296	1	–	297	363	3	–	366
	296	1	334	631	363	3	551	917
Other investments comprise ¹ :								
Lehman claims	–	333	–	333	–	–	–	–
Other	–	11	–	11	–	11	–	11
	–	344	–	344	–	11	–	11

1 This excludes the Pension Asset of \$92 million (31 March 2011: \$91 million) which is discussed in Note 21.

Financial review continued**14. Investments in fund products and other investments** continued**14.1. Loans to fund products**

Loans to fund products are short term advances primarily to Man structured products. The loans are repayable on demand and are carried at amortised cost using the effective interest method. The average balance during the period was \$449 million (12 months to 31 March 2011: \$493 million). Loans to fund products have decreased compared to the prior period as the structured product FUM has decreased together with the associated leverage. The liquidity requirements of the structured products together with commitments to provide financial support (refer to AFI 18), which give rise to loans to funds, are subject to our routine liquidity stress testing and any liquidity requirements are met by available cash resources, or the committed syndicated revolving loan 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 \$18 million (31 March 2011: \$41 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 on-going 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 classified primarily at fair value through profit or loss. Purchases and sales of investments are recognised on trade date.

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 net asset values (NAVs) of each of the fund products, which in turn are based upon the value of the underlying assets held within each of the fund products and the timings of being able to redeem the fund product. The valuation of the underlying assets within each fund product is determined by external valuation service providers (VSPs) 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 VSPs 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. The fair value hierarchy of financial assets is disclosed in AFI 11.

Other investments in fund products 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 \$36 million (31 March 2011: \$45 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 \$16 million at 31 December 2011 (31 March 2011: \$30 million).

The total net loss on investments in fund products reported in the Income Statement was \$6 million (12 months to 31 March 2011: net gains of \$32 million).

Fund investment for deferred compensation arrangements

Employees are subject to mandatory deferral arrangements and as part of these arrangements employees can elect deferral into a designated series of Man fund products. As the fund product plans are treated as variable plans for accounting purposes the compensation expense increases/decreases based on the value of the designated fund products. The fund product investments are held to offset this change in compensation during the vesting period and at vesting the fund investment is delivered to the employee. The fund product investments are recorded at fair value with any unrealised gain/loss during the vesting period charged to compensation expense in the Income Statement. At period end, investment in fund products included \$40 million (31 March 2011: \$50 million) of Man and GLG fund products related to deferred compensation arrangements.

14. Investments in fund products and other investments continued

14.3. Other investments

Man has entered into a series of transactions to acquire, at the net asset values at the date of the transactions, all the residual exposure to the Lehman estates from funds (Lehman claims) managed by its wholly owned subsidiary GLG Partners LP. These transactions mainly relate to GLG's European Long Short and North American Opportunity strategies.

The total consideration for the transactions was \$355 million, payable in cash. In return, Man will be entitled to benefit from, or bear the risk of, any change to the net asset value of the Lehman claims, with the funds sharing 50% of the upside in excess of a threshold where potential client money recoveries are significantly higher than currently expected. Man will be entitled to the proceeds of each claim as and when it is distributed by the relevant Lehman estate, although the precise timing of receipts is difficult to determine given the complexity of the Lehman insolvency. In September 2011, \$22 million of the claims were realised at their carrying value.

The complex nature of underlying claims means there is no observable market for the Lehman exposures. The purchase price was based on the aggregate of the carrying value of the Lehman exposures as recognised by the funds. The fair values of the funds' net assets are calculated monthly, and reviewed by the funds' Independent Pricing Committees. The fund directors approved the transaction following independent financial and legal analysis. Man has elected to account for the Lehman exposures as available-for-sale financial assets, which are held at fair value.

The fair value of the Lehman claims is based on a probability adjusted discounted cash flow scenario-based model. As discussed above, there is significant uncertainty over the timing of the distribution of receipts. Management have estimated the timing of receipts from each claim but the degree of uncertainty involved is a primary reason for these assets being classified as Level 3 financial assets. Given the complex nature of the claims, it is not practical to give a meaningful quantification of the assumptions related to the timing of recovery of the assets. Downward revisions in expected recoveries are likely to be recorded in the Income Statement as impairments, as they are likely to result from legal proceedings impacting on recovery rates and timings of distributions. Upward revisions will be recorded in other comprehensive income until the administration process is materially complete, at which time any accumulated unrealised gains will be recycled through the Income Statement.

15. Fee and other receivables

\$m	31 December 2011	31 March 2011
Fee receivables	104	112
Prepayments and accrued income	132	164
Other receivables	192	246
	428	522

Fee and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. 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 period end.

Other receivables includes the BlueCrest 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. The loan notes, which carry a 6.5% cash coupon, are repayable in 2016, although BlueCrest has the right to repay the loan notes before this date. In certain circumstances, the maturity of the 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 loan notes will be held to maturity and fully repaid.

For the Open Ended Investment Collective (OEIC) 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 December 2011 the amount included in other receivables is \$17 million (31 March 2011: \$38 million). The unsettled fund payable is recorded in trade and other payables.

The value of derivative financial instruments, which consist primarily of foreign exchange contracts, as at 31 December 2011 included in other receivables was \$8 million (31 March 2011: \$15 million) and the notional value was \$289 million (31 March 2011: \$962 million). All derivatives mature within one year. During the period there were \$61 million net realised and unrealised losses arising from derivatives (12 months ended 31 March 2011: \$23 million net gains). Derivatives are classified as Level 2 under Man's fair value

Financial review continued**15. Fee and other receivables** continued

hierarchy (AFI 11). Foreign exchange contracts are used to hedge the Group's foreign currency monetary assets and liabilities (e.g. the 2015 Senior Fixed Rate Notes which are denominated in euros) and sometimes to economically mitigate foreign currency cash flows.

At period end, \$94 million (31 March 2011: \$85 million) of fee and other receivables are expected to be settled after 12 months.

16. Trade and other payables

Trade and other payables includes: accruals of \$376 million (31 March 2011: \$303 million), which includes compensation accruals; trade payables of \$38 million (31 March 2011: \$56 million), which primarily relate to GLG's OEIC business; provisions of \$57 million (31 March 2011: \$55 million), primarily relating to onerous property leases and to potential legal claims, and other payables of \$204 million (31 March 2011: \$233 million) which include servicing fees payable to distributors and redemption proceeds due to investors. Payables are recorded initially at fair value and subsequently measured at amortised cost. Included in trade and other payables at 31 December 2011 are balances of \$99 million (31 March 2011: \$87 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.

The value of derivatives, comprising foreign exchange contracts, included in other payables as at 31 December 2011 was \$15 million (31 March 2011: \$1 million) and the notional value was \$653 million (31 March 2011: \$308 million). All derivative contracts mature within one year.

17. Cash, liquidity and borrowings

Cash and cash equivalents of \$1,639 million (31 March 2011: \$2,359 million) represent our funded liquidity resources to support our on-going 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 held in demand deposit bank accounts and unsecured and secured short term bank deposits. All secured short term bank deposits are in the form of tripartite reverse repurchase agreements over liquid and diversified collateral and under industry standard general master repurchase agreements. Under the reverse repurchase agreements, the Group is entitled to sell, transfer as collateral or pledge the securities it receives. The fair value at the balance sheet date of collateral received in relation to repurchase agreements was \$683 million and was greater than the carrying value of secured short term deposits placed at year end. No collateral was sold, transferred as collateral or pledged to third parties. At period end, cash balances were placed with 34 individual banks. The single largest counterparty exposure of \$305 million was held with an A- rated bank (31 March 2011: \$435 million with an AA- rated bank) with \$278 million being on a secured basis. Balances with banks in the AA ratings band aggregated to \$145 million (31 March 2011: \$529 million) and \$50 million was secured. Balances with banks in the A ratings band aggregated to \$1,493 million (31 March 2011: \$1,830 million) and \$590 million was secured.

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 loss/gain of \$5 million (31 March 2011: \$13 million loss/gain), 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 December 2011, a 50bp increase/decrease in interest rates, with all other variables held constant, would have resulted in a \$5 million increase or decrease (31 March 2011: \$8 million increase or 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 committed facilities and sourced from financial institutions and capital markets.

Man's liquidity resources, aggregated to \$3.2 billion at period end (31 March 2011: \$4.8 billion) and comprised; net free cash balances (cash and cash equivalents less funded debt and the Perpetual Subordinated Capital Securities) of \$273 million (31 March 2011: \$581 million); total debt of \$1.4 billion (31 March 2011: \$1.8 billion), held as cash balances; and an undrawn committed syndicated loan facility of \$1.56 billion (31 March 2011: \$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

17. Cash, liquidity and borrowings continued

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 December 2011 based on contractual maturity.

31 December 2011 \$m	Total	Less than 1 year			Greater than 3 years	
		2 years	3 years	4 years	5 years	
2013 Senior Fixed Rate Notes	172	—	172	—	—	—
2015 Senior Fixed Rate Notes	492	—	—	—	—	492
2015 Subordinated Floating Rate Notes	171	—	—	—	—	171
2017 Subordinated Fixed Rate Notes	231	—	—	—	—	231
Funded debt	1,066	—	172	—	—	894
Perpetual Subordinated Capital Securities	300	—	—	—	—	300
Undrawn committed revolving loan facility	1,560	—	—	—	—	1,560
Total funding	2,926	—	172	—	—	2,754
Cash and cash equivalents	1,639					
Total available liquidity (cash plus undrawn committed facilities)	3,199					

31 March 2011 \$m	Total	Less than 1 year			Greater than 3 years	
		2 years	3 years	4 years	5 years	
Funded debt	1,478	—	—	229	—	1,249
Perpetual Subordinated Capital Securities	300	—	—	—	—	300
Undrawn committed revolving loan facility	2,430	—	630	1,800	—	—
Total funding	4,208	—	630	2,029	—	1,549
Cash net of overdraft	2,359					
Total available liquidity (cash plus undrawn committed facilities)	4,789					

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. At period end, the fair value of borrowings was not significantly different to the carrying value.

The \$172 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). Man acquired \$58 million of its \$229 million 2013 Senior Fixed Rate Notes during the period. The premium paid, and acceleration of an unwind of issue costs and fees, amounted to \$5 million, and was included in finance expense.

The €382 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 US dollars on an ongoing basis and invested in US dollars. €218 million (\$291 million) was repurchased during the period. The premium paid of \$13 million, and an accelerated unwind of issue costs and fees of \$2 million, have been included in finance expense for the period.

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%.

Financial review continued**17. Cash, liquidity and borrowings** continued

The \$231 million subordinated floating rate notes were issued in August 2010, 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 (Perpetual Subordinated 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 Perpetual Subordinated 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 Perpetual Subordinated 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 restructured during the period and replaced with a new committed syndicated revolving loan facility of \$1.56 billion. The facility was undrawn at period end and has a maturity date of 22 July 2016.

The expected payment profile of future interest payments, totalling \$190 million (31 March 2011: \$322 million), is as follows: \$56 million is expected to be due within one year (31 March 2011: \$81 million); \$97 million within 2 and 3 years (31 March 2011: \$152 million); and \$37 million is expected to be due after three years (31 March 2011: \$89 million).

Disclosures in relation to financial guarantees and commitments are included in AFI 18.

18. Investments in associates and joint ventures

	9 months to 31 December 2011	12 months to 31 March 2011
\$m		
At beginning of the period	68	351
Currency translation differences	-	13
Disposal of BlueCrest	-	(227)
Share of post-tax profit	3	65
Dividends received	(3)	(112)
Impairment of Ore Hill	-	(22)
Acquisition of controlling interest in Ore Hill	(27)	-
At period end	41	68

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

On 3 May 2011, Man acquired the remaining 50% equity interest in Ore Hill for predominantly share based consideration, with it becoming a subsidiary undertaking at that date.

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). 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.

19. Leasehold improvements and equipment

The increase in leasehold improvements and equipment reflects the costs associated with the investment in our new Data Centre facility (Woking) and the fit out of our new London headquarters, Riverbank House. For the details of the movements in leasehold improvements and equipment during the period, refer to AFI 12.

20. 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 62 to 73 and in the Additional remuneration report information on pages 122 to 123.

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 historical observable data. The fair values per option and award granted during the period to employees, and the assumptions used in the calculations are contained in the AFI 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 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 period, 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, with a corresponding liability. 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 period, \$94 million (12 months to 31 March 2011: \$101 million) was included in compensation expense for share-based payment and deferred fund product plans, split between equity settled share based payments of \$56 million (12 months to 31 March 2011: \$76 million), cash-settled share based payments totalling \$7 million (12 months to 31 March 2011: \$10 million), and deferred fund product plans of \$31 million (12 months to 31 March 2011: \$15 million).

20.1 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 period obligations of \$38 million (12 months to 31 March 2011: \$24 million) in the period. At period end the Employee Trusts held 55.5 million Man shares, \$29 million notional value options over Man shares, and \$16 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. The shares held by the Trust are deducted from Tier 1 Capital.

21. Pension benefits

Man operates 12 (31 March 2011: 12) defined contribution plans and two (31 March 2011: 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 for continued operations totalled \$7 million for the nine months to 31 December 2011 (12 months to 31 March 2011: \$8 million). The contributions are recognised as pension costs when they are due.

Financial review continued**21. Pension benefits** continued**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 December 2011, the UK plan comprised 83% (31 March 2011: 78%) of the Group's total defined benefit pension obligations. The UK plan was closed to new members in May 1999, and to future accrual in May 2011. 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 plan assets (including the Reservoir Trust described below) less the present value of the defined benefits obligation at the balance sheet date adjusted for unrecognised actuarial gains or losses. The surplus or deficit before adjustment for unrecognised actuarial losses represents the shareholders' obligation to the pension plans and the potential use of 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 no cash contributions were made to the UK plan in the nine months to 31 December 2011 and £7.3 million is due in March 2012.

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 (£50 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, as part of a review of ongoing pension arrangements Man closed the UK plan to future benefit accrual from 31 May 2011. Employed members of the UK plan retain enhanced benefits, including a link to salary, on their accrued benefits in the UK plan. Future benefits are provided via a defined contribution plan. For Man this process aligned compensation arrangements for employees in the UK plan with other employees, and reduced the administration cost of the UK plan.

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

	31 December 2011	31 March 2011
\$m		
Present value of funded obligations	(385)	(366)
Fair value of plan assets	381	401
(Deficit)/surplus	(4)	35
Unrecognised actuarial losses	96	56
Net pension asset in the Statement of Financial Position at period end	92	91

Additional information regarding the actuarial valuation and changes in plan assets and liabilities has been included in AFI 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.

Group statement of changes in equity

\$m	Equity attributable to shareholders of the Company					
	9 months to 31 December 2011			12 months to 31 March 2011		
	Share capital and capital reserves	Revaluation reserves and retained earnings	Total	Share capital and capital reserves	Revaluation reserves and retained earnings	Total
At beginning of the period	3,346	1,090	4,436	2,626	1,361	3,987
Profit for the period	—	159	159	—	211	211
Other comprehensive income	—	(9)	(9)	—	71	71
Total comprehensive income for the period	—	150	150	—	282	282
Perpetual capital securities coupon	—	(18)	(18)	—	(24)	(24)
Acquisition of business	15	—	15	694	(65)	629
Share-based payments	3	21	24	26	27	53
Disposal of business	—	—	—	—	22	22
Repurchase of own shares	—	(143)	(143)	—	—	—
Movement in close period buyback obligations	—	(10)	(10)	—	100	100
Dividends	—	(394)	(394)	—	(613)	(613)
At period end	3,364	696	4,060	3,346	1,090	4,436

During the nine months to 31 December 2011 there have been no changes in the underlying instruments of shareholders' equity.

Shareholders' equity decreased during the period as a result of dividend payments and the purchase of own shares, partially offset by profits for the period. During the nine month period to 31 December 2011, the Company purchased 66,176,820 (31 March 2011: nil) ordinary shares, equivalent to 3.51% of the issued share capital for a total consideration of \$143 million. In the prior year shareholders' equity increased as a result of profits and issuance of shares in relation to the GLG acquisition, net of dividend payments.

The close period buyback obligations relate to share buybacks contractually undertaken with third parties. More information can be found in Note 4 of the Company financial statements.

The proposed final dividend will reduce shareholders' equity by \$124 million (31 March 2011: \$229 million).

Included in AFI 13 are details of share capital and capital reserves, revaluation reserves and retained earnings and related movements.

Financial review continued

22. 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 which 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.

23. Post balance sheet events

On 29 February 2012, the UK Supreme Court handed down a judgment in appeal regarding the direction sought by the administrators of Lehman Brothers International (Europe) (LBIE) in relation to certain 'client money' held by LBIE. It is likely that this judgment will have a significant impact on the timing and quantum of distributions of client money by LBIE. As this outcome was anticipated by us, we do not believe that this decision will impact the valuation of the Lehman claims held on the balance sheet at 31 December 2011, although the decision confirms that the timing of the distribution of receipts remains uncertain.

24. 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 period.

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 26 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 increase in excess capital from the previous period primarily relates to the decrease in the financial resources requirement, caused by a reduction in the Pillar 1 operational risk requirement, which is based on an average of the prior three years' revenue.

Group's regulatory capital position

	31 December 2011	31 March 2011 ¹
\$m		
Permitted share capital and reserves	3,696	3,653
Innovative Tier 1 Perpetual Subordinated Capital Securities	198	178
Less franchise value and other intangibles:		
– Franchise value	(1,733)	(1,704)
– Investments in associates/JVs	(36)	(66)
– Placement fees	(157)	(184)
– Other intangibles	(649)	(690)
Available Tier 1 Group capital	1,319	1,187
Tier 2 capital – subordinated debt	358	383
Other Tier 2 capital	106	126
Material holdings deductions	(20)	(20)
Group financial resources	1,763	1,676
Less financial resources requirement including a capital buffer	(1,176)	(1,325)
Excess capital	587	351

¹ The Board capital buffer of \$300 million has been added to the financial resources requirement in the comparative period.

Basel III and CRD IV come into force on 1 January 2013. The FSA guidance has not been finalised and therefore it is not possible to definitively quantify the impact but it is likely that our available Tier 1 capital will reduce and there is a possibility that our qualifying Tier 2 capital will decrease.

Independent auditors' report to the members of Man Group plc on the Group's financial statements

We have audited the group financial statements of Man Group plc for the nine months ended 31 December 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 Statement of Cash Flows, and the related notes, which, as noted on page 75, are included in the Financial Review on pages 74 to 99 and the Additional Financial Information on pages 105 to 121 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 Statement of Directors' Responsibilities set out on page 107, 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 December 2011 and of its profit and cash flows for the nine months 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; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 107, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance 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 nine months ended 31 December 2011 and on the information in the Directors' 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
1 March 2012

Five-year record

\$m	9 months to 31 December 2011	12 months to 31 March 2011	12 months to 31 March 2010	12 months to 31 March 2009	12 months to 31 March 2008
Income statement – continuing operations					
Profit before adjusting items	262	599	560	1,243	2,079
Adjusting items ¹	(69)	(275)	(19)	(500)	–
Pre-tax profit	193	324	541	743	2,079
Taxation	(34)	(51)	(96)	(240)	(362)
Profit for the period on continuing operations	159	273	445	503	1,717
Income statement – discontinued operations					
Pre-tax (loss)/profit	–	(62)	–	–	1,788
Taxation	–	–	–	–	(35)
(Loss)/profit for the period on discontinued operations	–	(62)	–	–	1,753
Total profit for the period	159	211	445	503	3,470
Earnings per share (diluted)					
Continuing operations (cents)	7.6	14.0	24.8	28.4	90.2
Continuing and discontinued operations (cents)	7.6	10.5	24.8	28.4	182
Statement of Financial Position (\$m)					
Net cash	573	881	1,740	1,718	1,474
Net assets	4,060	4,436	3,987	4,192	4,711
Other statistics					
Post-tax return on equity – continuing operations (%)	4.6	6.5	10.1	13.5	41.6
Ordinary dividends per share (cents)	16.5	22	44	44	44
Funds under management (\$bn)	58.4	69.1	39.4	46.8	74.6
Average headcount – continuing operations ²	1,596	1,562	1,574	1,776	1,731
Average headcount – discontinued operations	–	–	–	–	3,252
Sterling/US dollar exchange rates					
Average	0.6233	0.6427	0.6261	0.5817	0.4981
Period end	0.6435	0.6235	0.6588	0.697	0.5043

1 Adjusting items are those items presented separately on the face of the income statement by virtue of their size or nature – see Note 8 of the Financial Review section for further details.

2 The average headcount for the 12 months to 31 March 2011 has been restated to include partners.

Directors' report

The directors submit their report, together with the audited financial statements, for the nine month period ended 31 December 2011 (the period).

Principal activities, business review and results

Man Group plc (the Company) is the holding company for the Man group of companies and affiliated entities (the Group) and is domiciled and incorporated in the United Kingdom.

To enable you, as our shareholders, to assess how the directors have performed in 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 period, the position of the Group at the end of the period and a description of the principal risks and uncertainties facing the Group in the future. 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 Report and accounts for the 9 months ended 31 December 2011 which are incorporated by reference:

	Page(s)
Business review, including:	1 to 47
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• Principal risks and uncertainties	
• Key performance indicators	
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Essential contracts

The Group has agreements with Citibank, N.A., London Branch (Citi) and Citco Fund Services (Cayman Islands) Limited (Citco) to provide, inter alia, registrar, transfer agency and valuation services to AHL and Man Multi-Manager products (further details on services provided are given in the Financial review Note 4).

Material contracts

At no time during the period did any director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings other than the service contracts between each executive director and the Company.

Substantial voting interests

As at 1 March 2012 the following voting interests in the ordinary share capital of the Company disclosable under the FSA's Disclosure and Transparency Rules have been notified to the Company.

	%
BlackRock Inc	10.69
AXA S.A.	4.15
TIAA-CREF Investments Management LLC and Teachers Advisors, Inc	3.96
Legal & General plc	3.70
G&S Trustees Limited – Pierre Lagrange	3.41
Royal Bank of Canada*	3.07

* Primarily relating to shares beneficially held by the Man Group plc Employee Benefit Trust of which Royal Bank of Canada are Trustees.

Directors

Details of the current directors, together with their biographies, can be found on pages 50 and 51. Directors who served on the Board but left during the period are detailed below.

- Dugald Eadie (retired 7 July 2011)
- Ruud Hendriks (left 1 December 2011)

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 (the Articles).

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.

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.

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.

Change of control

Significant agreements

Each of the agreements with Citi and Citco contain a provision which could allow Citi and Citco to terminate the agreements upon certain pre-defined changes in control. 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.

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 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.

Share transfer restrictions

As at the period-end there were 125,423,940 shares that 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 relevant shares on or after 14 October 2012.

In connection with the acquisition of the remaining interest in GLG Ore Hill Partners LLC (formerly Ore Hill Partners LLC) (Ore Hill), Man shares were issued to the principals of Ore Hill and their related trusts. These shares are subject to the terms of share lock-up agreements which restrict the transfer/sale of shares until 31 December 2013, subject to the following exceptions:

1. one third of the relevant shares will be freely transferable in June 2013; and
2. some shares may also be unlocked earlier to satisfy certain defined liabilities.

The Board may 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 regulations and where the number of joint holders exceeds four.

Political donations

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

By order of the Board

Rachel Rowson

Company Secretary
1 March 2012

Additional information

This section includes information that is important but less significant to an understanding of our business.

Additional financial information (AFI)	105
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Additional financial information

Audited information	section	page ref	
Group income statement	FR	78	
Group statement of comprehensive income	FR	78	
Group cash flow statement	FR	AFI 4	83
Group statement of financial position	FR		84
Group statement of changes in equity	FR		97
Parent Company financial information		AFI	134
Significant accounting policies schedule		AFI 2	107
Basis of preparation	FR1		77
Revenue and margins	FR2		79
Distribution costs	FR3		79
Asset services	FR4		79
Compensation	FR5		80
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Finance expense and finance income	FR7		81
Adjusted profit before tax – continuing operations	FR8		82
Taxation	FR9	AFI 6	82,110
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Earnings per ordinary share	FR10	AFI 8	82,111
Segmental analysis	FR11		82
Franchise value (goodwill) and acquired intangibles	FR12		85
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Investment in fund products and other investments	FR14		89
Fee and other receivables	FR15		91
Trade and other payables	FR16		92
Cash, liquidity and borrowings	FR17		92
Investments in associates and joint ventures	FR18		94
Leasehold improvements and equipment	FR19	AFI 12	95,114
Deferred compensation arrangements	FR20	AFI 14	95,117
Pension benefits	FR21	AFI 15	95,118
Capital management	FR22	AFI 13	98,115
Post balance sheet events	FR23		98
Dividends		AFI 7	111
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Foreign currencies		AFI 10	113
Fair value hierarchy of financial assets/liabilities		AFI 11	113
Employee trusts		AFI 16	120
Related party transactions		AFI 17	120
Financial guarantees and commitments		AFI 18	121
Principal group investments		AFI 19	121
Independent auditors' report	FR	AFI	100,139
Unaudited information			
Statement of directors' responsibilities (unaudited)		AFI 1	107
Funds under management (unaudited)		AFI 3	108
Regulatory capital (unaudited)	FR24		99

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 this 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 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 judgments 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 on pages 1 to 47 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	FR 12	85
Other Intangible assets		
– Investment management contracts, distribution channels and brand names	FR 12	85
– Placement fees	FR 13	89
– Capitalised software	FR 13	89
Investment in fund products	FR 14	90
Investments in associates and joint ventures	FR 18	94
Revenue	FR 2	79
Compensation – share-based payments	FR 20	95
Compensation – restructuring	FR 5	80
Pension benefits	FR 21, AFI 15	95,118

Impact of new accounting standards

A number of amendments to existing standards and interpretations have been issued, some of which were mandatory for the nine month period beginning 1 April 2011, with the remaining becoming effective in future periods. The new standards and amendments to existing standards effective for the nine months to 31 December 2011 that have had an impact, and have been adopted by Man, related only to disclosure enhancements arising from the 2010 Annual Improvements.

The estimated impact of the changes to IAS 19, effective from 1 January 2013, using period end data indicates a reduction in net pension assets recognised in the balance sheet of around \$97 million. The impact on the income statement is currently not expected to be significant. The majority of the impact will be reflected as an adjustment to equity on transition in accordance with IAS 8.

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)
- IFRS 10 – ‘Consolidated financial statements’
- IFRS 11 – ‘Joint Arrangements’
- IFRS 12 – ‘Disclosure of Interests in Other Entities’
- IFRS 13 – ‘Fair value measurement’
- IAS 27 – ‘Separate Financial Statements’
- IAS 28 – ‘Investments in Joint Ventures and Associates’
- IAS 1 – ‘Presentation of financial statements’

3. Funds under management (FUM) (unaudited)

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 typically defined by the investment management agreement (IMA). The IMA specifies the duties and obligations the Man entity owes to the fund entity, and the fee arrangements. Investors are charged management fees based on asset exposure and in most 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'.

Funds under management is the basis on which we earn gross management fee revenue. The investment performance earned on FUM generates gross performance fee revenue. FUM grows through new investor subscriptions, increased leverage, positive investment performance and foreign currency movements; and reduces by redemptions, reduced leverage, negative investment performance and foreign currency movements. The guaranteed products have borrowings in addition to investors' capital (leverage) and changes in leverage affect FUM. We report FUM in US dollars, which is our functional currency and therefore changes in currency exchange rates can change FUM balances. Foreign exchange movements, primarily in relation to the Euro, reduced reported FUM by \$1.7 billion. This has no effect on the investors who have selected the currency of their individual product, but it does impact our management fee revenue. A 5% movement in exchange rates of all currencies in which FUM is denominated would change FUM by \$1.6 billion. As FUM can change through net sales and performance there is no effective way to systematically reduce the foreign exchange risk. However, we do factor in the revenue from FUM when we hedge our non US dollar expense base. FUM is shown by product groupings that have similar margin and investor characteristics.

Details of the movements in FUM for the period can be found in the Finance Director's Review on page 13. The details of FUM by dealing date and currency are shown in the tables below.

FUM by dealing date

	31 December 2011	31 March 2011
\$bn		
Daily	17.8	21.1
Weekly	11.3	11.2
Monthly	22.0	27.7
Quarterly	4.5	5.5
Close ended	2.8	3.6
Total FUM	58.4	69.1

FUM by currency

	31 December 2011	31 March 2011
\$bn		
AUD	2.9	4.1
EUR	15.7	20.4
GBP	6.0	7.4
CHF	1.0	1.4
JPY	5.5	6.8
USD	26.3	28.1
Other	1.0	0.9
Total FUM	58.4	69.1

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	9 months to 31 December 2011	12 months to 31 March 2011
Cash flows from operating activities		
Profit for the period – continuing operations	159	273
Adjustments for:		
– Income tax	34	51
– Loss on sale of subsidiary	–	2
– Net finance expense	56	46
– Share of results of associates and joint ventures	(3)	(65)
– Gain on disposal of BlueCrest	–	(257)
– Depreciation and impairment of leasehold improvements and equipment	21	27
– Amortisation of other intangible fixed assets	122	145
– Share-based payments expense	70	88
– Fair value losses on available-for-sale financial assets	–	11
– Impairment of franchise value and other investments	–	397
– Net losses/(gains) on financial instruments	2	(2)
– Difference between pension contributions and the pension cost charged	(3)	(18)
– Other non-cash movements	30	68
	488	766
Changes in working capital:		
Decrease in receivables	59	19
Decrease/(increase) in other financial assets	304	(92)
(Decrease)/increase in payables	(46)	28
Cash generated from operations – continuing operations	805	721
Interest paid	(57)	(74)
Income tax paid	(71)	(87)
Cash flows from operating activities – continuing operations	677	560
Cash flows from operating activities – discontinued operations	–	(33)
Cash flows from operating activities – total Group	677	527

4.2 Cash flows from investing activities

\$m	9 months to 31 December 2011	12 months to 31 March 2011
Cash flows from investing activities		
Purchase of leasehold improvements and equipment	(58)	(81)
Purchase of other intangible assets	(53)	(78)
Purchase of Lehman claims	(355)	–
Purchase of other investments	(25)	(7)
Proceeds from settlement of Lehman claims	22	–
Net proceeds from sale of other investments	6	41
Acquisition of subsidiary, net of cash acquired	1	(486)
Interest received	26	25
Dividends received from associates and other investments	3	112
Proceeds from sale of associate	–	443
Cash flows from investing activities – continuing operations	(433)	(31)

Additional financial information continued

4. Group cash flow note continued**4.3. Cash flows from financing activities**

\$m	9 months to 31 December 2011	12 months to 31 March 2011
Proceeds from issue of ordinary shares	3	26
Purchase of own shares by ESOP trust	(56)	(108)
Repurchase of own shares	(143)	–
Proceeds from borrowings net of issue costs	–	–
Repayment of borrowings	(349)	(583)
Dividends paid to Company shareholders	(394)	(613)
Dividend payments in respect of perpetual subordinated capital securities	(25)	(33)
Cash flows from financing activities – continuing operations	(964)	(1,311)
4.4. Net decrease in cash and bank overdrafts	(720)	(815)
Cash and bank overdrafts at beginning of the period	2,359	3,174
Cash and bank overdrafts at period end	1,639	2,359

Cash and cash equivalent at period end comprises \$193 million (31 March 2011: \$366 million) of cash at bank on hand, and \$1,446 million (31 March 2011: \$1,993 million) in short term deposits, net of overdrafts of nil (31 March 2011: nil). Cash ring-fenced for regulated entities totalled \$246 million (31 March 2011: \$261 million).

5. Discontinued operations – brokerage

As disclosed in the prior year, 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 relating to certain financial adjustments in relation to their closing IPO statement of financial position.

In the prior period, a further loss of \$33 million resulting from the settlement of a class action suit relating to the IPO was recognised. In addition, a \$4 million tax provision made at the time of the IPO was released.

The settlement of the actions above extinguished all related and adjacent existing and future claims.

6. Taxation

\$m	9 months to 31 December 2011	12 months to 31 March 2011
Analysis of tax charge for the period:		
Current tax:		
UK corporation tax on profits of the period	13	49
Foreign tax	39	47
Adjustments to tax charge in respect of previous periods	(12)	(19)
Total current tax	40	77
Deferred tax:		
Origination and reversal of temporary differences	(8)	(27)
Adjustments to tax charge in respect of previous periods	2	1
Total tax charge	34	51
Effective tax rate	17.6%	15.7%

6. Taxation continued

The tax on Man's total profit before tax is lower (12 months to 31 March 2011: lower) than the amount that would arise using the theoretical effective UK tax rate applicable to profits of the consolidated companies, as follows:

\$m	9 months to 31 December 2011	12 months to 31 March 2011
Profit before tax	193	324
Theoretical tax charge at UK rate – 26% (31 March 2011: 28%)	50	91
Effect of:		
Overseas rates compared to UK	(32)	(51)
Adjustments to tax charge in respect of previous periods	(10)	(18)
Impairment of goodwill and other investments	–	114
BlueCrest disposal and partnership profits	–	(74)
Share-based payments	15	7
Other	11	(18)
	(16)	(40)
Total tax charge	34	51

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 \$94 million (31 March 2011: \$100 million) relates mostly to the tax arising on intangible assets of \$120 million (31 March 2011: \$129 million). The closing balance is also net of deferred tax assets primarily related to employee share schemes of \$11 million (31 March 2011: \$17 million), tax allowances over depreciation of \$10 million (31 March 2011: \$8 million) and other temporary differences of \$5 million (31 March 2011: \$4 million).

7. Dividends

\$m	9 months to 31 December 2011	12 months to 31 March 2011
Ordinary shares		
Final dividend paid for the 12 months to 31 March 2011 – 12.5 cents (2010: 24.8 cents)	226	441
Interim dividend paid for the 6 months to 30 September 2011 – 9.5 cents (2011: 9.5 cents)	168	172
Dividends paid during the period	394	613
Proposed final dividend for the 9 months to 31 December 2011 – 7.0 cents (2011: 12.5 cents)	124	229

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 10 of the Financial Review.

	9 months to 31 December 2011		12 months to 31 March 2011	
	Total number (millions)	Weighted average (millions)	Total number (millions)	Weighted average (millions)
Number of shares at beginning of period	1,881.5	1,881.5	1,712.3	1,712.3
Issues of shares	1.7	0.5	6.4	1.6
Repurchase of own shares	(66.2)	(8.4)	–	–
Business combinations	3.8	3.3	162.8	74.9
Number of shares at period end	1,820.8	1,876.9	1,881.5	1,788.8
Shares owned by employee trusts	(55.5)	(50.3)	(47.1)	(38.9)
Basic number of shares	1,765.3	1,826.6	1,834.4	1,749.9
Share awards under incentive schemes		31.3		26.1
Employee share options		–		0.5
Dilutive number of shares		1,857.9		1,776.5

Additional financial information continued

8. Earnings per ordinary share continued

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

	9 months to 31 December 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 operations ¹	141	141	7.7	7.6
Items for which EPS has been adjusted (FR 8)	69	69	3.8	3.7
Tax on the above items	(11)	(11)	(0.6)	(0.6)
Adjusted Earnings per share	199	199	10.9	10.7
	12 months 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 ¹	249	249	14.2	14.0
Items for which EPS has been adjusted (FR 8)	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

1 The difference between profit after tax and basic and diluted post-tax net income is the adding back of the expense in the period relating to the fixed rate Perpetual Subordinated Capital Securities (Note 13), totalling \$18 million post-tax at 26% (12 months to 31 March 2011: \$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 31 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	9 months to 31 December 2011			12 months to 31 March 2011		
	Non-current assets	Revenues by fund location	Revenues by legal entity	Non-current assets	Revenues by fund location	Revenues by legal entity
Bermuda	45	298	–	43	451	–
Cayman Islands	1	315	35	–	408	43
Cook Islands	–	170	–	–	234	–
Ireland	–	152	14	–	172	12
Switzerland	397	1	608	426	2	899
United Kingdom	180	153	530	158	185	621
United States of America	2,127	38	56	2,160	41	66
Other Countries	129	127	11	131	162	14
	2,879	1,254	1,254	2,918	1,655	1,655

Revenue from any single fund during the period 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 11.

9. Geographical disclosure continued

Average number of employees and partners

The table below provides average headcount by location for the current and prior period.

Number	9 months to 31 December 2011	12 months to 31 March 2011 ¹
UK	891	744
Switzerland	365	469
USA	136	121
Other countries	204	228
Average number of employees and partners	1,596	1,562

1 The average headcount for the 12 months to 31 March 2011 has been restated to include partners.

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 period 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:

	Period-end rates		Average rates	
	31 December 2011	31 March 2011	31 December 2011	31 March 2011
Euro	0.7725	0.7057	0.7141	0.7559
Sterling	0.6435	0.6235	0.6233	0.6427
Swiss Franc	0.9384	0.9183	0.8695	1.0139

11. Fair value hierarchy of financial assets/liabilities

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 and liabilities as at 31 December 2011 can be analysed as follows:

\$m	31 December 2011				31 March 2011			
	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)	20	94	183	297	27	75	264	366
Other investments (FR 14) and other receivables	5	8	339	352	4	15	7	26
	25	102	522	649	31	90	271	392
Financial liabilities held at fair value:								
	-	15	-	15	-	1	-	1
Other payables (FR 16)	-	15	-	15	-	1	-	1

Additional financial information continued

11. Fair value hierarchy of financial assets/liabilities continued

The basis of measuring the fair value of Level 3 investments is outlined in Note 14.2 and 14.3 of the Financial Review. Movement in Level 3 financial assets, measured at fair value, during the period can be analysed as follows:

\$m	9 months to 31 December 2011			12 months to 31 March 2011		
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
Level 3 financial assets held at fair value						
At beginning of the period	264	7	271	301	67	368
Total gains in comprehensive income	(2)	–	(2)	18	(17)	1
Included in profit for the period	(2)	–	(2)	18	(14)	4
Included in other comprehensive income	–	–	–	–	(3)	(3)
Purchases	43	355	398	153	3	156
Settlements	(104)	(23)	(127)	(203)	(46)	(249)
Transfers out of Level 3	(20)	–	(20)	(2)	–	(2)
Other adjustments	2	–	2	(3)	–	(3)
At period end	183	339	522	264	7	271
Total gains for the period included in the statement of comprehensive income for assets held at period end	1	–	1	4	–	4

The only significant addition to Level 3 financial assets relates to the acquisition of the Lehman claims (FR Note 14.3) of \$355 million.

12. Leasehold improvements and equipment

\$m	31 December 2011			31 March 2011		
	Leasehold improvements	Equipment	Total	Leasehold improvements	Equipment	Total
Cost						
At beginning of the period	126	128	254	54	137	191
Acquisition of business	–	–	–	3	4	7
Additions	58	2	60	78	3	81
Disposals	(3)	(58)	(61)	(7)	(29)	(36)
Reclassifications	(32)	33	1	(2)	13	11
At period end	149	105	254	126	128	254
Aggregate depreciation:						
At beginning of the period	(25)	(91)	(116)	(23)	(96)	(119)
Charge for period	(6)	(15)	(21)	(2)	(24)	(26)
Impairment	–	–	–	(1)	–	(1)
Disposals	1	55	56	1	29	30
Reclassifications	5	(5)	–	–	–	–
At period end	(25)	(56)	(81)	(25)	(91)	(116)
Net book value at period end	124	49	173	101	37	138

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 shorter of the life of the lease and the improvement; and equipment over 3 – 10 years. In the prior period, certain technology assets were reclassified during the period from other intangible assets. Assets in the course of construction, included within leasehold improvements, totalled \$35 million at period end (31 March 2011: \$94 million), mostly relating to the Data Centre Facility. Total capital commitments at period end were around \$18 million, mostly relating to the fit out of the New York office.

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.

Ordinary shares

Ordinary shares have a par value of 3½ US cents per share (31 March 2011: 3½ 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.

There are restrictions in place on the transfer of some ordinary shares and further information on this can be found within the Directors' Report on page 103. During the nine month period to 31 December 2011, the Company repurchased 66,176,820 (31 March 2011: nil) ordinary shares, equivalent to 3.51% of the issued share capital for a total consideration of \$143 million. A further 3,332,756 ordinary shares have been purchased since the period end for a total consideration of \$7 million. All of the shares repurchased to date have been cancelled.

As at 1 March 2012, the Company had an unexpired authority from the 2011 Annual General Meeting (AGM), to purchase further shares up to a maximum amount of 119,027,239 ordinary shares. A resolution to allow the purchase of 181,808,638 ordinary shares, representing 10% of the issued share capital will be proposed at the forthcoming AGM.

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.

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 2011 AGM shareholders adopted new articles of association which contained no such reference and therefore the Company only has an issued share capital.

	31 December 2011		31 March 2011	
	Number	\$m	Number	\$m
Issued and fully paid share capital				
At beginning of the period	1,881,460,689	65	1,712,341,544	59
Issue of ordinary shares:				
Employee share awards/options	390,201	—	719,186	—
GLG Partnership Plans	1,369,888	—	5,667,513	—
Shares issued in business combinations	3,770,185	—	162,732,446	6
Purchase and cancellation of own shares	(66,176,820)	(2)	—	—
Ordinary share capital at period end	1,820,814,143	63	1,881,460,689	65
Deferred sterling shares at period end	50,000	—	50,000	—
Total issued capital	1,820,864,143	63	1,881,510,689	65

Additional financial information continued

13. Capital management continued

Share capital and reserves

\$m	Share capital	Perpetual Subordinated Capital Securities	Share premium account	Capital redemption reserve	Total
At 1 April 2011	65	300	1,689	1,292	3,346
Ordinary shares issued in business combinations	—	—	15	—	15
Employee share awards/options	—	—	3	—	3
Repurchase of own shares	(2)	—	—	2	—
At 31 December 2011	63	300	1,707	1,294	3,364
At 1 April 2010	59	300	975	1,292	2,626
Ordinary shares issued in business combinations	6	—	688	—	694
Employee share awards/options	—	—	26	—	26
At 31 March 2011	65	300	1,689	1,292	3,346

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
At 1 April 2011	4	(234)	59	1,261	1,090
Currency translation difference	—	7	(16)	—	(9)
Movement in close period buyback obligations	—	—	—	(10)	(10)
Repurchase of own shares	—	—	—	(143)	(143)
Share-based payments charge for the period	—	—	—	63	63
Purchase of own shares by ESOP trusts	—	(56)	—	(3)	(59)
Disposal of own shares by ESOP trusts	—	62	—	(45)	17
Taxation with respect to Perpetual Subordinated Capital Securities	—	—	—	7	7
Dividends	—	—	—	(394)	(394)
Dividends with respect to Perpetual Subordinated Capital Securities	—	—	—	(25)	(25)
Profit for the period	—	—	—	159	159
At 31 December 2011	4	(221)	43	870	696

13. Capital management continued

\$m	Available-for-sale reserve	Own shares held by ESOP trust	Cumulative translation adjustment	Profit and Loss account	Total
At 1 April 2010	(3)	(134)	(32)	1,530	1,361
Currency translation difference	–	(8)	69	3	64
Movement in close period buyback obligation	–	–	–	100	100
Share-based payments charge for the period	–	–	–	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 with respect to Perpetual Subordinated 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 Perpetual Subordinated Capital Securities	–	–	–	(33)	(33)
Profit for the period	–	–	–	211	211
At 31 March 2011	4	(234)	59	1,261	1,090

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 taken to the Income Statement on disposal of foreign currency subsidiaries.

14. Share-based payments: share grant information

Share-based payments are described in Note 20 of the Financial Review. The following information shows the movements in share-based payments during the period with comparative information.

The fair values of share options and share awards granted during the period to employees, and the assumptions used in the calculations, are as follows:

	Key executive option plan	Other employee share option schemes	Deferred share plan
Grant dates	1/4/2011–26/5/2011	27/06/2011	20/6/2011–3/11/2011
Weighted average share price at grant date (\$)	4.5	3.7638	3.0545
Weighted average exercise price at grant date (\$)	4.96	3.2618	–
Share options/awards made in the period	2,764,494	607,515	1,186,300
Vesting period (years)	3	3–5	1–3
Expected share price volatility	40	40	–
Dividend yield	6	6	–
Risk-free rate	2.7	1.4	–
Expected option life (years)	8.1	3.54	–
Number of options/share awards assumed to vest	2,764,494	450,373	1,186,300
Average fair value per option/share award granted (\$)	1.0893	0.879	3.0545

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.

Additional financial information continued

14. Share-based payments: share grant information continued

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

	9 months to 31 December 2011		12 months to 31 March 2011	
	Number	Weighted average exercise price (\$ per share)	Number	Weighted average exercise price (\$ per share)
Share options outstanding at beginning of the period	56,792,151	4.68	4,792,677	5.47
Granted	3,372,009	4.65	53,597,854	4.67
Forfeited	(1,104,376)	5.72	(1,479,551)	7.18
Exercised	(61,758)	3.2	(118,829)	3.26
Share options outstanding at period end	58,998,026	4.66	56,792,151	4.68
Share options exercisable at period end	438,578	5.38	634,604	5.16

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

Range of exercise prices (\$ per share)	31 December 2011			31 March 2011		
	Number of share options	Weighted average exercise price (\$ per share)	Weighted average expected remaining life	Number of share options	Weighted average exercise price (\$ per share)	Weighted average expected remaining life
2.00–5.00	58,691,556	4.5	6.8	55,422,256	4.66	7.6
5.01–7.00	291,495	6.17	3.0	1,087,116	5.52	6.4
7.01–9.00	14,975	7.54	0.2	19,185	7.82	0.8
9.01–11.00	–	–	–	263,594	9.69	5.7
	58,998,026			56,792,151		

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

	9 months to 31 December 2011		12 months to 31 March 2011	
	Number	Number	Number	Number
Share awards outstanding at beginning of the period	58,045,049		31,223,806	
Granted	1,186,300		19,658,151	
Granted – GLG acquisition			–	36,248,389
Forfeited			(2,214,453)	(2,217,258)
Exercised			(14,816,898)	(26,868,039)
Share awards outstanding at period end		42,199,998	58,045,049	
Share awards exercisable at period end			1,911,105	2,331,197

15. Pensions: actuarial information

Pension benefits are described in the Financial review Note 21.

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

\$m	9 months to 31 December 2011	12 months to 31 March 2011
Present value of funded obligations at beginning of the period	366	384
Currency translation difference	(12)	26
Current service cost (employer portion)	4	7
Interest cost	13	17
Employee contributions	3	4
Actuarial losses/(gains)	34	(12)
Actual benefit payments	(23)	(15)
Settlement/curtailment	–	(45)
Present value of funded obligations at period end	385	366

15. Pensions: actuarial information continued

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

\$m	9 months to 31 December 2011	12 months to 31 March 2011
Fair value of plan assets at beginning of the period	401	391
Currency translation difference	(11)	27
Expected return on plan assets	18	24
Actuarial losses on plan assets	(10)	(13)
Employer contributions	3	32
Employee contributions	3	4
Benefits paid	(23)	(15)
Assets distributed on settlements	–	(49)
Fair value of plan assets at period end	381	401

The plan assets are invested approximately one third in equities, bonds and hedge funds. Man is the investment manager for all of the hedge fund investments. The actual return on plan assets for the nine months to 31 December 2011 was \$8 million (12 months to 31 March 2011: \$11 million).

The other expenses recognised in the Income Statement are as follows:

\$m	9 months to 31 December 2011	12 months to 31 March 2011
Current service cost (employer portion)	4	7
Interest cost	13	16
Expected return on plan assets	(18)	(24)
Amortisation of unrecognised past service cost	–	1
Amortisation of unrecognised net loss	1	2
Settlement/curtailment	–	12
Total charge	–	14

The contributions expected to be paid during the year ending 31 December 2012 amount to \$17 million.

The principal actuarial assumptions used in the valuations of the two plans as at 31 December 2011 were:

	UK plan		Swiss plan	
	31 December 2011	31 March 2011 % pa	31 December 2011	31 March 2011 % pa
Discount rate	4.8	5.5	2.2	2.7
Price inflation	3.2	3.5	1.5	1.5
Expected return on plan assets	5.3	6.5	3.5	4.4
Future salary increases	3.2	3.5	1.5	2.5
Social security increases	–	–	1.0	1.0
Interest crediting rate	–	–	2.2	3.0
Pension in payment increases	3.6	3.8	–	–
Deferred pensions increases	5.0	5.0	–	–

Additional financial information continued**15. Pensions: actuarial information continued**

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 6.9% (31 March 2011: 7.6%), expected bond returns of around 3.9% (31 March 2011: 4.9%), expected return on hedge funds of around 6.9% (31 March 2011: 7.6%), expected return on diversified growth funds of around 6.2% (31 March 2011: 7.1%), and expected average return on other plan assets (cash) of around 3.0% (31 March 2011: 4.3%). The Reservoir Trust holds a different mixture of hedge funds, the expected return on these assets is around 5.4% (31 March 2011: 7.4%). In Switzerland, investment market conditions suggest an expected return on equities of around 5.1% (31 March 2011: 5.8%), expected bond returns of around 0.8% (31 March 2011: 2.0%), expected returns on property of 3.1% (31 March 2011: 4.3%), expected hedge fund returns of around 5.1% (31 March 2011: 5.8%) and expected average return on other plan assets (commodities) of around 5.1% (31 March 2011: 5.8%).

At both 31 March 2011 and 31 December 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.

At both 31 March 2011 and 31 December 2011 mortality rates in the Swiss plan are assumed to be in line with the Swiss BVG 2010 generational tables.

History of experience gains and losses:

	9 months to December 2011		12 months to 31 March 2011		12 months to 31 March 2010		12 months to 31 March 2009		12 months to 31 March 2008	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
Experience (loss)/gain arising on plan assets (% of plan assets)	(10)	(2.5)	13	3.3	37	9.4	(35)	(14.1)	(19)	(5.3)
Experience (loss)/gain arising on plan liabilities (% of the present value of plan liabilities)	(2)	(0.6)	6	1.7	5	1.2	(11)	(3.7)	–	(0.7)
Present value of plan liabilities	(385)		(366)		(384)		(296)		(350)	
Fair value of plan assets	381		401		391		248		341	
Plan (deficit)/surplus	(4)		35		7		(48)		(9)	

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 31 December 2011 the net assets of the employee trusts amounted to \$13 million (31 March 2011: \$41 million). These assets include 55,548,586 (31 March 2011: 51,799,754) 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 period the trustees of one of the employee trusts waived all of the interim dividend for the nine months to 31 December 2011 on each of 52,909,807 of the ordinary shares registered in its name at the relevant date for eligibility for the interim dividend (interim dividend for the 12 months to 31 March 2011: all on 38,521,152 shares) and all of the final dividend for the 12 months to 31 March 2011 on each of 42,142,009 of the ordinary shares registered in its name at the relevant date for eligibility for the final dividend (31 March 2010 final: all on 25,129,018 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 period was \$177 million (31 March 2011: \$314 million) and at 31 December total fee receivables and loan balances with fund entities deemed to be associates totalled \$45 million (31 March 2011: \$41 million). In addition, Man had entered into committed purchase agreements totalling \$28 million (31 March 2011: \$67 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 to the Additional Remuneration Report Information (page 125) 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 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 31 December 2011 covers investments in existing fund products totalling \$390 million (31 March 2011: \$590 million).

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 product 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 (31 March 2011: \$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 (31 March 2011: nil).

18.3 Operating lease commitments

Operating lease commitments due within one year totalled \$32 million (31 March 2011: \$43 million), \$157 million from one to five years (31 March 2011: \$130 million) and \$364 million due after five years (31 March 2011: \$259 million). The commitments include non-cancellable offsetting sublease arrangements, totalling \$51 million (31 March 2011: \$42 million) for commitments less than five years and \$106 million (31 March 2011: \$83 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 \$378 million (31 March 2011: \$438 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 period end is 31 December (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.

Principal operating subsidiaries	Country of incorporation	Effective group interest
Asset Management		
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	England	100
Group Services Company		
E D & F Man Limited	England	100
Group treasury and holding company		
Man Investments Finance Limited ¹	England	100

1 Direct subsidiary.

Additional remuneration report information

As noted on page 62 the Remuneration report is presented in two parts. Part 2 is on pages 122 to 133.

Remuneration report

Part 1: Remuneration report highlights

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Change of financial year end and performance review period:

As stated on page 1, Man changed its financial year end to 31 December. In line with this, Man adopted a firm-wide staff performance and remuneration process on a calendar year basis from 2011. For comparison with the prior year please note the following:

1. P&L charge for compensation:
 - **Current 9M 2011:** salary and bonus for nine months for all staff; and
 - **Prior FY2011:** Man – salary and bonus for 12 months (bonus – 9 months' paid and 3 months' accrued). Incoming GLG – salary and bonus for 5.5 months (bonus 2.5 months' paid and 3 months' accrued).
2. Audited tables on management and director compensation;
 - **Current 9M 2011:** salary for nine months and bonus entitlement for 12 months; and
 - **Prior FY2011:** salary for 12 months and bonus entitlement for 9 months.

4. Employee remuneration policy

4.1 Employee remuneration policy

Remuneration is managed within a governance framework with compensation cost balanced with the importance of maintaining operating capability and being competitive in hiring, motivating and retaining staff with specialist skills. Remuneration includes base salary, benefits, an annual performance bonus, and, for senior contributors, share and fund based deferrals.

Table R15 – Key elements of remuneration

Element	Additional information	Condition
Base Salary	<ul style="list-style-type: none"> Reflects individual responsibility and market value for employees of comparable status, responsibility and skills. Independent remuneration surveys are used for comparison. Reviewed annually. Salaries frozen following this year's review. 	Skills and experience.
Pension and Benefits	<ul style="list-style-type: none"> Includes retirement, medical cover, life and sickness assurance and holiday benefits. Based on local market practice and legislation. 	Pensions and holiday are service-related.
Variable Pay	<ul style="list-style-type: none"> Annual performance bonus. Incentive for individual and group performance. Marketing incentives for Sales. 	Employee contribution to business objectives including managing risk. Performance measured against objectives.
Share / Fund Based Incentives	<ul style="list-style-type: none"> For senior employees, retention and alignment of interest with long-term return to shareholders and interest of investors in funds. Vesting annually over three years. 	Conditional on service. Value is conditional on share and/or fund performance.

4.2 Performance bonus

The main 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 its findings to the Remuneration Committee to provide guidance on risk matters for the Remuneration Committee's consideration in determining the bonus pool. GLG investment managers are compensated based on the performance and contribution of their funds. Sales executives may be remunerated by marketing incentives based on funds raised, retained and under management.

Investment performance and the level of sustainable profitability, within a governance framework, are therefore a direct driver of compensation. Employees are measured against both delivery of business objectives, risk management and compliance with formal performance reviews used to assess the employees' contribution and potential. The purpose is to increase the effectiveness and potential of every Man employee by aligning individual objectives with overall business and department goals. senior employees also have part of their performance bonus mandatorily deferred into 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 managers may also be invested in fund based incentives to align employees with the interests of investors in funds managed by the Company.

4.3 All employee option plans and employee share ownership

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 HM Revenue & Customs 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 and option plans with 48% participating in the all employee or senior staff share and option plans.

Additional remuneration report information continued

5. Executive Committee and FSA Code Staff remuneration

5.1 Executive Committee remuneration

The Executive Committee is the senior management team of 10 comprising the executive directors and senior business leaders. The Executive Committee members who are not executive directors have had their remuneration policy assessed such that senior management is appropriately incentivised to deliver the corporate strategy.

Variable incentives are structured such that 50% of the awards have been deferred into share or fund based incentive arrangements this year for the ongoing members of the Executive Committee. This aligns their interests with the long-term return to shareholders and with the interests of investors in Man funds. All share and fund awards are conditional and subject to forfeiture if an employee resigns or employment is terminated for misconduct. Deferral plans for the Executive Committee, other senior staff including Code Staff and excluding executive directors:

Table R16 – Summary of deferred awards

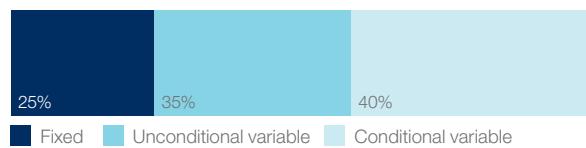
Plan	Plan Information	Additional Information
Deferred Share Plan (DSP)	Participants are awarded nil priced options over shares in Man Group plc. This will align them directly with the interests of the shareholders. There is vesting of one third over three years for Man employees and a two year vesting schedule for incoming GLG investment managers. Last year key contributors were also granted 10% premium priced options vesting after three years and which can be exercised between the third and tenth anniversary after grant; no further grants have been made for 9M 2011.	The deferral of a proportion of annual bonus into the plan is mandatory and designed to attract, retain and motivate talent in an increasingly competitive specialist market. Three year service condition. Value at vesting dependent on share performance.
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.	Deferral of a proportion of annual bonus into funds is to align investment managers with the investors in the Company products and to support marketing. Three year service condition. Value at vesting dependent on fund performance.

5.2 FSA 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 annual risk mapping process to determine those with responsibility for risk and the risk control framework.

The Remuneration Committee recommended to the Board the remuneration for executive directors, and reviewed and approved remuneration for the FSA Code Staff which includes the Board of directors.

Table R17 – Summary of calendar year 2011 FSA Code Staff compensation



Notes:

- Aggregate unconditional and conditional remuneration for Code Staff for the calendar year ending 31 December 2011 was \$37.8 million.
- Fixed compensation includes salary and benefits (including pension).
- Unconditional variable compensation represents performance bonus and performance bonus with mandatory deferral.
- Conditional variable compensation represents deferred awards: (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 2012 economic value which takes account of the performance conditions, share price volatility and dividend yield at the time of award and the correlation between vesting outcome and share price.

5.3 Key management compensation

Key management compensation is for those directors and employees classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of Man. The Executive Committee was set up following the acquisition of GLG and Executive Committee compensation has been included in key management compensation from its inception on 22 November 2010.

The current nine month financial period, 9M 2011, compensation includes salary for the nine month financial period ended 31 December 2011 and bonus for the 12 month period ended 31 December 2011. The previous financial year ended 31 March 2011 (FY 2011) includes salary for 12 months for Man staff and 5.5 months for incoming GLG staff with the performance period and bonus being nine months for Man and 5.5 months for incoming GLG staff. The data in the table R18 is heavily influenced by the incoming key management with bonus included for 1.2 months in the prior year FY2011 and 12 months in the current 9M 2011. Given the incoming key management headcount and the change in financial reporting periods it is not practical to make comparisons between periods.

Table R18 – Key management compensation (audited)

	9M 2011 \$'000	FY2011 ^(a) \$'000
Salaries and other short-term employee benefits ^(b)	20,018	9,360
Post-employment benefits ^(c)	735	393
Share-based payments ^(d)	11,046	8,504
Other long-term benefits ^(d)	444	937
Total	32,243	19,194

Notes:

- (a) After the acquisition of GLG, a new Executive Committee of the Board (Exco) was set up. Staff that are members of this Committee are included in key management compensation above from the Committee's formation on 22 November 2010. Bonus eligible period for Exco was 1.2 months in FY2011 and 12 months in 9M 2011.
- (b) Salary, benefits, cash performance bonus and mandatory share deferral and social security.
- (c) Money purchase pension and defined benefit increase in transfer value pension benefit. Refer to table R20.
- (d) Other long-term benefits relate to fund product deferrals. Refer to Note 20 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.

6. Executive directors' additional information

6.1 Introduction

In line with shareholders' interests being 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:

- profits and contribution;
- the achievement of individual objectives, which are consistent with the strategy of the Company and building sustainable profitability;
- the achievement of the Company's key financial targets;
- the creation of long-term shareholder value;
- on-going 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.

In assessing executive director remuneration internal relativities within the Company are reviewed by the Remuneration Committee. These 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.

Additional remuneration report information continued**6.2 Executive directors' service contracts****Table R19 – Service contracts**

Element	Condition
Contract dates	Peter Clarke: 1 April 1997. Kevin Hayes: 31 May 2007. Emmanuel Roman: 30 June 2011 (appointed 5 May 2011).
Current appointment	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 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; other non-cash benefits are consistent with those offered to the other executive directors. He entered into share lock-up agreements at the closing of the acquisition of GLG pursuant to which Man shares allocated to him as part of the purchase consideration are subject to lock-up terms for a period of three years from the closing date (subject to a right to dispose of up to a third of such Man shares after the second anniversary of the closing date and certain customary exceptions from the lock-up). Emmanuel Roman is a major shareholder; his shareholding at 31 December 2011 was 19.6 million shares, circa 1% of the Company shareholding. There is no further performance compensation. Emmanuel Roman is a non-executive director of Grupo Prisa SA; he retains fees of €207,000 (of which €30,000 awarded in shares) in respect of this directorship.

6.3 Retirement benefits

Executive directors accrued money purchase retirement benefits for service in the current period.

*6.3.1 Retirement benefits contributions to money purchase scheme were as follows:***Table R20 – Retirement benefits (audited)**

Money Purchase Schemes	9M 2011 £'000	2011 £'000
Executive directors		
Peter Clarke ^(a)	49	65
Kevin Hayes ^(b)	24	32
Emmanuel Roman	N/A	N/A

Notes:

(a) Peter Clarke agreed to an employee salary sacrifice/waiver of pensionable base salary of £24,519, which is not included in the above pension figures.
(b) Kevin Hayes agreed to an employee salary sacrifice/waiver of pensionable base salary of £35,501, which is not included in the above pension figures.

6.3.2 Defined benefit retirement plan

The disclosure below is required by Companies Act 2006. Peter Clarke continues to be employed on a full-time basis as Group Chief Executive. He has elected to draw his defined benefit pension. No benefit has accrued for service in the current financial period. The pension is in payment and cannot be transferred. The increase in transfer value is predominantly (98%) the change in value of bonds and gilts with changing market conditions.^(a, c)

Table R21 – Defined benefit retirement plan (audited)

Age	Accrued pension at 31 December 2011 ^(a) £'000	Increase in accrued pension during the period ^(b) £'000	Increase in accrued pension during the year (net of inflation) ^(b) £'000	Transfer value at 31 December 2011 of increase in accrued pension during the period (net of inflation) ^(c,d,e) £'000		Transfer value of accrued pension at 31 December 2011 ^(d,e) £'000	Transfer value of accrued pension at 31 March 2011 ^(d,e) £'000	Increase in transfer value over the period £'000
				Per annum	Per annum			
Executive directors								
Peter Clarke	52	72	3	–	–	2,915	2,107	808

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 December 2011, calculated in accordance with the rules of the Fund. The equivalent figure at 31 March 2011 was £69,000. 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 2011 (£69,000) against the pension in payment as at 31 December 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 £794,000 change in the underlying transfer value assumptions and market conditions. No adjustment has been applied to these figures for directors' contributions 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 December 2011 and 31 March 2011 exclude benefits paid to Peter Clarke prior to the respective dates of calculation. They are calculated based on market conditions as at 31 December 2011 and 31 March 2011 respectively.

Additional remuneration report information continued**6.4 Remuneration – audited information**

The audited table R22 sets out remuneration for which entitlement arose for current and prior financial reporting periods. The current 9M 2011 period includes nine months' salary and 12 months' bonus. The prior FY2011 period included 12 months' salary and nine months' bonus. This change in financial periods limits the value of inter-period comparisons. Therefore, for clarity these figures have been restated for the current 12 month calendar year performance and bonus period and the prior nine month performance and bonus period at table R8 at page 70.

Table R22 – Audited remuneration of the directors listed by individual director for the financial reporting period (audited)

	9M 2011: nine-month salary and 12 month performance bonus and mandatory share deferral					FY 2011: 12 month salary and nine-month bonus		
	Cash			At Risk	Total	Cash	Cash & At Risk	
	Base Salary ^(a,b) '000s	Benefits ^(c) '000s	Cash Performance Bonus ^(d) '000s	9M 2011 Cash Total '000s	Mandatory share deferral '000s	9M 2011 Total '000s	FY 2011 Cash Total '000s	FY 2011 Total '000s
Executive directors								
Peter Clarke	\$694	\$17	\$1,000	\$1,711	\$1,000	\$2,711	\$1,696	\$2,696
Kevin Hayes	\$469	\$2	\$200	\$671	\$500	\$1,171	\$827	\$1,527
Emmanuel Roman ^(d)	\$660	\$28	\$0	\$688	\$0	\$688	N/A	N/A
31 December total	\$1,823	\$47	\$1,200	\$3,070	\$1,500	\$4,570	\$2,523	\$4,223

Notes:

(a) 9M 2011 was a 12 month performance period for the cash performance bonus and mandatory share deferral for three years. Peter Clarke's mandatory deferral has been granted as a pre-tax share award in the Performance Share Plan.

(b) 9M 2011 base salary stated prior to waiver into pension plan and for the nine month period.

(c) Benefits provided are car, medical and other benefits.

(d) Emmanuel Roman was appointed to the Board effective 5 May 2011.

6.5 Executive director share and option plans

Option awards in the Deferred Bonus Share and Option Plan are set out below.

Table R23 – 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 (audited)

	Date of grant	01 April 2011	Number of Options ^(a)					
			Granted during period	Exercised during period	Lapsed during period	31 December 2011	Option exercise price	Earliest exercise date
Executive directors								
Peter Clarke	June 2010	2,997,442	–	–	–	2,997,442	280.1799p	June 2013
	March 2011	3,629,238	–	–	–	3,629,238	273.0795p	March 2014
Kevin Hayes	June 2010	749,360	–	–	–	749,360	280.1799p	June 2013
	March 2011	777,693	–	–	–	777,693	273.0795p	March 2014
								March 2021

Note:

(a) The Company's obligations under DBSOP are externally economically hedged. Refer to Note 20 of the Financial review section and Note 14 of the Additional financial information section.

6.6 Performance Share Plan (PSP) and Executive Share Option Scheme (ESOS)

Information about performance conditions is set out at section 3.4 on page 71. Further information about prior year performance targets and share and options awards is below.

6.6.1 Performance conditions for 2009 and 2010 PSP and ESOS grants

Vesting of awards granted under the PSP and ESOS in 2009 and 2010 is inter-dependent upon AROE and NMFIG. 8% of the award vests for achieving positive AROE and if NMFIG is 10%. The proportion of award vesting increases incrementally so that the award vests in full for achieving either AROE of 10% and NMFIG of 30%, or AROE of 30% and NMFIG of 20%. None of the award vests if AROE is negative.

The 2009 grants are due to be tested for the three year period ended 31 March 2012. At the date of this Annual Report these awards are not expected to vest.

6.6.2 Performance conditions for 2008 ESOS grants and PSP

The following EPS performance conditions applied to grants made under the ESOS in 2008:

Table R24 – 2008 ESOS: Targets

	Vesting	
	Performance Measure level	Vesting Percentage
Underlying EPS growth	RPI below 5% pa	Nil
	RPI + 5% pa to RPI + below 10%	50%
	RPI + 10% pa	100%

The following post-tax Return on Equity performance conditions were applied to grants made under the PSP in 2008:

Table R25 – 2008 PSP: Targets

	Vesting	
	Performance Measure level	Vesting Percentage
Average annual post-tax Return on Equity	Below 20%	Nil
	20%	10%
	30%	100%

Note:

There is straight line vesting between the lower and maximum vesting.

The performance conditions are stretching. Given Company performance PSP vesting has reduced from 92% in 2009, to 26% in 2010 and nil in 2011 as set out at table R26. Similarly ESOS vesting was 50% in 2009 and has been nil in both 2010 and 2011 as set out in table R28.

Table R26 – PSP: Status of award cycles

Cycle	Vesting level at lower target	Lower target (Statutory RoE unless otherwise stated)	Upper target for maximum vesting (Statutory RoE unless otherwise stated)	Actual Performance Outcome: Average Return on Equity	% of maximum award vesting
2012–2015 ^(b)	25% for each target	10% AROE 10% NMFIG	17.5% AROE 30% NMFIG	n/a	n/a
2011–2014 ^(b)	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
2009–2012	8%	Adjusted Return on Equity and growth in net management fees			n/a
2008–2011	10%	20%	30%	10.40%	Nil
2007–2010	10%	20%	30%	21.70%	26%
2006–2009	10%	20%	30%	29.30%	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 and 2012 awards are weighted with 75% on the NMFIG and 25% on the AROE performance condition.

Additional remuneration report information continued

Table R27 – Share awards and matching awards under the performance share plan – subject to performance and service conditions (audited)

(a) Performance Share Plan – Share Awards ^(a) – Basic Awards						
	Date of grant	01 April 2011	Awarded during period	Number of Awards		
				Transferred during period ^(b)	Lapsed during period	31 December 2011
Executive directors						
Peter Clarke	June 2007	19,907	–	19,907	–	– June 2011
	June 2008	–	–	–	–	Lapsed 31.03.11
	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	–	–	–	–	– Lapsed 31.03.11
	July 2009	152,584	–	–	–	152,584 July 2013
	June 2010	169,738	–	–	–	169,738 June 2014
	March 2011	116,579	–	–	–	116,579 March 2015
(b) Performance Share Plan – Matching Awards ^(a)						
	Date of grant	01 April 2011	Awarded during period	Number of Awards		
				Transferred during period ^(b)	Lapsed during period	31 December 2011
Executive directors						
Peter Clarke	June 2007	210,786	–	210,786	–	– June 2011
	June 2008	–	–	–	–	Lapsed 31.03.11
	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	–	–	–	–	– Lapsed 31.03.11
	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. The 2007 awards have vested at 26% and were transferred in June 2011; the 2008 awards have lapsed in their entirety.

(b) On 9 June 2011 the following award shares under the Performance Share Plan were transferred. This 2007 PSP award vested partially with 26% vesting; of the original award 230,693 shares vested and 656,588 shares lapsed previously. Peter Clarke: shares awarded in 2007 when the share price was 586.1 pence per share giving a market value at grant of £1,352,000. At transfer date the share price was 242.4803 pence giving a market value of £559,385 for the 230,693 shares transferred.

Table R28 – ESOS: Status of award cycles

Cycle	Vesting level at lower target	Lower target (EPS Growth unless otherwise stated)	Upper target for maximum vesting (EPS Growth unless otherwise stated)	Actual Performance Outcome: EPS growth in excess of RPI	% of maximum award vesting
2012–2015 ^(a)	25% for each target	10% AROE 10% NMFIG	17.5% AROE 30% NMFIG	n/a	n/a
2011–2014 ^(a)	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%

Note:

(a) 2011 awards are weighted with 75% on the NMFIG and 25% on the AROE performance condition.

Table R29 – Shares under option under the Man Group Executive Share Option Scheme 2001 – subject to performance and service conditions (audited)

		Number of Options ^(a)							
	Date of grant	01 April 2011	Granted during period	Exercised during period	Lapsed during period	31 December 2011	Option exercise price	Earliest exercise date	Latest exercise date
Executive directors									
Peter Clarke	June 2006	93,789	–	–	–	93,789	399.83p	June 2009	June 2016
	June 2008 ^(b)	–	–	–	–	–	604.50p	June 2011	N/A
	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 ^(b)	–	–	–	–	–	604.50p	June 2011	N/A
	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 71 and 129.

(b) June 2008 ESOS awards lapsed on 31 March 2011.

6.7 Man Group Sharesave Scheme

The Man Group Sharesave Scheme is an all-employee plan. The executive directors participate in the sharesave scheme purchasing options by monthly deductions from salary.

Table R30 – Shares under option under the Man Group Sharesave Scheme (audited)

		Number of Options							
	Date of grant	01 April 2011	Lapsed during period	Granted during period	Exercised during period	31 December 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	8,174	–	–	–	8,174	189.0p	August 2015	January 2016

7. 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.

Additional remuneration report information continued

Table R31 – Non-executive Directors' Fees (audited)

	9M 2011 Fees £'000	FY 2011 Fees £'000
Non-executive directors		
Jon Aisbitt	338	450
Alison Carnwath ^(a)	67	100
Phillip Colebatch	68	90
Dugald Eadie ^(b)	27	80
Ruud Hendriks ^(c)	50	75
Frédéric Jolly ^(d)	60	80
Matthew Lester ^(e)	55	–
Patrick O'Sullivan ^(f)	75	95
Nina Shapiro ^(g)	20	–
31 December (£'000) total	760	970

Notes:

- (a) Alison Carnwath ceased to be Senior Independent Director on 8 July 2011 and ceased to be a member of the Audit and Risk Committee on 21 September 2011.
- (b) Dugald Eadie retired from the Board on 7 July 2011.
- (c) Ruud Hendriks left the Board on 1 December 2011.
- (d) Frédéric Jolly ceased to be a member of the Audit and Risk Committee and was appointed as a member of the Remuneration Committee on 1 December 2011.
- (e) Matthew Lester was appointed to the Board and as a member of the Audit and Risk Committee on 5 May 2011. He was appointed Chairman of the Audit and Risk Committee on 1 November 2011.
- (f) Patrick O'Sullivan was appointed Senior Independent Director on 8 July 2011. He was appointed a member of the Remuneration Committee on 21 September 2011 and ceased to be Chairman of the Audit and Risk Committee on 1 November 2011.
- (g) Nina Shapiro was appointed to the Board and as a member of the Audit and Risk Committee on 10 October 2011.
- (h) 9M 2011 includes 9 months' fees and FY 2011 includes 12 months' fees.

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 R32. 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 nine months to 31 December 2011.

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 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 current fee levels are given in table R32.

Table R32 – Non-executive directors' terms of appointment and annual fee levels as at 31 December 2011

Name	Date of Appointment to the Board	Start of current term of office	Base Fee £'000	Additional Fees				Senior Independent Director	Total Board Fees £'000
				Audit & Risk		Remuneration			
Jon Aisbitt (Chairman)	20-Aug-03	10-Jul-09	£450						£450
Alison Carnwath	24-Jan-01	08-Jul-11	£65				£10		£75
Phillip Colebatch	01-Sep-07	08-Jul-11	£65			£15	£10		£90
Frédéric Jolly	01-Aug-09	01-Aug-09	£65				£10		£75
Matthew Lester	05-May-11	05-May-11	£65	£15	£15				£95
Patrick O'Sullivan	01-Sep-07	09-Jul-10	£65		£15		£10	£10	£100
Nina Shapiro	10-Oct-11	10-Oct-11	£65		£15				£80

8. Directors' remuneration

The table R33 sets out remuneration for executive and non-executive directors. The current 9M 2011 financial period includes 9 months' salary and 12 months' bonus. The prior FY2011 period includes 12 months' salary and 9 months' bonus. This change in financial periods limits the value of inter-period comparisons.

Table R33 – Directors' remuneration – includes executive directors and non-executive directors (including social security) (audited)

	9M 2011 ^(a) \$'000	FY 2011 ^(a) \$'000
Fees and remuneration	6,586	6,466
Gains made on transfer of share awards and exercise of share options in the year	839	3,606
Contributions to money purchase pension schemes	117	151

9. Share ownership

Information on executive director share ownership requirements is set out in section 3.5 on page 73. The shareholdings of directors are set out below:

Table R34 – Directors' Interests in Shares of Man Group plc (audited)

	Number of ordinary shares ^(a)	
	31 December 2011 ^(b)	31 March 2011
Executive directors		
Peter Clarke ^(c,d)	5,168,749	4,958,281
Kevin Hayes ^(e)	1,204,731	1,104,731
Emmanuel Roman ^(e)	19,629,418	–
Non-executive directors		
Jon Aisbitt	1,681,250	1,631,250
Alison Carnwath	257,685	239,125
Phillip Colebatch	10,000	10,000
Dugald Eadie ^(f)	360,000	360,000
Ruud Hendriks ^(g)	204,495	101,246
Frédéric Jolly	9,705	9,705
Patrick O'Sullivan	94,949	86,353
Matthew Lester ^(h)	21,509	–
Nina Shapiro ⁽ⁱ⁾	10,000	–

Notes:

- (a) All of the above interests are beneficial.
- (b) There has been no change in the directors' interests in the ordinary shares of Man Group plc from 31 December 2011 to the date of this report.
- (c) Previously reported leveraged equity linked warrants relating to ordinary shares of 3 3/7 US cents in Man Group plc held by Peter Clarke and Kevin Hayes expired out of the money in October 2011.
- (d) Peter Clarke also holds 50,000 Deferred Sterling Shares of £1, which are held to satisfy a requirement of the Companies Act 2006 and carry no voting rights or rights to distributions.
- (e) Emmanuel Roman was appointed to the Board effective 5 May 2011.
- (f) Interest as at 7 July 2011, the date Dugald Eadie retired from the Board, was 360,000 shares.
- (g) Interest as at 1 December 2011, the date Ruud Hendriks stepped down from the Board was 204,495.
- (h) Matthew Lester was appointed to the Board effective 5 May 2011.
- (i) Nina Shapiro was appointed to the Board effective 10 October 2011

The market price of the Company's shares at the end of 31 December 2011 was 125.7p. The highest and lowest daily closing share prices during the nine month financial period were 259.6p and 123.6p respectively.

As noted and signed on page 73 the Remuneration report (inclusive of parts 1 and 2) has been submitted by the Remuneration Committee and approved by the Board for the nine month period ended 31 December 2011.

Parent Company financial information

Company Balance Sheet

\$m	Note	At 31 December 2011	At 31 March 2011
Fixed assets			
Investments	2	3,493	3,178
Debtors	3	2,786	3,447
Creditors – amounts falling due within one year	4	(118)	(92)
Net current assets		2,668	3,355
Creditors – amounts falling due after more than one year	5	(1,066)	(1,478)
Total assets less current liabilities		5,095	5,055
 Capital and reserves			
Called up share capital		63	65
Share premium account		1,707	1,689
Other reserves		1,594	1,592
Profit and loss account		1,731	1,709
Total shareholders' funds	6	5,095	5,055

Approved by the Board of Directors on 1 March 2012

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 period. The Company has adopted FRS 29 and has taken advantage of the exemption from providing further financial risk disclosures.

The profit for the financial period dealt with in the Company was \$521 million (12 months to 31 March 2011: \$781 million profit). 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 period 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 AFI 7 for more information on dividends paid during the period.

2. Investments

	31 December 2011	31 March 2011
\$m		
Investments in subsidiaries		
At beginning of period	3,178	1,601
Additions	1,685	4,489
Disposals	(1,436)	(3,010)
Share-based payment	66	98
At 31 March	3,493	3,178

The Company's shares in subsidiary undertakings are stated in the Balance Sheet of the Company at cost less provision for any impairment incurred. The current and prior period movements relate to the restructure of subsidiaries within the Group. The prior period movements include the acquisition of GLG. Details of the principal Group subsidiaries are given on page 121.

3. Debtors

	31 December 2011	31 March 2011
\$m		
Amounts owed by group undertakings	2,775	3,434
Current tax assets	11	13
	2,786	3,447

Notes to the Company financial statements continued

4. Creditors – amounts falling due within one year

\$m	31 December 2011	31 March 2011
Amounts owed to group undertakings	14	–
Other creditors	68	75
Accruals	36	17
	118	92

Other creditors include a liability of \$56 million (31 March 2011: \$69 million) which relates to the Company establishing indemnities to the benefit of some subsidiaries and \$10 million (31 March 2011: nil) in relation to share buy-backs contractually undertaken with a third party investment bank of the Company. Contracts entered into with a third party to buy back the Company's shares during a close period gives rise to an obligation for the Company. This obligation is included in other creditors and deducted from equity on the balance sheet for the value of the maximum number of shares that may be purchased under the contract with the third party. If the number of shares repurchased by the third party is not the maximum then there is a reversal through equity for that amount. Any changes in the share price from the date of the contract are taken through the profit and loss account.

The Company had no external trade creditors at 31 December 2011 or 31 March 2011.

5. Creditors – amounts falling due after more than one year

\$m	31 December 2011	31 March 2011
Fixed rate notes	895	1,307
Floating rate notes	171	171
	1,066	1,478

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 Consolidated Report for further discussion around borrowings.

6. Total shareholders' funds

\$m	Called up share capital	Share premium account	Capital redemption reserve	Capital Securities	Profit and loss account	Total
At 1 April 2011	65	1,689	1,292	300	1,709	5,055
Issue of ordinary share capital	–	18	–	–	–	18
Repurchase of own shares	(2)	–	2	–	(143)	(143)
Movement in close period buyback obligations	–	–	–	–	(10)	(10)
Taxation taken to equity with respect to capital security	–	–	–	–	7	7
Share-based payments charge	–	–	–	–	66	66
Profit for the period	–	–	–	–	521	521
Dividends	–	–	–	–	(394)	(394)
Dividends with respect to capital securities	–	–	–	–	(25)	(25)
At 31 December 2011	63	1,707	1,294	300	1,731	5,095

6. Total shareholders' funds continued

\$m	Called up share capital	Share premium account	Capital redemption reserve	Capital Securities	Profit and loss account	Total
At 1 April 2010	59	975	1,292	300	1,367	3,993
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 period	—	—	—	—	781	781
Dividends	—	—	—	—	(613)	(613)
Dividends with respect to capital securities	—	—	—	—	(33)	(33)
At 31 March 2011	65	1,689	1,292	300	1,709	5,055

The allotted and fully paid share capital of the Company is detailed in Note 13 of the Additional Financial Information in the Consolidated 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 62 to 73 and the Additional Remuneration Report Information on pages 122 to 133.

8. Statutory and other information

There are no employees of the Company (12 months to 31 March 2011: nil). The directors of the Company were paid by another Group company in the current and prior period.

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 62 to 73 and the Additional Remuneration Report Information on pages 122 to 133.

The Company provides financial instruments disclosures in accordance with IFRS 7 on pages 113 to 114. 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 on page 120 and in the Additional Remuneration Report Information on page 125. Consequently the Company has taken advantage of the exemption 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:

At 31 December 2011

Financial guarantees and commitments:	Note	Total	Less than 1 year	Over 1–5 years	5 years
\$m					
Intra-day and overnight credit facilities	(i)	(925)	(925)	—	—
FX trading guarantees	(ii)	(1,500)	(1,500)	—	—
Operating lease and related commitments	(iii)	(351)	(1)	(46)	(304)
Other Group facilities	(iv)	(1,560)	—	(1,560)	—
		(4,336)	(2,426)	(1,606)	(304)

At 31 March 2011

Financial guarantees and commitments:	Note	Total	Less than 1 year	Over 1–5 years	5 years
\$m					
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)

Notes to the Company financial statements continued**9. Guarantees** continued

The financial commitments and guarantees disclosures included in Note 18.2 and 18.3 of the AFI 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 (31 March 2011: \$500 million) intra-day and \$25 million overnight credit facilities (31 March 2011: \$25 million), used to settle the majority of the Group's banking arrangements. As at 31 December 2011 the exposure under the intra-day facility was nil (31 March 2011: nil) and the overnight exposures was nil (31 March 2011: nil). The fair value of these commitments has been determined to be nil (31 March 2011: 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 (31 March 2011: \$1.5 billion). The fair value of these commitments has been determined to be nil (31 March 2011: 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 (31 March 2011: nil).

(iv) Other Group facilities

Man Group plc has guaranteed eight Group companies who act as borrowers under a committed syndicated revolving loan facility of \$1.56 billion. The facility was entered into in July 2011 and replaces the previous \$2.4 billion committed syndicated facility. The facility was undrawn as at 31 December 2011. Refer to Note 17 of the Financial Review for further details. The fair value of these commitments has been determined to be nil (31 March 2011: 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 to the members of Man Group plc on the Parent Company financial statements

We have audited the parent company financial statements of Man Group plc for the nine months ended 31 December 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 107, 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 December 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 Directors' 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 Directors' 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 nine months ended 31 December 2011.

Richard Oldfield (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

1 March 2012

Shareholder information



www.man.com

In this section we have provided some key information to assist you in managing your shareholding in Man. If you have a question that is not answered below, you can always contact us by email: shareholder@man.com

References are made within this section to Man's corporate website www.man.com and Equiniti's Shareview website www.shareview.co.uk/shareholders/

Dividends

Final dividend for the nine month period ended 31 December 2011

Final dividend

4.38 pence per share

The directors have recommended a final dividend of 4.38 pence per share in respect of the nine month period from 1 April to 31 December 2011. Payment of this dividend is subject to approval at the 2012 Annual General Meeting (AGM).

Key dates relating to this dividend are given below:

Ex-dividend date	Wednesday 25 April 2012
Record date	Friday 27 April 2012
DRIP election date	Friday 27 April 2012
AGM (to approve the final dividend)	Tuesday 1 May 2012
Payment date	Thursday 17 May 2012
DRIP certificates received/CREST accounts credited	Wednesday 23 May 2012

Given Man's change of year end, it is anticipated that all future final dividends will be paid in May and all future interim dividends will be paid in September. Information on Man's future distribution policy can be found on page 4.

Dividend history

To help shareholders with their tax affairs, details of dividends paid in the 2011/12 tax year are detailed at the top of page 141. For details of historical payments, please refer to the dividend section of our corporate website, 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	Dividend No.	Amount per share (p)	Ex-dividend date	Record date	DRIP share price (p)	DRIP purchase date
13 December 2011 (interim for the nine months ended 31 December 2011)	O/9	5.95	23/11/11	25/11/11	133.58	13/12/11
19 July 2011 (final for the year ended 31 March 2011)	O/8	7.68	29/06/11	01/07/11	236.90	19/07/11

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:

- Direct payment to your bank:** We recommend that you apply for cash dividends to be paid directly into your 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 'Dividends' section of our corporate website, under 'Shareholder Information' in the 'Investor Relations' section, or from our Registrar's (Equiniti) Shareview website. Alternatively, you can contact Equiniti on 0871 384 2112¹, who will be able to assist with any questions you may have.
- 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 currency². Further information can be found on the Shareview website or via the Equiniti helpline 0871 384 2112¹.
- 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.

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 would like a paper mandate form to be sent to you, please contact Equiniti on 0871 384 2268¹. Please note that if you wish to join the DRIP in time for the payment of the forthcoming final dividend for the nine month period ended 31 December 2011, our Registrars, Equiniti, must have received the instruction by 27 April 2012. 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 in March 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 corporate website in July and a printed copy is available from the Company Secretary on request.



E-communications

The Company offers shareholders the opportunity to access shareholder documents, such as annual reports and notices of AGMs, via e-communications rather than receiving printed documents in the post. To sign up for e-communications, please register on Equiniti's website. 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, 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.

- 1 Lines are open from 8.30am to 5.30pm, each business day. Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.
- 2 Please note that a payment charge would be deducted from each individual payment before conversion into your local currency.

Shareholder information continued

Shareholder registration and enquiries

Man Group's register of shareholders is maintained by Equiniti as the Company's Registrar. Many aspects of managing your shareholding, such as updating your personal details and checking your shareholding and dividend payments, can be done by logging on to Equiniti's website. 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 2112¹ or Text tel 0871 384 2255¹, 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@man.com.

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 dealing section of the Shareview website (www.shareview.co.uk/dealing/). For telephone dealing please call 08456 037 037 between 8.00am and 4.30pm Monday to Friday.

Shareholder alerts

Remember: if it sounds too good to be true, it probably is!
Share or investment scams are often run from 'boiler rooms' where fraudsters cold-call investors offering them worthless, overpriced or even non-existent shares, or offer to buy their shares in a company at a higher price than the market value. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. Even seasoned investors have been caught out and it is estimated that £200 million is lost in the UK each year.

The FSA have some very helpful information about such scams on their website, including 10 top tips to protect your savings. Man encourages shareholders to read the information on the site which can be accessed by going to <http://www.fsa.gov.uk/consumerinformation> and clicking on 'Scams and Swindles'.

¹ Lines are open from 8.30am to 5.30pm, each business day. Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.

Registered office

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Registered in England and Wales with registered no: 2921462

Company contacts

Investor Relations (investor@man.com)
Head of Investor Relations and Financial Communications - Miriam McKay

Company Secretariat (shareholder@man.com)

Company Secretary - Rachel Rowson

Company advisors

Auditors
PricewaterhouseCoopers LLP

Corporate Brokers

Bank of America Merrill Lynch
Credit Suisse
Goldman Sachs

Public relations

The Maitland Consultancy Limited

Notes

Notes

Man's literary sponsorships

Man sponsors three major literary prizes – The Man Booker Prize for Fiction, the Man Booker International Prize and the Man Asian Literary Prize.

Man first took on the sponsorship of the Man Booker Prize for Fiction in 2002. The aim of the prize, which receives worldwide press attention, is to promote excellence in fiction by recognising the best full-length novel published by a citizen of the Commonwealth, or the Republic of Ireland, in the year of the prize. The novel must be an original, non-self published, work in English.

Winning the Man Booker Prize is considered the ultimate accolade by many writers. As former prize-winner Graham Swift commented: "Prizes don't make writers and writers don't write to win prizes, but in the near-glut of literary awards now on offer... it's the one which, if we're completely honest, we most covet."

Recent winners have included Julian Barnes for 'The Sense of an Ending' (2011), Howard Jacobson for 'The Finkler Question' (2010) and Hilary Mantel for 'Wolf Hall' (2009). Dame Stella Rimington, Chair of the 2011 judges, made the announcement that Julian Barnes was the latest recipient on 18 October 2011 at a televised awards dinner hosted at the Guildhall. Man Chairman Jon Aisbitt announced on the same night that Man had just signed a new 10-year sponsorship agreement with the Booker foundation.

The Man Booker International Prize went in 2011 to US author Philip Roth. The prize is awarded every two years to a living author who has published fiction either originally in English or whose work is generally available in translation in English. It is significantly different from the annual Man Booker Prize in that it highlights one writer's overall contribution to fiction, rather than a single work.

In addition to the Man Booker Prizes, Man also sponsors the increasingly widely recognised Man Asian Literary Prize. This is an annual award given to the best novel by an Asian writer, either written in English, or translated into English. If the work has been translated, there is also an award to recognise the skill of the translator.



The Man Booker Prize for Fiction 2011 was won by Julian Barnes for *The Sense of an Ending*



Hermione Lee collects Philip Roth's Man Booker International prize



The Man Asian Literary Prize 2010 was won by Bi Feiyu for *Three Sisters*



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