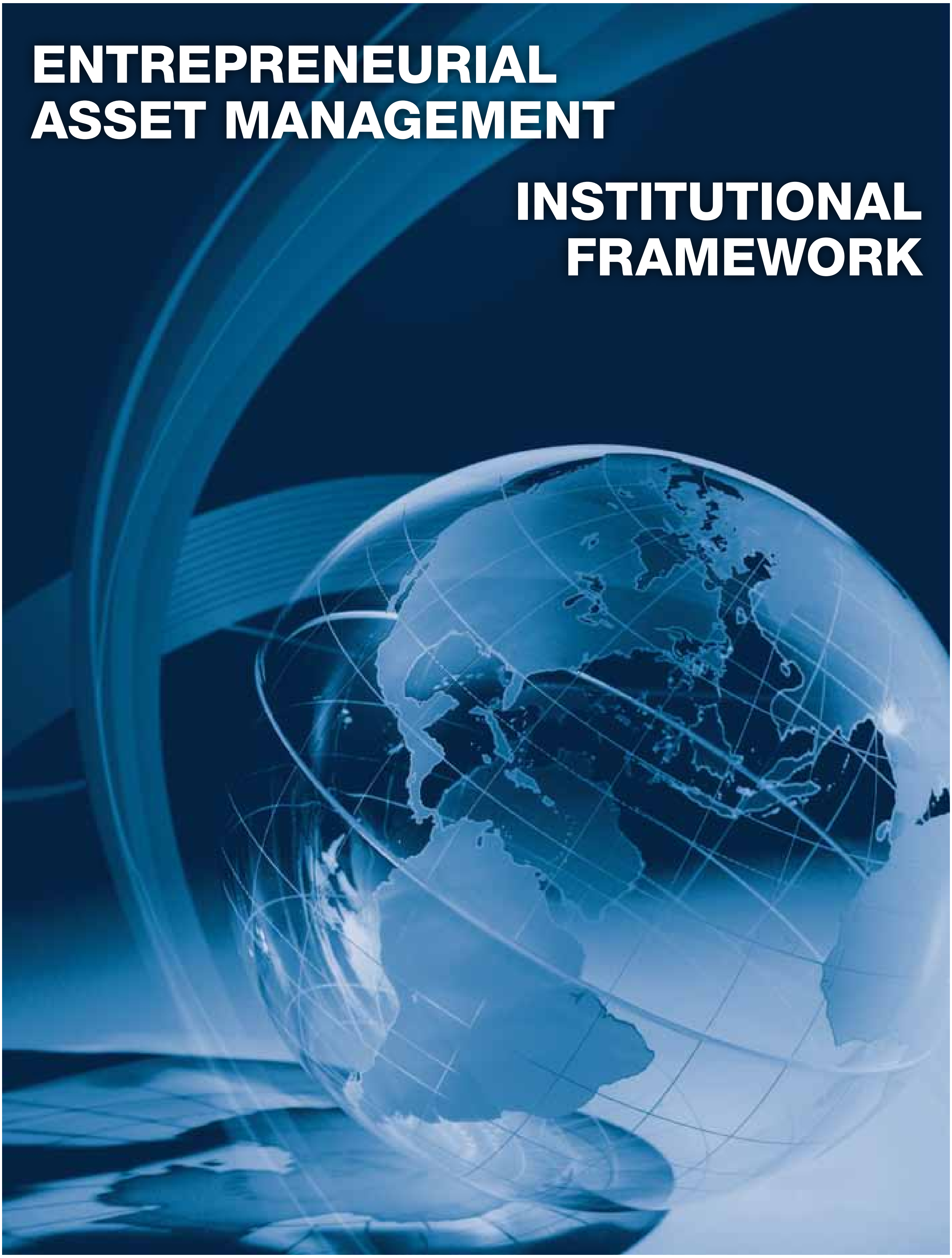
ENTREPRENEURIAL ASSET MANAGEMENT

INSTITUTIONAL FRAMEWORK



Man Group plc
Annual report
for the year ended 31 December 2014

Man

Man Group is one of the world's largest independent alternative investment managers and a leader in high-alpha[1], liquid investment strategies. With our clients' needs at our core, we offer a comprehensive suite of absolute return and long-only products through our performance-driven investment engines.

We believe that the key to extracting repeatable alpha from capital markets is to provide an institutional framework for our entrepreneurial asset managers to operate in, allowing them to focus solely on alpha generation and research.

1 Alpha is widely considered to be a measure of the 'value added' by an investment manager. It is, therefore regarded as a proxy for manager or strategy skill. Alpha is sometimes described as outperformance of a benchmark or the return generated by an investment independent of the market – what an investment would hypothetically achieve if the market return was zero.

Contents

Our business model

The success of our business model begins and ends with investment performance: our investment managers must deliver strong, risk adjusted long-term returns for our investors.

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

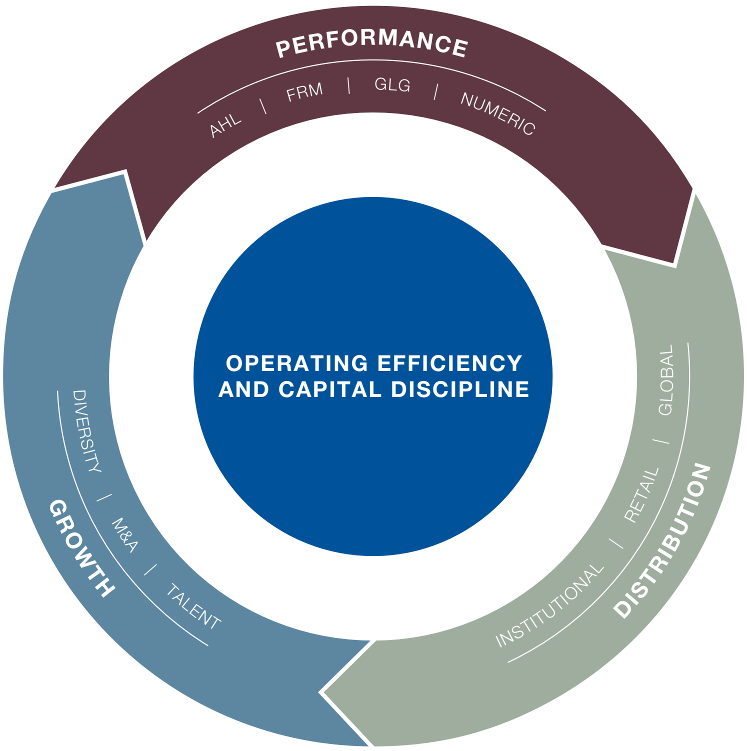
Distribution
Man Group is able to offer a wide range of liquid investment strategies and formats across geographies to meet the needs of the investor. These include quantitative and discretionary, long only and long short, single and multi-manager. We distribute our products and solutions directly to institutions and to private investors via a unique global network of intermediaries.

Growth
We have a diverse business with many options for long-term growth. In addition to growing assets through performance and sales we look to grow the business by attracting talent, adding investment teams and taking advantage of acquisition opportunities where we can generate an attractive return on capital.

Operating efficiency and capital discipline
At the core of our investment management and distribution is strong operational infrastructure, risk management, people management and governance, which ensures the sustainability of our business model and enables us to take advantage of new business opportunities. We strive to maintain our operating discipline and manage our balance sheet efficiency.

Revenue Generation
Investment performance and fund flows drive the economics of our business. Management fees are typically charged for providing investment management services at a percentage of each fund entity's gross investment exposure or NAV. Performance fees are typically charged as a percentage of investment performance above a benchmark return or previous higher valuation 'high water mark'.

Costs
Man is fundamentally a people business and the majority of our costs comprise payments to individuals whether they are third-party intermediaries or internal sales staff who distribute our products, our investment managers who manage investor assets or the teams that manage our operations and infrastructure.



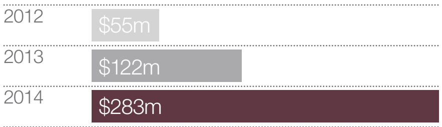
Investment case

Our objective is to be a leading provider of high-alpha, liquid investment strategies across a diversified range of investing styles and geographies.

PERFORMANCE

Our priority is to produce superior risk adjusted returns for our clients

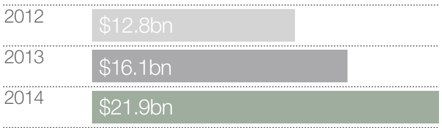
Net performance fee earnings



DISTRIBUTION

We have the distribution capability to grow funds particularly where we generate strong performance

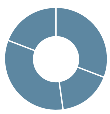
Gross sales



TALENT

By offering an entrepreneurial fund management culture within an institutional framework, we are able to attract high quality talent to provide further options for growth

Man employees by function



	%
1. Investment management	31
2. Sales and marketing	17
3. Operations and technology	33
4. Central functions	19

M&A

Growth may be supplemented through M&A, taking advantage of acquisition and consolidation opportunities where we can generate an attractive return on capital

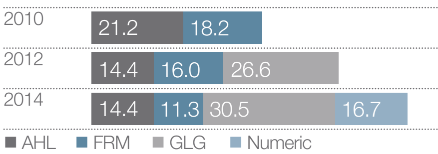
Acquisitions announced in 2014

Numeric ($15.2bn US Quant manager)
Silvermine ($3.8bn US CLO manager)
Pine Grove ($1.0bn US Credit FoHF manager)
BAML FoHF portfolio ($1.2bn US FoHF portfolio)

DIVERSIFICATION

We have a diverse business with many options for long-term growth and a set of options over a range of uncorrelated performance fee streams

FUM by asset class $bn



EFFICIENCY

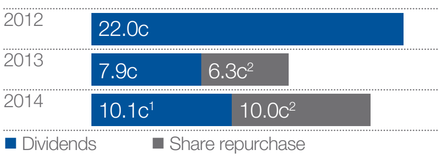
We will remain disciplined on costs, enabling us to benefit from operating leverage as funds under management (FUM) grows

Fixed costs

CAPITAL MANAGEMENT

We pay out management fee profits to shareholders and if surplus capital cannot be employed for organic or inorganic growth within a reasonable timeframe, use performance fees for share buybacks

Capital management



1 subject to shareholder approval.
2 share repurchase amount based on number of shares at year end.

Man Group overview

Man Group was listed on the London Stock Exchange in 1994 and following the demerger of its agricultural commodities business in 2000 and its brokerage business in 2007, is now focused on investment management. Based in London and a constituent of the FTSE 250 index, Man has offices in every major financial region, is regulated in 16 jurisdictions and has 1,078 employees worldwide. Man Group has a developed distribution network and manages assets of $72.9 billion through its four investment managers:

Man AHL (hereafter AHL) is a quantitative investment manager with an extensive history of performance and innovation and funds under management of $14.4 billion.

A pioneer in the application of systematic trading, AHL has been serving institutional and private clients since 1987 and has a range of momentum and non-momentum strategies.

AHL's 100 investment professionals are based in London, Oxford, Hong Kong and Pfäffikon.

→ for more detail see page 9

Acquired by Man Group in 2012, Man FRM (hereafter FRM) is a hedge fund investment specialist with $11.3 billion of funds under management and a predominantly institutional client base.

FRM has an open architecture, full service hedge fund platform including commingled fund of hedge funds, customised and advisory solutions and outsourced research and consulting, all which can be enhanced by FRM's managed account platform.

FRM's 58 research and investment staff are based in London, New York, Tokyo, Guernsey and Pfäffikon.

→ for more detail see page 10

Founded in 1985 and acquired by Man Group in 2010, Man GLG (hereafter GLG) is a discretionary fund manager with funds under management of $30.5 billion that delivers alternative and long only investment strategies across asset classes, sectors and geographies.

The majority of GLG's 120 investment professionals are based in London but it also has investment teams in New York, Hong Kong and Pfäffikon.

GLG has a range of institutional and private clients from across the globe.

→ for more detail see page 11

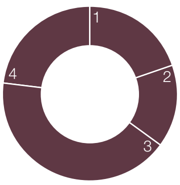
Established in 1989 and acquired by Man Group in 2014, Man Numeric (hereafter Numeric) is a Boston-based, quantitative equity manager with $16.7 billion of funds under management invested across almost every equity market in the world through long only and long short strategies.

Numeric's 28 investment professionals manage assets for institutional clients globally, including corporate and public pension plans, foundations, endowments, and sovereign funds.

→ for more detail see page 12

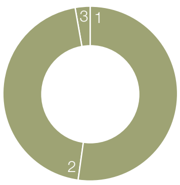
FUM breakdowns

by manager



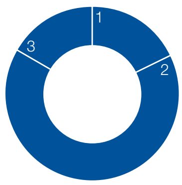
	US$bn	%
1. AHL	14.4	20
2. FRM	11.3	15
3. GLG	30.5	42
4. Numeric	16.7	23

by product



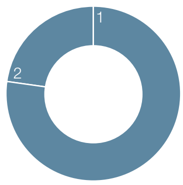
	US$bn	%
1. Alternative	38.2	52
2. Long Only	32.7	45
3. Guaranteed	2.0	3

by geography



	US$bn	%
1. Asia	13.0	18
2. EMEA	47.8	65
3. Americas	12.1	17

by client



	US$bn	%
1. Institutional	56.4	77
2. Retail	16.5	23

2014 Highlights

- 35% growth in FUM driven by acquisitions and net inflows
- Increase in profitability with significantly higher performance fees and cost savings being partially offset by a decrease in management fees linked to a decline in the blended management fee margin due to a change in product and business mix
- Mixed investment performance in the year: AHL Diversified Programme +33.8%; GLG Multi-Strategy -0.9%; FRM Diversified II strategy +2.7%; Japan CoreAlpha strategy +7.7%
- Acquisition of Numeric (a US based quant manager) and Pine Grove (a US based fund of fund credit manager) completed during the year adding $16.2 billion to FUM
- Acquisition of Silvermine (CLO manager) completed in January 2015 and acquisition of Bank of America Merrill Lynch fund of funds portfolio due to complete in early 2015
- Cost savings programme completed ahead of schedule
- $150 million of Tier 2 capital issued during the year to fund the expansion of our seeding programme up to $500 million
- Proposed dividend for the year equating to adjusted management fee earnings per share of 10.1 cents per share. Proposed final dividend of 6.1 cents per share. Payable at a rate of 3.95 pence per share
- Share repurchase of $175 million to be completed during 2015

Funds under management (FUM)

$72.9bn

Up 35% from $54.1bn at 31 December 2013.

Sales

$21.9bn

Up 36% from $16.1bn for the year ended 31 December 2013.

Net flows

$3.3bn

Compared to net outflows of $3.6bn in the year ended 31 December 2013.

Revenue

$1,150m

Gross revenue comprised $810m of management fees and $340m of performance fees. Revenue was $1,160m for the prior period.

Adjusted profit before tax

$481m

Adjusted profit before tax for year ended 31 December 2013 was $297m.

Statutory profit before tax

$384m

A full reconciliation between the statutory profit and adjusted profit for the year is given in Note 2 of the financial statements. The statutory profit before tax for the year ended 31 December 2013 was $56m.

Adjusted management fee earnings per share

10.1 cents

Adjusted management fee earnings per share for the year ended 31 December 2013 were 7.9 cents.

Adjusted diluted earnings per share

24.4 cents

Up 73% compared to the year ended 31 December 2013.

Statutory earnings per share

20.5 cents

A reconciliation between statutory and adjusted diluted earnings per share is given in Note 10 to the financial statements. Diluted earnings per share for the year ended 31 December 2013 were 2.9 cents.

Chairman's statement

Jon Aisbitt, Chairman

Overview of the year

2014 marked a year of significant progress for the Group with strong performance at AHL, a full year of net inflows, the completion of the restructuring of the business and several key acquisitions that have materially enhanced our North American business. This was against the backdrop of a volatile year for markets and a difficult year for hedge funds, albeit there was a wide range of returns across strategies. The performance of Man Group's funds was mixed: our quantitative strategies and AHL in particular performed very well due to the re-emergence of trends and lower correlation between asset classes; our GLG long only and FRM strategies performed well on an absolute basis; however our discretionary alternative strategies suffered in line with the rest of the industry.

The strong AHL performance resulted in us recording over double the level of performance fees earned in 2013 which, combined with the impact of cost savings, partially offset by a decline in net management fees, resulted in a 62% increase in adjusted profits for the year. The Board focuses on adjusted profit as this reflects the recurring revenue and costs that drive our future cash flows. Statutory profit was $384 million compared to $56 million in 2013. While the Board is encouraged by the increase in profitability and the progress that has been made in 2014, it remains focused on monitoring achievement against the Group's key strategic priorities as well as reviewing the performance of the businesses that have been acquired.

Acquisitions

The Board spent a significant amount of time during 2014 evaluating, reviewing and assessing the strategic case for the acquisitions of Numeric, Pine Grove, Silvermine and the Merrill Lynch fund of funds business (BAML).

The Numeric acquisition furthers two core strategic objectives for the Group: first, to build a diversified quantitative fund management business with significant assets in non-momentum strategies and second, to develop further its presence in the North American market. In addition, Numeric has a long-term investment track record of strong relative and absolute performance. From a financial perspective, the transaction provides the opportunity to achieve an attractive risk-adjusted return on capital and was earnings accretive from completion. In structuring the acquisition, we have endeavoured to align the interests of Numeric management with those of Man Group's shareholders.

Having agreed the strategic case for the acquisition, the Board oversaw the due diligence process and gave approval to proceed. Owing to its size the acquisition required shareholder approval which was received in September 2014 with 99% votes in favour. The feedback from key investors was that the acquisition had been well structured and created sensible diversification.

The acquisitions of Pine Grove, Merrill Lynch's fund of fund business and Silvermine were smaller but received an appropriate level of review and challenge from the Board to ensure that they provided the right structure and cultural fit for the Group. All three of these acquisitions further enhance Man Group's presence in the US. Pine Grove and BAML further build out FRM's existing business. The acquisition of Silvermine will transform our existing credit business at GLG and position us to benefit from strong demand for US CLOs and other credit strategies.

Progress against strategic objectives

At our annual strategy review we revisited all our core strategic objectives on performance, growth, distribution and efficiency, and received in depth presentations from management teams on the performance of our individual investment managers and our progress in global sales and marketing. These are themes to which we return at every Board meeting, with particular focus on areas of underperformance such as the GLG alternative strategies and the challenges of penetrating the key US market.

In November the CEO of Numeric gave us an overview of this new business covering the investment process, progress on the integration and planned sales and product launch activity. We will continue our keen focus on the progress of all recent acquisitions and management's delivery of value against plan over the course of 2015. The Board has also spent considerable time during the year discussing people and cultural issues, encouraging management in its promotion of gender diversity at senior management level and contributing to the development of a set of core business values.

The Board continues to monitor progress on management's implementation of the cost reduction programme. We are pleased that the proposed savings have been achieved in full and ahead of schedule and our focus is now shifting more towards sustaining our efficiency and ensuring that our cost base enables us to address the risks and opportunities in our business appropriately. From a capital perspective the Board approved the issue of $150 million of Tier 2 debt in September 2014 as a low cost and efficient source of funding to finance the expansion of our seeding programme.

Dividend

In line with our previously stated policy, the Board has announced a recommended final dividend of 6.1 cents per share, subject to approval by shareholders at the 2015 AGM. In addition, it is our intention to launch a $175 million share repurchase programme to return surplus capital to shareholders, which will be conducted over the remainder of the year.

Board changes

Fred Jolly, who had served on the Board since 2009 retired at the 2014 AGM. After a wide-ranging search, John Cryan was appointed to the Board and as a member of the Remuneration Committee and Nomination Committee in January 2015. John has extensive experience of international financial markets having held a number of senior roles at UBS in a career spanning more than 25 years and brings excellent knowledge of the regulatory environment in which Man Group operates. We wish Fred all the very best for the future and extend a warm welcome to John.

Outlook

The Board remains confident in the strength and energy of its executive team and is proud of what they have achieved in creating a more diversified business with multiple options for growth, improving Man Group's capital efficiency and completing the cost reduction programme ahead of schedule. In 2015 we will continue to work together to drive investment performance, diversify Man Group's product offering and grow the business in pursuit of improved long-term returns for our shareholders.

Jon Aisbitt
Chairman

Strategic framework

Markets remain volatile, creating a challenging and uncertain environment in which to operate. Against this backdrop, we continue to focus on the areas we can control and on creating a diversified business with multiple options for growth, leaving us better positioned to deal with different market conditions.

Strategic priorities

→ See pages 6 and 7 for how we have performed against our strategic priorities

1 Performance
Generating superior risk adjusted returns for our clients

2 Growth
Developing options for growth across our investment businesses

3 Distribution
Ensuring distribution effectiveness

4 Operating efficiency and capital discipline
Operating as efficiently as possible, both from a cost and a balance sheet perspective

Risks

→ See pages 22 to 25 for our full risk profile

Man Group identifies its principal risks across the firm and assesses their likely impact. We measure and monitor the size of our risks, and implement controls and transactions to reduce and hedge exposures in order to ensure that they stay within our risk appetite framework.

Risk	Related strategic priority
Investment underperformance risks This is the key risk Man Group has to accept if it is to undertake its business.	1
Regulatory risks Man Group is licensed in 16 jurisdictions, which results in it being subject to a matrix of regulations.	1 2 3 4
Discretionary trading risks The risk that investment managers either intentionally or unintentionally fail to execute and/or book trades correctly, or fail to adhere to investment mandates or regulatory rules.	1
Operational risks Resulting from inadequate or failed internal processes, people, systems or from external events.	1 2 3 4
Seeding book risk Man Group uses capital to seed new funds as part of the ongoing business to build our fund offering and expand product distribution	1
Credit/counterparty risks A counterparty with which the funds or Man Group have financial transactions fails to deliver back investor or shareholder assets.	1 2 3 4
Legal risk The global nature of Man Group's business, with corporate and fund entities located in multiple jurisdictions and a diverse investor base make it subject to a wide range of laws and regulations.	1 2 3 4
Reputational risks The risk that an incident or negative publicity undermines our reputation as a leading alternative investment manager.	1 2 3 4
Key staff retention The risk that a key person to the business leaves or is unable to perform their role.	1 2 3 4

Key performance indicators

→ See pages 14 and 15 for our full key performance indicators

Our four financial KPIs as listed below illustrate and measure the relationship between the investment experience of our fund investors, our financial performance and the creation of shareholder value over time.

Investment performance of key funds against relevant benchmarks

AHL – met
FRM – not met
GLG – not met

Related strategic priority

1

Net FUM flows for the period as a percentage of opening FUM (Target 0%–10%)

6.1%

Related strategic priority

1 2 3

Adjusted management fee EBITDA margin (Target 25%–40%)

30.3%

Related strategic priority

1 2 3 4

Adjusted management fee EPS growth (Target 0%–20% plus RPI)

27.8%

Related strategic priority

1 2 3 4

Remuneration

→ See pages 44 to 64 for the full remuneration report

Executive director remuneration is directly linked to strategy and performance, with particular emphasis on matching rewards to results over the long-term.

Linked to strategy
A substantial portion of executive director remuneration is linked to success in implementing the Company's strategy.

Progress against the Group's strategic priorities and Group key performance indicators (KPIs) provide key metrics for determining the short-term annual cash bonus and the long-term deferred bonus.

→ See pages 50 to 53 of the Directors' remuneration report for more information

Performance related
The variable components of total remuneration are linked to performance, and the long-term deferred bonus is awarded in shares further aligning interests with shareholders.

High pay requires high performance. Achieving the maximum pay requires sustained high performance over several years.

→ See pages 50 to 53 of the Directors' remuneration report for more information

Long-term shareholder alignment
The structure of pay is designed to reflect the long-term nature of Man Group's business. The long-term deferred bonus is awarded in shares with the vesting period set at three to five years after each three year performance period, creating a six to eight year period in total during which executive reward is fully aligned with shareholder interests.

→ See pages 44, 52 and 53 of the Directors' remuneration report for more information

Shareholder engagement
The Remuneration Committee actively seeks to understand shareholder preferences and be transparent in explaining its policy and practice. During 2014 the Remuneration Committee Chairman met personally with a number of major shareholders and certain shareholder voting bodies to obtain feedback on the Remuneration policy and to respond to any areas of interest or concern.

→ See pages 44 and 49 of the Directors' remuneration report for more information

Progress against strategy

During the year we have made progress against the strategic priorities set out in last year's annual report aimed at generating superior risk adjusted returns for our clients and positioning the firm for future growth, whilst controlling costs and maximising the efficiency of our balance sheet.

Strategic priorities	Objectives we set in 2014
Generating superior risk adjusted returns for our clients	– Continued focus on research at AHL to build new markets and asset classes – Focus on building assets in GLG products launched in 2013 and on developing long only offering – Revamp managed accounts platform within FRM and look to offer the resources of FRM as a service to investors who need help with either building or maintaining open architecture alternative investment programmes
Developing options for growth across our investment businesses	– Build out quantitative platform to provide a wider range of trend and non-trend following products – Continue to look for high-calibre investment talent at GLG to support the growth of our existing products as well as to support the expansion of our product offering – Continue to look at other possible bolt-on acquisitions ensuring that we remain disciplined on price, structure and cultural fit
Ensuring distribution effectiveness	– Start marketing the AHL Dimension strategy and market an additional $750 million of the AHL Evolution strategy – Focus on making the sales team leaner and increasingly focused on institutional clients without losing optionality from a retail perspective – Develop further consultant relationships and expand the number of funds represented on private banking platforms – Improve coverage and traction in the US by selectively adding quality to the institutional sales team
Efficiency	– Ensure cost reduction programmes remain on track – Completion of outsourcing programme – Maintain focus on cost and balance sheet efficiency

How we performed against those objectives	Objectives for 2015
– Broadened AHL's UCITS range adding directional equity, volatility, multi-strategy and risk parity funds to existing offering. Launched a dedicated product for the onshore China market which trades momentum on a number of Chinese futures markets – $600 million raised into the GLG Global Long Short strategy launched in October 2013, developed long only offering by adding new products and raised $2 billion into the GLG Strategic Bond strategy – FRM's managed account platform increasingly recognised in the market place with new mandates won in 2014	– Continued focus on research at AHL to build new markets and asset classes – Collaboration between AHL and Numeric to further enhance research efforts in both managers – Focus on improving areas of underperformance in GLG alternatives strategies in 2014
– Numeric acquisition creates a leading global quantitative investment management business with over $30 billion of assets managed across a range of alternative and long only strategies – Hired new teams at GLG including Rory Powe in European equities, Pierre-Henri Flamand in the event driven space and several new hires into our Equity long short strategy – Acquisition of Silvermine adds significant leveraged loan capability to GLG – Enhanced FRM's business with credit fund of fund capabilities through the acquisition of Pine Grove and an important new distribution relationship with Bank of America Merrill Lynch through the anticipated acquisition of its fund of hedge fund offering	– Continue to develop additional momentum and non-momentum products at AHL – Continue to look for high-calibre investment talent at GLG to support the growth of our existing products as well as to support the expansion of our alternatives and long only product offering – Continue to look at other possible bolt-on acquisitions ensuring that we remain disciplined on price, structure and cultural fit
– $1.5 billion of AHL Evolution sales and $500 million of AHL Dimension sales in 2014 – Reorientation of our businesses in Asia Pacific more towards institutional clients, with a significant institutional AHL mandate won in Q3 2014. Sale of our retail sales offices in Canada and the Netherlands to management in those regions – Key acquisitions made during the year materially enhance our North American business. The Numeric acquisition helps to develop our consultant relationships and the anticipated acquisition will help us to develop the number of funds represented on private banking platforms	– Market AHL's momentum strategies off the back of strong performance in 2014 – Develop and launch UCITS products at Numeric to build track records and market to investors over time – Leverage Man Group's global distribution capability to grow assets in acquired businesses – Continue to improve coverage and asset raising in the US
– Completion of cost savings programmes ahead of schedule – Completed outsourcing programme – Compensation ratio of 36% for the year demonstrating the operating leverage within the business – Completion of $115 million share repurchase – Issue of $150 million of capital efficient Tier 2 debt in September 2014 to fund expansion of seeding programme	– Focus on sustaining our efficiency and ensuring that our cost base enables us to address the risks and opportunities in our business appropriately – Integrate the operational functions of our acquired businesses – Maintain focus on balance sheet efficiency including ensuring our seeding portfolio is managed effectively

CEO's performance review

Emmanuel Roman, Chief Executive Officer

2014 was a year in which AHL delivered strong performance, we completed our restructuring programme and created a more diversified business through the Numeric acquisition.

Overview

During the year we made significant progress in respect of our key strategic objectives: (i) generating superior risk adjusted returns for our clients; (ii) developing options for growth across our investment businesses; (iii) ensuring distribution effectiveness; and, (iv) operating as efficiently as possible, both from a cost and a balance sheet perspective.

Performance was very strong on both an absolute and relative basis in our quantitative strategies at AHL and Numeric, whilst being more mixed in our discretionary businesses. Investment performance continues to be the single most important determinant of success in our business and achieving superior risk adjusted returns for our clients remains our most important priority.

We have made good progress in creating a more diversified business and developing options for growth across our investment businesses. With the acquisition of Numeric, we have created a leading global quantitative investment management business with over $30 billion of assets managed across a full range of alternative and long only strategies. At GLG, we hired a number of new teams for our discretionary alternative and long only business, including Rory Powe in European long only equities, Pierre Henri Flamand in the Event-driven space and several new hires into our Equity Long Short strategy. Furthermore, through the acquisition of Silvermine we added a significant leveraged loan capability to GLG. At FRM, we have made strides in building our Managed Accounts business with a substantial new mandate from a large institution which will fund in the course of 2015. In addition, we have enhanced FRM's business with credit fund of fund capabilities through the acquisition of Pine Grove and an important new distribution relationship with Bank of America Merrill Lynch (BAML) through the acquisition of its fund of hedge fund business.

From a distribution perspective there were $3.3 billion of net inflows in the course of the year. Gross sales increased 36% year on year, with strong performance in particular in the EMEA region. We continue to develop our capability in North America, and reorientate our businesses in Asia Pacific more towards institutional clients, whilst retaining optionality in retail channels. We are making progress in these markets, but meaningful results will take a number of years. That said, through organic growth and acquisitions, our North American business is now a significant part of the Group, with $18.5 billion of assets (25%) run from teams based in North America, and $12.1 billion of assets (17%) run on behalf of clients based there.

From an efficiency perspective, we continued our progress with respect to our cost base and balance sheet. We completed our $270 million cost saving programme, with original targets set for 2015 achieved ahead of schedule in the course of 2014. We also further enhanced the efficiency of our balance sheet, returning $115 million of capital through a share repurchase and expanding our seed capital programme financed by a new issue of $150 million of lower Tier 2 capital.

Market overview

2014 was characterised by volatile market conditions and a breakdown in correlations between asset classes. As a result, returns across markets were varied with the S&P 500 up 11.4%, bringing US equities close to all-time highs, the TOPIX up 10.3% and at a seven year high, and world bonds and corporate bonds up 8.4% and 17.3% respectively. By contrast European, emerging markets and energy markets suffered with the FTSE 100 down 2.7%, the MSCI emerging markets index down 2.2% and oil prices starting a downward trend in the second half of the year reaching five year lows at the end of the year.

The hedge fund industry overall had a negative 2014 with the HFRX Global Hedge Fund Index ending the year down 58bps. There were a range of returns across strategies and the top performing strategy was Managed Futures, due to strong trends across asset classes in the second half of the year. Credit long short managers started the year well, but the second half of the year was more challenging. Concerns over the eventual timing of rate hikes in the US weighed on sentiment, and alpha generation dried up with few single name credit moves working well. Equity managers had a challenging year. In Europe, frequent mid-month risk reversals meant managers' risk management policies contributed to underperformance, while in the US there were at least two bouts of sector rotation that weighed on returns.

2014 results

In this context performance in 2014 was mixed amongst Man Group's range of strategies. AHL's momentum-based strategies benefited from trends in fixed income markets and delivered very strong returns, whilst by contrast GLG's equity long short strategies had a difficult second quarter impacted by the move from growth to value in technology stocks, ending the year with negative performance. Flows were positive in the year, with particularly robust sales in the first and second quarters, linked primarily to the strong performance at GLG in 2013. The solid flows during the year and the acquisitions of Numeric and Pine Grove drove a 35% increase in funds under management to $72.9 billion at 31 December 2014. Adjusted profit before tax increased by 62% with strong performance fees from AHL, cost savings and lower interest costs being partially offset by a decline in net management fee revenues largely as a result of the roll-off of our legacy guaranteed products and a mix shift from retail to institutional FUM in our quantitative alternatives business.

Progress against strategic priorities

Performance and growth

During 2014 we have made significant progress in creating a more diversified group with multiple options for growth as set out in the following pages which describe each of our investment management businesses and their investment performance and growth in 2014.

OVERVIEW

Established in 1987, AHL is a leading quantitative investment manager with assets under management of $14.4 billion employing over 100 investment professionals at its base in London and additional offices in Oxford, Hong Kong and Pfäffikon.

AHL offers a range of alternative and long only investment strategies ranging from multi-asset momentum and multi-strategy programmes to specialist sector based strategies. AHL Alpha ($3.1 billion) and AHL Diversified ($4.7 billion) are AHL's most diversified trend following programmes trading a broad range of liquid instruments. AHL Evolution ($2.8 billion) applies AHL's established momentum strategies to markets not traditionally accessed by CTAs, such as Interest Rate Swaps, Credit Default Swaps, power and options. In total, the flagship momentum strategies account for 74% of FUM.

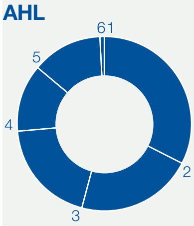
Of the non-momentum programmes, AHL Dimension ($1.8 billion) is a multi-strategy quantitative programme which allocates to a blend of technical, systematic, fundamental and momentum strategies. With assets totalling $2.0 billion, AHL's specialist strategies include Equity index plus, a systematic alpha capture strategy that analyses brokers' based trade ideas, and Tail Protect, a systematic long only tail risk strategy that trades volatility instruments.

2014 PERFORMANCE & GROWTH

2014 has been an exciting year at AHL yielding excellent performance, which drove a 21% increase in FUM, interesting research and new fund launches.

Whilst AHL's traditional momentum programmes (AHL Alpha and AHL Diversified) have suffered in recent years at the hands of unprecedented levels of central bank intervention and increased correlation across markets, 2014 saw this change. The re-emergence of trends across AHL's core markets and correlation lower than it has been at any time post the Global Financial Crisis created a near perfect environment for trend-followers. As a result, the AHL Alpha strategy returned 22.8% and the higher volatility AHL Diversified strategy was up 33.8%. Long fixed income exposure led the way as yields continued to fall, with further gains coming as a strengthening US economy benefited the strategies' long USD exposure. News in the final months of 2014 was dominated by the continued decline in oil prices, a trend that paid off well for the funds' short position.

AHL



	US$bn
1. Diversified (including guaranteed)	4.7
2. Alpha	3.1
3. Evolution	2.8
4. Dimension	1.8
5. MSS Europe	1.9
6. Other specialist styles	0.1
Total	**14.4**

Once again, AHL Evolution had a strong year returning 20.3% and, following another year of significant inflows, it was soft closed in September 2014, with assets standing at $2.8 billion. AHL's multi-strategy programme, AHL Dimension, generated 16.7% in 2014 taking advantage of both trending markets, but also the diversification brought from the programme's fundamental and technical strategies. Assets doubled over the year with a mix of inflows from new and existing investors. Performance of the specialist strategies was mixed over the year. Despite the Alpha Capture funds generally performing well, they were below benchmark for the year. However, the Tail Protect strategy outperformed its benchmark and the AHL Currency strategy was up 58.0% for the year.

The AHL business continues to win institutional mandates and there has been a significant shift from retail to institutional investors over the last few years. We broadened our UCITS range in 2014, adding directional equity, volatility, multi-strategy and risk parity funds to our existing multi-asset momentum offering. 2014 was also an exciting year for partnerships with the launch of two new funds in two very different jurisdictions. First off was a 40-Act product (a retail alternatives product sold to US investors) launched in partnership with American Beacon in the US, providing access to the multi-billion dollar mutual fund market. Later in the year came a dedicated product for the onshore China market which trades momentum on a number of Chinese futures markets.

OVERVIEW

Established in 1991 and with research and investment staff based in London, New York, Tokyo, Guernsey and Pfäffikon, FRM is a fund of hedge fund manager with assets under management of $11.3 billion.

FRM has 58 research and investment staff who provide a full range of hedge fund investment services and capabilities to help clients invest in and maximise the benefits they receive from hedge funds. FRM's managed account platform, refined over 16 years and with $7.7 billion in assets under management is a core component of the product offering, providing access, transparency and risk control in 63 hedge fund managers.

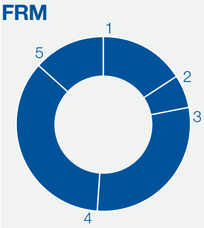
FRM manages $5.5 billion in commingled funds where we offer a range of portfolios to cater for different risk return profiles including multi-strategy portfolios and a range of thematic solutions across relative value, equity long short, Global macro and alternative beta strategies. We have a long history of developing client bespoke mandates and manage $3.3 billion in these segregated accounts. FRM's direct access capabilities enable clients to invest directly in single managers or build customised portfolios from a selection of managers and we have $0.7 billion of assets in this category. Finally we have $1.8 billion of infrastructure mandates where clients have access to FRM's risk, operational and administrative services for custom managed account solutions.

PERFORMANCE & GROWTH

FRM's assets decreased by 6% during the year with net outflows being partially offset by the inclusion of Pine Grove's assets.

From a performance perspective FRM's quantitative strategies outperformed their discretionary strategies in 2014, with both managed futures and statistical arbitrage managers ending the year with strong returns. The performance in FRM's diversified portfolios was positive, but marginally below target with the FRM diversified II strategy up 2.7%. Portfolios investing via managed accounts with higher concentration performed better and client specific portfolios performed broadly in line with commingled portfolios. Thematic portfolio performance was strong, with the managed futures portfolio having its strongest annual performance since 2008 (the FRM Sigma strategy was up 22.2%) and the Statistical Arbitrage portfolio enjoying another mid-single digit positive year (the FRM Equity Alpha strategy was up 6.4%).

FRM



	US$bn
1. Infrastructure managed account	1.8
2. Direct access managed account	0.7
3. Segregated	3.3
4. Diversified FoHFs (including guaranteed)	4.0
5. Thematic FoHFs	1.5
Total	**11.3**

2014 has seen a number of positive developments at FRM. Firstly in early June we announced the acquisition of Pine Grove, a US-based fund of hedge fund manager specialising in the management of credit-focused hedge fund portfolios with approximately $1.0 billion of assets under management. Pine Grove will further enhance our presence in the US and add to FRM's fund of hedge funds business, reinforcing our efforts to offer clients a wide variety of investment opportunities including SEC-registered US 40 Act funds and complementary fund of hedge fund products. Secondly, following on from its launch in late 2013, the second phase of our risk and transparency reporting software for managed accounts has continued to extend the service we can offer to managed account platform investors. This is now increasingly recognised by the market place and new mandates are being won in a highly competitive market.

Finally, in December 2014 we announced that Merrill Lynch had selected FRM as the steward of its $1.2 billion portfolio of multi-strategy and strategy-focused funds, supported by a proven distribution platform. We look forward to continuing to deliver high quality products and services to Merrill Lynch's clients, while expanding the investor base globally as investors increasingly seek exposure to alternative investments through managers like Man Group.

OVERVIEW

Established in 1995, based in London and with investment teams in New York, Hong Kong and Pfäffikon, GLG is a discretionary fund manager with assets under management of $30.5 billion and around 120 investment professionals.

GLG manages a diverse range of alternative and traditional investment strategies that focus on equities and credit as well as multi-asset investment strategies.

Equities: GLG's equities business comprises a range of alternative and long only strategies with investment expertise covering each of the major regions and specialist sectors. A wide range of investment approaches and styles are pursued by the various investment teams.

Credit: GLG's alternative and long only credit strategies span the credit spectrum and capital structure. Our alternative credit strategy incorporates a diverse range of approaches and asset classes including relative value, distressed debt, event driven, capital structure arbitrage and convertible bond arbitrage strategies. Our long only credit strategies include investing in corporate bond, convertible bond and asset-backed securities with a range of approaches applied to each.

Multi-asset: GLG's Multi-asset strategies consist of alternative and long only strategies. Our multi-asset strategies comprise a variety of investment approaches and styles.

PERFORMANCE & GROWTH

GLG's assets increased slightly during the year with strong inflows, particularly in the first half of the year, being offset by currency movements.

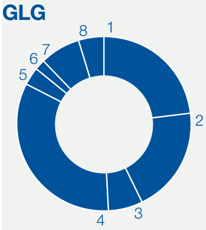
Performance across GLG's range of strategies was mixed in 2014. In equities, GLG's equity long short strategies had a weak year in 2014 with performance ranging from +4.2% to -6.3%. In particular the largest long short strategy had a difficult second quarter, with the factor rotation in technology stocks being a key driver in the underperformance. GLG's equity long only strategies performed well in 2014. The Japan CoreAlpha strategy was up 7.7%, slightly below its benchmark, whilst the European and UK equity strategies were well ahead of their respective benchmarks. The Undervalued Asset strategy was up 3.7% compared to the FTSE All Share Index which was up 1.2%, whilst the European Equity long only strategy was up 7.8% compared to the MSCI Europe Index which was up 4.5%.

The majority of GLG's credit strategies started the year well but experienced a difficult third quarter and were not able to regain ground in the remainder of the year resulting in Euro Distressed being down 4.6% and Market Neutral being down 7.4%. The Cross Asset Value strategy (CRAVE) had a better year ending up 4.7%. The Strategic Bond strategy was up 4.5% well ahead of its LIBOR benchmark.

Throughout the year we continued to look for talent to broaden out the alternatives and long only product offering. On the alternatives side, Pierre-Henri Flamand joined at the beginning of June and is focused on a global catalyst-driven strategy across the capital structure and we added several new hires into our Equity long short strategy. In our long only business, Rory Powe joined the European equity team managing a focused European equity long only strategy.

In January 2015 we completed the acquisition of Silvermine, a Connecticut-based leveraged loan manager with $3.8 billion of funds under management across nine active collateralised loan obligation (CLO) structures. The acquisition of Silvermine will further expand our existing credit business and position us to benefit from strong demand for US CLOs and other credit strategies. As part of Man Group, Silvermine will benefit from our infrastructure, distribution and access to capital and the acquisition will bring meaningful advantages to our investors by further diversifying our offering.

GLG



	US$bn
1. Equity alternative	7.1
2. Credit alternative	6.5
3. Multi-asset alternative	0.9
4. Japan long only equity	10.2
5. Global equity long only	1.3
6. Europe equity long only	1.1
7. UK equity long only	0.6
8. Fixed income long only	2.8
Total	**30.5**

CEO's performance review
continued

OVERVIEW

In September 2014 we completed the acquisition of Numeric, a Boston-based quantitative equity manager with $16.7 billion of funds under management across a range of long only and long short, fundamentally based strategies. Numeric has an excellent track record of performance across these strategies and has seen substantial growth over the past two years.

Numeric manages four main categories of equity strategies across long only and alternatives as set out in the chart below. Numeric's fundamentally-driven systematic investment process seeks to outperform the market by buying inexpensive stocks with improving fundamentals and catalysts for growth. The firm generates alpha by outperforming regional and global benchmarks in the US, Europe, Japan and Emerging Markets, and by delivering returns from its long short market neutral strategies. Numeric manage assets for institutional clients globally, including corporate and public pension plans, foundations, endowments, and sovereign funds.

One of Man Group's core strategic objectives is to build a broader-based quantitative platform across alternatives and long only, momentum, technical and fundamental strategies. The acquisition advances this objective by creating a diversified, global quantitative investment management platform comprising AHL and Numeric with over $30 billion of funds under management with a balance between value, momentum and technical based strategies. Another of our core strategic objectives is to expand our presence in the US. The addition of the Numeric business helps us to establish a credible investment footprint in North America, through a recognised brand, a presence in an important investment centre and relationships with over 25 US-based institutional clients.

In addition, Numeric's strong investment track record of relative and absolute performance and the scalability of their wide range of long only and market neutral strategies provide the opportunity to leverage Man Group's global distribution capability to grow Numeric's asset base over time. The firm has a highly experienced and well regarded team and there is a strong cultural fit with Man Group. The Numeric management team is led by Mike Even who is the Chief Executive Officer, Robert Furdak who is Co-CIO and Director of Portfolio management and Shanta Puchtler who is Co-CIO and Director of Research. Together these individuals are responsible for the ongoing management of the Numeric business within the enlarged group and Mike and Shanta have been appointed to Man Group's Executive Committee.

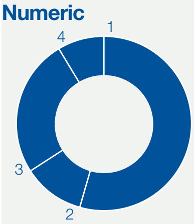
PERFORMANCE & GROWTH

From the point of acquisition in September 2014 to the end of the year Numeric's assets grew by 10% driven by strong sales into their long only and alternatives strategies.

From a performance point of view, Numeric had a very good 2014. Since Numeric manages a variety of strategies that encompass many markets it is hard to make sweeping generalisations, but Numeric's average client portfolio out-performed its benchmark by 3% before fees. The stronger performing strategies for 2014 were the active extension (130/30) strategies that outpaced their respective benchmarks by double-digit percentages, before fees. This out-performance adds to a strong long-term performance track record for Numeric's strategies and based on annualised returns, over 90% of Numeric's current quantitative strategies have historically outperformed their selected benchmark over one, three and five years[1].

No change has been made to Numeric's investment committee or investment process as a result of the acquisition however work has already begun to take advantage of various Man Group capabilities. Current efforts include integration of infrastructure, globalisation of compliance efforts, research collaboration with the Group's other investment businesses and leveraging some of its technology and distribution capabilities.

Numeric



	US$bn
1. Global long only	9.1
2. Emerging markets long only	1.9
3. US long only	4.3
4. Long short	1.4
Total	**16.7**

1 Not all current strategies have performance track records for the full three and five year periods, but they have outperformed their selected benchmark for the periods during which they existed.

Progress against strategic objectives (continued)

Distribution effectiveness

The flow picture improved from 2013 with net inflows of $3.3 billion in the year. Gross sales were $21.9 billion, an increase of 36% compared to 2013 with the increase coming from flows into GLG alternatives and long only strategies linked to strong performance in 2013, as well as sales of Numeric products post acquisition. The majority of the demand continues to come from institutions with institutional sales constituting 63% of total sales. As a result our flows are becoming much more lumpy in nature and one or two mandates can skew the quarterly numbers significantly. The large institutional sales during 2014 included $1.0 billion into the GLG European Long Short strategy, $1.0 billion into a bespoke AHL mandate, $0.8 billion into the GLG Strategic Bond strategy, $0.7 billion into an FRM managed account and $0.5 billion into AHL Dimension. Redemptions were $18.6 billion in the year, down from $19.7 billion in 2013 but reflecting mixed levels of absolute investment performance across the product range.

At AHL the marketing of the Evolution strategy continued to progress well with sales of $1.5 billion during the year and we started marketing the Dimension strategy raising $500 million from an institutional client in the first half of the year. Despite the strong performance across the AHL product range in 2014 we do not expect to see a meaningful pick-up in retail demand for our traditional momentum products until later in 2015, providing performance holds. Currently early stage interest is coming from institutions and the AHL business has seen a significant shift from retail to institutional investors over the past few years.

We saw significant growth in GLG assets in the first half of 2014 off the back of good performance in 2013 with continued flows into strategies that sold well in 2013 including European Long Short, Japan CoreAlpha and Euro Distressed. In addition, following strong performance since launch in November 2011 $2.0 billion was raised into the Strategic and Flexible Bond strategies during the year, $600 million was raised into the Global Long Short strategy which launched in October 2013, $300 million into the Undervalued Asset strategy and $200 million into CRAVE which has reached its target level of asset raising following strong performance in 2013.

At FRM we have made progress in the managed accounts business with $1.5 billion of sales in 2014 and we have a substantial new mandate from a large institution which will fund in the course of 2015. In Japan, where the client interest is for direct co-investment into our existing platform, we raised $700 million into FRM Diversified strategies. Redemptions from the legacy multi manager business which totalled $1.7 billion in the year continue to be a drag on the business and other redemptions of $2.6 billion resulted in a net outflow at FRM in the year.

Asset raising at Numeric continues to progress well and since acquisition $2.1 billion of assets have been sold into their various strategies. We are developing a number of UCITS strategies for sale to high net worth and institutional clients around Europe.

The US remains a key focus for us from a distribution perspective and, as outlined earlier, the Numeric, Pine Grove, Silvermine and BAML acquisitions will help us with this effort, with Numeric in particular adding presence in an important investment centre and relationships with a range of institutional clients.

We continue to restructure our retail distribution infrastructure and during the year our retail sales offices in Canada and the Netherlands were sold to the management teams in those regions. We maintain a strong ongoing relationship with these teams enabling us to continue to sell Man Group products through these channels.

Efficiency

The cost saving programme announced in 2012 and 2013 was completed during the year. 2014 total fixed costs were $297 million (excluding one quarter's costs for Pine Grove and Numeric), versus the $305 million like-for-like target set for 2015. 2014 fixed compensation costs (excluding Numeric and Pine Grove) were $151 million, versus the $161 million target for 2014. 2014 other cash costs (excluding Numeric and Pine Grove) were $146 million, versus the $169 million target for 2014. Underlying cost saving targets for 2015 remain unchanged, despite being ahead of schedule versus the targets for 2014. The inclusion of the fixed costs related to the acquisitions of Numeric, Pine Grove, the BAML fund of funds and Silvermine and the effect of Sterling weakness against the US Dollar, give a pro-forma cost base of $370 million for 2015. We feel we are running the business as efficiently as is appropriate given the range of opportunities we are pursuing and going forward, we do not expect any further reductions in our fixed cost base unless there is a material change in our operating performance or business environment.

Our balance sheet remains strong and liquid with net tangible assets of $0.8 billion or 48 cents per share at 31 December 2014. Gross cash was $0.7 billion compared to $1.0 billion at the end of 2013 and the committed revolving credit facility of $1,525 million is available and undrawn. In September 2014 we issued $150 million of Tier 2 debt to fund the expansion of our seeding programme. We completed the $115 million share repurchase announced in February 2014 at an average price of 99.7 pence, buying back 68.8 million shares. Surplus capital at 31 December 2014 was $419 million with the majority of the decrease from the December 2013 position of $760 million being due to the acquisitions of Numeric and Pine Grove which utilised $345 million of surplus capital.

I would like to thank the management team and everyone at Man for the commitment, expertise and hard work they have contributed this year enabling the firm to make substantial progress on each of our strategic objectives. Our people are the basis for our success and the foundations of our future. In 2014 we delivered a set of business principles which were designed to distil and define the firm's key priorities, focus and culture. The principles are being formally launched across the firm in the first quarter of 2015 and will be displayed in our offices internationally to promote a common understanding of the firm's values.

Outlook

We continue to operate in a challenging and uncertain environment. However after the significant progress made against our strategic objectives in 2014, we are better positioned as a group to grow our business profitably over time. We have a more diversified offering to clients and a range of attractive options for growth. If we are able to deliver superior risk adjusted returns for our clients, as we were able to in particular in our quantitative businesses last year, we will be able to grow assets steadily by leveraging our global distribution. As we continue to manage our business and balance sheet efficiently, we can in turn provide attractive returns for our shareholders. In the meantime, we remain cautious in our outlook, given the ongoing volatility of the markets in which we operate.

The Strategic report is set out on the inside front cover and on pages 1 to 29.

By order of the Board

Emmanuel Roman
Chief Executive Officer

CFO's financial review

Jonathan Sorrell, Chief Financial Officer

In 2014 we have seen the benefits of the progress on the delivery of our strategy with improved profitability, a full year of net inflows and growth in FUM.

Overview
Our financial results in 2014 reflect the strong run of absolute performance from AHL's traditional momentum strategies, which more than compensated for mixed performance in GLG's discretionary alternative strategies, together with the acquisitions of Numeric and Pine Grove in the second half of the year.

Funds under management (FUM) increased by 35% from $54.1 billion at the beginning of the year to $72.9 billion at 31 December 2014. We added $16.2 billion of FUM through the acquisitions of Numeric and Pine Grove, and the remainder of the increase in FUM reflects net inflows in every quarter of the year ($3.3 billion) and positive investment performance ($3.6 billion), partly offset by significantly adverse foreign currency movements ($4.3 billion).

Net management fee revenues decreased by 14% from $822 million in prior year to $706 million in 2014, and performance fee revenues have increased by 76% from $193 million to $340 million, 80% of which were generated by AHL. As expected, management fee margins for our quant alternative products declined during the year given a mix shift toward lower margin institutional assets and, coupled with the continuing mix shift away from the high margin guaranteed products, this resulted in the average net management fee margin decreasing by 36 basis points from the prior year.

Total costs were down 17%, and within this total fixed costs were down 20% due to the continued implementation of the Group's cost savings programme. As a result of these revenue and cost drivers, our adjusted profit before tax was $481 million, up 62% from the prior year, and adjusted diluted earnings per share were 24.4 cents (2013: 14.1 cents). Our statutory profit before tax was $384 million (2013: $56 million), reflecting adjusting items of $97 million, which primarily relate to amortisation of purchased intangible assets and acquisition related costs.

Strategically, we are focused on operating our business as efficiently as possible and managing our balance sheet effectively, whilst maintaining its strength and liquidity. We have made significant progress in respect of these two objectives during 2014.

We have completed the execution of our cost savings programme ahead of schedule, delivering our 2015 target fixed cost base during the second half of 2014. Total fixed costs in H2 2014, excluding Numeric and Pine Grove, were $143 million, or $286 million on an annualised basis, versus a target for 2015 of $305 million. We believe we are operating our business as efficiently as is appropriate for the set of business opportunities we are pursuing and no additional reductions are expected unless there are changes in operating performance or the business environment.

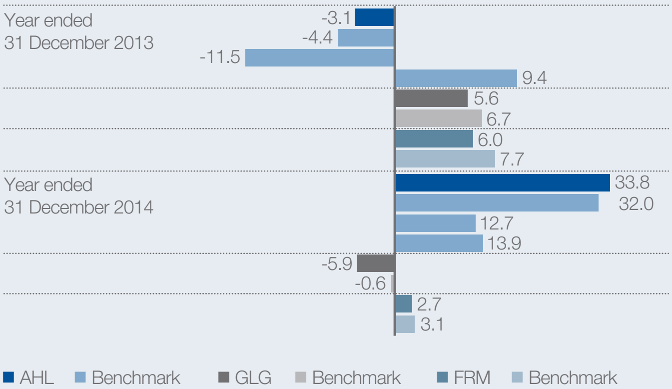
Our balance sheet continues to be strong and liquid, with a regulatory capital surplus of $419 million at 31 December 2014 and a net cash position of $589 million. During the year we continued to enhance the efficiency of our capital and funding. In the first half, we executed a $115 million share repurchase, acquiring 4% of our issued share capital, whilst in the second half, we financed the expansion of our seed capital activity with the issuance of $150 million of lower Tier 2 capital.

Key performance indicators (KPIs)
Our financial KPIs illustrate and measure the relationship between the investment experience of our fund investors, our financial performance and the creation of shareholder value over time. Our KPIs are used on a regular basis to evaluate progress against our four key priorities: performance, growth, distribution, and efficiency.

The results of our KPIs this year again reflect a volatile operating environment, with stronger investment performance for AHL and weaker performance for GLG, but an improvement in net flows off the back of strong GLG performance in 2013. The general product mix shift from higher margin retail assets to lower margin institutional assets has continued to have an adverse impact on management fee margins and revenue, but the continued reduction in our cost base has reduced the impact on our profitability and EPS growth.

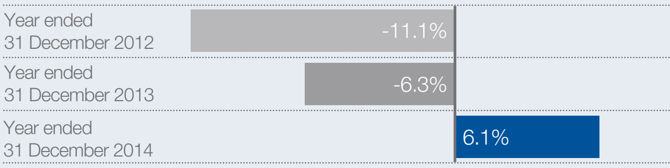
Key performance indicators

Investment performance %
Target: key fund vs benchmark



The investment performance KPI measures the net investment performance for our three managers (AHL, GLG, and FRM), represented by key funds, against relevant benchmarks. The target for this KPI is to exceed the relevant benchmarks. The key funds and the relevant benchmarks are AHL Diversified vs. three key peer asset managers for AHL (the target being to beat two of the three peers), the GLG Alternative Strategies Dollar-Weighted Composite vs. HFRX for GLG and FRM Diversified II vs. HFRI Fund of Funds Conservative Index for FRM. The performance of the key funds compared to the benchmarks 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. We achieved one out of the three performance targets. AHL met the target for 2014 as the performance of its key fund exceeded all three of the relevant peer benchmarks. FRM and GLG were both below the benchmark in 2014. Further investment performance information is provided on pages 9 to 12.

Net flows %
Target: 0%–10% net inflows

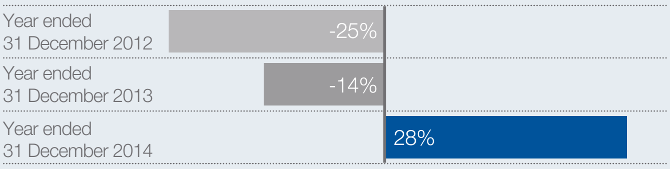


This KPI measures net FUM flows for the period as a percentage of opening FUM, with net flows defined as gross sales less gross redemptions. Net flows are the measure of our ability to attract and retain investor capital. FUM drives our financial performance in terms of our ability to earn management fees. Net flows were within the target range in 2014 with a net inflow of 6.1%, compared to a net outflow of 6.3% for the year to 31 December 2013. The improvement in flows in 2014 reflects strong asset raising in GLG products in the first half of the year off the back of strong performance in 2013, as well as inflows into Numeric and AHL products in the second half of the year.

Adjusted management fee EBITDA margin %
Target: 25%–40%

This KPI measures adjusted management fee EBITDA as a percentage of net revenues (gross management fee revenue and income from associates less external cash distribution costs). Our adjusted management fee EBITDA margin is a measure of our underlying profitability. The adjusted management fee EBITDA margin of 30.3% was within the target range for the year ended 31 December 2014. This margin has been declining as a result of the roll off of higher margin guaranteed product FUM and the general product mix shift from higher margin retail assets to lower margin institutional assets.

Adjusted management fee EPS growth %
Target: 0%–20% + RPI



This KPI measures our adjusted management fee EPS growth, where adjusted management fee EPS is calculated using post-tax profits excluding net performance fees, divided by the weighted average diluted number of shares. Adjusted management fee EPS growth measures the overall effectiveness of our business model, and drives both our dividend policy and the value generated for shareholders. The adjusted management fee EPS growth of 28% was above the target range for 2014 (target of 0% – 20% plus RPI of 1.6%), compared to -14% in 2013, which has increased primarily as a result of the significant reduction in costs, including lower finance expense, and to a lesser extent the acquisitions of Numeric and Pine Grove and the share repurchase programme undertaken in the first half of the year.

CFO's financial review continued

Funds Under Management (FUM)

	Alternative			Long only				
$bn	Quant (AHL/ Numeric	Discretionary (GLG)	Fund of funds (FRM)	Quant (AHL/ Numeric)	Discretionary (GLG)	Total excluding Guaranteed	Guaranteed	Total
FUM at 31 December 2013	**8.9**	**16.3**	**11.3**	**1.5**	**13.8**	**51.8**	**2.3**	**54.1**
Sales	3.6	7.2	2.3	2.3	6.5	21.9	–	21.9
Redemptions	(2.8)	(5.9)	(4.3)	(0.5)	(4.4)	(17.9)	(0.7)	(18.6)
Net inflows/(outflows)	**0.8**	**1.3**	**(2.0)**	**1.8**	**2.1**	**4.0**	**(0.7)**	**3.3**
Investment movement	2.3	(0.5)	0.7	–	0.8	3.3	0.3	3.6
Foreign currency movement	(0.4)	(1.3)	(0.5)	(0.7)	(1.2)	(4.1)	(0.2)	(4.3)
De-gearing and other movements	0.2	(1.3)	0.3	–	0.5	(0.3)	0.3	–
Acquisition of Numeric and Pine Grove	1.1	–	1.0	14.1	–	16.2	–	16.2
FUM at 31 December 2014	**12.9**	**14.5**	**10.8**	**16.7**	**16.0**	**70.9**	**2.0**	**72.9**
Gross management fee margin for year ended 31 December 2014	**2.2%**	**1.4%**	**0.9%**	**0.3%**	**0.9%**	**1.2%**	**5.2%**	**1.3%**
Gross management fee margin for year ended 31 December 2013	2.8%	1.4%	1.0%	0.3%	1.0%	1.5%	5.2%	1.8%
Net management fee margin for year ended 31 December 2014	**1.9%**	**1.2%**	**0.9%**	**0.3%**	**0.7%**	**1.1%**	**4.1%**	**1.1%**
Net management fee margin for year ended 31 December 2013	2.3%	1.2%	0.9%	0.3%	0.7%	1.2%	4.4%	1.5%

Total FUM increased by $18.8 billion during the year, with the acquisition of Numeric and Pine Grove adding $16.2 billion of assets in Q3 2014. The remaining increase of $2.6 billion is a result of positive investment performance of $3.6 billion and net inflows of $3.3 billion, partly offset by negative foreign exchange movements of $4.3 billion (due to the fact that 46% of the Group's closing FUM is in non-US Dollar currencies).

Quant alternative products (AHL/Numeric)

Quant alternative FUM increased by 45% to $12.9 billion during the year to 31 December 2014, primarily as a result of positive investment performance of $2.3 billion and the acquisition of Numeric, which added $1.1 billion. Sales were $3.6 billion, which included a significant investment by a large institutional Asia Pacific investor into a bespoke AHL mandate, $1.5 billion into AHL Evolution, $500 million into AHL Dimension and $300 million into various of Numeric's alternative strategies. The majority of the redemptions of $2.8 billion were from retail investors in AHL Diversified and AHL Alpha. AHL's main programmes were up between 16.7% and 33.8% in the year, which resulted in positive investment performance of $2.3 billion. At 31 December 2014, 75% of quant alternative FUM was denominated in US Dollars and 11% was in Australian Dollars.

Discretionary alternative products (GLG)

Discretionary alternatives FUM decreased by $1.8 billion during the year. Net inflows of $1.3 billion were mainly into fixed income and equity long short strategies in the first half of the year linked to strong performance in 2013. Negative foreign exchange movements of $1.3 billion related primarily to the strengthening of the US Dollar against the Euro and Sterling. At 31 December 2014, 45% of Discretionary alternative FUM was denominated in US Dollars, 49% was in Euro and 3% was in Sterling. The negative investment performance of $500 million was primarily in relation to equity long short strategies. The negative other movements of $1.3 billion relate to $900 million of Pemba and Ore Hill maturities during the year and a $400 million reclassification to Discretionary long only.

Fund of funds products (FRM)

Fund of funds FUM has remained broadly flat this year. Sales of $2.3 billion included $700 million from one client into a separate managed account and $500 million into infrastructure mandates. Redemptions of $4.3 billion included $1.7 billion from legacy Man Multi-Manager products and $1.0 billion from two institutional clients in other FRM products. The negative foreign exchange movements of $500 million related primarily to the strengthening of the US Dollar against the Japanese Yen and Euro. At 31 December 2014, 45% of alternative fund of fund FUM was denominated in US Dollars, 36% in Yen and 14% was in Euro. Positive investment performance across FRM's strategies added $700 million to FUM during the year, of which the largest contributor was FRM Diversified II, which was up 2.7% for the year. The acquisition of Pine Grove in August 2014 added $1.0 billion of FUM and there were positive other movements of $300 million in the year.

Quant long only products (AHL/Numeric)

Quant long only FUM increased by $15.2 billion during the year to $16.7 billion, primarily as a result of the acquisition of Numeric in September 2014, which added $14.1 billion of assets at acquisition. Net inflows were $1.8 billion for the year, of which $1.6 billion related to Numeric. Negative foreign exchange movements decreased FUM by $700 million primarily due to the strengthening of the US Dollar against the Euro. At 31 December 2014, 97% of quant long only FUM was denominated in US Dollars and 3% was in Euro.

Discretionary long only (GLG)

Discretionary long only FUM increased 16% to $16.0 billion during the year, driven by net inflows of $2.1 billion. Sales were $6.5 billion and included $3.8 billion into Japan CoreAlpha and $2.7 billion into other long only strategies, including $2.0 billion into the Strategic and Flexible Bond strategies. Redemptions were $4.4 billion, the majority of which were from the Japan CoreAlpha strategy. The positive investment performance of $800 million was primarily as a result of strong investment performance from Japan CoreAlpha. Positive other movements of $500 million primarily related to a reclassification from Discretionary alternatives. Negative foreign exchange movements of $1.2 billion related to the strengthening of the US Dollar against the Sterling and Japanese Yen. At 31 December 2014, 55% of discretionary long only FUM was denominated in Sterling, 29% was in Yen and 10% was in US Dollars.

Guaranteed products

Guaranteed product FUM, our highest margin product grouping, declined from $2.3 billion at 31 December 2013 to $2.0 billion in 2014. Average FUM in this category was $1.8 billion in 2014 compared to $4.6 billion in 2013, which continued to have a negative impact on revenues. There were no sales during the year and redemptions totalled $700 million. The weighted average life to maturity of the guaranteed product range is 4.5 years, with $400 million scheduled to mature in 2015 and $400 million in 2016. Investment performance for guaranteed products was positive during the year, resulting in a $300 million increase in FUM. The other movements of $300 million primarily related to guaranteed product re-gears as a result of positive investment performance. Negative foreign exchange movements reduced FUM by $200 million.

Summary income statement

$m	Year ended 31 December 2014	Year ended 31 December 2013
Management and other fees	**810**	967
Performance fees (including investment income/gains)	**367**	223
Share of after tax profit of associates	**9**	12
Distribution costs	**(104)**	(145)
Net revenue	**1,082**	1,057
Asset servicing	**(27)**	(32)
Compensation	**(391)**	(445)
Other costs	**(174)**	(238)
Total costs	**(592)**	(715)
Net finance expense	**(9)**	(45)
Adjusted profit before tax	**481**	297
Adjusting items	**(97)**	(241)
Statutory profit before tax	**384**	56
Net management fees	**198**	175
Net performance fees	**283**	122
Diluted EPS (statutory)	**20.5 cents**	2.9 cents
Adjusted net management fee EPS	**10.1 cents**	7.9 cents
Adjusted diluted EPS	**24.4 cents**	14.1 cents

Gross management fees and margins

Gross management fees were $810 million for the year ended 31 December 2014 compared to $967 million for the previous year. While average assets went up year on year, in aggregate the total gross margin decreased from 177 basis points for the year ended 31 December 2013 to 131 basis points for the year ended 31 December 2014, which was the main driver of the reduction in gross management fees. The total net management fee margin (defined as gross management fees less external distribution costs) has decreased from 150 basis points to 114 basis points over the same period. These reductions are due to reduced higher margin guaranteed product FUM, a mix shift towards institutional assets, particularly in the alternatives quant category, as well as the inclusion of Numeric's assets which have a blended margin of around 38 basis points. The reduction in margin is less at the net level as there are higher distribution costs associated with retail FUM than institutional FUM. This product mix shift and consequent reduction in overall margin is likely to continue as we sell more open ended alternative product, particularly to institutions, and there are no sales of guaranteed products.

The alternatives quant net management fee margin reduced by 39 basis points compared to the year ended 31 December 2013. This is due to the fact that over 85% of the redemptions were from investors in AHL Diversified and AHL Alpha, where the gross margin was 2% to 4%, whereas the majority of the sales were to institutional investors into AHL Evolution, AHL Dimension and AHL Alpha where the margin is 1% to 2%. In addition, the inclusion of the Numeric quant alternatives assets, which have a lower margin, has reduced the margin by around 6 basis points. Looking forward, we expect this mix shift towards institutional assets to continue and hence the margin to decline further.

Net management fee revenue

$m	Year ended 31 December 2014	Year ended 31 December 2013
Quant alternatives	**188**	226
Discretionary alternatives	**207**	181
Fund of fund alternatives	**96**	119
Quant long only	**20**	5
Discretionary long only	**109**	79
Guaranteed	**73**	202
Other income[1]	**13**	10
Net management fee revenues	**706**	822

1 Other income primarily relates to distribution income from externally managed products.

CFO's financial review continued

Net management fee margins in the alternative discretionary and fund of funds categories remained consistent compared to 2013. Looking forward we would expect the alternatives fund of fund margin to trend down as we see a greater proportion of sales into managed account mandates where the margin is 30 to 50 basis points.

The long only quant net management fee margin has remained consistent with the prior year at 33 basis points as the Numeric assets acquired in September 2014 have a similar margin to the existing long only quant FUM.

The long only discretionary net management fee margin also remained consistent with 2013.

The guaranteed product net management fee margin has decreased by 31 basis points compared to the year ended 31 December 2013 as a result of accelerated amortisation of placement fees related to redemptions and the net de-gear in the first half of the year. Excluding the impact of the accelerated amortisaton, the net margin would be 456 basis points versus 446 in 2013.

Performance fees (including investment income/gains)

Gross performance fees for the year were $340 million, $272 million from AHL (including $25 million relating to guaranteed products), $37 million from GLG, $23 million from Numeric and $8 million from FRM. Numeric performance fees included $9 million of performance fees that were accrued but uncrystallised at the point of completion of the acquisition. At 31 December 2014, around 97% of AHL open ended products ($11.2 billion) were above performance fee high water mark and of the $6.2 billion performance fee eligible Numeric products, 98% were outperforming the relevant benchmark at 31 December 2014. Around 11% of eligible GLG assets ($1.5 billion) were above high water mark and around a further 48% ($6.4 billion) within 5% of earning performance fees, and FRM performance fee eligible products were on average approximately 3% below high water mark.

Man Group benefits from a portfolio of performance fee streams across a variety of strategies that are charged on a regular basis at different points in the year. 90% of AHL FUM is performance fee eligible, of which 64% have performance fees that crystallise annually, 22% daily or weekly, and 14% monthly. The majority of GLG's performance fees crystallise semi-annually in June or December. Around 50% of Numeric performance fee eligible FUM crystallises annually in November, with the remainder crystallising at various points during the year.

Investment gains of $27 million primarily relate to gains on seed investments.

Distribution costs

Distribution costs comprised $89 million of investor servicing fees and $15 million of placement fees.

Investor servicing fees are paid to intermediaries for ongoing investor servicing. Servicing fees have decreased from $130 million in 2013 to $89 million in 2014 primarily as a result of the roll-off of guaranteed product FUM and a mix shift towards institutional assets, particularly in the alternatives quant category.

Placement fees are paid for product launches or sales and are capitalised and amortised over two to five years, unless the FUM is redeemed or the placement fee is deemed to be impaired as a result of negative investment performance and de-gearing. Capitalised placement fees at 31 December 2014 were $5 million, down from $20 million in the prior year, with a weighted average remaining amortisation period of 1.9 years. The reduction in capitalised placement fees is due to the amortisation charge recognised for the period, early redemptions of guaranteed products and limited new payments.

Asset servicing

Asset servicing costs (including custodial, valuation, fund accounting and registrar functions) were $27 million (2013: $32 million). Asset servicing costs equate to around 4 basis points on FUM and vary depending on transaction volumes, the number of funds, and fund NAVs. The reduction in asset servicing costs, despite an increase in average FUM, is primarily a result of contract renegotiations in the latter half of 2014.

Compensation costs

Compensation costs comprise fixed base salaries, benefits, variable bonus compensation (cash and amortisation of deferred compensation arrangements) and associated social security costs. Compensation costs in total, excluding adjusting items, were 36% of net revenue, down from 42% in the previous year due to a lower proportion of GLG revenues, in particular in relation to performance fees.

Fixed compensation and benefits were $155 million for the year compared to $188 million for the year to 31 December 2013, a reduction of 18%. The $33 million decrease in fixed compensation is a result of the Group's cost savings initiatives, partially offset by the inclusion of Numeric and Pine Grove salaries costs since acquisition of $4 million. Variable compensation costs were $236 million for the year, compared to $257 million for the previous year. The decrease in variable compensation costs of $21 million is a result of lower performance fee related compensation, and the impact of a change in application of the deferred compensation accounting policy which has a $17 million impact (for further details see Note 6 to the financial statements). This has been partially offset by the inclusion of Numeric and Pine Grove bonus costs of $17 million since acquisition.

Other costs

Other costs, excluding adjusting items, were $174 million for the year compared to $238 million for the year to 31 December 2013, a reduction of 27%. These comprise cash costs of $150 million (2013: $191 million) and depreciation and amortisation of $24 million (2013: $47 million). The $41 million, or 21%, decrease in cash costs reflects reduced costs as a result of the Group's cost savings initiatives (see Note 7 to the financial statements), and the $23 million decrease in depreciation and amortisation is due to lower capital expenditure in recent years largely as a result of the integration of business operating platforms, as well as the acceleration of leasehold improvements and equipment in 2013 due to the subletting of office space in Riverbank House. There were additional Other costs in relation to the Numeric and Pine Grove businesses of $4 million during the year, excluding adjusting items that were deal-related.

Net finance expense

Net finance expense, excluding adjusting items, was $9 million for the year (2013: $45 million). The decrease is largely due to a $28 million charge relating to debt buybacks made in 2013 and interest expense on the related debt of $22 million during that year. This decrease has been partially offset by lower interest income, due to lower cash balances in 2014, and $3 million of interest payable on borrowings in relation to the ten-year fixed rate reset callable guaranteed subordinated notes (Tier 2 capital) issued in September 2014. Finance expense includes an annual $4 million charge relating to the undrawn revolving credit facility.

Adjusted profit before taxes

Adjusted profit before tax is $481 million compared to $297 million for the previous year. The adjusting items in the year of $97 million (pre-tax) are summarised in the table below and detailed in Note 2 to the financial statements. The directors consider that the Group's profit is most meaningful when considered on a basis which excludes restructuring costs, impairment of assets, acquisition and disposal related items (including non-cash items such as amortisation of purchased intangible assets and deferred tax movements relating to the recognition of tax losses in the US) and certain non-recurring gains or losses, which therefore reflect the recurring revenues and costs that drive the Group's cash flows.

Adjusting items $m	Year ended 31 December 2014
Acquisition related restructuring, professional fees and integration costs	(12)
Litigation claims	(24)
Revaluation of FRM contingent consideration	17
Amortisation of acquired intangible assets	(72)
Other adjusting items	(6)
Total adjusting items (excluding tax)	**(97)**
Recognition of deferred tax asset (see opposite)	8

The acquisition costs relate to legal and other advisory fees largely relating to the Numeric and Pine Grove transactions, as well as the costs of staff termination and integration of our operating platforms. Litigation claims include $4 million of legal fees.

The revaluation of the FRM contingent consideration is an adjustment to the fair value of expected earn-out payments, while the amortisation of acquired intangibles primarily relates to GLG, with charges of $7 million relating to the newly acquired Numeric and Pine Grove intangibles.

Net management fees and net performance fees

Net management fees of $198 million, compared to $175 million in 2013, reflect reduced expenses driven by the cost savings programme, partly offset by lower management fees related to the reduction in overall gross margin. Net performance fees of $283 million (2013: $122 million) for the year reflect the strong performance of AHL quant alternative products, partially offset by lower performance fees from GLG.

$m	Year ended 31 December 2014	Year ended 31 December 2013
Gross management and other fees	810	967
Share of after tax profit of associates	9	12
Less:		
Distribution costs	(104)	(145)
Asset services	(27)	(32)
Compensation	(310)	(344)
Other costs	(174)	(238)
Net finance expense	(6)	(45)
Net management fees	**198**	**175**
Performance fees	340	193
Gains on investments and other financial instruments	27	30
Less:		
Compensation	(81)	(101)
Finance expense	(3)	–
Net performance fees	**283**	**122**

Taxation

In the current year we recognised a tax credit of $30 million in respect of previous periods, which primarily relates to the reassessment of tax exposures associated with our Asia Pacific operations. The effective tax rate on adjusted profit for the year of 10% has increased from the previous year's rate of 7% primarily due to these adjustments representing a lower proportion of adjusted profit before tax than the $34 million tax credit recognised for 2013, which principally related to the settlement of tax returns across a number of countries. The tax rate before adjusting for prior year credits and other reconciling items was 17% (2013: 18%).

We have $191 million of realised US tax losses which we can offset against the tax on future profits from US entities. In addition, we have $362 million of goodwill and intangibles, predominantly relating to the Numeric acquisition, which will be amortised for tax purposes in the US over 15 years and which will reduce US taxable profits in future periods. Accordingly, we do not expect to pay federal tax in the US for a number of years.

Previously the US business as a whole was loss making and therefore Man did not recognise any of its accumulated $191 million US tax assets. Man has recognised a deferred tax asset of $8 million in 2014, a credit to the tax expense, as a result of acquiring Numeric which means that it is likely that the US business will earn taxable profits in the future. The proportion recognised relates only to the next three years, consistent with the Group's business planning horizon. As Man does not expect to pay federal tax for the foreseeable future, any movements through the income statement relating to accounting for this deferred tax are treated as adjusting items.

CFO's financial review continued

Cash earnings (EBITDA)

As the Group has a number of non-cash items in the income statement it is important to focus on cash earnings to measure the true earnings generation of our business. The table below gives a reconciliation of adjusted profit before tax to adjusted EBITDA. The main differences are net finance expense, depreciation, and amortisation of placement fees and deferred compensation charges relating to share and fund product awards. Our adjusted EBITDA/net revenue margin was 44.8% (2013: 37.5%), which can be divided between margin on management fees of 30.3% (2013: 36.0%) and performance fees of 73.8% (2013: 41.7%). The EBITDA management fee margin has decreased from 2013 due to the general product mix shift from higher margin retail assets to lower margin institutional assets, and the EBITDA performance fee margin has increased due to the majority of net performance fees earned in 2014 relating to AHL which attract a lower compensation ratio than GLG performance fees.

Reconciliation of adjusted PBT to adjusted EBITDA

$m	Year ended 31 December 2014	Year ended 31 December 2013[1]
Adjusted PBT	**481**	297
Add back:		
Net finance expense	**9**	45
Depreciation	**21**	39
Amortisation of capitalised computer software	**3**	8
Placement fee amortisation	**15**	15
Current year amortisation of deferred compensation	**42**	62
Less: Deferred compensation awards relating to the current year	**(79)**	(64)
Adjusted EBITDA	**492**	402

Note:
1 Adjusted EBITDA has been restated for 2013 to reflect the cash cost in relation to deferred compensation awards.

Balance sheet

The Group's balance sheet continues to be strong and liquid. At 31 December 2014, total shareholders' equity was $2.4 billion and net tangible assets were $0.8 billion. Cash and cash equivalents have decreased during the year largely as a result of the purchase of Numeric and Pine Grove ($227 million), dividends on ordinary shares ($163 million), share repurchase and associated costs ($116 million) and an increase in seeding investments ($223 million), partially offset by seeding redemptions ($89 million), the issuance of the Tier 2 notes ($149 million including costs) and other cash inflows from operating activities ($263 million). Goodwill and other intangibles have increased in 2014 due to the acquisition of Numeric and Pine Grove, partially offset by amortisation of $72 million.

The issuance of the Tier 2 subordinated notes of $150 million in September 2014 is expected to result in an annualised pre-tax interest expense of $9 million from 2015, and has increased the Group's surplus capital by around $149 million. Associated issuance costs of $1 million have been capitalised.

Balance sheet $m	31 December 2014	31 December 2013
Cash and cash equivalents	**738**	992
Fee and other receivables	**396**	388
Total liquid assets	**1,134**	1,380
Payables	**(697)**	(762)
Net liquid assets	**437**	618
Investments in fund products and other investments	**460**	323
Pension asset	**45**	71
Investments in associates	**30**	31
Leasehold improvements and equipment	**52**	68
Total tangible assets	**1,024**	1,111
Borrowings	**(149)**	–
Deferred tax liability	**(36)**	(58)
Net tangible assets	**839**	1,053
Goodwill and other intangibles	**1,595**	1,354
Shareholders' equity	**2,434**	2,407

Liquidity

Operating cash flows were $129 million during the year, with cash and cash equivalents balances of $738 million at year end. The working capital movements principally relate to an increase in seeding investments of $134 million and an increase in fee receivables at the year end of $72 million, with the remainder relating primarily to lower compensation accruals and lower redemption proceeds payable to investors.

$m	Year ended 31 December 2014
Cash at 31 December 2013	**992**
Operating cash flows before working capital movements	**463**
Working capital movements (including seeding)	**(334)**
Payment of dividends	**(163)**
Acquisition of subsidiaries, net of cash acquired	**(227)**
Share repurchase (including costs)	**(116)**
Issuance of Tier 2 notes (including costs)	**149**
Other movements	**(26)**
Cash at 31 December 2014	**738**

The committed revolving credit facility of $1,525 million is available and undrawn, with $70 million maturing on 22 July 2016, $120 million maturing on 22 July 2017, and the remainder ($1,335 million) maturing on 22 July 2018. The management of liquidity and capital are explained in Note 14 and Note 22 to the financial statements, respectively.

Going concern

The directors have concluded that there is a reasonable expectation that Man has adequate resources to continue in operational existence for the foreseeable future, and have accordingly prepared the financial statements on a going concern basis. Refer to Note 1 to the financial statements.

Regulatory capital

Man is compliant with the FCA's capital standards and has maintained significant surplus regulatory capital throughout the year. At 31 December 2014, surplus regulatory capital over the regulatory capital requirements was $419 million.

The decrease in the Group financial resources of $335 million during 2014 primarily relates to:

(1) The acquisitions of Numeric and Pine Grove, which has increased the intangibles deduction from Tier 1 capital by $345 million;
(2) The final 2013 dividend payment of $95 million;
(3) The share repurchase programme undertaken in the first half of the year of $116 million (including costs); partly offset by
(4) H1 2014 post-tax net performance fee income of $55 million (H2 2014 performance fees will be added once audited in February 2015); and
(5) The issuance of Tier 2 debt of $150 million, less capitalised costs of $1 million.

The increase in the Group financial resources requirement of $6 million primarily relates to a net increase of $34 million driven by seeding investments in fund products, partly offset by the impact of a lower capital requirement on various receivables balances.

Group's regulatory capital position

$m	**31 December 2014**	31 December 2013
Permitted share capital and reserves	**2,101**	2,311
Less deductions (primarily goodwill and other intangibles)	**(1,564)**	(1,273)
Available Tier 1 Group capital	**537**	1,038
Lower Tier 2 capital – subordinated debt[1]	**149**	–
Other Tier 2 capital	**20**	3
Group financial resources	**706**	1,041
Less financial resources requirement	**(287)**	(281)
Surplus capital	**419**	760

1 Lower Tier 2 capital is not permitted to exceed one third of Group financial resources.

Jonathan Sorrell
Chief Financial Officer

Risk management

It is a key objective of Man Group to be a leader in risk management and governance.

An integrated approach to risk management

Risk management is an essential component of our approach, both to the management of investment funds on behalf of investors, and the management of Man Group's business on behalf of shareholders.

Ultimate responsibility for risk management rests with Man Group's Board, however, accountability is embedded throughout all layers of the business. Our risk management framework requires that the business operates within acceptable risk tolerances, as defined by the Board's risk appetite. Our governance structure provides a foundation for ongoing oversight in a dynamic environment. Independent fund boards are responsible for keeping the interests of fund investors protected.

Developments in 2014

Our risk profile has not changed significantly during the year; investment underperformance continues to be the biggest risk facing the Group. A diverse product range gives Man shareholders protection against concentrated underperformance from any one sector and the Group has continued to add to our wide range of investment styles and products via a number of acquisitions (see page 8), expanding our presence in North America.

Acquisitions into the Group introduce short-term integration risks. Man Group's executive team is experienced in managing integrations and risk mitigation plans are in place. Man Group's risk and compliance teams independently review the assessment of integration risks and the appropriateness of risk mitigation plans.

In September we announced plans to increase our seeding programme. Significant progress has been made since with the launch of several new AHL and GLG funds. Whilst the Group is exposed to a decline in value of these investments, supporting the development of new products increases and diversifies revenues further.

Our operating model is reliant on technology therefore the heightened threat from cyber-crime is an area of increasing focus for the Group.

The principal risks faced by Man Group are set out on pages 24 to 25. Seeding Book Risk and the threat from cyber-crime (within 'Operational Risk') are now included in our principal risks.

Man Group is currently regulated by 18 regulators in 16 jurisdictions; the Group continues to focus on keeping our operational and risk management frameworks effective for our evolving global business. In the 'Principal risks and mitigants' section on page 24 we have noted a number of regulatory developments. Regulation continues to evolve at different paces across jurisdictions.

Our balance sheet remains strong and we continue to seek the most efficient ways to fund our regulatory capital and liquidity requirements. In September, we further improved our liquidity position by taking advantage of favourable market conditions to issue $150m of lower Tier 2 debt.

Our counterparty risk exposures at both corporate and fund level are closely monitored. Credit spreads have been tight during 2014 and the implied risk to the Group's balance sheet from counterparty defaults remains low. We are conscious, however, of the continued risk of individual events, or a downturn in market sentiment and we continue to take a conservative approach to counterparty selection.

RISK MANAGEMENT CATEGORIES

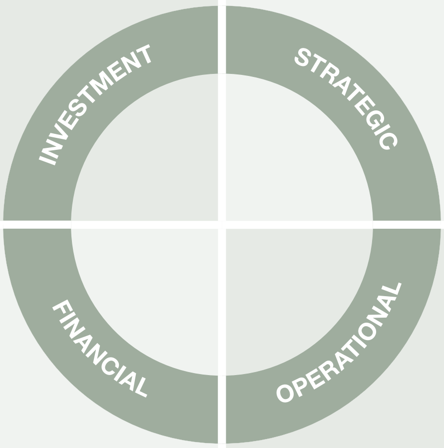
The risk of reduced funds under management due to:

- poor fund performance
- fund underperformance relative to a benchmark or peer group

Note:
This is a risk Man Group must adopt as part of its business model.

The risk that Man Group will:

- make inappropriate strategic choices
- be unable to successfully implement selected strategies
- be subject to changes which invalidate strategies and undermine the existing business model



The risk of a loss to Man Group owing to:

- adverse market movements
- counterparty failure to deliver investor or shareholder assets when due
- insufficient liquidity resources available for Man to meet its obligations

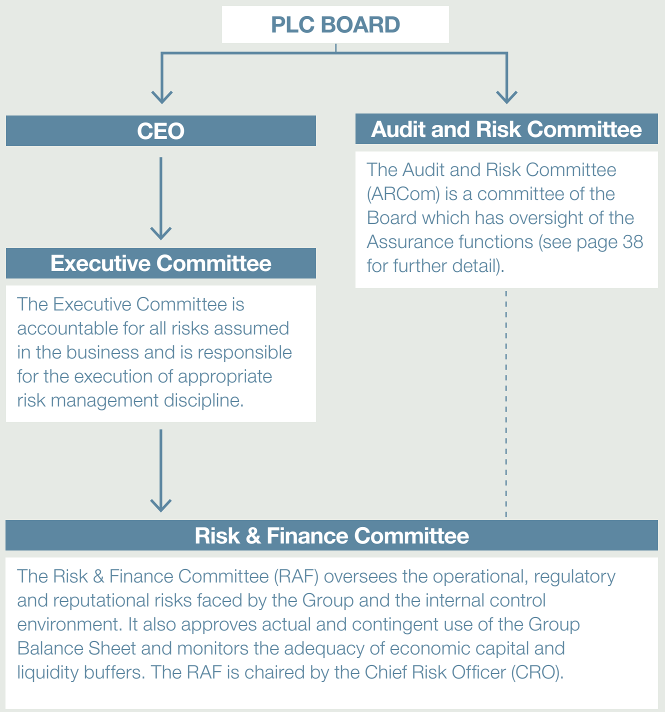
The risk resulting from:

- inadequate or failed internal processes, people or systems
- external events

Note:
This includes legal and regulatory risks.

MAN GROUP'S GOVERNANCE

The below committees have been given a mandate by the Board and the CEO to oversee the risk management framework. These committees provide assurance to the Board that risk has been managed according to the risk appetite statements:



Man's risk appetite statements

The risk appetite statements are set by the Board and cover all significant risk categories. They apply to both the investment management functions and Man Group itself. The statements express the Board's appetite for risk, promote a risk aware culture and set out objectives and boundaries for Man Group's business.

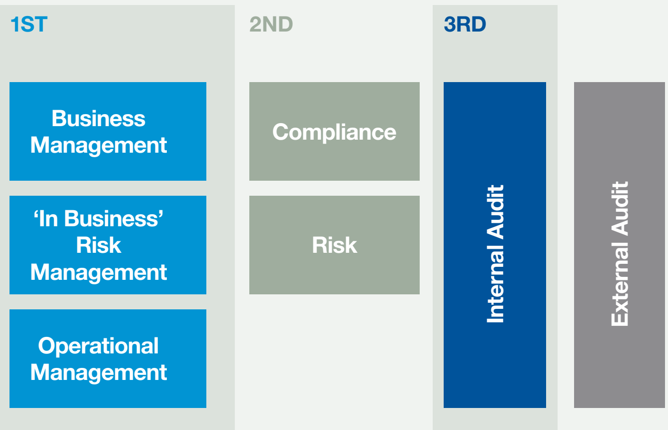
The primary goal of risk management is to support the achievement of company objectives by encouraging an appropriate balance between risk-seeking and risk-averse activities, in a controlled and regulatory compliant context.

The governance framework and control environment within the Group have been designed to manage risks in accordance with risk appetite. The Board and ARCom receive regular reporting on the Group's risk profile and adherence with risk appetite. In the event that breaches to risk appetite occur, these will be resolved in line with the firm's procedures and processes. The statements are reviewed at least annually by the Board, and were most recently updated and approved in November 2014.

A summary of the new risk appetite statements is available at www.man.com.

THREE LINES OF DEFENCE

The overall risk management framework at Man Group is based on the three lines of defence, and is overseen by the Audit and Risk Committee as delegated by the Board:



The framework instils the principles of direct responsibility for risk management in each business unit. Embedding accountability at the business level is the 'first line of defence'.

The business units are monitored by a number of risk control functions (i.e. Risk, Compliance), which form the 'second line of defence'.

The independent review and oversight provided by Internal Audit is the 'third line of defence', which independently evaluates the adequacy and effectiveness of the Group's risk management, control and governance processes.

Although Man Group and the investors in its products are susceptible to losses, we believe our risk management framework supports long-term value through the process of risk-aware decision making.

Principal risks and mitigants

RISK	MITIGANT
1. Investment underperformance risk Fund underperformance on an absolute basis, relative to a benchmark or relative to peer groups would reduce funds under management (FUM) and may result in lower subscriptions and higher redemptions. This may also result in dissatisfied clients, negative press and reputational damage. Lower FUM results in lower management fee revenue and underperformance results in lower performance fees, if any. The breakdown of Man Group's FUM and revenue margins by product line is shown on page 16. Adverse market moves and high volatility may sharply increase the demands on the liquid resources in Man Group's funds. Market stress and increased redemptions could result in the deterioration of fund liquidity and in the severest cases this could lead to the gating of funds.	This is the key risk Man Group has to accept if it is to undertake its business. Man Group's investment businesses each have clearly defined investment processes designed to target and deliver on the investment mandate of each product. Fund and manager performance is closely monitored, and we focus on hiring and retaining highly skilled professionals who are incentivised to perform within the parameters of their mandate. Man Group's diversified range of products and strategies across the alternatives marketplace mitigates the risk to the business from underperformance of any particular strategy. Man Group conducts regular liquidity tests on its funds and endeavours to manage resources in such a way as to meet all demands for fund redemptions according to contractual terms.
2. Regulatory risk Man Group offers an increasingly wide range of investment products covering multiple strategies from a global network of offices. It is licensed in 16 jurisdictions, which results in Man Group being subject to a matrix of regulations. Man Group is regulated by 18 regulators and lead regulated by the UK Financial Conduct Authority. Notable regulatory developments include the recent implementation of the EU Alternative Investment Fund Managers Directive, the upcoming implementation of UCITS V, MiFID II/MiFIR and the Markets Abuse Directive 2.	Man Group supports proportionate and thoughtful global regulation and initiatives that develop the regulatory environment. Man Group continuously assesses whether the products it markets comply with new regulations as they emerge and change. In this respect, the company conducts an independent review process for all products. Man Group continues to liaise directly and indirectly with competent authorities e.g. FCA, IOSCO, ESMA, HMT, NFA, DFSA and CSRC through its Compliance department which consists of approximately 32 specialists covering Corporate, Investment Management, Sales and Marketing and Financial Crime. Compliance is located across eight jurisdictions.
3. Discretionary trading risk The risk that investment managers either intentionally or unintentionally fail to execute and/or book trades correctly, or fail to adhere to investment mandates or regulatory rules. This includes insider dealing and market abuse, misrepresenting trading positions/trades and misallocation between funds. Man Group may need to compensate for any losses arising from such trades, as well as face the possibility of fines, lawsuits and reputational damage.	Front office systems provide automated checks and controls at portfolio and trade level. Each investment management business has dedicated risk management personnel who monitor portfolio profiles and provide independent challenge. In addition all fund managers are required to undertake regular mandatory training so that they are aware of due processes and their responsibilities related to the placing of trades.
4. Operational risk Operational risk is defined as the risk resulting from inadequate or failed internal processes, people, systems or from external events. Man Group continues to outsource a number of functions that were previously performed internally. The risks are that the outsourced service providers do not perform as required, resulting in knock-on implications for our business as a whole. Technology and information security are central to Man Group's business. Information security risk is defined as the risk of loss resulting from cyber-crime, malicious disruption to our networks or from the theft, misplacing, interception, corruption or deletion of information.	Risk and Control Self-Assessment (RCSA) is at the core of our assessment of operational risks. Key risk indicators and operational risk events are regularly reviewed so that our assessment of operational risks correctly reflects the Group's operational risk profile. These assessments are subject to independent review by Group Risk and Internal Audit, who also provide assurance over the adequacy of the Group's control processes. Man Group's operations team have implemented a methodology (including KPI monitoring) to confirm that outsourced service providers are delivering as required. This process is monitored by the Risk & Finance Committee and ARCom. Cyber-crime attacks continue to grow in terms of scale and complexity. We have deployed a number of preventative and detective controls to defend our IT systems against cyber-attack. These include penetration tests, specialist security company monitoring of our networks and regular access reviews. However, the fast pace of innovation by cyber-criminals makes it particularly challenging to assess the effectiveness of our defences and deliver protection against this increasing threat.

RISK	MITIGANT
5. Seeding book risk Man Group uses capital to seed new funds as part of the ongoing business to build our fund offering and expand product distribution. Man Group is exposed to any decline in value of these investments.	Requests for seeding capital are assessed on their strategic rationale for the business. Approvals are granted by the Seed Investment Committee (SIC), which comprises of several members of senior management, Risk and Treasury. Investments are subject to risk limits and an appropriate exit strategy. While Man Group holds these positions, they are monitored regularly by Group Risk and reviewed monthly by the SIC.
6. Credit/counterparty risk The risk that a counterparty with which the funds or Man Group have financial transactions fails to deliver back investor or shareholder assets. Shareholders and investors in Man funds and products are exposed to credit risk of prime brokers, clearing houses, depository banks and guarantee providers. Man Group also provides loans to guaranteed products, and so is subject to counterparty risk to certain investor funds.	Man Group diversifies its deposits across a number of the strongest financial counterparties, each of which is approved by the Counterparty Monitoring Committee, a sub-committee of the Risk and Finance Committee. Each counterparty is reviewed on a regular basis and assessed for creditworthiness. In addition, it is responsible for the review and escalation of any proposals for new counterparties. The Group Risk function monitors the credit spreads and ratings of the approved counterparties on a daily basis. Guaranteed products are closely monitored, and leverage is actively adjusted such that the risk of default related to balance sheet loans to funds is small.
7. Legal risk The global nature of Man Group's business, with corporate and fund entities located in multiple jurisdictions and a diverse investor base makes it subject to a wide range of laws. Failure to comply with these laws and regulations may put Man Group at risk of fines, lawsuits or reputational damage. In response to the financial crisis, an unprecedented number of new laws have arisen which are applicable to Man Group. While the legislative response has been global, implementation is local which leads to variations of approach between key jurisdictions. Failure to stay abreast of, analyse and respond to these new and varied laws may expose Man Group to the risks outlined above.	Man Group operates a global legal framework which underpins all aspects of its business and is resourced by experienced legal teams. These teams are physically located in Man Group's key jurisdictions helping them to understand the context and impact of any legal requirements. Emphasis is placed on proactively analysing new legal developments to assess likely impacts and mitigate risks.
8. Reputational risk The risk that an incident or negative publicity undermines our reputation as a leading alternative investment manager. Reputational damage could result in significant redemptions from our funds, and could lead to issues with external financing, credit ratings and relations with our outsourcing providers.	Our reputation is dependent on both our operational and fund performance. Integrity is fundamental to ensuring Man Group is able to attract investment in funds. Our governance and control structure helps mitigate operational concerns, and our attention to people and investment processes aim to establish that we comply with accepted standards of investment management practice. The Board regularly reviews evidence of whether the right tone from the top is being maintained.
9. Key staff retention risk The risk that a key person to the business leaves or is unable to perform their role.	Man Group has been able to attract and retain an array of talented individuals across the Group. Business and investment processes are designed with a view to continue this trend and minimise the impact of losing any key individuals. However, the nature of Man's business means that this is a risk that Man Group must accept.

People and corporate responsibility

People

In Investment Management our people are our assets and losing them is one of our biggest risks. We focus on delivering superior performance and client service by attracting and retaining the highest calibre individuals. By coaching and developing our people to be the best, we retain them as they become leaders in their field.

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 highly 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 strategy.

Talent

It remains vitally important to maintain a strong pipeline of talented individuals for the future of the business. To increase our talent pipeline we launched an investment management graduate programme and a structured summer internship programme, both of which started in 2014. Four high calibre graduates joined us in 2014 and another four (two of whom were 2014 summer interns) will start in 2015. Each graduate undertakes a two year programme, rotating through placements in AHL, FRM, GLG and Sales which will equip them with a broad knowledge of our products and overall business. Following the success of the 2014 summer intern programme, we have hired another five interns who will spend ten weeks with us in the summer of 2015, working on key projects with a view to successful interns being offered a place on the following year's graduate programme.

In 2013, we hired apprentices for the first time in the UK through participation in the Ladder for London initiative – a scheme launched by the Evening Standard to help tackle youth unemployment in London. Our apprentices were offered a 12 month full-time position, and attended college for one day per week during their first six months. To ensure the apprentices got maximum benefit from their work placements, they were supported by supervisors, assigned buddies and HR. They were also given regular exposure to management through discussion sessions at which they provided progress updates to members of the senior leadership team. The programme gave the apprentices wide-ranging and valuable experience which will help them build their careers. One apprentice was successful in receiving an offer for a full-time permanent position following completion of the apprenticeship. We are keen to support this initiative again so will be taking on another cohort of apprentices in 2015.

We focus on retention through our annual performance evaluation and succession planning processes. This annual review is a valuable opportunity for managers to give individuals feedback on their performance and how their careers can progress with 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 were pleased to see minimal voluntary turnover of key individuals during 2014.

During 2014, the acquisitions of both Numeric Investors and Pine Grove Asset Management LLC resulted in the arrival of a new pool of talent at the firm. We welcomed 96 new members of staff in total with 80 joining from Numeric, and 16 from Pine Grove.

We also made a number of key hires throughout the year including Pierre-Henri Flamand who joined Man GLG in May as Senior Portfolio Manager, focusing on a global catalyst-driven strategy across the capital structure. Rory Powe also joined Man GLG in September to take over the GLG Continental Europe Fund.

Headcount

Headcount savings achieved during 2013 and 2014 mean that Group headcount including contractors and consultants has reduced from 1,876 in June 2011 to 1,078 at 31 December 2014. The ratio of support function employees to front office is approximately one to one, which we believe to be in line with industry best practice.

People by function %	**December 2014**	December 2013	June 2011
Investment management	**31**	30	21
Sales and marketing	**17**	18	19
Product and Client operations and Technology	**33**	33	39
Central management and support	**19**	19	21

Note:
Job function based on Business Unit, not individual role.

Man Group treats those impacted by redundancy fairly and respectfully whilst protecting the Company from potential litigation. We provide outplacement 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.

Remuneration

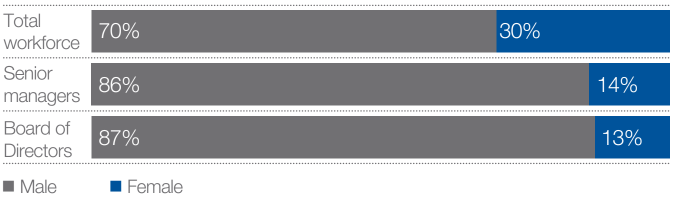
Our remuneration policies and practices are designed to enable us to remain competitive in the increasingly global markets in which we operate. More information on how we set compensation packages is given in the Directors' remuneration report on pages 44 to 64.

Equality and diversity

Man Group'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.

Full and fair consideration is given by Man to applications for employment made by disabled persons, having regard to their aptitudes and abilities. Man Group's Global Inclusion Policy outlines our commitment to ensuring a diverse workforce and our opposition to discrimination of any form, including on the basis of disability. The company ensures that disabled persons are fairly treated in respect of training and career development. For those who become disabled during their employment, reasonable adjustments are made and ongoing support is provided as required to enable the individual to continue working.

Breakdown of staff by gender %



Achieving a better balance between male and female employees, particularly at a senior level, is a challenge many financial services organisations face and is a key priority for Man Group. We remain committed to promoting gender diversity at senior management Executive Committee level, and we currently have two women in senior roles who sit on that committee (as shown in the table overleaf). Our recruitment policy has the objective of securing 50% female representation on long lists of candidates (internal and external) for senior roles and we engage executive search firms who have signed up to the Voluntary Code of Conduct on gender diversity and best practice. Agency partners have been asked to read and acknowledge our Global Inclusion Policy.

We also currently have several initiatives in place to support and encourage our female talent. Man Group continues to develop Drive as an internal support network, with a programme of regular events to inform and support women within the firm, as well as providing networking opportunities both internally and externally. Alongside this initiative, Man Group is also working to develop a mentoring programme aimed to help and retain female talent.

Man Group is committed to increasing female participation in its graduate programme, targeting relevant university courses and clubs within Mathematics, Economics and Physics that will help inform our targeted recruitment. Furthermore, we have started to sponsor the European Girls' Mathematical Olympiad as part of our effort to support and encourage female talent in the potential pipeline for financial services careers.

Man Group strongly believes in the benefits of a diverse and multi-cultural workforce and is confident that the current multifaceted approach will enable the firm to meet its diversity objectives in the near-term.

People and corporate responsibility continued

Man Group Executive Committee

Manny Roman	CEO, Man Group
Jonathan Eliot	Chief Risk Officer
Luke Ellis	President, Man Group
Mike Even	President & CEO, Numeric
Geoff Galbraith	Global Head, Operations & Technology
Robyn Grew	Global Head, Compliance & Regulatory
Keith Haydon	CIO, FRM
Rene Herren	Deputy Head, Sales & Marketing
Teun Johnston	Co-CEO, GLG
Mark Jones	Co-CEO, GLG
Pierre Lagrange	Chairman, Man Asia & Senior Managing Director, GLG
Michelle McCloskey	Senior Managing Director, FRM
Shanta Puchtler	CIO, Numeric
Tim Rainsford	Global Head, Sales & Marketing
Sandy Rattray	CEO, AHL & MSS
Jasveer Singh	General Counsel
Jonathan Sorrell	Chief Financial Officer
Simon White	Global Head, Operations & Technology (retired at 31 December 2014)
Tim Wong	Chairman, AHL & MSS

Development, Engagement and Support

In order to maximise the potential of our employees, we work with all areas of the business to support training and development needs. This covers a wide range of initiatives including technical courses, team development and individual executive coaching and will be enhanced in 2015. In addition, we run a number of in-house educational events such as Business Education sessions and ExCo hosted informal breakfast discussions.

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

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.

Employee welfare is an important consideration and so during 2014 we conducted a full review of our benefits offerings, resulting in an improved benefits package to be introduced in 2015. Changes include an improvement to global paternity leave and access to a global employee discount service. In the UK we were also able to introduce new benefits such as free health assessments, Cycle to Work schemes and a restaurant/leisure discount card.

During 2014 we were also able to offer our UK-based employees increased levels of participation in the Man Group Sharesave Scheme.

Business principles

In 2014, Man Group developed a set of business principles which were designed to distil and define the firm's key priorities, focus and culture. The principles are being formally launched across the firm and will be displayed in Man Group's offices internationally to promote a common understanding of the firm's values:

Performance
First, foremost and always, we focus on delivering superior risk adjusted performance.

Clients
Our clients are at the heart of everything we do.

Excellence
Good is not enough, we strive to be excellent in all we do.

Responsibility
We always do the right thing and conduct our business with the highest standards of integrity.

Differentiation
We seek to be differentiated and original in our thinking.

Meritocracy
We succeed through talent, commitment, diligence and teamwork.

At Man Group, we are committed to conducting our business in accordance with these principles, which we believe will enable us to be the best we can be. We strive to deliver outstanding results for our clients, whose interests always come first and are the focus of our firm. We aim for excellence and expect the highest standard of quality of work from everyone across the firm. We always do the right thing, conducting our business with the highest standards of behaviour, honesty and integrity. We continue to invest in talent, technology and research to ensure we provide a differentiated offering, underpinned by leading experience, expertise and innovation. We provide an inclusive work environment, where reward and progression are based solely on merit.

Corporate responsibility

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 our key stakeholders. We focus on five key areas of corporate responsibility:

World class governance and risk management

Man strives to deliver the highest standards of governance and risk management. We have long recognised the importance of corporate governance practices that help to ensure effective oversight and strong accountability. With our scale, we are well-positioned to implement and manage these practices effectively across our platform, as we strive to deliver industry leading governance and risk management.

Contributing to our communities

Man Group is actively involved in charitable initiatives and volunteering opportunities local to the firm's offices through its ManKind Programme. Furthermore, we have a worldwide commitment to promoting literacy in children, underscored through our sponsorship of the Man Booker Prize. We are very conscious of the impact of our organisation on our community and have taken steps to ensure we are contributing positively to those around us.

Responsibilities to our market place

Man is committed to the highest standards of ethical conduct and actively supports collaboration of the alternative asset management industry in developing and committing to standards of responsible investment.

The Hedge Fund Standards were drawn up in 2007 to address key issues relating to the hedge fund industry and best practice, covering the areas of disclosure, valuation, risk management, fund governance and shareholder conduct. Man is a founding signatory of the Hedge Fund Standards Board (HFSB) which was fully established in 2008 as a guardian to the Standards with the goal of creating a framework for promoting integrity, transparency and good governance in the industry.

Managing our people

Man aims to create an environment which enables our staff to reach their full potential. We encourage our teams to work together to help each other develop and succeed professionally and personally by providing a workplace which is healthy, safe, and offers guarantees of fairness and equal opportunities. As a responsible business, we constantly review our procedures which support the development and retention of talent including performance management programmes, flexible working policies, health and well being initiatives, and our comprehensive benefits scheme.

Protecting the environment

Whilst our environmental impact is relatively limited, we strive to deliver clear and transparent reporting that makes sense of the measurable elements within our control and respond to external risk and expectations. We look to take all practicable and economic measures to conserve and reduce energy consumption at our offices around the world. We monitor our impacts using Credit 360, a system that measures relevant data and generates reports which provide practical guidance in identifying our impacts and managing their reduction.

Board of directors

	Jon Aisbitt Chairman of the Board and Chairman of the Nomination Committee	**Phillip Colebatch** Senior Independent Director and Chairman of the Remuneration Committee	**John Cryan** Independent non-executive director	**Andrew Horton** Independent non-executive director
Date of appointment	Jon was appointed to the Board as a non-executive director in August 2003 and was appointed non-executive Chairman in September 2007.	Phillip was appointed to the Board as a non-executive director in September 2007. He was appointed as Chairman of the Remuneration Committee in 2008 and Senior Independent Director in August 2013.	John was appointed to the Board as a non-executive director in January 2015.	Andrew was appointed to the Board as a non-executive director in August 2013.
Background and career	Prior to joining the Board, Jon was a Partner and Managing Director in the Investment Banking Division of Goldman Sachs based in New York, London and Sydney.	Before joining the Board, Phillip was a member of the Executive Boards of Credit Suisse Group and Swiss Reinsurance Company.	John held a number of senior roles at UBS AG over a career spanning more than 25 years with the banking group. Following his time at UBS, John served as President of Temasek International's European Operations.	Andrew has served on the Board of Beazley plc since 2003, first as Group Finance Director and then, since 2008, as Chief Executive Officer. Prior to his time at Beazley, Andrew held a number of financial positions within ING, NatWest and Lloyds bank.
Areas of expertise and contribution	Jon has over 20 years' experience in international corporate finance. He has significant technical knowledge of capital markets and the complex regulatory backdrop in which they operate. Since being appointed as Chairman of Man Group, Jon has navigated the Company and the Board through significant change and has encouraged the development of the Group's strategy through the introduction of new and diversified investment styles.	Phillip has substantial financial, operational and markets experience gained through a number of senior positions in investment banking and insurance. His focus on investor engagement through his role as Senior Independent Director and Chairman of the Remuneration Committee has provided context to Board decisions, specifically in relation to remuneration policy and practice.	John has extensive knowledge of international financial markets gained from experience at leading global financial institutions. He brings significant knowledge of the regulatory environment in which Man Group operates.	Andrew has over 25 years of broad financial services experience with significant exposure to operating at Board level. Given Andrew's banking, financial markets and insurance background, he is a valuable contributor to Man Group's strategic development, risk management and financial reporting. Andrew's international experience has also allowed him to provide valuable input to Man Group's increased international presence.
Current external roles	Jon is Deputy Chairman of New Forests Company Holdings Limited (African sustainable forestry and timber processing) and an Advisory Board Director of Celtic Pharma III (biotechnology).	Phillip is a non-executive director of Lend Lease Corporation and is on the Boards of Trustees of the LGT Group Foundation and the Prince of Lichtenstein Foundation.	John is currently a member of the Supervisory Board of Deutsche Bank AG, Chairman of its Audit Committee and a member of its Risk Committee. He is also Chairman of ST Asset Management Pte Ltd (a specialised structured credit investment manager), a member of the Board of Tana Africa Capital Limited and an advisory senior director for Temasek Europe.	Andrew is Chief Executive Officer of Beazley plc.
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.	Phillip is Chairman of the Remuneration Committee and a member of the Audit and Risk Committee and the Nomination Committee.	John is a member of the Remuneration Committee and the Nomination Committee.	Andrew is a member of the Audit and Risk Committee and the Nomination Committee.

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

Matthew was appointed to the Board as a non-executive director in May 2011.

Matthew is Chief Finance Officer of Royal Mail plc. He was Group Finance Director of ICAP from 2006 to 2010 and prior to that held a range of senior finance roles at Diageo, including Group Financial Controller and Group Treasurer.

Matthew has substantial financial management and regulatory expertise. He also has significant listed plc experience acquired through his role at ICAP and through the flotation of Royal Mail plc on the London Stock Exchange. Matthew's experience, coupled with his role as Chairman of Man Group's Audit and Risk Committee, allows him to provide substantial insight in relation to the Group's financial reporting and risk management processes.

Matthew is Chief Finance Officer of Royal Mail plc. He is also on the main Committee of the Hundred Group of Finance Directors where he chairs the Investor Relations and Markets Committee.

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

Emmanuel Roman
Chief Executive Officer

Emmanuel (Manny) was appointed to the Board in May 2011. He was appointed President of Man Group in August 2012 and Chief Executive Officer in February 2013.

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

Manny has a strong and varied investment management background and extensive trading, operational and business management experience. Since his appointment as CEO, Manny has led the Company in diversifying its product range and increasing its international presence through disciplined acquisitions. He also has overseen the restructure of the Company's cost base. Further details of Manny's achievements in 2014 can be found on page 50.

Manny is a trustee of the Hedge Fund Standards Board Limited and a non-executive director of Grupo Prisa (education, media and entertainment).

Manny regularly attends Audit and Risk Committee, Remuneration Committee and Nomination Committee meetings by invitation. He is Chairman of the Executive Committee.

Dev Sanyal
Independent non-executive director

Dev was appointed to the Board as a non-executive director in December 2013.

Dev has held a number of senior financial and line management positions with BP in a global career spanning 25 years. Positions included Group Treasurer, Executive Vice President and Chairman of BP Investment Management, Business Chief Executive, Executive Vice President and member of BP's Group Executive Committee.

Dev has extensive knowledge of capital markets, asset and risk management, trading and foreign exchange gained from his role as BP Group Treasurer and Chairman of BP Investment Management Ltd. He also has broad international experience and wide ranging operational expertise in senior executive roles and is, therefore, able to contribute to the development and execution of Man Group's business strategy and global relationships.

Dev is currently Executive Vice President, Strategy & Regions at BP with responsibility for Europe, Asia, Group Strategy and Planning, Risk Management and Group Integration. He is also a member of the Accenture Global Energy Board and the Board of Advisors for the Fletcher School of Law and Diplomacy.

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

Nina Shapiro
Independent non-executive director

Nina was appointed to the Board as a non-executive director in October 2011.

Nina has held several senior management and operating roles at the World Bank and has led numerous investments in emerging markets. From 2000–2011, Nina was a member of the Management Group and was Vice President, Finance, and Treasurer of the International Finance Corporation (the World Bank's private sector arm). In that role she managed liquid asset investment and capital market fundraising.

With extensive experience in international financial markets and in depth knowledge of investment in emerging markets, Nina has particular insight into financial policy and market development. This perspective helps to support Man Group in its international expansion.

Nina is a director of African Minerals Limited and holds a number of Senior Advisor and Advisory Board roles in several sectors.

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

Jonathan Sorrell
Chief Financial Officer

Jonathan was appointed to the Board as Chief Financial Officer in June 2012.

Jonathan joined Man Group in August 2011 as Head of Strategy and Corporate Finance. Prior to this, he spent 13 years at Goldman Sachs, where he worked in the Investment Management, Securities and Investment Banking Divisions, latterly leading investments in a broad range of hedge fund firms.

Jonathan's experience of financial markets, particularly his extensive knowledge of the hedge fund industry and strong background in strategy and execution, has assisted in developing Man Group's strategy, including recent M&A activity that has expanded its footprint in the US. He has also brought clear focus on costs and financial efficiency through the delivery of challenging cost savings initiatives and the restructuring of Man Group's balance sheet. Further details of Jonathan's achievements in 2014 can be found on page 51.

Jonathan is a director of Nephila Holdings Limited.

Jonathan regularly attends Audit and Risk Committee meetings by invitation and also attends Remuneration Committee meetings for certain items of business. He is also a member of the Executive Committee.

Corporate governance report

Jon Aisbitt, Chairman

Overview

As discussed in my Chairman's statement, 2014 was a year of significant progress for the Group. Building on the work done the previous year to reduce the cost base and downsize the business to align with future asset flows, the Board's focus was on creating the potential for future growth. Acquisition opportunities featured on every Board agenda, with three meetings being dedicated solely to the review, challenge and approval process. At the same time, the Board continued its focus on the Company's other strategic priorities with ongoing review of investment manager performance, progress on global sales and distribution and the maintenance of cost discipline.

The Board has supported the executive team in the development of management talent and the culture of excellence and accountability which are the life blood of the business and critical to the achievement of all our objectives. The Board discussed with management the development of a set of principles to capture the business values and behaviours which the Company stands for and which should be adopted by all staff Group wide in their dealings with clients and colleagues. We have pursued the talent agenda through regular discussion with our CEO on key hires and internal succession. We have analysed and discussed the extent of gender diversity within the business and encouraged the executive team to identify those areas of the firm where women can add most value and to set long-term goals for increasing their number.

Following the retirement of Fred Jolly at the 2014 AGM, the Nomination Committee conducted a search for a new non-executive director with broad industry experience and the capability and skills to serve as a member of the Remuneration Committee. After a prolonged search for the right candidate, we were delighted to announce the appointment of John Cryan, former CFO of UBS AG and currently a member of the Supervisory Board of Deutsche Bank and Chairman of the Bank's Audit Committee. The Chairman of our Remuneration Committee has continued our engagement with our top shareholders with a series of further meetings to explain and discuss our directors' remuneration policy and practice. The Audit and Risk Committee provided specific support for the Board's review of the risk issues and financial disclosures relating to the Numeric acquisition and ongoing support for the Board's responsibility to publish financial statements which are fair, balanced and understandable.

Board leadership

Board composition

My primary job as Chairman of the Board is to ensure that collectively its members have the right set of skills, capability and experience to understand the context and drivers of the business, to contribute to the development of strategy, to monitor performance and to provide an appropriate balance of support and challenge for the executive team. I believe that with the conclusion of our non-executive search at the end of last year, we are now well placed to meet these demands. We benefit from a good balance of non-executive directors with various lengths of tenure on our Board. Andrew Horton and Dev Sanyal were appointed in 2013 and have now completed a full financial year with us. Matthew Lester and Nina Shapiro are in their second three year term. Phillip Colebatch, our Senior Independent Director, is the most experienced of the non-executive team and is in his third term. Biographical details of our six independent non-executive directors, three of whom bring valuable experience from their executive roles in other listed companies, are given on pages 30 and 31, together with an indication of the key areas of their contribution. These pages also provide previous career details of the executive directors. Further details of our Board succession planning and search activity are given in my Nomination Committee report on page 42.

Key Board relationships

Of key importance to the effective operation of the Board is my relationship with Manny Roman, our CEO, and Phillip Colebatch, our Senior Independent Director. My role is to run the Board while Manny's is to run the business. Phillip is available to act as an intermediary with other non-executive directors or with our shareholders as and when required. Full details of our three complementary roles are given on our website (www.man.com/board-governance). Manny keeps me closely updated on progress and developments in the business and, together with Jonathan Sorrell, our CFO, and our Company Secretary, we discuss the management of the forward agenda and Board information needs. I regularly test with Phillip my thinking on Board development and relationships.

Directors' attendance at main Board meetings in 2014

	Attendance record
Jon Aisbitt, Chairman	10/10
Phillip Colebatch[1]	9/10
Andrew Horton[1]	9/10
Fred Jolly[2]	3/3
Matthew Lester	10/10
Emmanuel Roman	10/10
Dev Sanyal[1]	9/10
Nina Shapiro	10/10
Jonathan Sorrell	10/10

Notes:
1 Owing to conflicting business commitments, Phillip Colebatch, Andrew Horton and Dev Sanyal were unable to attend certain meetings which were convened at short notice. However, they each received and reviewed the papers to be considered, raised related questions with the executive team and indicated to the Chairman, in advance of the meeting, their support for the proposals put forward.
2 Fred Jolly retired from the Board at the 2014 AGM in May.

Regular Board business

In 2014 the Board held seven regular main meetings, inclusive of a full day strategy review, and three additional meetings dedicated to the review and approval of proposed acquisitions. At every regular meeting we review and discuss investment performance and fund flows, senior management changes, progress against budget and the delivery of the cost plan, forecast profit for the year and investor sentiment and feedback. We receive management reports on our capital and liquidity position and changes in the Group's risk profile. The Chairmen of the three principal Board Committees (Audit and Risk, Remuneration and Nomination) present a summary of issues raised, decisions made and recommendations proposed at recent Committee meetings which are noted and discussed further by the Board as required.

To support the Board's role of providing direction for the business, agreeing strategy, determining its risk appetite and maintaining an appropriate control framework, it has adopted a schedule of matters which are reserved for Board decision rather than being delegated to the CEO and his management team. These include the approval of major acquisitions and disposals, changes in capital structure, Group budgets and borrowing, and financial reporting and communications. The full list of matters reserved is available on our website (www.man.com/board-governance) together with the terms of reference of the three principal Committees to which the Board has delegated specific oversight responsibilities.

Specific areas of focus

In addition to covering the regular business discussed above, Board meeting agendas develop organically in line with the Company's strategic priorities and the impact on the business of changes in financial markets, regulatory trends and other external factors. Our Board strategy review in June commenced with a presentation by the Chief Risk Officer on the emerging risks likely to impact the business in the short-medium-term. This was followed by discussion with a leading industry figure on their external view of Man Group and its positioning in the market. Together these viewpoints provided a backdrop to the Board's detailed review of each of the Company's investment engines, progress on global sales and marketing, acquisition opportunities and the challenge of penetrating the US market. These discussions allowed the Board to identify those issues which it wished to explore further with management later in the year.

The table below and on the following page gives a comprehensive picture of areas of Board focus and decision making during 2014. These advanced the Company's strategic priorities, challenged and supported the executive agenda and provided appropriate governance of the business and its resources. The table is followed by an explanation of the work done by the Board in respect of its specific responsibility for the oversight of risk management and financial reporting.

Key areas of Board focus and decision in 2014

Investment performance

– In depth analysis at the annual strategy review of the performance of individual investment managers and strategies. Regular follow-up reporting at every Board meeting including face to face discussion with investment management teams.
– Ongoing monitoring of performance against peers and challenge of areas of underperformance. Discussed management plans for changes in portfolio strategy and teams to address any shortfall.
– Presentations on and discussion of investment research, including research into Momentum and the work of the Oxford-Man Institute.

Distribution

– In-depth discussion at the annual strategy review of the global sales and marketing strategy and progress to date. Particular focus on Asia Pacific, EMEA and the key US market.
– Analysis and discussion with Sales team of flows and income, drivers of redemption, new client relationships and sales strategy for each investment manager. Fund flows and future prospects discussed with the CEO at every meeting.
– Reviewed sales plan for the introduction of Numeric quant strategies to core European clients and the development of UCITS formats for Numeric products.
– Challenged institutional sales strategy and team resource and development. Discussed consultant relationships.

Talent and culture

– Received an update from the CEO at every meeting on proposed key role changes and new hire search. Discussed areas of vulnerability in terms of motivation and retention and action proposed.
– Requested an analysis of gender diversity within Man Group. Noted the low level of female representation in investment management and technology roles and the comparison with the equivalent data for other listed asset manager peers. Discussed the gender diversity and inclusion initiatives currently being pursued internally and with external partners.
– Encouraged the executive management team to establish a clear view of the value of diversity to the business, to focus their effort on areas of maximum impact and to articulate long-term goals.
– Challenged and supported the executive management team on the development of six business principles for roll-out Group wide to promote common values and behaviours both internally and externally.

M&A/growth

– Extensive and in-depth work on the review and approval of all the acquisitions proposed and completed during the year involving scrutiny of the business case, challenge of due diligence findings and approval of shareholder documentation and disclosure.
– Review of the evolving shape and management of Man Group's US footprint and the adequacy of executive bandwidth for oversight of the enlarged Group.
– Ongoing focus on the integration of businesses acquired and the achievement against plan. Scrutiny of performance against KPIs and progress on integration.
– Specific review and analysis of the FRM acquisition in terms of FUM, profits and management talent.
– Face to face meeting with the Numeric CEO to explore the Numeric investment process, the existing client base, product development and marketing plans across Man Group's distribution network.
– Ongoing challenge of the executive team in their use of regulatory capital to support Man Group's strategy.

Corporate governance report continued

Key areas of Board focus and decision in 2014 continued

Business performance
- Approved the 2015 Budget and the 2015/17 Medium-Term Plan. Reviewed an analysis of the forecast contribution to net management and performance fee revenues by investment manager and the respective margins for each.
- Requested and reviewed an analysis of incremental management and performance fee profitability by product type.
- Reviewed the impact on the Group's KPIs of acquisitions made during the year and approved the adoption of a fourth specific investment performance metric for Numeric to blend with the existing benchmarks for AHL, GLG and FRM.

Cost efficiency and capital management
- Reviewed progress against the achievement of Phase II cost savings at every meeting. Discussed the risks to the long-term sustainability of the current cost base and the scope for expansion of the business without material cost increase.
- Regularly reviewed the Company's current and future forecast regulatory capital and liquidity positions, including downside scenarios. Set regulatory capital movement limits which would require Board notification and discussion.
- Annual review and agreement on an appropriate cost of capital for the Group against which to measure returns from proposed new investment.
- Approved the issue of $150m lower Tier 2 debt to fund the expansion of the Group's seeding programme and facilitate organic growth. Discussed the governance of the programme and requested regular updates on seeding decisions and investment returns.
- Recommended and approved dividends and share buybacks in line with the Company's previously disclosed distribution policy.

Risk appetite and review
- Reviewed and adopted updated risk appetite statements which quantify Man Group's risk appetite across the various categories of risk. Discussed the implications of this quantification for the Group's ongoing activity.
- Annual Board risk review focused on potential external risks, their likelihood and possible mitigants. Reviewed the Group Risk Dashboard covering internal risks at every meeting.
- Reviewed and approved an updated risk governance framework for the Group which identified committees and individuals with risk governance responsibility and oversight.
- Received reports from the Audit and Risk Committee on the outcomes of specific business unit risk presentations.
- Carried out a full year end review of the effectiveness of the Group's risk management and internal control processes.

Regulation and FCA engagement
- Noted and considered the feedback from the FCA's supervisory visit and 'deep dive' review of the GLG Total Return Fund and concluded that the Company's response to the points raised was fully satisfactory. Sought management update on any material procedural changes introduced in relation to the FCA findings.
- Discussed points raised by the FCA in their meeting with the Chairman including commission sharing arrangements, the potential for the creation of systemic risk through the use of leverage and derivative strategies in fund products, and the impact on trading prices of dark pools.
- Received an update from the Head of Global Compliance and Regulatory on the current proposals relating to commission sharing and the Company's engagement with regulatory authorities on this issue.

Board accountability

Board responsibility for 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 Group's risk management and internal control systems, which have been in place throughout the year and up to the date of this report, can be found in the Risk management section on pages 22 to 25. Details of Man Group's specific risk management and internal control systems in relation to the financial reporting process are given below.

Financial reporting controls

Man Group operates a financial controls framework which is designed to provide assurance that proper accounting records are adequately maintained and that financial information used within the business and for external publication is reliable and free from material misstatement, thereby safeguarding the Company's assets.

This framework is managed through a process whereby control owners certify that key preventative and detective controls have been performed and are operating effectively. These include balance sheet reconciliations and financial statement preparation processes. A sample of these control certifications is independently spot checked to provide assurance that they have been correctly certified.

During the year formal monitoring of the results of the certification process is carried out by senior management. Any material points of note are escalated to the Audit and Risk Committee (ARCom).

Board 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).

The Board has delegated oversight of risk management and systems of internal control to the ARCom. This oversight includes the regular review of:

- summary dashboards for each of risk, internal controls, the financial controls framework and compliance;
- reports from the Risk and Finance Committee (which replaced the separate Risk Assurance and Finance Committees from September 2014) which considers the effectiveness of risk mitigation through regular review of Risk and Control Self-Assessments carried out by management as the first line of defence, scenario analysis, key risk indicators and operational risk event reports; and
- reports from Internal Audit regarding the operation and effectiveness of internal controls. The audit programme is designed to provide objective assurance on the business areas, key controls and processes that are most significant in terms of the Group's risk profile.

The report from the Chairman of the ARCom on pages 38 to 41 provides further information on how the ARCom has discharged its risk oversight responsibilities during the year.

As part of its risk oversight responsibilities, a number of operational and regulatory matters which had occurred during the year were reported to the ARCom in the normal course of business. Whilst Man Group sought to improve its processes as a result, these matters were not considered sufficiently material in number or nature either to require separate disclosure in the financial statements or to indicate that the control environment had not been working effectively.

The Board receives regular reports from the Chairman of ARCom, business 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.

Year end review of risk management and internal controls

In addition to its ongoing monitoring of risk controls, the Board has conducted a specific year end review of the effectiveness of the Group's risk management and internal control systems during the 12 months and for the period up to the date of this Annual report. This review covered all material risks and included a review of all significant operational risk events and Internal Audit findings raised during the period. The Board also considered the potential impact of certain risks identified by the business, the outcome of the firm-wide Risk and Control Self-Assessment process performed by business management and the quality of the controls in place to mitigate these risks.

Following this review, the Board concluded that the Group's risk management processes were effective and that there were no significant weaknesses or failings in the system of internal controls.

Financial reporting

Fair, balanced and understandable

The Board has enhanced its processes for the review of the Company's half-year and full-year financial statements to support its responsibility for presenting a fair, balanced and understandable assessment of the Company's position and prospects and providing in the Annual report the information necessary for shareholders to assess the Company's performance, business model and strategy. Key elements of these processes are:

- all contributors to the Company's financial statements and Annual report are made aware of the fair, balanced and understandable requirement;
- early drafts of the half-year and Annual report are circulated to the Board with a briefing note which (a) highlights any issues of fairness or balance which management have considered in their preparation and (b) discusses those areas of the Annual report which are considered most relevant for shareholders' understanding of the Company's strategy, business model and performance;
- the ARCom, at the request of the Board, carries out a page by page review of the half-year and Annual report, with particular focus on the consistency between the narrative and the financial statements;
- the Board reviews early drafts of the reports, together with the ARCom's conclusions and recommendations, at a dedicated meeting well in advance of the final review and sign-off date. This provides ample time for debate and evaluation of any issues arising;
- there is extensive review and verification by Executive Committee members and the heads of relevant business units to support the accuracy of the disclosures; and
- careful attention is given throughout the review process to the balance between reporting on positive and negative performance and to the tone of the language used, particularly in respect of future prospects and outlook.

Board effectiveness

Non-executive director contribution

Our non-executive directors bring a valuable external viewpoint and scrutiny to proposals debated by the Board. Through their roles outside Man Group they have wide ranging knowledge of the global macro-economic trends which may impact our business. Their broad business experience enables them to bring substantial challenge to the appraisal of potential acquisitions. They question budgets, the accuracy of our forecasting and the sustainability of our cost base. They offer insights into the development and promotion of company values and gender diversity from their involvement in other firms.

I seek to maximise non-executive directors' contribution to Board affairs in a number of ways. On the rare occasions when a conflicting business commitment means that a non-executive director is unable to attend a meeting, I ensure that their views are obtained and any queries answered by the executive team in advance of the meeting. Informal non-executive director dinners give me the opportunity to find out more about their thinking on the business and supplement formal Nomination Committee discussions on executive team development. Non-executives are requested to seek my advice before accepting any new business appointments in order that I can make a judgement on any negative impact on their time commitment to Man Group and any potential conflict with our business. In line with our internal governance requirements, details of any changes in directors' external business appointments and interests are reported to the Board for approval on a continuing basis with a full schedule being circulated for endorsement at the end of each year.

Corporate governance report continued

Board induction
To help new non-executive directors get up to speed with our business as quickly as possible, we offer a comprehensive induction programme which involves one to one meetings with our Executive Committee members, the Company Secretary and the Heads of Group functions. Relevant briefing materials are circulated in advance and follow up meetings arranged as appropriate. Board Committee members are introduced to the operation of those Committees by the Committee Secretary and supporting material is provided by the Company's specialist advisers. New Board members are invited to provide feedback on the programme they receive to help keep it refreshed and well targeted. They are also encouraged to seek updates on any topics which arise in the course of subsequent Board meetings on which they would like further information. Details of our induction programme for non-executive directors are given on our website (www.man.com/board-governance).

Continuing education
Board members regularly identify in the course of Board discussions business areas about which they would like a better understanding and time is made available in scheduled Board meetings or pre-Board sessions for this purpose. In 2014 there was a focus on AHL with presentations on the operation of Momentum strategies and other areas of research being pursued by the Oxford-Man Institute. Further education on our quant businesses was provided by the CEO of Numeric who talked to the Board about the Numeric investment process and the opportunities for marketing their product across the Company's core distribution network. In 2015 attention is expected to turn to the evolution of FRM and the development of our CLO business.

To help keep non-executives updated on regulatory and governance issues impacting their Board Committee responsibilities, the Company Secretary circulates details of relevant development programmes run by external firms. These supplement reports and discussion on changes in regulatory requirements by our auditors, advisers and the Company Secretary in the course of Board meetings. The Board has been made aware in this context of the changes introduced by the 2014 UK Corporate Governance Code which will apply to the Company for the 2015 reporting year and it will be considering its response to the new requirements in the course of the year.

2014 Board evaluation
The Board decided, in view of the ongoing recruitment of a new non-executive director, to conduct an internal Board evaluation in 2014 and to carry out the next external evaluation in 2015 when the Board would be complete. It was also recognised that fresh perspectives and challenge on the Board's operation during 2014 would be provided by Deloitte LLP as the Company's new auditors who took up their appointment in the course of the year.

The 2014 evaluation, which was facilitated by the Company Secretary, asked Board members to give their assessment of a number of areas of the Board's effectiveness. Suggestions for improvement were requested in each case. The assessment included areas which had been identified for attention in the previous year's evaluation, current issues such as the Board's consideration of business values, and ongoing key aspects of the Board's remit. The findings of the evaluation were presented to and discussed by the Board and priority areas of focus for 2015 agreed.

Evaluation findings and 2015 priorities
The general view emerging from the 2014 evaluation was that the Board was increasingly focused and effective. Following the non-executive appointments made in 2013, it now benefited from a broader range of skills and experience and its newer members were making a full and valued contribution. The culture of openness and transparency espoused by the executive directors resulted in a fully engaged Board which encouraged challenge and the expression of opposing views while remaining collegiate and supportive of management. Business information and analyses provided by management were of a high quality and Board requests for further detail or review were always positively received.

With the Board's broad knowledge and experience base and strong culture of open and constructive engagement, there was a feeling that it should be able to do even better. A number of development areas were proposed and agreed for focus in 2015 as detailed below. Certain of these, such as the pursuit of competitor intelligence and the consolidation of Board knowledge of the business and management talent, are ongoing essentials for Board effectiveness and will continue the progress made in these areas in previous years.

- Close scrutiny of the performance of acquisitions against plan.
- More granular review of progress on specific strategic priorities, including Institutional Sales and the US market.
- Continue building and updating Board members' knowledge of competitor strategy and activities, including external insights.
- Continue building Board members' knowledge of Man Group's individual investment managers.
- Continue creating opportunities for engagement with Executive Committee members and senior management in the tier below.
- Advance and monitor the embedding of the Company's business principles across the Group.

Individual director evaluation
As in previous years, I had one to one meetings with individual directors to discuss their personal contributions to the Board and to explore any development needs. The Senior Independent Director led a review of my own contribution as Chairman, taking account of the views of all the directors, and discussed their feedback with me.

Shareholder engagement
The Company actively engages with investors and investor representative bodies and welcomes the opportunity to discuss their views on relevant issues. Details of the Board's exposure to and consideration of shareholder views and market sentiment are given below.

Institutional investors
Our Head of Investor Relations and our executive directors maintain a continuous dialogue with institutional shareholders on performance, plans and objectives through a programme of regular meetings. Our executive directors held in excess of 100 such meetings during 2014 and are in regular contact with analysts and other market commentators. As Chairman, I attend results presentations to analysts and investors and at the end of each year I meet with key institutional investors to supplement their contact with the executive team. This provides investors with the opportunity to discuss any particular areas of focus and raise any concerns which I can then report back to my Board colleagues. Topics discussed at my meetings this year included the Board's strategic focus for 2015, our progress in the US market and executive director succession.

The Board receives and discusses regular updates from our Head of Investor Relations regarding changes in the top shareholders on our share register, feedback from institutional investors and key commentary from the sell-side analyst community. There is a particular focus on shareholder and market reaction to our full and half-year results and interim management statements. In July the Board received detailed and positive feedback from investors on the proposed acquisition of Numeric.

The Board regularly receives brokers' notes and sell-side views and discusses underlying performance assumptions. It also reviews and discusses with the executive team draft presentations to analysts and investors in relation to the Company's half-year and final results.

Engagement on remuneration issues

As part of our continuing engagement on directors' remuneration, the Remuneration Committee Chairman and Company Secretary held a series of meetings with some of our top investors and with certain shareholder representative bodies in the course of the year and early in 2015 to respond to issues raised by shareholders on the Company's remuneration resolutions at the 2014 AGM. Details of the issues raised and discussed at these meetings are included in the Directors' remuneration report on page 44. The Remuneration Committee intends to continue this open engagement on our remuneration policy and practice in 2015 and welcomes feedback from shareholders on these matters at any time.

Private investors

We encourage our private investors to use our website to access the Company's interim and annual reports and our half-year and final results presentations to analysts. The website provides a wealth of other information about the business and of interest to shareholders such as historic dividend payments. Shareholders can use the site to access our Registrars' Shareview website (www.shareview.co.uk) to enable them to manage their shareholding account online. We are always keen to hear the views of private investors and offer a dedicated shareholder mailbox (shareholder@man.com) for their enquiries.

Shareholder meetings

At our 2014 AGM last May, Manny Roman gave shareholders an overview of the progress of the business and our future plans and outlook. This was followed by the opportunity for shareholders to ask questions about the resolutions before the meeting and about the business more generally. In September we were pleased to invite shareholders to the general meeting convened to approve the Numeric acquisition. This provided an opportunity for us to explain how the acquisition was aligned with our strategic objectives and to answer related shareholder questions.

We look forward to providing a further business update at our 2015 AGM in May this year.

Jon Aisbitt
Chairman

Statement of compliance

The Company has, throughout the year ended 31 December 2014, applied the principles of and complied with the provisions of the UK Corporate Governance Code dated September 2012 (the Code) except in the following respects:

Assessment of effectiveness of audit process

Provision C.3.8 of the Code requires that the report from the Audit and Risk Committee should include an explanation of how the Committee has assessed the effectiveness of the external audit process. Following the appointment of Deloitte LLP as Man Group's auditors for the year ended 31 December 2014, the Committee believes that it will be better placed to assess the effectiveness of the audit process following the completion of Deloitte's first audit cycle. As reported in the Audit and Risk Committee report on page 41, the Committee intends to undertake an assessment of the effectiveness of the audit process in 2015 and will report the outcome of its review in the Audit and Risk Committee report for the year ended 31 December 2015. No issues have been identified during the year in relation to Deloitte's performance and effectiveness as external auditors.

Remuneration Committee membership

Provision D.2.1 of the Code requires the Remuneration Committee to consist of at least three independent directors. Following the retirement of Fred Jolly at the AGM on 9 May 2014, our Remuneration Committee comprised only two independent directors, Phillip Colebatch and Nina Shapiro, in addition to our Chairman, for the remainder of the year. John Cryan was appointed as an independent non-executive director and as a member of the Remuneration Committee on 15 January 2015, bringing the total number of independent Remuneration Committee members to three.

Setting executive directors' and Chairman's remuneration

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. The terms of reference of Man Group's Remuneration Committee provide that the Committee only has authority to recommend, for approval by the Board, executive directors' remuneration and the remuneration of the Chairman[1]. The Board believes that, given the importance for the business 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' compensation. It also believes that, in order to provide transparency and allow the views of all the directors, executive and non-executive, to be taken into account, it is appropriate for all Board members to determine the Chairman's remuneration.

1 This authority is given subject to the proviso that no Board member should participate in the recommendation or approval of his or her compensation.

Other information

Certain additional information in relation to the Company's share capital, the powers of the directors and amendments to the articles of association that is required to be disclosed in the Corporate governance report pursuant to DTR 7.2.6 may be found in the Directors' report on pages 65 to 66.

Audit and Risk Committee report

Matthew Lester, Chairman, Audit and Risk Committee

During the year, the Audit and Risk Committee (the 'Committee') continued to focus its attention on the integrity of the Group's financial reporting and the effectiveness of its risk management processes and internal controls.

Following the Committee's recommendation to appoint Deloitte as the Group's external auditors for the year ended 31 December 2014, I am pleased to report that audit services have successfully transitioned from PwC to Deloitte during the year.

We have made a number of changes to the Committee's forward agenda during the year which have enabled us to further our understanding of the significant risk issues facing some of the Group's key business areas and the processes and controls that have been implemented to mitigate such risks.

Composition and attendance

As reported in last year's Audit and Risk Committee Report, a number of changes were made to the composition of the Committee in 2013 to strengthen its breadth of skills and experience. These changes have been embedded during 2014.

All members of the Committee are independent non-executive directors and Andrew Horton, Dev Sanyal and I are the members considered to have relevant and recent financial experience as required by the UK Corporate Governance Code. Further details of the experience of all Committee members can be found in their biographies on pages 30 and 31. Committee members are encouraged to remain up-to-date with accounting and regulatory changes to support their role on the Committee through the normal course of their work and through externally facilitated seminars, details of which are made available to all Committee members.

During the year, we met on seven occasions and our attendance at these meetings is set out in the table below:

	Attendance record
Matthew Lester (Chair)	7/7
Phillip Colebatch	7/7
Andrew Horton[1]	6/7
Dev Sanyal	7/7

1 Owing to conflicting business commitments, Andrew Horton was not able to attend one meeting during the year. However, he received and reviewed the papers to be considered in advance of the meeting and directed questions to the Chairman which were addressed in the meeting.

The Board Chairman, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Head of Global Compliance and Regulatory, Group Financial Controller, Head of Internal Audit and representatives from the external auditors are invited to attend Committee meetings. At the end of each formal meeting, the Committee meets with the Head of Internal Audit and representatives from the external auditors without management being present. Following each Committee meeting, I communicate the key discussion points and make recommendations to the Board as appropriate.

I also attend agenda setting meetings in advance of each Committee meeting along with representatives from the senior management team in order to identify key issues impacting the business that require consideration by the Committee. I meet privately with the Head of Internal Audit following each of these meetings.

Committee roles and responsibilities:

F Financial reporting

- Monitor the integrity of the financial information contained in the interim and annual financial statements with particular focus on:
  - key accounting policies and judgements; and
  - going concern requirements.
- Review:
  - statements contained in the annual report relating to the Committee and the Company's internal controls and risk management; and
  - the effectiveness of the financial controls framework (please refer to page 34 for further details).
- Advise the Board on whether the Committee believes the annual and interim report and accounts to be fair, balanced and understandable.

R Risk management, internal controls and compliance

- Review the effectiveness of:
  - the Group's Risk Framework and policies and processes for the identification, assessment and management of risk;
  - the Group's internal controls in line with Turnbull guidance (please refer to pages 34–35 for further details of the Committee's review of the Group's internal controls);
  - the Group's regulatory reporting activities and Compliance function; and
  - the Group's arrangements for its staff to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- Report to the Remuneration Committee any findings in relation to risk matters which may impact their decision on discretionary remuneration payments.

IA Internal audit

- Approve the annual Internal Audit Plan and Charter and Internal Audit activities.
- Review the remit and effectiveness of the Internal Audit function.
- Review all significant Internal Audit recommendations and oversee the progress in addressing these.

EA External audit

- Recommend the appointment, and determine the remuneration, of the external auditors, including reviewing their effectiveness and independence.
- Review and approve the Audit Plan and the external auditors' control procedures.
- Review the findings of the audit and the external auditors' management letter and oversee management action to address findings where necessary.
- Approve and monitor the policies relating to the provision of non-audit services by the external auditors and the hiring of personnel from the external auditors.
- Arrange for the external audit to be put out to tender as often as is required by applicable law, rules, regulations and best practice.

Roles, responsibilities and processes

The Committee is integral to Man Group's governance framework and its primary role is to support the Board by assessing the integrity of the Group's financial reporting, monitoring the effectiveness of the Group's risk management and internal controls, and overseeing the activities of the Group's Internal Audit function and its external auditors.

The Committee's roles and responsibilities, derived from its full terms of reference (available at www.man.com/audit-and-risk committee), which are reviewed by the Committee on an annual basis, are summarised on the opposite page.

The Committee has an annual forward agenda in place with agenda items scheduled to coincide with key events in the annual financial reporting cycle, specific risk matters that the Committee has identified, and standing items that the Committee is required to consider in accordance with its terms of reference.

Management submit reports and presentations to the Committee on key financial reporting, risk, compliance and audit matters and attend meetings (as previously described) to highlight salient issues and to respond to any queries raised by the Committee in respect of these papers. At each meeting, the Committee reviews dashboards on the key risks impacting the business, compliance matters, the financial controls framework and internal controls. The purpose of these dashboards is to highlight any significant matters or developments which may require further consideration by the Committee.

Key items considered during the year

Financial reporting and accounting matters F EA

Accounting judgements

During the year, the Committee considered the key accounting judgements and policies adopted by management in respect of the full-year and interim financial statements and confirmed that these were appropriate. The significant areas of judgement identified by the Committee, in conjunction with management and the external auditors, related to the acquisition of Numeric and Pine Grove, goodwill impairment testing, taxation, investment in funds and adjusting items. Details of their consideration and conclusions are set out below.

Area of judgement	Note in financial statements	Role of Committee	Conclusion
Acquisition accounting During 2014, the Group acquired Numeric and Pine Grove resulting in the application of complex accounting judgements in order to establish the fair value of the acquired businesses.	12	The Committee reviewed a paper prepared by management outlining the key assumptions underpinning the valuation of Numeric and Pine Grove. The key areas of focus were the fair value of the deferred consideration and the total purchase price attributed to the assets and liabilities in the acquired businesses.	The Committee confirmed that it was satisfied with the judgements presented by management.
Goodwill impairment Goodwill for each of the Group's business units is tested for impairment through the application of a 'value in use' model. This is judgemental in nature as it requires estimates concerning future cash flows, growth rates and associated discount rates to be taken into account.	12	The Committee considered a report from management outlining the methodology for the impairment assessment and challenged the assumptions underpinning the goodwill valuation model including discount rates, cash flow projections, terminal value exit multiples and headroom availability.	The Committee concluded that no impairment expense was required to be recorded for the year ended 31 December 2014.
Taxation The Group has historically made a number of provisions for taxation across several jurisdictions. Due to a change of circumstances in 2014, it has been proposed that a proportion of these provisions be released.	9	The Committee considered management's proposal to release a tax provision in respect of one of Man Group's legacy operations on the basis that this no longer represented a significant tax exposure.	The Committee agreed to release the tax provision in accordance with management's recommendation.
Following the acquisition of Numeric and Pine Grove, it was proposed that a deferred tax asset in respect of historic tax losses be recognised.		The Committee reassessed the recognition of deferred tax in respect of previously unrecognised deferred tax assets, particularly in the Group's US operations, following the acquisition of Numeric.	It was agreed that a proportion of the Group's deferred tax assets would be recognised in the year ended 31 December 2014.
Investments in funds The Group holds investments in a number of funds which it manages. Judgement is required to be exercised in terms of assessing whether these investments are controlled by the Group. The accounting treatment will vary depending on the outcome of this assessment.	15	The Committee reviewed management's assessment of the investments which the Group is deemed to control in line with IFRS 10. This involved understanding the structure of certain investments in order to establish whether the nature of the Group's control fell within the definition of control under the accounting standards.	The Committee concluded that it was satisfied with management's assessment of which entities are deemed to be controlled by Man Group and the associated accounting treatment.
Adjusting items The directors focus on profit before adjusting items (adjusted profit) as this reflects the underlying trends in the business and the recurring revenue and costs that drive the Group's future cash flows. Adjusting items relate to non-recurring items or those resulting from acquisition and disposal related transactions.	2	The Committee reviewed and challenged the adjusting items contained in the consolidated financial statements and considered whether there was consistency of approach from period to period and the maintenance of an appropriate symmetry between losses and gains and the reversal of any accruals previously classified as adjusting items.	The Committee concluded that the adjusting items were appropriate and provided a fair assessment of the underlying profitability of the business.

Audit and Risk Committee report continued

Fair, balanced and understandable assessment
At the request of the Board, the Committee considered whether the interim and annual reports were fair, balanced and understandable and provided the information necessary for shareholders to assess Man Group's performance, business model and strategy. At its meeting in February 2015, the Committee reviewed the financial statements in conjunction with the narrative sections of the annual report to ensure that there was consistency in terms of the information reported. The Committee concluded that, taken as a whole, the annual report is fair, balanced and understandable.

Acquisition of Numeric F R EA
As reported elsewhere, the Group completed the acquisition of Numeric in September 2014. An ad hoc meeting of the Committee was convened in Q2 2014 to consider the financial and risk implications of the proposed acquisition. As the acquisition was categorised as a Class 1 transaction in accordance with the UKLA Listing Rules, the Company was required to issue a circular to its shareholders for approval. The Committee carefully reviewed and challenged certain financial information contained in the circular which included a working capital assessment, financial statements of Numeric and a pro-forma net asset statement and recommended their approval to the Board.

Following the completion of the acquisition, the Committee has reviewed an integration heat map to identify the key integration risks associated with the acquisition and the potential impact of such risks materialising over the integration period.

Oversight of risk and control environment R IA F
Review of key business areas
During the year, a number of changes were made to the structure of the Committee's forward agenda which were intended to increase the Committee members' understanding of the risks and controls in key business areas. Representatives from AHL, GLG and FRM were invited to present to the Committee on the strategy and the risk and control profile of their respective business areas. The purpose of these presentations was to enable the Committee to assess, in context, the significant risks perceived by each business area and the controls in place to mitigate these risks to the extent desired.

As part of this assessment, each business unit provided an overview of its business structure and identified key risk areas using a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis. The Committee was advised how these risks are mitigated through certain controls including the Risk and Control Self-Assessment process and the operation of Systems and Controls Committees (SYSC). The presentations also included input from Group Risk, Compliance and Internal Audit to enable each governance function to highlight any key areas from their perspective that should be brought to the Committee's attention. The intention is that a similar exercise will be conducted in 2015 for the Group's Sales function and the recently acquired Numeric business.

Review of key functional areas
Representatives from Man Group's Technology and Operations team and Business Operational Risk team were invited to attend several Committee meetings during the year to provide updates on outsourcing initiatives, cyber-security and changes to the processes around systems access for joiners, leavers and internal transfers.

The teams were also requested to present to the Committee on improvements that had been made during the year to the controls around the Group's rebates and commissions. It is anticipated that the introduction of an integrated technology platform to automate the rebates and commissions process will strengthen these controls further; however, this is an area that the Committee intends to keep under review in 2015.

Compliance R
Compliance continued to be a key area of focus for the Committee during the year, particularly given Man Group's increased regulatory exposure in the US following the acquisition of Numeric and Pine Grove and the registration of two of the Group's investment management entities with US regulatory bodies.

During the year, the 2014 Compliance Plan was presented to the Committee which outlined the key objectives for the Compliance team in 2014. Progress that had been achieved in meeting these objectives was reported during the year. Towards the end of 2014, I met with the Head of Global Compliance and Regulatory to discuss the 2015 Compliance Plan which will be presented to the Committee in the course of H1 2015.

Internal audit IA
The Group's Internal Audit function was outsourced to KPMG in 2013. During the year, the Committee reviewed and approved the 2015 Internal Audit Plan which provided an overview of the internal audits to be performed in 2015 together with an estimate of days and costs required to deliver the Plan.

The Committee considered comprehensive progress reports presented by Internal Audit to each meeting and challenged timescales and ratings allocated to various reports where appropriate. No significant weaknesses were identified in any of the Internal Audit reports although certain improvements to processes and procedures were made as a result of the reviews.

Last year's Audit and Risk Committee Report indicated that the Committee intended to review the effectiveness of the Internal Audit function in 2014 in order to assess whether the function was meeting key stakeholder objectives. This review, which involved interviews with key stakeholders, was conducted in the second half of 2014. The outcome of these interviews indicated that the engagement with KPMG was viewed positively and that members of the management team would value increased interaction with the Internal Audit function.

External audit EA
Following the audit tender process led by the Committee in 2013, Deloitte LLP were formally appointed as the Group's external auditors by shareholders at the Annual General Meeting on 9 May 2014. In October 2014, I met with representatives from Deloitte to discuss the 2014 Audit Plan in considerable detail, particularly the key judgemental accounting areas. The main discussion points were subsequently reported to my fellow Committee members.

Review of non-audit services policy

The Group has in place a policy for the provision of non-audit services by the external auditors, the purpose of which is to safeguard the independence and objectivity of the external auditors by prohibiting them from providing certain services.

During the year, the Committee reviewed the non-audit services policy and approved a number of changes that had been proposed which included:

- the introduction of a cap on non-audit fees as a percentage of the statutory audit fee in accordance with forthcoming EU independence legislation;
- the requirement to pre-approve non-audit services provided by the external auditors to Man Group's funds; and
- the addition of a reference to the intention to avoid engaging the external auditors to provide tax services to corporate entities within the Group.

Any potential services to be provided by the external auditors, which are not excluded under the non-audit services policy but which have an expected value of $75,000 or more, must be approved by the Committee in advance. The Committee's approval is also required where the pre-approved fees in any financial year exceed $2 million in aggregate.

The table below shows the remuneration paid to the external auditors for the year ended 31 December 2014 (Deloitte) and 31 December 2013 (PwC).

	Fees paid to Deloitte for the year ended 31 December 2014 $'000	Fees paid to PwC for the year ended 31 December 2013 $'000
Fees payable to the Company's auditors for the audit of the Parent Company and the consolidated financial statements.	450	736
Other services: The audit of the Company's subsidiaries pursuant to legislation	1,435	1,795
Audit-related assurance services	265	369
Tax compliance services	–	1,056
Tax advisory services	208	452
Other assurance services	453	–
All other services	82	167
Total auditors' remuneration	2,893	4,575

As reported in the above table, Deloitte has been engaged to provide a number of non-audit services during the year. Perhaps of most significance, is their appointment as Reporting Accountant for the Numeric acquisition and the issuance of $150m lower Tier 2 capital during the year (please see note 14 to the financial statements for further information), which are categorised as 'Other assurance services' in the table above. These transactions required assurance to be given on the financial content of the shareholder circular published in connection with Numeric and the prospectus published in connection with the bond issuance. Given Deloitte's existing knowledge of the business and the resulting efficiencies that this created, it was deemed appropriate to appoint them to undertake this work.

Following an assessment of the external auditor's independence and objectivity at its meeting in February 2015, the Committee concluded that Deloitte remained independent and objective.

Effectiveness of external audit process

Given the extensive review that was undertaken in respect of Deloitte as part of the audit tender process reported in last year's Audit and Risk Committee Report, the Committee believes that, at this stage, it is premature to assess comprehensively and report meaningfully on the effectiveness of the audit process for the year ended 31 December 2014. Instead, the Committee intends to evaluate the external audit process following the completion of the first audit. The results of the evaluation will be reported in the Committee's report for the year ending 31 December 2015. No issues have been highlighted during the year in relation to Deloitte's performance and effectiveness.

Re-appointment of external auditors

The Committee has recommended the re-appointment of Deloitte as the Group's external auditors to the Board for approval by shareholders at the 2015 Annual General Meeting.

Committee evaluation

Outlined in the table below are the two key areas that were identified in the Committee's 2013 evaluation as requiring further consideration and development during 2014, together with progress that has been achieved in 2014.

2013 evaluation	2014 progress
Develop the Committee's understanding and consideration of the Group's strategic risks.	Strategic risks have been considered by the Committee in detail through the review and challenge of a paper presented by management on the Group's emerging risks.
Develop Committee members' understanding of AHL's operational risk and control environment.	Representatives from AHL, GLG and FRM have provided comprehensive presentations to the Committee on the risk and control environment of each business area.

During the year the Committee conducted a further evaluation of its effectiveness which was facilitated internally. Questionnaires were circulated to all Committee members and regular attendees, the results of which indicated that, overall, the Committee was operating effectively.

An area that was identified as requiring further development in 2015 related to leveraging process improvements made during 2014 to enable the Committee to spend the maximum time available on key risk and financial reporting matters. The Committee intends to keep this under review throughout 2015.

Matthew Lester
Chairman, Audit and Risk Committee

Nomination Committee report

Jon Aisbitt, Nomination Committee Chairman

In 2014 the Nomination Committee (the 'Committee') continued its work on non-executive succession planning with our principal focus being on the search for a new non-executive director with the expertise and experience necessary to be a member of the Remuneration Committee. We were also kept abreast of key management appointment and development plans and challenged and discussed with the executive directors their ongoing initiatives to promote gender diversity in senior management roles.

Membership and meetings

All our non-executive directors are members of the Committee and our meetings are normally attended by Manny Roman. We held three formal meetings during 2014 as shown in the table below. In addition, we debate Committee matters informally at non-executive director dinners and take the opportunity to discuss key management appointments and gender diversity within Board meetings as these issues arise.

My report below discusses the specific areas of focus and decision for the Committee during the year. The Committee's full terms of reference are available on our website (www.man.com/nomination-committee). No Committee member took part in discussions or decision making relating to them personally.

Non-executive directors' attendance at Committee meetings

	Attendance record
Jon Aisbitt, Chairman	3/3
Phillip Colebatch	3/3
Andrew Horton	3/3
Fred Jolly[1]	1/1
Matthew Lester	3/3
Dev Sanyal	3/3
Nina Shapiro	3/3

Notes:
1 Fred Jolly retired from the Board at the 2014 AGM in May and attended one meeting held prior to his departure.

Non-executive director succession planning

Early in the year, as part of our long-term Board succession planning, we discussed and recommended to the Board the renewal of each of Matthew Lester's and Nina Shapiro's appointments as non-executive directors for a second three year term, subject to their annual retirement and reappointment by shareholders at the AGM. We then turned our attention to the search, as agreed in our 2013 Committee evaluation, for an additional non-executive director who, as well as being able to make a broad contribution to the business of the Board, had the particular expertise and experience necessary to serve on the Remuneration Committee.

Non-executive director search process

As the initial step in the search process, the Committee discussed the specific capabilities the candidate required for the remuneration aspect of the role. It was agreed that the individual should have prior direct experience of dealing with remuneration issues at senior level and within a performance driven culture where compensation levels were high. They should also have an international outlook and an appreciation of the global market and competition for talent within Man Group's sector.

Having used Egon Zehnder for a number of recent non-executive searches, we decided to select a different search firm for the current search and appointed Korn Ferry, who have no other connection with the Company, for the assignment. As regards the review of candidate lists and the interview process, it was agreed that Phillip Colebatch, as Senior Independent Director and Chairman of the Remuneration Committee, and I should review the long list and conduct the first round of interviews with other Committee members being brought into the interview and selection process at the second stage.

In response to the Committee's request, to the extent available under the broad specification for the role, for significant female representation on the long list of candidates, some 25% of the names put forward were women. Certain of these candidates withdrew from the process at an early stage because of the constraints of other commitments or their wish to pursue an appointment outside our industry. Those remaining were then considered for the shortlist against the competencies required together with the rest of the candidates.

Selection and appointment of John Cryan

After a full interview process for the shortlisted candidates, which was extended to include interviews with Matthew Lester as Chairman of the Audit and Risk Committee and with our CEO and CFO, John Cryan emerged as the favoured candidate. John had previously held a number of senior roles in the Financial Institutions Group of UBS AG before being appointed to the role of Group CFO in 2008 in order to help restructure the Bank and manage its relationship with the Regulator at the time of the financial crisis. After leaving UBS he served as President of Temasek's UK operations between 2012 and 2014 and was appointed to the Supervisory Board of Deutsche Bank and as Chairman of the Bank's Audit Committee in 2013. It was believed that John's extensive technical knowledge of and insights into international markets, including the regulatory backdrop, would enhance and strengthen the Board. As an experienced leader in the sector who had worked at the top of the industry at one of the most challenging periods in recent history, he was also viewed as a highly valued adviser to the executive team.

The Committee recommended John Cryan's nomination to the Board and, after the receipt of positive references and the securing of FCA approval, he was appointed as a non-executive director and as a member of the Remuneration and Nomination Committees in January 2015.

Board diversity

The Board's policy on diversity, which is available on our website (www.man.com/board-of-directors), remains unchanged from previous years. While our firm principle is to make Board appointments based on merit and overall suitability for the role and having regard to the overall balance of the team, we recognise the benefits that diversity, including diversity of gender, ethnicity, professional competence and business experience, can bring to our business. Our objective is to achieve a value adding and impactful percentage of women on our Board in line with the spirit of the Davies Report and we pursue this opportunity with our search consultants whenever a new appointment is being considered. However, our experience to date, reinforced by our most recent search reported above, has shown that it is not appropriate or realistic for us to target the achievement of a specific percentage of women on our Board by a specific date. We will, however, continue to focus on increasing the number of women on our Board when appropriate opportunities arise.

Senior management diversity

As non-executive directors we continue to challenge our executive colleagues on the development of gender diversity within the senior management talent pool from which future women leaders, internal and external, may be drawn. Following our review of an analysis of management talent and comparative data from asset manager peers, we have identified those roles where current female representation in the business is weak. We have encouraged management to establish a clear view of the value of diversity to the business, to focus their efforts on areas of maximum impact and to articulate long-term goals. Management's ongoing diversity initiatives are discussed and progress updates received.

Management development and succession planning

Committee members seek regular updates from Manny Roman on progress in hiring new managers to key roles and his plans for developing and redeploying existing talent across the firm. As part of our responsibility for the oversight of management development and succession planning, we create opportunities to increase our exposure to executives below Board level and to assess the strength and breadth of the management resource available to the business. Executive Committee members and investment management heads are invited to update the Board on the areas of the business for which they are responsible. They also discuss business risk and controls with the Audit and Risk Committee. The Heads of Group functions are regular presenters to both forums.

Committee evaluation and 2015 priorities

At the end of 2014 the Committee reviewed its actions and achievements during the year against the priorities agreed in the 2013 evaluation. It was considered that the search for a new non-executive director and Remuneration Committee member had been full and thorough with regular updates made to the Board throughout the process. The Committee had moved the senior management diversity agenda forward with the executive team, was kept regularly updated on key hires and senior management changes and benefited from the opportunities offered by non-executive dinners for private discussion of management development and succession matters.

The Committee recognises that the acquisition and development of management talent continue to be a business imperative. The same applies to the review and refreshing of the Board's skill and experience base in the light of changing business needs and individuals' personal career plans. The priorities agreed by the Committee for 2015, which are set out below, reflect this ongoing agenda:

- continue the evaluation of senior management resourcing, development and succession, including the identification of needs by business area and any constraints on securing the optimum talent;
- continue the review and promotion of gender diversity initiatives across the senior management talent pool and monitor their achievement; and
- continue work on Board development and succession planning.

Jon Aisbitt
Chairman

Directors' remuneration report

1. Chairman's annual statement

Phillip Colebatch, Remuneration Committee Chairman

Dear Shareholder

I am pleased to present our Directors' remuneration report for 2014 which we will be submitting to shareholders for approval at our 2015 Annual General Meeting.

The report sets out the work done by the Remuneration Committee (the 'Committee') during the year and gives details of the compensation paid to our directors for their stewardship and management of the business. The remuneration we have awarded is in accordance with the directors' remuneration policy approved by shareholders at the 2014 Annual General Meeting. No changes have been made to the policy since that time and a summary is included at the end of the report for easy reference. Our policy incentivises executive achievement against transparent and stretching targets linked to the strategy and performance of the business and is designed to drive and reward the creation of long-term shareholder value.

Shareholder engagement

Following the 2014 AGM I sought meetings with a number of our major shareholders and certain shareholder voting bodies to obtain further feedback on our remuneration policy and report and to respond to any areas of interest or concern. In these meetings we discussed the market positioning of our fixed and variable executive remuneration, our approach to objective setting and the alignment of incentives with the Company's strategic priorities. As part of this, a number of shareholders sought further clarification of the structure of our executive incentives which I am pleased to provide below.

Short-term objectives for annual bonus

Directors' short-term objectives are focused on specific actions and issues which need to be addressed in the current year to help build longer-term business performance and growth. While the objectives for both our executive directors will support key strategic, performance, financial health and reputational imperatives, the CEO's objectives are likely to be more descriptive and qualitative in nature, covering organisational, structural and cultural issues, while the CFO's objectives may contain more quantifiable deliverables.

Long-term objectives for deferred share awards

Our Deferred Executive Incentive Plan (DEIP) is based on a balanced scorecard of long-term targets which are designed to incentivise the creation of long-term sustainable shareholder value. 80% of the scorecard is composed of quantifiable metrics – investment performance, growth in assets under management, EBITDA margin and earnings per share – and 20% relates to talent and culture. The quantifiable metrics applied are the same KPIs as are used to evaluate progress against our key business priorities as set out on page 15 of the Annual report. The 20% qualitative element allows the Committee to reflect its assessment of the business culture and behaviours which underlie and support the directors' financial achievement.

The DEIP objectives are set at year 0 and, for awards made in respect of 2015 and future years, at the end of year 3 the Committee reviews the level of achievement according to the scorecard and applies that to the potential level of award to determine the maximum possible award value. As a final step, the Committee considers whether that value is justified by overall company performance over the period. If, as was the case in respect of the 2013 award, the Committee considers that the calculated value is not supported by the level of performance, it will exercise discretion to make an appropriate reduction. I would stress, however, that the Committee cannot apply any upward discretion as this would be outside the rules of the DEIP and the policy approved by shareholders.

A further point to be emphasised is that since the targets are set in advance and the level of achievement against these targets is assessed at the end of the performance period, the proportion of the award made is determined, within the limits established by the remuneration policy, in much the same way as the proportion of awards vesting is determined under more traditional LTIP plans. However, the final step, i.e. the assessment of the level of award in the light of overall company performance and consideration of whether any reduction is warranted, is generally not available under those more traditional plans.

Long-term shareholder alignment

Deferred shares awarded under the DEIP are subject to a further three to five year vesting period which is conditional only on continuing service. Taking into account the three year performance period, the DEIP has a total time horizon of six to eight years and builds up over this period a substantial proportion of executive reward aligned with shareholder experience and value. Notwithstanding this alignment these deferred awards, which after the performance period has passed are subject only to a further period of service, are not taken into account in the calculation of the level of directors' shareholdings measured against our shareholding guidelines which require the holding of totally unrestricted and disposable shares.

Business performance in 2014

The Committee believes that overall the executive team has made great progress in pursuit of the Company's strategic objectives during the year. In particular, the directors have created a firm basis for future growth through the acquisition of Numeric and Silvermine Capital Management which further diversify and strengthen Man Group's product range and extend our footprint in the key US market. Within the existing business, the development of new models and the addition of new markets for AHL have contributed to very strong relative and absolute performance in its traditional momentum and related strategies. This improved performance and the broadening of the product range has helped attract assets and resulted in a significant new AHL institutional mandate. GLG has grown its long only and credit strategies and assets and has benefited from a number of high profile industry hires. FRM has broadened its portfolio through the acquisition of the Pine Grove and Merrill Lynch assets and has secured further substantial commitment to its managed account infrastructure. Our 2014 cost reduction targets have been achieved and rigorous financial discipline has been maintained. A cost efficient bond issue has raised additional capital for the seeding of new funds.

The significant increase in profits and earnings per share resulting from progress in all the above areas is shown in the 'Highlights' section on page 2. The remuneration we have awarded in respect of 2014 reflects the breadth of this achievement. We are aware, nonetheless, of areas where further work and renewed effort are required and which will be recognised and targeted in executive directors' objectives for 2015. These will include addressing the underperformance of GLG's equity and macro strategies, with their negative impact on redemptions and flows, and developing further traction in the key US market.

Executive reward in respect of 2014

Tables R3 to R5 on pages 50 to 53 set out the reward decisions which the Committee has made on directors' achievement against their individual annual objectives during 2014 and the balanced scorecard of quantitative metrics and qualitative judgement under the DEIP. Below I have provided additional commentary on individual and company performance to provide further context.

Board review

Executive compensation is a key element of Man Group's business model and, as such, final judgement is exercised at a meeting of the full Board. In applying its judgement, the Board considers all aspects of the proposed compensation of the executive directors and all members of the senior management team. This includes an overall view on Man Group's business performance and positioning for the future, the environment in which that performance was achieved, internal relativities, retention issues and, with the help of Kepler Associates, consideration of compensation at selected peers and competitors. Our external comparators are restricted to publicly quoted UK fund management groups and selected other financial institutions for which investment management is a material business line. The comparability of these companies varies depending on differences, some of them material, in size, business mix and geographic footprint and their relevance varies in the extent to which they are actually competitors for talent. We compete for talent with, among others, privately held investments and hedge funds for which there is limited public disclosure on remuneration. The comparison with the public peer group has shown that the total compensation of our executive directors is at the low end of both CEO and CFO remuneration. We will, therefore, be consulting with shareholders on possible changes to the incentive opportunity available to our CEO and CFO following the release of our 2014 results.

Annual short-term cash bonus

Manny Roman

In his first year as CEO, Manny Roman's objectives were focused on reducing the cost base, reshaping the business to align with future asset flows and creating a new top management structure. In 2014, his objectives turned to raising performance, growing FUM and management fee income and creating the potential for further value creation through selective, disciplined acquisitions. He was also required to continue his development of senior management talent, maintain a first rate compliance and control culture and remain fully engaged with the expectations of external stakeholders.

A summary of Manny's achievements against these objectives is given in Table R3 on page 50. While his achievement against financial objectives can be evidenced in quantitative terms, actions relating to people, culture and control issues are more sensitive and outputs less quantifiable. The Committee has, nonetheless, exercised rigorous judgement in its assessment of these areas. Our overall conclusion is that 2014 represented a great step forward for Man Group, building on the restructuring of 2013 and delivering on the growth strategy agreed with shareholders. We believe that Manny deserves full credit for his strategic focus, commitment and leadership and have awarded him 100% of the maximum award (being 250% of salary) as his short-term cash bonus for the year.

Jonathan Sorrell

Jonathan Sorrell's 2014 objectives were built around continuing the rationalisation and efficiency drive started the previous year. These included concluding the agreement with the FCA on revised regulatory capital requirements, enhancing the balance sheet and maintaining a relentless focus on cost discipline. Also essential were initiatives to ensure, with a reduced headcount, improved internal management reporting, a robust external reporting function, effective finance team development and succession planning, and refocusing of the shareholder engagement programme.

More quantitative disclosure of achievements is possible in respect of Jonathan's objectives (see Table R4 on page 51) although certain areas remain subject to Remuneration Committee judgement. Our overall conclusion is that Jonathan has had another excellent year as CFO, a view which is supported by shareholder feedback, and we have, therefore, awarded him 100% of the maximum award (being 250% of salary) as his short-term cash bonus for the year.

Salary increase

Jonathan was appointed as CFO in June 2012, at which time he had no previous experience in such a role. His base salary was set at that time to reflect this. Since then, Jonathan has grown to be a seasoned CFO, his performance has been outstanding and his role has expanded to include Operations and Technology, Human Resources, Facilities and Communications. In recognition of this growth, the Committee recommended to the Board that Jonathan's base salary be increased from $625,000 p.a. to $750,000 p.a with effect from 1 April 2015.

Long-term deferred bonus under the DEIP

Table R5 on pages 52 and 53 sets out: (a) the arithmetic calculation of directors' achievement against the quantifiable KPIs which account for 80% of their potential deferred bonus award; and (b) the Committee's assessment of their achievement against the remaining 20% attributable to culture and talent issues. It should be noted that the structure of the DEIP means that the awards made in respect of 2014 take account of performance in both 2013 and 2014, with the metrics for each year in each category being averaged to calculate the outcome for the two year period. 2014 is the final year of transition under the DEIP so that from the end of 2015 and going forward, awards will be based on performance averaged over the preceding three year period.

An outcome of 20.0% of the potential award has been achieved against the KPIs, with the gains made in 2014 being offset by the already reported weaker performance in 2013. The Committee has similarly taken account of performance in both years in making its judgement on the directors' achievement against the culture and talent element of the DEIP. It believes that Manny and Jonathan have worked together over a demanding two year period to tackle the people management as well as the financial issues confronting the Company. They have taken the necessary steps to reduce and redeploy headcount, rightsize the business, bring in new talent and motivate and maximize the value of the new management team. They continue to pursue initiatives to promote gender diversity and its benefits within senior roles and have led the development of a clear statement of business principles to be embraced and embodied in staff behaviours Group wide. In recognition of this achievement, the Committee has awarded each of them 100% of the maximum 20% of the award which is attributable to the culture and talent element of the DEIP. This brings their total achievement under the DEIP to 40.0% of the maximum award (the maximum being 350% of salary).

Directors' remuneration report continued

As in the previous year, the Committee considered whether the percentage level of award derived from the balanced scorecard was justified in the light of the underlying performance of the business. It concluded that, taking account of the progress outlined in this report and the financial outturn for the year, no discretionary downward adjustment to the award was appropriate in 2014. The Committee's view in this respect is supported by the TSR experience of our shareholders during 2014 (one of the highest in the FTSE 250), the growth in our market capitalisation and the increase in both adjusted management fee and total EPS.

Agenda for 2015

For 2015, we have expanded the suite of funds over which the performance metric of the DEIP is measured to include a specific Numeric performance metric as highlighted in note (b) to Table R19 on page 59.

We are aware of the new provision introduced by the 2014 UK Corporate Governance Code for the implementation of malus and clawback in respect of directors' awards. I have already highlighted the fact that our DEIP operates in such a way as to create a very substantial level of deferred remuneration which is subject to malus. This has the potential, assuming an annual DEIP award level of 50% on average, to increase to a value of up to seven times salary at any given time. Consideration will be given during the year to our position on the clawback of awards already paid.

We will continue to evolve our thinking on remuneration policy during 2015. A key element of this process is to assess our policy in the light of the Company's business development and priorities and the consequent requirement to attract and retain key staff. We also take account of the competitive landscape and the level of compensation paid within industry peers, both listed and private. We will, as previously mentioned, consult with major shareholders on their views on the operation of our policy in practice and on any other matters discussed in this report which may be of interest or concern.

Phillip Colebatch
Chairman of the Remuneration Committee

Man Group's Statement of Remuneration Principles and our Directors' Remuneration Policy (as approved by shareholders at the 2014 AGM) are available on our website www.man.com/remuneration-committee.

Directors' remuneration report contents

2. Directors' remuneration report 2014

Remuneration Committee

The Committee's role is to determine and agree with the Board the Company's remuneration philosophy and the principles of its remuneration policy which are aligned with the business strategy, objectives and values, comply with all regulatory requirements and promote long-term shareholder interests. The Committee agrees with the Board the specific remuneration policy for the executive directors, as presented to shareholders for their approval, and oversees its implementation. It then determines and recommends to the Board for approval the total compensation packages for individual executive directors, based on their achievement against objectives set by the Committee and Board at the start of the year and within the shareholder approved remuneration policy. It also reviews and recommends to the Board for approval the remuneration of the Chairman. Full terms of reference for the Committee, which are reviewed on an annual basis, are available on the Company's website.

2.1 Membership and attendance

The Committee members at the date of this report are Phillip Colebatch (Chairman), Jon Aisbitt, John Cryan and Nina Shapiro. Fred Jolly was a member of the Committee during 2014 until his retirement from the Board at the 2014 AGM. John Cryan was appointed a director and a member of the Committee on 15 January 2015 after a full search and selection process as detailed in the Nomination Committee report on page 42. The other members of the Committee served throughout the year.

Meetings are regularly attended by Manny Roman, CEO, and Jonathan Sorrell, CFO. The Committee is supported by members of the Reward, Compliance and Regulatory and Executive Incentive Plans teams who attend meetings when required to provide information and advice on remuneration, regulatory and incentive plan matters. The Company Secretary acts as Secretary to the Committee and supports the Committee Chairman's engagement with shareholders.

Time is scheduled at the end of each meeting for private discussion between Committee members without the presence of advisors, executive directors or management. No Committee member or attendee is present when matters relating to his or her own remuneration are being discussed.

2.2 Independent advisers

Kepler Associates ('Kepler') provide the Committee with advice on specific remuneration issues such as the benchmarking of directors' compensation in the asset management sector and trends in market practice and regulatory disclosures. Kepler provide no other services to the Company and have confirmed that they have no other business relationship with the Company or its management. The Committee is satisfied on this basis that the advice it receives is objective and independent. The total fees paid to Kepler in 2014 were £36,625.

2.3 Meeting schedule

The Committee met six times during 2014 with attendance by members as indicated below. In addition, certain share incentive plan decisions requiring approval between scheduled meetings were agreed by email exchange or written resolution.

	Meetings attended
Phillip Colebatch	6
Jon Aisbitt	6
John Cryan[a]	0
Fred Jolly[b]	3
Nina Shapiro	6

Notes:

(a) John Cryan was not appointed as a non-executive director and a member of the Committee until 15 January 2015. He was not, therefore, eligible to attend any meetings during 2014.

(b) Fred Jolly retired from the Board at the 2014 AGM after attending all three Committee meetings held prior to that date.

Directors' remuneration report continued

2.4 Committee activities during 2014 and the early part of 2015

The table below shows the main areas of Committee activity and decision making during the above period, evidencing its direction and governance of Man Group's senior management and executive director reward. The Committee Chairman summarises for the Board the main matters addressed at each Committee meeting. He also provides input into and challenge, from a remuneration perspective, of Board discussions on budgets, business unit contribution and the compensation structures of proposed acquisitions.

Remuneration Committee activities

Reward Decisions		Governance	Financial Regulation	Shareholder Engagement
Executive directors and Chairman	Senior Management			
As part of the year end compensation review, considered salary, bonus and total compensation benchmarks for other listed asset managers and FTSE 250 companies. Assessed executive directors' performance against short-term objectives and long-term metrics under the DEIP and recommended cash bonus and deferred share awards to the Board for approval. Reviewed and agreed executive directors' objectives for the following year prior to Board approval. Approved minor changes to the fund performance metrics for deferred share awards under the DEIP. Reviewed and recommended Chairman's remuneration to the Board for approval.	Reviewed and recommended to the Board the senior management bonus pool and the policy on the level of deferral for bonus awards. Reviewed and approved Executive Committee salaries and bonuses proposed by the CEO. Approved salaries and bonuses for BIPRU and AIFMD Remuneration Code staff. Provided oversight of salaries and bonuses for senior control roles and top earners.	Reviewed and agreed the Directors' remuneration report prior to Board approval. As part of the year end compensation review: (a) considered the accounting judgements made in the year end accounts and any impact on the reported profit and the bonus pool; and (b) assessed any risk and compliance issues which needed to be taken into account in the determination of individual senior management bonuses. Reviewed and approved the vestings outcomes of awards made under legacy incentive plans for former directors. Reviewed and recommended to the Board for approval updated Committee terms of reference. Reviewed the outcomes of the annual Remuneration Committee evaluation and agreed priorities for the following year.	Approved lists of AIFMD and BIPRU Remuneration Code staff. Approved management's application of the AIFMD proportionality rules to the payout of deferred compensation to investment managers. Approved delegations for the operation of the Company's Deferred Share and Fund Product Plans including the rules on the vesting of awards for good leavers and the grant of buyout awards. Provided oversight of the adoption of new Deferred Share and Fund Product Plans by investment management partnerships.	Discussed and agreed the Company's response to shareholder feedback on the consultation on the directors' remuneration policy. Reviewed shareholder feedback on the 2013 Directors' remuneration report and voting on the 2014 AGM resolutions. Agreed shareholder engagement programme in response. Discussed and evaluated the Committee Chairman's feedback from shareholder engagement meetings. Reviewed the new UK Corporate Governance Code provisions and noted the need to consider Man Group's position on malus and clawback.

2.5 2014 Committee evaluation

The Committee decided, following Fred Jolly's departure and pending the appointment of a new Committee member, to conduct an internal evaluation for 2014. A number of areas of the Committee's effectiveness were tested by means of a written self-assessment completed by members and executive director attendees and suggestions for improvement were invited in each case. A summary of the findings of the evaluation was presented to the Committee in January and priority areas for 2015 were discussed.

The overall view emerging was that the Committee provided an effective forum for open debate and constructive challenge on executive reward, with members' candid discussions and the responsiveness and engagement of executive director attendees being seen as an area of strength. The Committee commended the executive directors' clear differentiation between individual senior managers in their compensation recommendations and believed that due regard was taken of risk and compliance issues in reward decisions. There was appreciation of the sustained and ongoing shareholder engagement programme and the Chairman's regular feedback on his dialogue with key investors and shareholder representative bodies.

The following priorities were agreed for 2015:

- providing a comprehensive induction for John Cryan as a new Committee member to enable him to play a full part in Committee decision making as quickly as possible;
- spending sufficient time on in depth discussion of incentive and reward, including the assessment of the current directors' remuneration policy in the context of the Company's development, the competitive landscape and internal relativities;
- consideration of management's adherence to the Company's recently published business principles to be built into reward decisions; and
- continuing the development and update of Committee members' knowhow.

2.6 Shareholder voting and engagement

At last year's AGM, as shown in the table below, some 96% of the votes cast were in favour of our remuneration policy and report and some 97% were in favour of our DEIP. There was, however, a sizeable level of abstention in respect of the remuneration report. The Committee sought to understand and address the reasons for the abstention through meetings between the Chairman, key shareholders and shareholder voting bodies in the course of the year. The Chairman's annual statement explains some of the queries relating to our directors' remuneration structure raised by shareholders in those meetings and we hope that this will help address any uncertainties which may have led to their abstention last year.

At the AGM held on 9 May 2014, votes cast by proxy and at the meeting in respect of directors' remuneration were as follows:

Table R1

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
Approve the directors' remuneration policy	968,686,157	96.46%	35,530,721	3.54%	1,004,216,878	46,303,204
Approve the annual report on remuneration	698,611,562	96.53%	25,124,839	3.47%	723,736,401	326,783,681
Approve the adoption of the Man Group 2013 Deferred Executive Incentive Plan (DEIP)	979,737,878	97.69%	23,139,224	2.31%	1,002,877,102	47,642,980

Remuneration outcomes in 2014

2.7 Single total figure of remuneration for executive directors

The table below sets out a single figure for the total remuneration received by each director for the year ended 31 December 2014 and the prior year.

Single total figure of remuneration for executive directors (audited) **Table R2**

	Executive directors			
	Emmanuel Roman[(a)]		Jonathan Sorrell	
All figures in USD	**2014**	2013	**2014**	2013
Salary	**1,000,000**	1,000,000	**625,000**	625,000
Taxable benefits	**56,122**	49,804	**2,776**	3,059
Short-term variable	**2,500,000**	1,750,000	**1,562,500**	1,562,500
Long-term variable[(b)]	**1,400,000**	595,583	**875,000**	372,240
Pension benefits	**109,813**	–	**86,695**	85,059
Other[(c)]	**1,857**	1,776	**1,857**	1,636
Total	**5,067,792**	3,397,163	**3,153,828**	2,649,494

Notes:
(a) Emmanuel Roman is a non-executive director of Grupo Prisa SA; he retains fees of €124,500 (€30,000 was awarded as shares) in respect of this directorship.
(b) Long-term variable remuneration is subject to deferral under the Deferred Executive Incentive Plan. Please refer to Tables R5 and R6 for further information.
(c) 'Other' refers to non-taxable benefits (including life insurance and Group income protection).

Directors' remuneration report continued

2.8 Short-term annual bonus in respect of 2014 performance

The short-term annual cash bonus is based on the Remuneration Committee's assessment of executive directors' performance against objectives agreed by the Board at the beginning of the year. Tables R3 and R4 show the results of this assessment for 2014.

Chief Executive Officer (audited) **Table R3**

Assessment category	Objectives	Achievements
Strategy, structure and people	– Deliver one or two strategic acquisitions in the US.	– The Numeric and Silvermine Capital acquisitions have diversified Man Group's product offering, extended the US footprint and been positively received by the market.
	– Develop first rate asset management culture.	– Man Group's brand, staff morale and price/earnings ratio strengthened and increased (p/e ratio up from 13.3 to 16.0 over the year).
	– Mentor Executive Committee members.	– Key continuing area of focus with frequent reporting to the Board.
	– Retain and attract key people.	– Ongoing recruitment programme involved personal meetings with 87 potential candidates and resulted in a number of impactful high profile industry hires. A total of 31 one to one career development meetings held with staff.
Performance and sales	– Improve investment performance.	– Outstanding performance in AHL with the four main strategies generating 15%+ returns. Performance mixed and in parts disappointing in GLG and FRM.
	– Grow assets under management and achieve 10% year on year growth target.	– Six quarters of net inflows achieved by end of 2014. Sales in 2014 exceeded expectations but the level of redemptions, particularly in FRM, meant that year on year inflow growth target was not achieved.
Financial health	– Manage and control costs.	– The cost discipline introduced in 2013 has been actively maintained and target cost reductions have been exceeded. Bonus recommendations and decisions have been measured and awards differentiated. The operating leverage created by the restructuring has contributed to healthy shareholder returns (adjusted management fee EPS and total EPS up 22% and 65% respectively). Improved market sentiment led to an 89% share price increase over the year.
Risk, compliance and reputation	– Maintain best of breed legal and compliance control.	– The compliance and control culture is reflected in the lack of any serious problem arising during the year.
External stakeholder engagement	– Maintain high quality engagement with external stakeholders.	– Programme of 23 shareholder meetings, with additional calls to follow up results and acquisition announcements, reportedly well received by investors. Strong engagement at senior level with the FCA.
Total resulting level of award as a percentage of maximum opportunity of up to 250% of salary		100%
Award as a percentage of salary		250%
Quantum of award		$2,500,000

Chief Financial Officer (audited) **Table R4**

Assessment category	Objectives	Achievements
Strategy, structure and people	– Conclude capital requirements discussions with the FCA.	– Regulatory capital discussions effectively concluded.
	– Devise and execute appropriate capital and funding plan; seek balance sheet funding efficiencies.	– Used $115m of performance fee profit to execute share buyback programme. Opportunistic issuance of $150m lower Tier 2 capital to fund the expansion of the seed portfolio.
	– Execute legal entity rationalisation and reduction programme.	– Achieved rationalisation target with 21 entities put into liquidation/dissolved during 2014.
	– Develop Finance team talent to facilitate effective succession planning.	– Responsibilities of four key managers broadened. Tax team restructured. Finance team 360° feedback exercise undertaken for personal development. Individual career development discussions held with all team members resulting in a number of internal moves.
P&L and financial health	– Deliver Phase II cost savings programme and 2014 cost budget.	– Phase II cost savings ahead of schedule with 2014 H2 annualised fixed costs of $285m vs $305m on a like for like basis. 2014 non-compensation costs and fixed compensation costs ahead of target on a like for like basis ($146m vs $169m and $151m vs $161m respectively).
	– Deliver accurate financial forecasting on a timely basis.	– P&L, balance sheet and cashflow re-forecast monthly. Improved monthly reporting to the Board including more detail on fund performance, performance fees and the impact of acquisitions.
	– Rationalise internal reporting framework and improve information provided; complete new AUM reporting process and assurance	– New internal AUM reporting process with assurance from Deloitte implemented during the year.
	– Verify execution of agreed hedging strategy.	– Quarterly hedging of Sterling and Swiss francs achieved in line with agreed policy.
Risk, compliance and reputation	– Maintain effective and robust external reporting function.	– No significant financial reporting or accounting issues/errors identified by auditors/regulators during the year.
	– Achieve a smooth transition to the engagement of Deloitte as auditors.	– Smooth transition to new audit firm with Man Group and Deloitte staff working effectively together. No significant issues raised by auditors to date.
	– Maintain effective financial control environment, particularly in the context of headcount reduction and fulfil RCSA recommendations.	– RCSA recommendations implemented and periodic review process embedded.
External stakeholder engagement	– Communicate effectively with buyside and sellside communities.	– One to one meetings held with 19 sellside analysts to promote their understanding of Man Group's equity proposition. Further assistance to buyside and sellside to improve their financial modelling. Proactive follow up calls with top shareholders following acquisitions.
	– Re-focus Investor Relations effort to target investors more effectively.	– Focused post results roadshows on major shareholders/genuine interest investors to ensure the effective use of management time.
Total resulting level of award as a percentage of maximum opportunity of up to 250% of salary		100%
Award as a percentage of salary		250%
Quantum of award		$1,562,500

Directors' remuneration report continued

2.9 Long-term deferred bonus in respect of 2014 performance under the Deferred Executive Incentive Plan

The long-term deferred bonus plan awards are determined by an assessment against a balanced scorecard of performance criteria for each executive director, with 80% determined by financial criteria and 20% non-financial criteria. Table R5 shows the result of this assessment for 2014. Performance is measured for each of the two preceding reporting years (2013 and 2014) and then averaged. Additional information on Man's KPIs is set out on page 15.

Long-term deferred bonus – 2014 outcome of balanced scorecard of financial and non-financial metrics (audited) **Table R5**

Financial KPI	Weight	Target	Achievement	Percentage of target achieved over 2 year performance period (2013/14)	Percentage of weighting achieved over 2 year performance period (2013/14)
Investment performance	25%	– Net performance ≤ benchmark performance, criteria is not met. – Net performance > benchmark performance, criteria is met.	2013: Achieved one out of the three performance targets. 2014: Achieved one out of the three performance targets. AHL's performance was strong and the target was met. FRM's performance was positive although the stretch target was not met. GLG also did not meet the target.		
			Average: In both years, one out of the three performance targets was met.	**33.3%**	**8.3%**
Net flows	25%	– Net flows ≤ 0%, criteria is not met. – Net flows ≥ 10%, criteria is met in full. – 0% < Net flows < 10%, criteria is met proportionally.	2013: Net flows were below target with a net outflow of 6.3%. 2014: Net inflows were 6.1%, a marked improvement on 2013. Inflows were recorded in quant and discretionary alternatives and in long-only products.		
			Average: There was an aggregated net outflow over the two year period, with an average net outflow of 0.1%.	**0%**	**0%**
Adjusted management fee EBITDA margin	15%	– Adjusted management fee EBITDA margin ≤ 25%, criteria is not met. – Adjusted management fee EBITDA margin ≥ 40%, criteria is met in full. – 25% < adjusted management fee EBITDA margin < 40%, criteria is met proportionally.	2013: The adjusted management fee EBITDA margin of 36.0% was within the target range for the year. 2014: The adjusted management fee EBITDA margin of 30.3% was within the target range for the year, but lower than in 2013, reflecting the general product mix shift from higher margin retail assets to lower margin institutional assets.		
			Average: The average adjusted management fee EBITDA margin for the two year period was 33.2%.	**54.7%**	**8.2%**

Long-term deferred bonus – 2014 outcome of balanced scorecard of financial and non-financial metrics (audited) **Table R5**

Financial KPI	Weight	Target	Achievement	Percentage of target achieved over 2 year performance period (2013/14)	Percentage of weighting achieved over 2 year performance period (2013/14)
Adjusted management fee EPS growth	15%	– Adjusted management fee EPS growth ≤ 0% plus RPI, criteria is not met. – Adjusted management fee EPS growth ≥ 20% plus RPI, criteria is met in full. – 0% plus RPI, < adjusted management fee EPS growth < 20% plus RPI, criteria is met proportionally.	2013: The adjusted management fee EPS growth in excess of RPI was below target (-16.8%) primarily as a result of the decline in management fee revenue and the overall gross margin, partly offset by reduced costs. 2014: The adjusted management fee EPS growth in excess of RPI (26.2%) was above the top end of the range, primarily as a result of significantly reduced costs and lower finance expense, partly offset by a decline in management fee revenue.		
			Average: The average adjusted management fee EPS growth over the two year period is 4.7%, which is within the target range.	**23.5%**	**3.5%**
Non-financial metrics					
Culture and talent	20%	– Judgement made by the Remuneration Committee and Board.	**Outcome over 2 years (2013 and 2014):** Renewed sense of accountability and achievability in leadership team. Restructured the Executive Committee, the Investment Management and Sales organisations and Group functions. Substantial changes in senior roles and people over the period have effectively changed the whole of the top management team. Engaged the Executive Committee in the creation and Group wide communication of a clear set of business principles to be embraced by all staff and adopted in all external communications. Pursued and supported initiatives to promote gender diversity at senior management level including graduate research, recruitment practices and internal mentoring and support networks.		
			The CEO and CFO worked together on these achievements over the two year period and both have been awarded the same rating.	**100%**	**20%**
Total resulting outcome as a percentage of maximum opportunity of up to 350% of salary.					**40.0%**

Directors' remuneration report continued

Scheme interests to be awarded under the Deferred Executive Incentive Plan in relation to 2014 (audited) — Table R6

Executive director	Award (% of maximum)	Award value[a] (USD)	End of holding period date
Emmanuel Roman	40.0%	1,400,000	Mar-20
Jonathan Sorrell	40.0%	875,000	Mar-20

Notes:
(a) Awards in respect of the financial year ended 31 December 2014 are calculated according to performance against a balanced scorecard, as shown in table R5. These will be converted into a number of shares using the USD/GBP rates and mid-market share price quoted on the award date which is expected to be in mid-March 2015. Awards are due to be granted as conditional awards of shares and will vest three to five years after grant, subject to the Plan rules. Details of awards made under the Deferred Executive Incentive Plan in relation to performance in 2013 can be found in Table R14.

2.10 Single total figure of remuneration for non-executive directors

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 31 December 2014 and the prior year.

Single total figure of remuneration for non-executive directors (audited) — Table R7

	Total fees	
All figures in GBP	**2014**	2013
Jon Aisbitt	**450,000**	450,000
Phillip Colebatch[a]	**115,000**	100,224
Andrew Horton[b]	**80,000**	32,821
Fred Jolly[c]	**27,019**	75,000
Matthew Lester	**95,000**	95,000
Dev Sanyal[d]	**80,000**	6,667
Nina Shapiro[e]	**75,000**	77,955

Notes:
(a) Phillip Colebatch was appointed Senior Independent Director and a member of the Audit and Risk Committee on 3 August 2013.
(b) Andrew Horton was appointed to the Board and as a member of the Audit and Risk Committee on 3 August 2013.
(c) Fred Jolly stepped down from the Board on 9 May 2014.
(d) Dev Sanyal was appointed to the Board and as a member of the Audit and Risk Committee on 1 December 2013.
(e) Nina Shapiro ceased to be a member of the Audit and Risk Committee and was appointed to the Remuneration Committee on 3 August 2013.

2.11 Percentage change in CEO remuneration

The table below sets out the percentage change in remuneration for the CEO and staff.

Percentage change in CEO remuneration — Table R8

	CEO[a]			All Staff
	2014	2013		
	All figures in $'000s		% change	% change[b]
Salary	**1,000**	1,000	0%	-3%[c]
Taxable benefits	**56**	50	12%	3%
Short-term variable	**2,500**	1,750	43%	9%

Notes:
(a) Emmanuel (Manny) Roman joined Man Group as part of the GLG acquisition. As part of this, he acquired a significant shareholding in Man Group and contractually committed to retain those shares for a period. Along with selected other senior GLG management, he committed to work for the effective integration of GLG into Man Group, to receive only a fixed salary (of $1 million) and agreed not to be eligible to participate in any bonus plan. During this period he became a key member of the Man Group senior management team. These acquisition arrangements subsequently expired and, in recognition of his broad contribution, he was appointed CEO in February 2013. The Board determined at that time that it would be inappropriate to reduce his salary upon appointment to CEO and that his incentive compensation should transition over a short period to an approach consistent with the arms' length market for this role. Calendar year 2014 was the first year of that transition. A summary of Manny's achievements against his 2014 objectives is given in Table R3 on page 50. The Committee concluded that he deserved full credit for his strategic focus, commitment and leadership during 2014 and, therefore, awarded him 100% of the maximum award as his short-term cash bonus for the year.
(b) Figures are calculated on a per capita basis.
(c) Excluding joiners and leavers, salaries on a per capita basis increased by 5% from 2013 to 2014.

2.12 Relative importance of spend on pay

The table below shows the year on year change in total employee expenditure compared to the change in shareholder distributions.

Relative importance of spend on pay **Table R9**

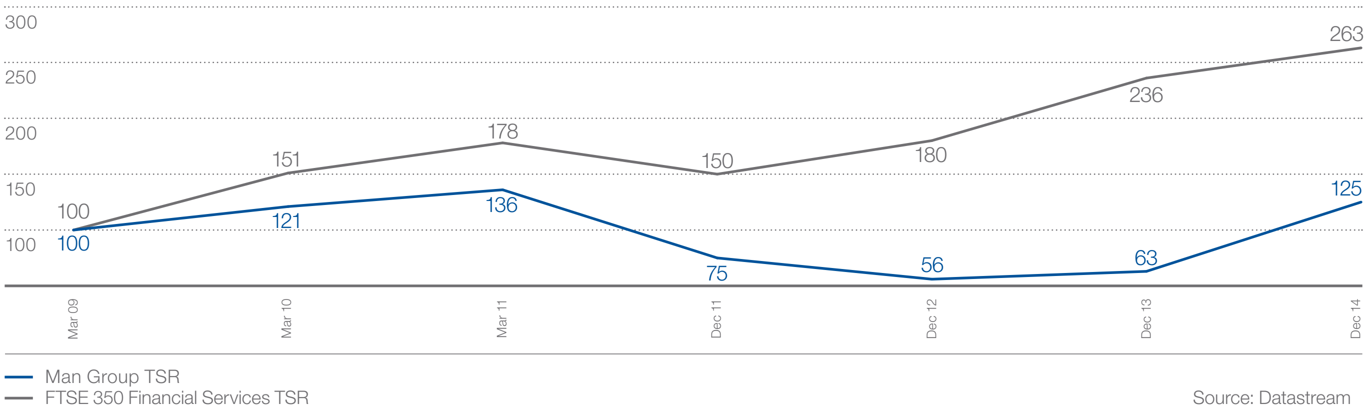
	2014 $m	2013 $m	% change
Total employee expenditure[(a)]	**391**	445	-12%
Shareholder distributions[(b)]	**278**	277	1%

Notes:
(a) Remuneration paid to or receivable by all employees (i.e. accounting cost). Refer to Note 6 to the financial statements for further details.
(b) Distributions to shareholders (dividends paid of $163m and repurchase of shares of $115m in the year).

2.13 Review of past performance

The performance graph below compares the Company's total shareholder return performance against the FTSE 350 Financial Services Index. Man Group operates in the alternative investment management sector and is listed on the FTSE 250 Index on the London Stock Exchange. The FTSE 350 Financial Services Index has been chosen as it is the most appropriate comparator to cover a period when Man has been in both the FTSE 100 and FTSE 250. The majority of Man Group's direct competitors are unlisted and information is not available.

Table R10



Source: Datastream

Historical CEO remuneration **Table R11**

Accounting period ended	31 March 2010	31 March 2011[(a)]	31 December 2011[(b)]	31 December 2012	31 December 2013[(d)]		31 December 2014
	P Clarke	P Clarke	P Clarke	P Clarke	P Clarke	E Roman	E Roman
CEO single figure ($'000s)	6,299	8,173	6,437	1,048	978	3,397	5,068
Short-term variable award (as a percentage of maximum opportunity)[(c)]	n/a	n/a	n/a	n/a	0%	70%	100%
Long-term variable award (as a percentage of maximum opportunity)[(c)]	n/a	n/a	n/a	n/a	0%	17%	40%

Notes:
(a) Salary and benefits are for 12 months and bonus for 9 months.
(b) Salary and benefits are for 9 months and bonus for 12 months.
(c) For the accounting periods ended up to and including 31 December 2012, as there was no cap on the overall maximum bonus awards, the percentage of maximum opportunity is not shown.
(d) Peter Clarke stepped down as CEO with effect from 28 February 2013 and was on garden leave until his retirement on 10 December 2013. Emmanuel Roman became CEO on 28 February 2013.

Directors' remuneration report continued

2.14 Payments to past directors (audited)

There were no remuneration payments made to former executive directors during the year.

In the annual report on remuneration for the financial year ended 31 December 2013, awards granted under the Performance Share Plan (PSP) and Man Group Executive Share Option Schemes (ESOS) to former directors Peter Clarke and Kevin Hayes were reported under Table R21 and R22 respectively. These outstanding awards lapsed during the financial year ended 31 December 2014.

Share option awards that were granted under the Deferred Bonus Share and Option Plan (DBSOP) in June 2010 to former director Kevin Hayes lapsed during the year. All the other DBSOP share options and conditional shares awards granted to former directors Peter Clarke and Kevin Hayes, as reported under Table R19 in the annual report on remuneration for the financial year ended 31 December 2013, remain outstanding.

2.15 Directors' interests

Directors' interests in shares of Man Group plc (audited) — **Table R12**

	Number of ordinary shares[a] 31 December 2014[b]	Number of ordinary shares[a] 31 December 2013
Executive directors		
Emmanuel Roman[c]	**18,745,969[d]**	19,629,418
Jonathan Sorrell	**544,361**	425,791
Non-executive directors		
Jon Aisbitt	**1,681,251**	1,681,251
Phillip Colebatch	**10,000**	10,000
Andrew Horton	**50,000**	50,000
Fred Jolly	**9,705[e]**	9,705
Matthew Lester	**22,692**	22,692
Dev Sanyal	**64,287**	60,947
Nina Shapiro	**28,258**	28,258

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 2014 up to 24 February 2015, being the latest practicable date prior to the publication of this report.

(c) Emmanuel Roman also holds 50,000 Deferred Sterling shares of £1 each. These shares are held to satisfy a requirement of the Companies Act 2006 and carry no voting rights or rights to distributions.

(d) On 19 December 2014, Emmanuel Roman transferred 668,449 ordinary shares in Man Group plc to Tate Americas Foundation and 215,000 ordinary shares in Man Group plc to the University of Chicago, both transfers being gifts for nil consideration.

(e) Interest as at 9 May 2014, the date on which Fred Jolly stepped down from the Board.

The market price of the Company's shares at the end of 31 December 2014 was 160.5 pence. The highest and lowest daily closing share prices during the 12 month financial period were 160.5 pence and 81.05 pence respectively.

Executive directors' shareholdings measured against their respective shareholding requirement as at 31 December 2014 — **Table R13**

Executive directors	Shares owned outright[a]	Value of shareholding[b] (USD)	Salary (USD)	Shareholding requirement as a % of salary	Current shareholding as a % of salary	Requirement met?
Emmanuel Roman	18,745,969	46,869,965	1,000,000	200%	4,687%	Yes
Jonathan Sorrell	544,361	1,361,049	625,000	100%	218%	Yes

Notes:

(a) Details of unvested share awards can be found under Tables R14 to R17.

(b) Shareholdings valued at 31 December 2014 share price of £1.6050 and an exchange rate of £1=$1.5578.

2.15 Directors' interests continued
Directors' interests in shares and options under Man Group long-term incentives

Conditional share awards under the Deferred Executive Incentive Plan (DEIP)[a] – subject to service conditions (audited) Table R14

Executive director	Date of grant	1 January 2014	Granted during year[b]	Dividends accruing[c]	31 December 2014	Transfer date
Emmanuel Roman	Mar-14	–	116,749	6,481	123,230	Mar-17
	Mar-14	–	116,749	6,481	123,230	Mar-18
	Mar-14	–	116,751	6,481	123,232	Mar-19
Jonathan Sorrell	Mar-14	–	72,968	4,050	77,018	Mar-17
	Mar-14	–	72,968	4,050	77,018	Mar-18
	Mar-14	–	72,970	4,050	77,020	Mar-19

Notes:
(a) The Company's obligations for the conditional awards granted under the DEIP are hedged by the Employee Trust.
(b) The award values included in Table R16 in the annual report on remuneration for the financial year ended 31 December 2013 were converted into the number of shares shown above using the USD/GBP rate of 0.6022 and a share price of £1.024, being the mid-market share price on 12 March 2014. These awards attracted dividend accruals. Further details of the Deferred Executive Incentive Plan can be found in section 2.9 of this report.
(c) On 16 May 2014 dividend accruals of 12,411 and 7,755 shares were added to Emmanuel Roman and Jonathan Sorrell's awards respectively based on a Sterling dividend of 3.19 pence. On 3 September 2014, dividend accruals of 7,032 and 4,395 shares were added to Emmanuel Roman and Jonathan Sorrell's awards respectively based on a Sterling dividend of 2.37 pence.

Conditional share award under the Deferred Bonus Share and Option Plan (DBSOP)[a] – subject to service conditions (audited) Table R15

Executive director	Date of grant	1 January 2014	Dividends accruing[b]	31 December 2014	Transfer date
Jonathan Sorrell	Mar-13	1,099,635	61,055	1,160,690	Mar-16

Notes:
(a) The Company's obligations for conditional awards granted under the DBSOP are hedged by the Employee Trust. These awards attract dividend accruals.
(b) On 16 May 2014, dividend accruals of 38,970 shares were added to Jonathan Sorrell's award based on a Sterling dividend of 3.19 pence. On 3 September 2014 dividend accruals of 22,085 shares were added based on a Sterling dividend of 2.37 pence.

Options granted under the Man Group Deferred Share and Fund Product Plans – subject to service conditions (audited) Table R16

Executive director		Date of grant	1 January 2014	Dividends accruing[b]	Exercised during period	31 December 2014	Earliest exercise date	Latest exercise date
Jonathan Sorrell[a]	Deferred Share Plan (DSP)	Aug-11	96,720	3,427	100,147	–	n/a	n/a
		Mar-12	92,598	–	92,598	–	n/a	n/a
		Mar-12	92,598	5,140	–	97,738	Mar-15	Mar-22
	Fund Product Plan (FPP)[c]	Mar-12	1,063[b]	–	1,063[b]	–	n/a	n/a
		Mar-12	1,063[b]	–	–	1,063[b]	Mar-15	Mar-16

Notes:
(a) Jonathan Sorrell was granted nil-cost options under the above Plans prior to his appointment as a director.
(b) On 16 May 2014, dividend accruals of 6,708 shares were added to Jonathan Sorrell's award based on a sterling dividend of 3.19 pence. On 3 September 2014, dividend accruals of 1,859 shares were added based on a sterling dividend of 2.37 pence.
(c) Award granted over a number of fund units in Man GLG Multi-Strategy UCITS product.

Options granted under the Man Group Sharesave Scheme (audited) Table R17

	Number of options						
Executive director	Date of grant	1 January 2014	Granted during year	31 December 2014	Option price	Earliest exercise date	Latest exercise date
Jonathan Sorrell	Aug-12	23,076	–	23,076	65.0p	Oct-17	Mar-18
	Sept-14	–	16,833	16,833	90.0p	Oct-19	Mar-20

2.16 Retirement benefits
Emmanuel Roman and Jonathan Sorrell are not eligible for any defined benefits under the Man Group plc Pension Plan.

Directors' remuneration report continued

Implementation of directors' remuneration policy for 2015

2.17 Base salary

Salaries are reviewed annually following the year end taking into account market benchmarks for executives of comparable status, responsibility and skill.

Jonathan Sorrell was appointed CFO in June 2012, at which time he had no previous experience in such a role. His base salary was set at that time to reflect this. Since then, Jonathan has grown to be a seasoned CFO, his performance has been outstanding and his role has expanded to include Operations and Technology, Human Resources, Facilities and Communications. In recognition of this growth, the Committee recommended and the Board has agreed that Jonathan's base salary be increased from $625,000 p.a. to $750,000 p.a. with effect from 1 April 2015.

No increase in salary has been agreed for Emmanuel Roman whose base salary has remained at $1,000,000 since joining the Company as part of the GLG acquisition in 2010. (See also footnote (a) to Table R8).

Base salary of executive directors **Table R18**

Base salary at	Jonathan Sorrell	Emmanuel Roman
1 January 2014	$625,000	$1,000,000
1 January 2015	$625,000[a]	$1,000,000

(a) As noted above, the Committee has recommended and the Board has agreed that Jonathan Sorrell's base salary be increased from $625,000 p.a. to $750,000 p.a. with effect from 1 April 2015.

2.18 Short-term annual cash bonus for 2015

The objectives for the 2015 bonus have been set by the Committee around:

i. Strategy, structure and people
ii. P&L performance and sales
iii. Financial health
iv. Risk, compliance and reputation
v. External stakeholder engagement

The Remuneration Committee considers that the disclosure of more detailed or quantified objectives would provide an unfair advantage to Man Group's competitors, most of whom are not listed and are not required to disclose this information.

2.19 Long-term deferred bonus for 2015 performance under the Deferred Executive Incentive Plan

The KPIs and thresholds that will be used to measure performance are set out below.

Balanced scorecard of financial and non-financial metrics[a] **Table R19**

Financial KPIs	Definition	Target

Investment performance (25%)	– Measure net performance of four managers (represented by key funds) vs. respective benchmarks.
	– Key funds/benchmark:
	  – Man AHL Diversified/two of three competitors.
	  – Numeric asset-weighted net return /composite benchmark[b].
	  – GLG Alternative Strategies Dollar Weighted Composite/HFRX.
	  – FRM Diversified II/HFRI FoF: Conservative Index.
		– Relevant period: performance is measured over the reporting year (first to last trading days of the year).
		– Criteria type: binary outcome.
		– Criteria for each fund over the relevant period:
		  – If Net Performance ≤ Benchmark Performance, criteria is not met.
		  – If Net Performance > Benchmark Performance, criteria is met.
		– Weighting: each fund is ascribed a 1/4 weighting.

Net flows (25%)	– Measure net FUM flows annually.
	– Net Flows are defined as, over a reporting year:
	  – (Gross Sales – Redemptions)/Start of Year FUM, expressed in %.
		– Relevant period: net flows are measured over the reporting year.
		– Criteria type: sliding scale.
		– Criteria for the relevant period:
		  – If Net Flows ≤ 0%, criteria is not met.
		  – If Net Flows ≥ 10%, criteria is met in full.
		  – If 0% < Net Flows < 10%, criteria is met proportionally.

Adjusted[c] management fee EBITDA margin (15%)	– Measure management fee EBITDA margin.
	– Adjusted management fee EBITDA margin defined as, over a reporting year, adjusted management fee EBITDA/Net Revenues.
		– Relevant period: Adjusted management fee EBITDA margin is measured over the reporting year.
		– Criteria type: sliding scale.
		– Criteria for the relevant period:
		  – If adjusted management fee EBITDA margin ≤ 25%, criteria is not met.
		  – If adjusted management fee EBITDA margin ≥ 40%, criteria is met in full.
		  – If 25% < adjusted management fee EBITDA margin < 40%, criteria is met proportionally.

Adjusted[c] management fee EPS growth (15%)	– Measure adjusted management fee EPS growth, i.e. growth in minimum ordinary dividend per share.
	– Adjusted management fee EPS growth defined as:
	  – (Current Year Adjusted Management Fee EPS/ Previous Year Adjusted Management Fee EPS) -1, expressed in %.
		– Relevant period: Adjusted management fee EPS growth is measured over the reporting year.
		– Criteria type: sliding scale.
		– Criteria for the relevant period:
		  – If adjusted management fee EPS growth ≤ 0% plus RPI, criteria is not met.
		  – If adjusted management fee EPS growth ≥ 20% plus RPI, criteria is met in full.
		  – If 0% plus RPI, < adjusted management fee EPS growth < 20% plus RPI, criteria is met proportionally.

Non-financial metrics		
Culture and talent (20%)	– Fostering a culture of effective dealings with all stakeholders. – Building and retaining a collaborative, motivated and aligned senior management team. – Having an appropriate succession plan in place for senior management. – Attracting and retaining high quality staff motivated by appropriate, balanced incentives.	

The Remuneration Committee will review the balanced scorecard of metrics prior to the start of each financial year and may amend them so that they remain appropriately challenging.

Notes:

(a) The performance period for 2015 awards will be the three-year performance period 2013–2015 and will be assessed at the end of the 2015 financial year. Performance will be measured for each of the years and then averaged.

(b) The Board has introduced a fourth specific investment performance metric for Numeric from 2015 following the acquisition of Numeric in September 2014. This metric monitors the outperformance or underperformance of each Numeric strategy based on a predetermined benchmark for each strategy.

(c) Adjusting items are material items which are excluded by virtue of their size or nature in order to aid comparability from period to period and to show the underlying profitability of the business.

Directors' remuneration report continued

2.20 Non-executive director remuneration policy for 2015

There has been no increase in fees for the Chairman since his appointment in 2007 or for non-executive directors since 2009.

Non-executive directors' fees for 2015 **Table R20**

All figures in GBP Position	2015	2014	% increase
Chairman of the Board	**450,000**	450,000	0
Board fee[a]	**65,000**	65,000	0
Senior Independent Director	**10,000**	10,000	0
Audit and Risk Committee chair	**30,000**	30,000	0
Other Audit and Risk Committee members	**15,000**	15,000	0
Remuneration Committee chair	**25,000**	25,000	0
Other Remuneration Committee members	**10,000**	10,000	0

Note:
(a) Includes Nomination Committee membership (all non-executive directors are members of the Nomination Committee).

For and on behalf of the Board.

Phillip Colebatch
Remuneration Committee Chairman
25 February 2015

3. Summary of directors' remuneration policy

3.1. Summary of the executive directors' remuneration policy

Please refer to our website www.man.com/GB/remuneration-committee or pages 42 to 47 of the Man Group 2013 Annual Report for the full directors' remuneration policy which was approved at and has been in effect since the 9 May 2014 AGM.

Summary of approved executive directors' remuneration policy **Table R21**

Function	Operation	Opportunity	Performance metrics
Base salary Based on experience and individual contribution to leadership and Company strategy	Salaries are reviewed annually following the year end taking into account market ranges for executives of comparable status, responsibility and skill in companies of similar size and complexity to Man with consideration also given to sector relevance.	There is no set maximum salary for executive directors. In reviewing salaries the Remuneration Committee takes into account company performance, salary increases below Board level, time since the last increase and market practice and total compensation opportunity.	Continued good performance.
Pension To provide an opportunity for executives to build up income on retirement	Group Personal Pension (GPP), or a similar contribution to an alternative arrangement is provided. For those exceeding HM Revenue & Customs pension allowances, cash allowances are provided at no additional cost to Man.	The maximum employer contribution is 20% of pensionable base salary.	None.
Benefits To provide non-cash benefits which are competitive in the market in which the executive is employed	Benefits include family private medical insurance, life assurance and permanent health insurance. Flexible benefits can be purchased from base salary. Other ad-hoc benefits such as relocation can be offered, depending on personal circumstances.	It is not anticipated that the total taxable benefits for any executive director will normally exceed 10% of salary.	None.
Sharesave To encourage UK-based employees to own Man Group shares	The Man Group Sharesave Scheme is an all-employee plan. The executive directors who participate in the Sharesave Scheme are granted options over Man shares and make monthly savings from their post-tax salary. Options are granted at a 20% discount to market price on the date of grant.	Savings capped at HM Revenue & Customs limits.	In accordance with HM Revenue & Customs requirements.
Executive Incentive Plan *Short-term annual cash bonus* To incentivise and reward strong performance against annual financial and non-financial targets	Objectives are set at the start of the year. At the end of the year, the Remuneration Committee considers the extent to which these have been achieved and sets the award level. Awards are normally paid in cash.	The maximum award is 250% of salary.	The bonus is based on the Remuneration Committee's assessment of executive directors' performance over a financial year against objectives, which cover: 1. Strategy, structure and people 2. P&L performance and sales 3. Financial health 4. Risk, compliance and reputation

Directors' remuneration report continued

3.1. Summary of the executive directors' remuneration policy continued

Summary of approved executive directors' remuneration policy continued **Table R21**

Function	Operation	Opportunity	Performance metrics
Executive Incentive Plan *Long-term deferred bonus* To engage and motivate senior management to deliver on KPIs and support implementation of the Company's strategy.	Awards are made subject to assessment based on the three prior years' performance against a balanced scorecard of financial and non-financial measures. As part of transitional arrangements for the new plan, the performance period progressively increases to a three-year performance period. Initially, performance was assessed over a one-year period (2013 only). The performance period for 2014 awards is two years (2013 and 2014) and has been assessed at the end of the 2014 financial year. Starting at the end of the 2015 financial year, future awards will be based on a three-year performance period. The above transitional arrangement will also apply for any executive director on joining the Board. The vesting period is set at a further three to five years after each performance period, the resulting combined performance and vesting periods therefore being six to eight years from the start of each performance period. The number of shares subject to an award shall be increased by reference to dividends paid between the grant and vesting date of an award, and such shares shall vest only when the shares subject to an award vest. Malus provisions would apply for misstatement or gross misconduct.	The EIP deferred awards are determined in relation to the performance as described in the performance metric column and take account of observed pay-for-performance market practice in comparable alternative investment funds. The maximum award is 350% of salary.	Based on a balanced scorecard of performance criteria for each executive director. 80% of the award is based on financial criteria, comprising: – Investment performance 25% – Net fund flows 25% – Adjusted management fee EBITDA margin 15% – Adjusted management fee EPS growth 15% The remaining 20% of an award is based on non-financial criteria, such as culture and talent. The Remuneration Committee may adjust the weighting of these criteria from time to time, to reflect changes in strategic priorities.
Shareholding guidelines To further align the interests of executive directors with our shareholders.	The Chief Executive Officer is required to maintain a shareholding of 200% of base salary. Other executive directors are required to maintain a shareholding of 100% of base salary. Executive directors are required to build up this shareholding on joining the Board and after a reduction in share price. Incumbents will build up to the prescribed shareholdings with (post-tax) vested shares where not already at or above this level.	n/a	n/a

3.2 Non-executive directors' remuneration policy

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 annually at the AGM, which may be followed by a further three years by mutual agreement. Any further extension will be subject to rigorous review. Non-executive directors are also encouraged to build a shareholding in the Company.

Details of the policy on fees paid to our non-executive directors are set out in the table below.

Non-executive directors' remuneration policy **Table R22**

Function	Operation	Opportunity	Performance metrics
Fees To attract and retain non-executive directors of the highest calibre and experience relevant to Man.	Fees are reviewed annually by the Board at the year end taking into account market benchmarks for non-executives of companies of similar size and complexity to Man with consideration of sector relevance. The Chairman's remuneration is recommended by the Remuneration Committee and approved by the Board. Neither the Chairman nor the non-executive directors take part in discussions or vote on their own remuneration. Non-executive directors receive a base fee for Board service and additional fees for Board Committee membership and other responsibilities. They do not participate in any share option or share incentive plans.	Any fee increases for non-executive directors will not normally exceed the average increase in the market. A fee increase may be above this level if there is a significant change in time commitment required or scope of the role.	None.

Directors' remuneration report continued

3.3 Service contracts and exit payment policy

Service contracts **Table R23**

Element	Condition
Contract dates	Jonathan Sorrell: 28 September 2012
	Emmanuel Roman: 7 February 2013
Current appointment	No fixed term
Notice period (by either Company or director)	Emmanuel Roman: 12 months
	Jonathan Sorrell: 6 months The Company's policy is that notice periods will not exceed 12 months
Contractual entitlement to fixed bonus or share-based incentive	None
Provisions for contract termination	Under both contracts the Company can opt to terminate immediately by making a payment in lieu of the notice period or part of it. Emmanuel Roman's contract requires payment of base salary only in lieu. Jonathan Sorrell's contract requires payment of base salary plus the value of pension contributions (or alternative cash allowance) and certain other insured benefits in lieu. Payments in lieu are to be made in monthly instalments unless the Company and the executive agree otherwise. Unless the Company decides otherwise both executives have a duty to mitigate their losses arising from termination of their employment; any replacement earnings earned in what would otherwise have been the notice period will reduce the obligation on the Company to make payments in lieu.
Short-term annual cash bonus	The service contracts do not oblige the Company to pay any cash bonus to executive directors and bonuses are awarded at the Board's discretion following a recommendation from the Remuneration Committee. Payment of any cash bonus is conditional upon the executive being in employment and not under notice at the payment date.
Long-term deferred bonus and incentives	Treatment of deferred bonuses and long-term incentives is governed by the relevant Plan rules.

To protect the Group's business interests the executive directors' service contracts contain covenants which restrict the executives' ability to solicit or deal with clients and their ability to solicit senior employees. Emmanuel Roman has also entered into a broader non-compete covenant for an agreed period post termination.

The Board also has the right at its discretion to require Jonathan Sorrell to comply with a broader non-compete covenant for up to six months post termination to provide additional protection for the Group. If the Board exercises this right, the Company will pay an additional amount up to six months' base salary and the value of pension contributions (or alternative cash allowance) and certain other insured benefits so that he is not left without income during the time when the Board wishes the non-compete to operate. This amount is paid in two equal instalments and is reduced by any payments made in lieu of notice.

Directors' report

The directors submit their report, together with the audited consolidated financial statements, for the year ended 31 December 2014 (the 'year').

Man Group plc is incorporated as a public limited company and is registered in England with the registered number 08172396. The Company's registered office is Riverbank House, 2 Swan Lane, London EC4R 3AD.

Directors

Details of the current directors, together with their biographies, can be found on pages 30 and 31. All of the directors shown served during the year with the exception of John Cryan who was appointed to the Board as a non-executive director on 15 January 2015. Fred Jolly also served as a director during the year until his retirement on 9 May 2014.

Details of directors' interests in the Company's shares are given on page 56 of the Annual Report.

Powers of directors

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

Appointment, retirement and replacement of directors

The appointment, retirement and replacement of directors are governed by the Company's Articles, the UK Corporate Governance Code and the Companies Act 2006. Under the Articles, the Board has the power to appoint further directors during the year, but any director so appointed must stand for reappointment at the next Annual General Meeting. In accordance with the Articles, one-third of the Board must retire by rotation at each Annual General Meeting and may stand for reappointment. In practice, and in accordance with the UK Corporate Governance Code, all Board members retire and offer themselves for reappointment at each annual general meeting.

The Articles give the power to a director to appoint any person to be his alternate, subject to the appointment of such person who is not another director being approved by the Board.

Directors' indemnities and insurance cover

The Company has maintained qualifying third party indemnity provision for the benefit of its directors during the year and this remains in force at the date of this report. The indemnity is granted by the Company to new directors on their appointment and covers, to the extent permitted by law, 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.

Shares

Share capital

Details of the movements in the issued share capital, together with the rights and obligations attaching to the Company's shares, are set out in Note 22 to the financial statements. This Note also provides information on the Company's unexpired authority to purchase its own shares and details of the shares purchased by the Company during the year.

Substantial voting interests

As at 24 February 2015 the following voting interests in the ordinary share capital of the Company disclosable under the FCA's Disclosure and Transparency Rules ('DTR') have been notified to the Company.

Shareholder	%
Société Générale SA, Société Générale Option Europe, and Société Générale Acceptance(1)	9.16
Odey Asset Management LLP	5.91
TIAA-CREF Investment Management LLC and Teachers Advisors, Inc.(2)	4.97

Notes:

(1) As at 17 February 2015, Société Générale SA, Société Générale Option Europe, and Société Générale Acceptance (together, 'Société Générale') held a 9.16% notifiable interest in Man Group's issued share capital. The majority of this (9.07%) related to cash-settled derivatives with no voting rights which are however required to be notified to us under DTR 5.3.1R(1)(b), being financial instruments with a similar economic effect to qualifying financial instruments. (This generally means that the holder has a long position on the economic performance of the underlying shares.) The remaining 0.09% of Société Générale's interest as at 17 February 2015 consisted of direct and indirect interests in voting rights attached to shares in the Company.

(2) As at 21 October 2014, TIAA-CREF Investment Management LLC held a 2.27% interest in the Company's issued share capital and Teachers Advisors, Inc. held a 2.70% interest in the Company's issued share capital. Teachers Advisors Inc. is affiliated with TIAA-CREF Investment Management LLC.

Restriction on voting rights

Where shares are held in employee benefit trusts for the satisfaction of awards made under the Company's share schemes, under the trust deeds the trustees have discretion to vote or abstain from voting.

Share transfer restrictions

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.

Change of control

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 to any pro-rating that may be applicable.

Independent auditors

Following shareholder approval at the AGM on 9 May 2014, Deloitte LLP were formally appointed as auditors of the Company and Group for the year ended 31 December 2014. Deloitte LLP have indicated their willingness to continue in office and a resolution proposing their reappointment for the financial year ending 31 December 2015 will be proposed at the 2015 AGM.

Carbon emissions reporting

The information below details our mandatory reporting of greenhouse gas emissions for the year pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Directors' report continued

Around 82% (2013: 91%) of our overall emissions relate to purchased electricity and gas usage across our various geographical locations, with the remaining 18% (2013: 9%) relating to air travel. All emissions are reported in tonnes of carbon dioxide equivalents (CO_2e).

Man Group's emissions by scope

Scope	Source	Tonnes of CO_2e emissions Year ended 31 December 2014	Tonnes of CO_2e emissions Year ended 31 December 2013
Scope 1	Natural gas	**326**	469
Scope 2	Electricity	**7,411**	8,026*
Scope 3	Air travel	**1,753**	857
Total		**9,490**	9,352

* The 2013 reported figure for Scope 2 emissions has been restated to include the UK disaster recovery site.

The emissions we are reporting have been calculated using an intensity metric which will enable us to monitor emissions independent of activity. As Man Group is a people-related business, we expect that any changes to headcount will impact the property space we occupy and the amount of business travel we use. Therefore, emissions per employee are the most appropriate metric for our business, as shown in the table below. The average number of employees in 2014 was 1,001 (2013: 1,163).

Emissions per employee

Scope	Tonnes of CO_2e emissions Year ended 31 December 2014	Tonnes of CO_2e emissions Year ended 31 December 2013
Scope 1	**0.3**	0.4
Scope 2	**7.4**	6.9*
Scope 3	**1.8**	0.7
Emissions per employee	**9.5**	8.0

* The 2013 reported figure for Scope 2 emissions has been restated to include the UK disaster recovery site.

Reductions in Scope 1 and 2 emissions as a whole relate to the net impact of a reduction in floor space occupied in our main UK premises (Riverbank House), a reduction in the UK disaster recovery site premises, the closing of two small offices during 2014, and inclusion of emissions for the continuing Numeric premises since the date of acquisition. Air travel emissions (Scope 3) have increased primarily due to higher levels of acquisition-related activity during 2014.

Methodology

For practical reasons, emissions data was gathered for the first nine months of each year and, as appropriate, extrapolated in order to calculate the full year emissions. Based on the nature of our emissions and the consistency month on month, we believe this is an appropriate representation of the annual emissions.

In order to compile the reportable emissions data from our offices, electricity and gas meter readings have been obtained from our energy suppliers. For some of our smaller offices we are not charged for energy usage separately as these costs are incorporated into the service fees for our premises. These emissions have not been included in the reported total above, due to the data being unavailable, and relate to offices for the use of 9 employees (2013: 6 employees).

Where Man Group is the landlord of a property, and electricity costs are incurred on behalf of sub-tenants, these costs are on-charged to the sub-tenants as the users of the electricity. Accordingly, no emissions data for energy usage incurred on behalf of sub-tenants is included in Man Group's reportable emissions above.

Disclosures of emissions related to business travel are restricted to flight costs as a result of the CO_2e emission convertible data relating to other means of transport (i.e. taxis) not being available. During 2014, Man had one lease vehicle used for business purposes. Due to a lack of available data, the emissions from this vehicle have not been included in the reported figures. The lease for this vehicle ended in the first six months of 2014.

Further disclosures

Information fulfilling the further disclosure requirements contained in the Companies Act 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the FCA's Listing Rules and Disclosure and Transparency Rules, where applicable to the Company, can be found in the following sections of the Annual Report for the year ended 31 December 2014 which are incorporated into the Directors' report by reference:

By order of the Board

Rachel Rowson
Company Secretary
25 February 2015

Financial statements

Directors' responsibility statement

The directors are responsible for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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.

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.

Having taken advice from the Audit and Risk Committee, the directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

Each of the directors, whose names and functions are on pages 30 to 31, confirm that, to the best of each person's knowledge and belief:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the Group;
- the strategic and other reports contained on the inside front cover and pages 1 to 29 include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and
- there is no relevant audit information of which the Group's auditors are unaware, and that they have taken all 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.

Independent auditor's report to the members of Man Group plc

Opinion on financial statements of Man Group plc

In our opinion:

- **the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the Parent Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group's financial statements, Article 4 of the IAS Regulation.**

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Changes in Equity and the related Notes 1 to 32 for the Group and 1 to 7 for the Parent Company. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained on page 77 that the Group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Acquisition accounting In the current year the group acquired Numeric and Pine Grove. Numeric was aquired for approximately $238m in cash plus two earn-out agreements, for a total consideration currently valued at $344m. Pine Grove was acquired for approximately $6 million in cash plus a deferred amount, for a total consideration currently valued at $17m. The accounting treatment in respect of the various elements of the consideration paid requires the consideration of multiple factors and is therefore judgmental in nature – particularly in relation to the allocation of the various elements between consideration and remuneration. The valuation of the contingent consideration (of $117m) and the allocation of consideration to identifiable intangible assets (including the allocation between goodwill and intangible assets: $137m and $198m respectively) are both dependent on estimates concerning the estimated future cash flows, growth rates based upon management's view of future business prospects and the associated discount rates. See Note 12 to the financial statements which gives further detail in relation to the acquisitions.	We performed a detailed review of the purchase agreements to assess whether all elements of the consideration had been accounted for appropriately and recalculated the various elements. We used internal valuation specialists to challenge management's assumptions relating to the growth and performance factors used to calculate the fair value of the contingent consideration and the valuation of the intangible assets through comparison with historic performance and those applied by industry comparators.
Goodwill impairment The Group's assessment of whether there is an impairment of goodwill within each of the three identified cash generating units (or investment engines) is a judgemental process. This requires estimates concerning the estimated future cash flows, growth rates based upon management's view of future business prospects and the associated discount rates. As at 31 December 2014 total goodwill on the balance sheet amounted to $936m (2013: $808m) which equates to 28% (2013: 25%) of total assets. See Note 12 to the financial statements which gives further detail in relation to the Goodwill balance.	We used internal valuation specialists to challenge the key assumptions including the estimated future cash flows, growth rates and the discount rates applied to the separate cash generating units by comparing these against industry benchmarks on similar assets, comparison against the prevailing Group cost of capital at the year end, our understanding of the future prospects of the business and the accuracy of historical forecasts. We tested the principles and integrity of the goodwill model and recalculated management's reconciliation of the valuation of the Cash Generating Units to the market value of the Group. We performed an independent sensitivity analysis to assess the risk of impairment to changes in assumptions and cash-flow forecasts.

Independent auditors' report to the members continued

Risk	How the scope of our audit responded to the risk
Taxation The Group has a number of open tax matters against which provisions have been made across multiple jurisdictions, the movement in which can significantly impact the group tax charge. The acquisition of Numeric has resulted in a need to reassess the recognition of deferred tax in respect of previously unrecognised deferred tax assets in the Group's US operations. See Note 9 to the financial statements which gives further detail in relation to taxation.	We have examined the analysis undertaken by management in determining the level of tax provisions held based on available supporting evidence and in the light of our experience and the changing tax environment, raising challenges as appropriate. In respect of deferred tax we have assessed the appropriateness of management's assumptions and forecasts of the existence of future taxable profits (and their consistency with the assumptions underlying the valuation model) as required to support the recognition of deferred tax assets.
Investments in funds The Group holds investments in a number of funds which it manages. The accounting for the investments requires extensive judgement in determining whether control exists and hence whether investments are held on the balance sheet at fair value within investments or consolidated. Further, this is the first year that the Group has adopted IFRS 12 Disclosure of Interests in Other Entities which requires additional information to be disclosed in respect of funds managed by the Group but not consolidated. See Note 15 to the financial statements which gives further detail in relation to Investments in Funds.	We independently assessed whether a sample of funds held at year end should be consolidated. This included 100% testing of the funds included in the listing maintained in London of those funds considered to be most "at risk" of potential error: the "Watchlist". We assessed each fund by considering the size of the holding as well as the contractual arrangements. In particular we focused on investments in structured products where control is not necessarily dictated by percentage ownership of equity shares. We reviewed the disclosures required under IFRS 12 for compliance with the standard and performed specific procedures on the additional tables included in Note 15 by agreeing a sample of balances to third party statements and fund financial statements.
Fraud risk in relation to revenue recognition There is an inherent risk of fraud associated with revenue, specifically accrued revenue which is driven from estimates and hence is open to manipulation. Because of this there is a risk that revenue is not recognised in line with the accounting policy explained in Note 3 to the financial statements. In addition, net revenues derived from new, amended or terminated agreements with clients or intermediaries require effective communication between multiple parties and for systems to be updated promptly and accurately.	For year end accrued revenue we performed detailed substantive testing by obtaining, where applicable, third party service organisations' fee files post year end and agreeing that the amount was accurately estimated. Where the calculation is not performed by a third party, management's calculations were obtained and it was agreed that the amount had been accurately estimated. Further, for a sample of new, amended or terminated agreements, we performed a review of key controls in these three identified areas and agreed the fee base and rate to supporting documentation and recalculated the fee.

The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on page 39.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

New risks identified in the current year which were not included in the prior year audit report include acquisition accounting, taxation and investments in funds. These risks pertain to transactions during the year ended 31 December 2014, and/or to changes in accounting standards implemented during the year ended 31 December 2014.

In the prior year, the previous auditors also identified management override of controls as a risk in their audit report. We have also identified this risk as part of our audit strategy, however, we do not consider it to have had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team and hence it does not need to be discussed in our audit report.

Our application of materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the financial statements as a whole to be $19.5m (2013: $8.3m was used by the previous auditors). As performance fees are variable and can fluctuate significantly year on year, we have taken an average of the current year and prior year adjusted profit before tax (in order to create a more stable basis) and applied 5%. The adjusted profit before tax number is explained in Note 2 to the financial statements, and the calculated materiality is below 1% of equity. Adjusted pre-tax profit is a relevant benchmark as it is a key figure used by analysts in assessing the performance of the business.

In addition we have determined that it is appropriate to use a lower materiality for management fees as they are also a key benchmark used by analysts in assessing the performance of the Group and are the core driver for dividend payments as per the dividend policy. Hence it is considered likely that an error lower than $19.5m could influence the economic decisions of the users of the accounts. For this reason we have set materiality for management fees at $13.4m which equates to less than 2% of total management fees earned during the year.

We agreed with the Audit and Risk Committee that we would report to the Committee all unrecorded audit differences in excess of $400,000 (2013: the previous auditors also reported on all matters above $400,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at nine geographical locations. Six of these locations included entities which were subject to a full audit (17 subsidiaries in total across the UK, Switzerland, Australia, Ireland, Cayman Islands and Guernsey), whilst the remaining three locations (United States, Jersey and Japan) and the UK included 24 subsidiaries which were subject to an audit of specified account balances, where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. Numeric for example (in the USA) was selected for an audit of specified account balances in light of it being a new acquisition in the year.

These nine locations represent the principal business units and account for 98% of the Group's total assets, 97% of the Group's revenue and 96% of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the 41 subsidiaries was executed at levels of materiality applicable to each individual entity which in all instances were lower than Group materiality and range from $250,000 to $19m.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team has designed a programme of planned visits to ensure that the Senior Statutory Auditor or a senior member of the audit team visits each of the locations where the Group audit scope was focused at least once a year, with selected visits to other locations where specified account balances were selected as part of the scoping on a risk based approach. During the current year visits were made by the Senior Statutory Auditor to the United States (following the acquisitions of Numeric and Pine Grove), Switzerland (as a principal business unit), Australia (as a principal business unit) and Hong Kong (as the central finance hub for the Asia business). We included the audit teams for our significant components in our team briefing, discussed their risk assessment, and reviewed the documentation of the findings from their work.

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
- Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement
- Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Independent auditors' report to the members continued

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

– materially inconsistent with the information in the audited financial statements; or
– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
– otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the 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 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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 and 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Mark FitzPatrick (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
25 February 2015

Group income statement

$m	Note	Year ended 31 December 2014	Year ended 31 December 2013
Revenue:			
Gross management and other fees	3	**810**	967
Performance fees	3	**340**	193
		1,150	1,160
Income or gains on investments and other financial instruments		**44**	33
Distribution costs	4	**(104)**	(145)
Asset services	5	**(27)**	(32)
Amortisation of acquired intangible assets	12	**(72)**	(66)
Compensation	6	**(394)**	(481)
Other costs	7	**(202)**	(323)
Share of after tax profit of associates	19	**9**	12
Gain on disposal of Lehman claims	2	**–**	5
(Loss)/gain on disposal of subsidiaries and other interests	2	**(4)**	11
Impairment of goodwill	2,12	**–**	(69)
Recycling of FX revaluation on liquidation of subsidiaries	2	**–**	(1)
Finance expense	8	**(19)**	(61)
Finance income	8	**3**	13
Profit before tax		**384**	56
Taxation (expense)/credit	9	**(19)**	16
Statutory profit for the year attributable to owners of the Parent		**365**	72
Earnings per share:	10		
Basic (cents)		**20.8**	3.0
Diluted (cents)		**20.5**	2.9
Adjusted profit before tax	2	**481**	297

Group statement of comprehensive income

$m	Year ended 31 December 2014	Year ended 31 December 2013
Statutory profit for the year attributable to owners of the Parent	**365**	72
Other comprehensive (expense)/income:		
Remeasurements of post-employment benefit obligations	**(21)**	16
Corporation tax credited on pension revaluation	**4**	6
Deferred tax credited/(debited) on pension revaluation	**–**	(11)
Items that will not be reclassified to profit or loss	**(17)**	11
Available for sale investments:		
Valuation gains/(losses) taken to equity	**–**	(1)
Transfers from Group statement of comprehensive income upon sale or impairment	**–**	1
Cash flow hedges:		
Valuation (losses)/gains taken to equity	**(16)**	12
Transfer to Group income statement	**(17)**	(1)
Corporation tax credited/(debited) on cash flow hedge movements	**3**	(3)
Net investment hedge	**13**	20
Foreign currency translation	**(24)**	(35)
Recycling of FX revaluation on liquidation of subsidiaries	**–**	1
Items that may be subsequently reclassified to profit or loss	**(41)**	(6)
Other comprehensive (expense)/income for the year (net of tax)	**(58)**	5
Total comprehensive income for the year attributable to owners of the Parent	**307**	77

Group balance sheet

$m	Note	At 31 December 2014	At 31 December 2013
Assets			
Cash and cash equivalents	14	**738**	992
Fee and other receivables	16	**396**	388
Investments in fund products and other investments	15	**307**	273
Pension asset	23	**45**	71
Investments in associates	19	**30**	31
Leasehold improvements and equipment	20	**52**	68
Goodwill and acquired intangibles	12	**1,582**	1,328
Other intangibles	13	**13**	26
		3,163	3,177
Non-current assets held for sale	15	**186**	56
Total assets		**3,349**	3,233
Liabilities			
Trade and other payables	17	**581**	633
Provisions	18	**65**	92
Current tax liabilities		**51**	37
Borrowings	14	**149**	–
Deferred tax liabilities	9	**36**	58
		882	820
Non-current liabilities held for sale	15	**33**	6
Total liabilities		**915**	826
Net Assets		**2,434**	2,407
Equity			
Capital and reserves attributable to the owners of the Parent	22	**2,434**	2,407

The financial statements were approved by the Board of Directors on 25 February 2015 and signed on its behalf by:

Emmanuel Roman
Chief Executive Officer

Jonathan Sorrell
Chief Financial Officer

Group cash flow statement

$m	Note	Year ended 31 December 2014	Year ended 31 December 2013
Cash flows from operating activities			
Profit for the period		**365**	72
Adjustments for:			
Income tax		**19**	(16)
Net finance expense		**16**	48
Share of profits of associates		**(9)**	(12)
Loss/(gain) on disposal of subsidiaries and other interests		**4**	(11)
Reassessment of the litigation provision		**(6)**	–
Depreciation and impairment of leasehold improvements and equipment		**21**	82
Amortisation of acquired intangible assets		**72**	66
Amortisation of other intangible assets		**16**	18
Share-based payment expense		**11**	36
Revaluation of FRM contingent consideration		**(17)**	(3)
Impairment of goodwill		**–**	69
Gain on disposal of Lehman claims		**–**	(5)
Recycling of FX revaluation on liquidation of subsidiaries		**–**	1
Defined benefit pension plans (including repayments/(contributions))		**3**	(24)
Other non-cash movements		**(16)**	38
		479	359
Changes in working capital:			
Decrease/(increase) in receivables		**12**	(9)
(Increase)/decrease in other financial assets (seeding investments and loans to fund products)		**(134)**	155
(Decrease)/increase in payables		**(212)**	80
Cash generated from operations		**145**	585
Interest paid		**(3)**	(73)
Income tax paid		**(13)**	(64)
Cash flows from operating activities		**129**	448
Cash flows from investing activities			
Purchase of leasehold improvements and equipment		**(3)**	(2)
Purchase of other intangible assets		**(9)**	(3)
Purchase of investments in fund products for deferred compensation awards and other investments		**(45)**	(51)
Proceeds from sale of leasehold improvements and equipment		**–**	1
Proceeds from settlement and sale of Lehman claims		**–**	5
Net proceeds from sale of investments in fund products for deferred compensation awards and other investments		**40**	40
Acquisition of subsidiaries, net of cash acquired		**(227)**	–
Interest received		**3**	13
Payment of contingent consideration in relation to acquisition of FRM		**(8)**	(12)
Dividends received from associates		**10**	11
Proceeds from sale of interest in Nephila and other interests		**–**	21
Cash flows from investing activities		**(239)**	23
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**2**	4
Proceeds from borrowings (net of costs)		**149**	–
Purchase of own shares by the Employee Trusts		**(16)**	(22)
Repurchase of own shares (including costs)		**(116)**	–
Repayment of borrowings		**–**	(1,159)
Dividends paid to Company shareholders		**(163)**	(277)
Dividend payments in respect of perpetual subordinated capital securities		**–**	(25)
Cash flows from financing activities		**(144)**	(1,479)
Net (decrease) in cash		**(254)**	(1,008)
Cash at beginning of the year		**992**	2,000
Cash at year end	14	**738**	992

Group statement of changes in equity

$m	Equity attributable to owners of the parent Year ended 31 December 2014			Equity attributable to owners of the parent Year ended 31 December 2013				
	Share capital and capital reserves	**Revaluation reserves and retained earnings**	**Total equity**	Share capital and capital reserves	Revaluation reserves and retained earnings	Total	Non-controlling interest	Total equity
At beginning of the year	**1,191**	**1,216**	**2,407**	1,187	1,423	2,610	300	2,910
Profit for the year	**–**	**365**	**365**	–	72	72	–	72
Other comprehensive (expense)/income	**–**	**(58)**	**(58)**	–	5	5	–	5
Total comprehensive income for the year	**–**	**307**	**307**	–	77	77	–	77
Perpetual capital securities coupon	**–**	**–**	**–**	–	(19)	(19)	–	(19)
Buyback of perpetual capital securities	**–**	**–**	**–**	–	–	–	(300)	(300)
Share-based payments	**2**	**11**	**13**	4	30	34	–	34
Purchase of own shares by the Employee Trusts	**–**	**(14)**	**(14)**	–	(18)	(18)	–	(18)
Repurchase of own shares	**–**	**(116)**	**(116)**	–	–	–	–	–
Dividends	**–**	**(163)**	**(163)**	–	(277)	(277)	–	(277)
At year end (Note 22)	**1,193**	**1,241**	**2,434**	1,191	1,216	2,407	–	2,407

Shareholders' equity remained largely in line with prior year largely as a result of the statutory profit for the year being offset by the 2013 final dividend payment and share repurchase. In the prior year, shareholders' equity decreased primarily as a result of dividend payments which were not covered by the statutory profit for the year, and the repurchase of the perpetual subordinated capital securities.

The proposed final dividend would reduce shareholders' equity by $106 million (2013: $95 million) subsequent to the balance sheet date.

Details of share capital and capital reserves, revaluation reserves and retained earnings and related movements are included in Note 22.

Notes to the Group financial statements

1. Basis of preparation

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 across the Group in the preparation of the financial statements. Accounting policies are included in the relevant sections, and significant policies are provided below. The impact of new accounting standards and amendments applicable to the year ended 31 December 2014 and accounting standards that are not yet effective are outlined below.

Consolidated group and presentation currency
The consolidated group is Man Group plc (the Company) and its subsidiaries (together the Group or Man). The stand-alone Parent Company financial statements of Man Group plc have been included as separate financial statements, starting on page 115. The majority of revenues, assets, liabilities and funding are denominated in United States Dollars (USD) and therefore Man's presentation currency is USD.

The consolidated financial information contained within these financial statements incorporates the results, cash flows and financial position of the Company and its subsidiaries for the year to 31 December 2014. Subsidiaries are entities (including structured entities) controlled by Man and are consolidated from the date on which control is transferred to Man until the date that control ceases. Control exists when Man has the power to direct the relevant activities, exposure to significant variable returns and the ability to utilise power to affect those returns. All intercompany transactions, balances, income and expenses between Group entities are eliminated on consolidation.

Business combinations (acquisitions) are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value at the acquisition date of assets transferred, liabilities incurred, and equity instruments issued by the Group. The fair value of an acquisition is calculated at the acquisition date by recognising the acquiree's identifiable assets and liabilities at their fair values at that date. Costs relating to acquisitions are recognised in the Group income statement as incurred. The acquisition date is the date on which Man effectively obtains control of the acquiree. Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration will be recognised in the Group income statement and classified as an adjusting item.

Man's relationship with independent fund entities
Man acts as the investment manager/advisor to fund entities. Man assesses such relationships on an ongoing basis to determine whether each fund entity is controlled and therefore consolidated into the Group's results. Having considered all significant aspects of Man's relationships with fund entities, the directors are of the opinion that, although Man manages the assets of certain fund entities, where Man does not hold an investment in the fund entity the characteristics of control are not met, and that for most fund entities: the existence of independent boards of directors at the fund entities; rights which allow for the removal of the investment manager/advisor; the influence of investors; limited exposure to variable returns; and the arm's length nature of Man's contracts with the fund entities, indicate that Man does not control the fund entities and their associated assets, liabilities and results should not be consolidated into the Group financial statements. Assessment of the control characteristics for all relationships with fund entities led to the consolidation of five fund entities for the year ended 31 December 2014 (2013: one), as detailed in Note 15. An understanding of the aggregate funds under management (FUM) 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 Chief Financial Officer's review on page 16.

Judgemental areas and accounting estimates
The determination of fair values for contingent consideration in relation to the Numeric, Pine Grove and FRM acquisitions (Note 12) and the valuation of goodwill and intangibles (Note 12), whether the Group controls certain funds through its investments in fund products and is required to consolidate them (Note 15.3), recognition of deferred tax assets (Note 9) and taxation liabilities (Note 9) are the most significant areas of judgement and have been an area of focus for the Group Board, and in particular the Audit and Risk Committee, during the year. The report of the Chairman of the Audit and Risk Committee discusses the involvement of the Committee in this evaluation on page 39.

Going concern
Man's business activity is discussed on pages 1 to 29, together with the significant risk factors (pages 22 to 25). Man's liquidity and capital positions are set out in Note 14 and 22 respectively. The directors monitor Man's capital and liquidity positions and forecasts throughout the year, and in addition they have approved a budget, medium-term financial plan, and a capital and liquidity plan, which cover the foreseeable future and include rigorous analysis of stressed capital and liquidity scenarios. 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 Group 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 Group'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 32 to 37.

Notes to the Group financial statements continued

1. Basis of preparation continued

Significant accounting policies schedule

Policy	Note	Page
Goodwill and acquired intangibles	12	86
Taxation	9	84
Investments in fund products	15	93–95
Revenue	3	80
Deferred compensation arrangements	21	99
Pension benefits	23	104

Impact of new accounting standards

A number of amendments to existing standards and interpretations have been issued, some of which are mandatory for the year beginning 1 January 2014, with the remaining becoming effective in future periods.

IFRS 10 'Consolidated financial statements' is the revised consolidation accounting standard, which became effective from 1 January 2014. The adoption of this standard has resulted in the consolidation of one fund at 31 December 2013 and five funds at 31 December 2014. These funds are classified on the balance sheet as non-current assets/liabilities held for sale (Note 15). The impact of consolidating these funds is an increase in the gross assets and liabilities on the Group balance sheet of around $33 million. There is no impact on the Group income statement.

In considering the principles of IFRS 10, Man has redefined 'associates' to exclude fund entities where Man is acting as Agent and therefore we do not have significant influence. Accordingly, these fund entities are no longer considered related parties as defined in International Accounting Standard 24 'Related Parties'. This change has resulted in amended disclosures in Note 28. There is no impact on the Group income statement or Group balance sheet.

IFRS 12 'Disclosures of interests in other entities' became effective from 1 January 2014. As a result of the adoption of this standard, additional information about the risk exposure from structured entities, which we have defined as fund entities for which Man is the investment manager, is provided in Note 15.

Other relevant new standards adopted by Man in the current year, which have not had a significant impact, are:

- IFRS 11 – 'Joint arrangements'
- IAS 27 (revised 2011) – 'Separate financial statements'
- IAS 28 (revised 2011) – 'Investments in associates and joint ventures'
- Amendments to IAS 36 – 'Impairment of assets'

There are no new or revised standards and interpretations issued but not yet effective (as endorsed by the EU) which are expected to have a significant impact on the Group financial statements of Man.

Changes in presentation

A change in presentation of the balance sheet has been made in the period to separate 'provisions' from 'trade and other payables', and to provide a summary of movements in provisions for the year (Note 18).

2. Adjusted profit before tax

Statutory profit before tax is adjusted to give a fuller understanding of the underlying profitability of the business. The directors consider that the Group's profit is most meaningful when considered on a basis which excludes restructuring costs, impairment of assets, acquisition and disposal related Items (including non-cash items such as amortisation of purchased intangible assets and deferred tax movements relating to the recognition of tax losses in the US) and certain non-recurring gains or losses, which therefore reflect the recurring revenues and costs that drive the Group's cash flow. The directors are consistent in their approach to the classification of adjusting items period to period, maintaining an appropriate symmetry between losses and gains and the reversal of any accruals previously classified as adjusting items. These are explained in detail either below or in the relevant note.

2. Adjusted profit before tax continued

$m	Note	Year ended 31 December 2014	Year ended 31 December 2013
Statutory profit before tax		**384**	56
Adjusting items:			
Reassessment of the litigation provision		**(6)**	–
Litigation, regulatory and other settlements	7	**24**	14
Acquisition and disposal related:			
Compensation – restructuring	6	**3**	–
Other costs – professional fees and integration costs	7	**9**	–
Revaluation of FRM contingent consideration	12, 27	**(17)**	(3)
Unwind of contingent consideration discount	8	**7**	3
Amortisation of acquired intangible assets	12	**72**	66
Loss/(gain) on disposal of subsidiaries and other interests		**4**	(11)
Recycling of FX revaluation on liquidation of subsidiaries		**–**	1
Impairment of goodwill	12	**–**	69
Compensation – restructuring	6	**–**	36
Other costs – restructuring	7	**1**	28
Other costs – accelerated depreciation	7	**–**	43
Gain on disposal of Lehman claims		**–**	(5)
Adjusted profit before tax		**481**	297
Tax on adjusted profit[1]		**(46)**	(21)
Adjusted profit after tax		**435**	276

Note:
1 The difference of $27 million (2013: $37 million) between tax on statutory profit and tax on adjusted profit is made up of a tax credit of $19 million (2013: $37 million expense) on adjusting items and a tax credit of $8 million (2013: nil) relating to the recognition of a deferred tax asset which is classified as an adjusting item (Note 9).

The 2014 credit of $6 million relates to reassessment of potential legal claims (Note 18). In 2014 litigation, regulatory and other settlements relates to legal claims, including associated costs. In 2013 the $14 million primarily relates to the settlement of a regulatory enquiry in the US and directly associated legal costs.

The acquisition related compensation and other costs relate to staff termination, legal and other advisory fees relating to the Numeric and Pine Grove transactions, as well as the costs of integrating our operating platforms (Note 12 and Note 18). Compensation costs incurred as part of restructuring are accounted for in full at the time the obligation arises, following communication of the formal plan, and include payments in lieu of notice, enhanced termination costs, and accelerated share-based payment and fund product based charges.

The revaluation of the FRM contingent consideration is an adjustment to the fair value of expected FRM earn-out payments, resulting primarily from movements in net management fee run rates since the acquisition of FRM, and has been included within income or gains on investments and other financial instruments. The unwind of the discount on contingent consideration in 2014 relates to FRM ($3 million), Numeric ($3 million) and Pine Grove ($1 million) contingent consideration since the respective acquisition dates (Note 12), and is included within finance expense (Note 8).

Amortisation of acquired intangibles primarily relates to investment management contracts and brands recognised on the acquisition of GLG and FRM, with amortisation charges of $7 million in 2014 relating to the newly acquired Numeric and Pine Grove intangibles (Note 12).

The $4 million loss on disposal of subsidiaries and other interests in 2014 is the result of the Group selling two of its subsidiaries to local management in May 2014. The prior period $11 million gain on disposal relates primarily to the disposal of a 6.25% stake in Nephila in January 2013, reducing our stake to 18.75%. In 2013, some of the Group's foreign subsidiaries were liquidated, which had accumulated foreign currency translation reserves of $1 million at the date of liquidation. Upon liquidation of these subsidiaries the related foreign currency translation was recycled to the Group income statement. In the prior year the FRM goodwill was impaired by $69 million, primarily relating to our legacy Man Multi-Manager Business (Note 12).

In 2014, the $1 million of restructuring costs relates to an onerous lease on our New York property. The $36 million of compensation restructuring costs recognised in 2013 relate to the further phase of cost saving initiatives announced on 2 August 2013. Other costs relating to restructuring in 2013 primarily relate to onerous property lease provisions, largely in relation to Riverbank House (our main London office and headquarters). The prior year accelerated depreciation included within Other costs primarily relates to leasehold improvements and equipment as a result of the sub-letting of office space in Riverbank House. During 2013, $5 million of additional proceeds were received relating to the disposal of the Lehman claims in 2012.

Notes to the Group financial statements continued

3. Revenue

Fee income is Man's primary source of revenue, which is derived from the investment management agreements that we have in place with the fund entities. Fees are generally based on an agreed percentage of the valuation of FUM and are typically charged in arrears. Management fees net of rebates, which include all non-performance related fees and interest income from loans to fund products, are recognised in the year in which the services are provided.

Performance fees net of rebates relate to the performance of the funds managed during the year and are recognised when the quantum of the fee can be estimated reliably and has crystallised. This is generally at the end of the performance period or upon early redemption by a fund investor. Until the performance period ends market movements could significantly move the net asset value (NAV) of the fund products. Man will typically only earn performance fee income on any positive investment returns in excess of the high water mark, meaning we will not be able to earn performance fee income with respect to positive investment performance in any year following negative performance until that loss is recouped, at which point a fund investor's investment surpasses the high water mark.

4. Distribution costs

$m	**Year ended 31 December 2014**	Year ended 31 December 2013
Distribution costs	**104**	145

Distribution costs paid to external intermediaries are directly related to their marketing activity and the investors serviced by them. The distribution expense is therefore variable with FUM and the associated management fee income.

Distribution costs, before adjusting items, of $104 million (2013: $145 million) comprise product placement fees of $15 million (2013: $15 million) and investor servicing fees of $89 million (2013: $130 million). Servicing fees have decreased primarily as a result of the roll-off of guaranteed product FUM and a mix shift towards institutional assets, particularly in the quant alternatives category.

Placement fees are paid for product launches or sales and are capitalised and amortised over the expected investment holding period (Note 13). Investor servicing fees are paid to intermediaries for ongoing investor servicing and are expensed as incurred.

5. 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 the number of transactions or FUM, and is therefore variable with activity levels and FUM. Asset services costs for the year are $27 million compared to $32 million in 2013. The decrease in asset services costs is primarily a result of contract renegotiations in the latter half of 2014.

6. Compensation

$m	**Year ended 31 December 2014**	Year ended 31 December 2013
Salaries	**136**	163
Variable cash compensation	**174**	186
Share-based payment charge	**12**	30
Fund product based payment charge	**30**	32
Social security costs	**33**	24
Pension costs	**6**	10
Compensation costs – before adjusting items	**391**	445
Acquisition related costs	**3**	–
Restructuring	**–**	36
Total compensation costs	**394**	481

Compensation is our largest cost and an important component of our ability to retain and attract talent at Man. In the short term the variable component of compensation adjusts with revenues and profitability. In the medium term the active management of headcount can reduce fixed compensation, if required.

6. Compensation continued

Compensation costs in total are $391 million, before adjusting items, or 36% of net revenue (2013: 42%). Net revenue is defined as gross management and other fees, performance fees, income or gains on investments and other financial instruments, share of after tax profit of associates, less external distribution costs. Salaries and variable cash compensation are charged to the Group income statement in the year in which they are incurred, and include partner drawings.

Fixed compensation and benefits are $155 million compared to $188 million in the prior year. Fixed compensation comprises salaries, pension costs and a portion of the social security costs. The current year includes Numeric and Pine Grove fixed compensation from 5 September 2014 and 4 August 2014 respectively, the dates of acquisition.

Variable compensation is $236 million compared to $257 million in the prior year, primarily reflecting lower performance fee related compensation and the change in application of the policy for deferred awards, as discussed in the next paragraph.

The directors have determined that going forward all share-based and fund product-based awards relate entirely to future services, which is consistent with the approach currently adopted for GLG awards, and hence the amortisation charge relating to all future awards will be spread over the vesting period from the date of grant. The revised application of the deferred compensation policy results in a lower charge to the income statement of around $17 million in 2014, compared to the approach applied previously.

The accounting for share-based and fund product based compensation arrangements is covered in Note 21. The unamortised deferred compensation at year end is $22 million (2013: $24 million) which has a weighted average remaining vesting period of 1.3 years (2013: 1.4 years).

Pension costs relate to Man's defined contribution and defined benefit plans (Note 23).

7. Other costs

$m	**Year ended 31 December 2014**	Year ended 31 December 2013
Occupancy	**33**	50
Technology and communication	**32**	34
Temporary staff, recruitment, consultancy and managed services	**25**	32
Legal fees and other professional fees	**13**	18
Benefits	**12**	15
Insurance	**7**	11
Travel and entertainment	**9**	10
Audit, accountancy, actuarial and tax fees	**8**	7
Marketing and sponsorship	**6**	6
Other cash costs	**5**	8
Total other costs before depreciation and amortisation and adjusting items	**150**	191
Depreciation and amortisation	**24**	47
Other costs – before adjusting items	**174**	238
Reassessment of litigation provision (Note 2)	**(6)**	–
Litigation, regulatory and other settlements (Note 2)	**24**	14
Acquisition related other costs (Note 2)	**9**	–
Restructuring (Note 2)	**1**	28
Accelerated depreciation (Note 2)	**–**	43
Total other costs	**202**	323

Notes to the Group financial statements continued

7. Other costs continued

The level of expenses, including occupancy, communication, technology and travel and entertainment, is linked to headcount.

Other costs, before depreciation and amortisation and adjusting items, are $150 million in the year, compared to $191 million in the prior year, which reflects the impact of the previously announced cost savings programme.

Auditors' remuneration, including advisory and professional services, is disclosed in more detail in the Corporate governance section on page 41.

8. Finance expense and finance income

$m	Year ended 31 December 2014	Year ended 31 December 2013
Finance income:		
Interest on cash deposits and US Treasury bills	**3**	13
Total finance income	**3**	13
Finance expense:		
Interest payable on borrowings	**(3)**	(22)
Revolving credit facility costs, premium paid on debt buybacks and other (Note 14)	**(9)**	(36)
Total finance expense – before adjusting items	**(12)**	(58)
Unwind of contingent consideration discount (Note 2)	**(7)**	(3)
Total finance expense	**(19)**	(61)

9. Taxation

$m	Year ended 31 December 2014	Year ended 31 December 2013
Analysis of tax charge/(credit) for the period:		
Current tax:		
UK corporation tax on profits of the period	**54**	29
Foreign tax	**17**	16
Adjustments to tax charge in respect of previous periods	**(30)**	(34)
Total current tax	**41**	11
Deferred tax:		
Origination and reversal of temporary differences	**(14)**	(28)
Adjustments to tax charge in respect of previous periods	**–**	1
Initial recognition of US deferred tax asset	**(8)**	–
Total deferred tax	**(22)**	(27)
Total tax charge/(credit)	**19**	(16)

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 the UK and Switzerland. The current effective tax rate of 5% (2013: -29%) differs from the underlying rate principally as a result of the release of a tax liability of $25 million and recognition of a US deferred tax asset of $8 million, which are detailed below. The effective tax rate is otherwise consistent with this earnings profile. The effective tax rate on adjusted profits (Note 2) is 10% (2013: 7%). The higher rate is principally the result of the effect of credits to the tax charge in respect of previous periods of a similar value to 2013 having a smaller impact on the higher profits in 2014.

9. Taxation continued

The tax on Man's total profit before tax is lower than the amount that would arise using the theoretical effective tax rate applicable to profits/(losses) of the consolidated companies as follows:

$m	Year ended 31 December 2014	Year ended 31 December 2013
Profit before tax	**384**	56
Theoretical tax charge at UK rate: 21.50% (2013: 23.25%)	**83**	13
Effect of:		
Overseas rates compared to UK	**(20)**	(14)
Adjustments to tax charge in respect of previous periods	**(30)**	(33)
Impairment of goodwill and other adjusting items	**(1)**	19
Share-based payments	**(3)**	10
Initial recognition of US deferred tax asset	**(8)**	–
Other	**(2)**	(11)
Total tax charge/(credit)	**19**	(16)

In the current year the adjustments to the tax charge in respect of previous periods largely relates to the release of $25 million due to reassessment of tax exposures associated with our Asia Pacific operations.

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 deferred tax asset or liability is realised.

Movements in deferred tax are as follows:

$m	Year ended 31 December 2014	Year ended 31 December 2013
Deferred tax liability		
At 1 January	**(97)**	(114)
Credit to the income statement	**14**	17
Deferred tax liability at 31 December	**(83)**	(97)
Deferred tax asset		
At 1 January	**39**	43
Credit to the income statement	**8**	10
Credit/(charge) directly to equity	**2**	(10)
Other currency differences	**(2)**	(4)
Deferred tax asset at 31 December	**47**	39

The deferred tax liability of $83 million (2013: $97 million) relates to deferred tax arising on acquired intangible assets.

The deferred tax asset of $47 million (2013: $39 million) principally relates to US tax losses and intangible assets of $8 million (2013: nil), defined benefit pension schemes of $8 million (2013: $9 million), employee share schemes of $17 million (2013: $7 million), and tax allowances over depreciation of $14 million (2013: $18 million). The deferred tax asset income statement credit of $8 million (2013: $10 million) relates to initial recognition of the deferred tax asset in respect of US losses of $8 million (2013: nil), an increase in the deferred tax asset on employee share schemes of $7 million (2013: nil), a decrease in the deferred tax asset arising on tax allowances over depreciation of $4 million (2013: $9 million decrease) and a decrease in the deferred tax liability on other temporary differences of $3 million (2013: $1 million increase). The credit to other revenue reserves of $2 million (2013: charge of $10 million) relates to movements in the pension accrual and employee share schemes in the year.

9. Taxation continued

The Group has accumulated deferred tax assets in the US of $191 million. These assets principally comprise accumulated operating losses from existing operations and future amortisation of goodwill and intangibles assets generated from acquisitions that will be available to offset future taxable profits in the US. These assets have not been recognised on the balance sheet in the past because the US business as a whole was loss making, and therefore there was no clear evidence that the business would be able to benefit from these tax assets. As at 31 December 2014, a proportion ($8 million) of these previously unrecognised deferred tax assets has been recognised, triggered by the acquisition of Numeric, which gives rise to a higher degree of certainty that the US business will earn taxable profits in future periods. The $8 million deferred tax asset recognised in 2014 represents amounts which can be offset against probable future taxable profits, which are considered to be forecast profits for the next three years only (consistent with the Group's business planning horizon). As a result of the recognised deferred tax asset and the remaining unrecognised available US deferred tax assets of $183 million (2013: $188 million), Man does not expect to pay federal tax on any taxable profits it may earn in the US for the foreseeable future. Accordingly, any movements in this US tax asset are classified as an adjusting item in Note 2 (such as the credit to tax expense of $8 million recognised in 2014).

10. Earnings per ordinary share (EPS)

The calculation of basic EPS is based on post-tax profit (and for 2013, after payments to holders of the perpetual subordinated capital securities of $19 million after tax) of $365 million compared to a profit of $53 million in the prior year, and ordinary shares of 1,754,177,715 (2013: 1,787,851,123), being the weighted average number of ordinary shares on 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, being ordinary shares of 1,778,702,369 (2013: 1,818,402,923).

The details of movements in the number of shares used in the basic and dilutive EPS calculation are provided below.

	Year ended 31 December 2014		Year ended 31 December 2013	
	Total number (million)	**Weighted average (million)**	Total number (million)	Weighted average (million)
Number of shares at beginning of year	**1,823.7**	**1,823.7**	1,821.8	1,821.8
Issues of shares	**1.4**	**1.1**	1.9	1.4
Repurchase of own shares	**(68.8)**	**(45.9)**	–	–
Number of shares at period end	**1,756.3**	**1,778.9**	1,823.7	1,823.2
Shares owned by Employee Trusts	**(21.1)**	**(24.8)**	(29.7)	(35.3)
Basic number of shares	**1,735.2**	**1,754.1**	1,794.0	1,787.9
Share awards under incentive schemes		**21.2**		27.7
Employee share options		**3.4**		2.8
Diluted number of shares		**1,778.7**		1,818.4

The reconciliation from EPS to adjusted EPS is given below:

	Year ended 31 December 2014		
	Basic and diluted post-tax earnings $m	**Basic earnings per share cents**	**Diluted earnings per share cents**
Earnings per share	**365**	**20.8**	**20.5**
Items for which EPS has been adjusted (Note 2)	**97**	**5.5**	**5.4**
Tax adjusting items (Note 2)	**(27)**	**(1.5)**	**(1.5)**
Adjusted earnings per share	**435**	**24.8**	**24.4**
Net performance fees (post-tax)	**(256)**	**(14.5)**	**(14.3)**
Adjusted management fee earnings per share	**179**	**10.3**	**10.1**

10. Earnings per ordinary share (EPS) continued

	Year ended 31 December 2013		
	Basic and diluted post-tax earnings $m	Basic earnings per share cents	Diluted earnings per share cents
Earnings per share[1]	53	3.0	2.9
Items for which EPS has been adjusted (Note 2)	241	13.5	13.3
Tax on adjusting items (Note 2)	(37)	(2.1)	(2.1)
Adjusted earnings per share	257	14.4	14.1
Net performance fees (post-tax)	(114)	(6.4)	(6.2)
Adjusted management fee earnings per share	143	8.0	7.9

Note:
1 The difference between post-tax profit and basic and diluted post-tax profit in 2013 is the adding back of the expense relating to the perpetual subordinated capital securities which were redeemed during 2013 (Note 22), totalling $19 million post-tax.

11. Dividends

$m	Year ended 31 December 2014	Year ended 31 December 2013
Ordinary shares		
Final dividend paid for the year to 31 December 2013 – 5.3 cents (2012: 12.5 cents)	**95**	230
Interim dividend paid for the six months to 30 June 2014 – 4.0 cents (2013: 2.6 cents)	**68**	47
Dividends paid during the year	**163**	277
Proposed final dividend for the year to 31 December 2014 – 6.1 cents (2013: 5.3 cents)	**106**	95

Dividend distribution to the Company's shareholders is recognised directly in equity in Man's financial statements in the period in which the dividend is paid or, if required, approved by the Company's shareholders.

12. Goodwill and acquired intangibles

	Year ended 31 December 2014			Year ended 31 December 2013		
$m	Goodwill	IMCs and other acquired intangibles[2]	Total	Goodwill	IMCs and other acquired intangibles[2]	Total
Cost:						
At beginning of the year	**2,231**	**726**	**2,957**	2,252	726	2,978
Acquisition of business[1]	**137**	**198**	**335**	–	–	–
Currency translation	**(8)**	**–**	**(8)**	(16)	–	(16)
Other adjustment[3]	**(1)**	**–**	**(1)**	(5)	–	(5)
At year end	**2,359**	**924**	**3,283**	2,231	726	2,957
Amortisation and impairment:						
At beginning of the year	**(1,423)**	**(206)**	**(1,629)**	(1,354)	(140)	(1,494)
Amortisation	**–**	**(72)**	**(72)**	–	(66)	(66)
Impairment[4]	**–**	**–**	**–**	(69)	–	(69)
At year end	**(1,423)**	**(278)**	**(1,701)**	(1,423)	(206)	(1,629)
Net book value at year end	**936**	**646**	**1,582**	808	520	1,328
Allocated to cash generating units as follows:						
GLG	**201**	**431**	**632**	201	493	694
AHL	**461**	**–**	**461**	468	–	468
FRM	**140**	**36**	**176**	139	27	166
Numeric	**134**	**179**	**313**	–	–	–

Notes:
1 Acquisition of business relates to Numeric and Pine Grove.
2 Includes investment management contracts (IMCs), brand names and distribution channels.
3 The 2014 other adjustment of $1 million relates to the disposal of goodwill resulting from the sale of a subsidiary to local management during the year. The prior year other adjustment of $5 million to goodwill relates to an adjustment to the calculation for the FRM contingent consideration at the date of acquisition (July 2012), reducing the goodwill and contingent consideration creditor.
4 The 2013 impairment of $69 million relates to FRM.

Notes to the Group financial statements continued

12. Goodwill and acquired intangibles continued

Goodwill

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

Goodwill is carried on the Group balance sheet at cost less accumulated impairment. Goodwill 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. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Investment management contracts, distribution channels and brand names

Investment management contracts (IMCs), distribution channels and brand names are recognised at the present value of the expected future cash flows and are amortised on a straight-line basis over the expected useful lives, which are between 5 and 13 years.

Allocation of goodwill to cash generating units

For statutory accounting impairment review purposes, the Group has identified four cash generating units (CGUs): GLG, AHL, FRM and Numeric. The goodwill and other intangible assets acquired as part of the Pine Grove acquisition have been allocated to the FRM CGU as the acquired Pine Grove business has been fully integrated with the FRM business. The Numeric acquisition is detailed below.

The Man Systematic Strategies business (MSS) was integrated into the AHL business on 1 January 2013, and associated goodwill of $71 million was transferred from the GLG and FRM CGUs to the AHL CGU at that date.

Calculation of recoverable amounts for cash generating units

The recoverable amounts of the Group's CGUs are assessed each year using a value in use calculation. The value in use calculation gives a higher valuation compared to a fair value less cost to sell approach, as this would exclude some of the revenue synergies available to Man through its ability to distribute products using its well established distribution channels, which may not be fully available to other market participants.

The value in use calculations at 31 December 2014 use cash flow projections based on the Board approved financial plan for the year to 31 December 2015 and a further two years of projections (2016 and 2017) plus a terminal value. The valuation analysis is based on best practice guidance whereby a terminal value is calculated at the end of a short discrete budget period and assumes, after this three year budget period, no growth in asset flows above the long-term growth rate.

The key assumptions used in the value in use calculations are represented by the compound average annualised growth in FUM over the three year budget period and the discount rates applied to the modelled cash flows. The value in use calculations are sensitive to small changes in the key assumptions, in particular in relation to the compound average annualised growth in FUM over the three year forecast period. Sensitivity analysis of this assumption is given in each of the GLG, AHL and FRM sections below. The terminal value is calculated based on the projected closing FUM at 31 December 2017 and applying a mid-point of a range of historical multiples to the forecast cash flows associated with management and performance fees. A bifurcated discount rate has been applied to the modelled cash flows to reflect the different risk profile of net management fee income and net performance fee income. The discount rates are based on the Group's weighted average cost of capital using a risk free interest rate, together with an equity risk premium and an appropriate beta derived from consideration of Man's beta, similar alternative asset managers', and the asset management sector as a whole. The post-tax discount rates applied are the same as those used in 2013.

The specific assumptions applied to the value in use calculations for each of the CGUs are explained in the sections below.

12. Goodwill and acquired intangibles continued

GLG cash generating unit

For the year ended 31 December 2013 there was no impairment charge. The recoverable amount of the GLG CGU has again been assessed at 31 December 2014. The key assumptions used in the value in use calculation are shown in the table below.

Compound average annualised growth in FUM (over three years)	7%
Discount rate (post-tax)[1]	
– Net management fees	11%
– Net performance fees	17%
Terminal value (mid-point of range of historical multiples, post-tax)[2]	
– Management fees	13x
– Performance fees	5.5x

Notes:
1 The pre-tax equivalent of the net management fee and net performance fee discount rates are 14% and 21% respectively.
2 The terminal value is equivalent to an overall terminal growth rate of 3% for management fees and 0% for performance fees.

The GLG value in use calculation at 31 December 2014 indicates a value of $800 million, with around $150 million of headroom over the carrying value of the GLG business. Therefore, no impairment charge is deemed necessary at 31 December 2014. The valuation at 31 December 2014 is around $500 million lower than the value in use calculation at 31 December 2013, primarily as a result of lower than anticipated investment performance and net inflows in 2014, particularly for discretionary alternatives, and decreased growth in FUM anticipated over the next three years as result of the 2014 performance.

The table below shows scenarios whereby the base case key assumptions are changed to stressed assumptions, indicating the modelled headroom or impairment that would result. Each assumption, or set of assumptions, is stressed in isolation. The results of these sensitivities make no allowance for actions that management would take if such market conditions persisted.

	Compound average annualised growth in FUM		Discount rates (post-tax) Management fee/ Performance fee		Multiples (post-tax) Management fee/ Performance fee	
Stressed to:	5%	4%	10%/16%	12%/18%	14x/6.5x	12x/4.5x
Modelled headroom/(impairment) ($m)	31	(20)	168[1]	136[1]	217[2]	85[2]

Notes:
1 An increase/decrease of $16 million.
2 An increase/decrease of $66 million.

Notes to the Group financial statements continued

12. Goodwill and acquired intangibles continued

AHL cash generating unit

For the year ended 31 December 2013 there was no impairment charge. The recoverable amount of the AHL CGU has been assessed at 31 December 2014 using a value in use calculation. The key assumptions used in the value in use calculation are shown in the table below.

Compound average annualised growth in FUM (over three years)	17%
Discount rate (post-tax)[1]	
– Net management fees	11%
– Net performance fees	17%
Terminal value (mid-point of range of historical multiples, post-tax)[2]	
– Management fees	13x
– Performance fees	5.5x

Notes:
1 The pre-tax equivalent of the net management fee and net performance fee discount rates are 13% and 21% respectively.
2 The terminal value is equivalent to an overall terminal growth rate of 3% for management fees and 0% for performance fees.

The AHL value in use calculation at 31 December 2014 indicates a value of $3.0 billion, with around $2.5 billion of headroom over the carrying value of the AHL business. Therefore, no impairment charge is deemed necessary at 31 December 2014. The valuation at 31 December 2014 is around $1.7 billion higher than the value in use calculation at 31 December 2013, primarily as a result of strong investment performance in 2014, particularly for quant alternatives, better than anticipated net inflows, and higher growth in FUM anticipated over the next three years as a result of this strong performance.

The table below shows scenarios whereby the base case key assumptions are changed to stressed assumptions, indicating the modelled headroom or impairment that would result. Each assumption, or set of assumptions, is stressed in isolation. The results of these sensitivities make no allowance for actions that management would take if such market conditions persisted.

	Compound average annualised growth in FUM		Discount rates (post-tax) Management fee/ Performance fee		Multiples (post-tax) Management fee/ Performance fee	
Stressed to:	8%	-2%	10%/16%	12%/18%	14x/6.5x	12x/4.5x
Modelled headroom/(impairment) ($m)	1,103	260	2,580[1]	2,460[1]	2,794[2]	2,246[2]

Notes:
1 An increase/decrease of $60 million.
2 An increase/decrease of $274 million.

12. Goodwill and acquired intangibles continued

FRM cash generating unit

The FRM CGU includes the legacy Man Multi-Manager business, the acquired FRM business and goodwill relating to the acquisition of Pine Grove during 2014.

For the year ended 31 December 2013 an impairment charge of $69 million was recognised as a result of guaranteed product FUM decreasing faster than expected and lower than anticipated FUM and flows, in particular due to redemptions in our legacy Multi-Manager Business. The recoverable amount of the FRM CGU has again been assessed at 31 December 2014. The key assumptions used in the value in use calculation are shown in the table below.

Compound average annualised growth in FUM (over three years)	9%
Discount rate (post-tax)[1]	
– Net management fees	11%
– Net performance fees	17%
Terminal value (mid-point of range of historical multiples, post-tax)[2]	
– Management fees	12x
– Performance fees	5x

Notes:
1 The pre-tax equivalent of the net management fee and net performance fee discount rates are 13% and 20% respectively.
2 The terminal value is equivalent to an overall terminal growth rate of 2% for management fees and 0% for performance fees.

The FRM value in use calculation at 31 December 2014 indicates a value of $230 million, with around $40 million of headroom over the carrying value of the FRM business. Therefore, no impairment charge is deemed necessary at 31 December 2014. The valuation at 31 December 2014 is slightly higher than the value in use calculation at 31 December 2013, primarily as a result of better than anticipated net inflows for fund of fund products in 2014, in particular for managed account mandates, and higher growth in FUM anticipated over the next three years, which have been partially offset by a decline in management fee margins. Despite an increase in the FRM CGU value in use, the valuation of the FRM contingent consideration has decreased by $17 million during 2014 (Note 2). This is the result of a decrease in the management fee run rate revenue of the legacy FRM business versus expectations, and does not take into account the impact of the significant cost base reduction of this business since acquisition.

The table below shows scenarios whereby the base case key assumptions are changed to stressed assumptions, indicating the modelled headroom or impairment that would result. Each assumption, or set of assumptions, is stressed in isolation. The results of these sensitivities make no allowance for actions that management would take if such market conditions persisted.

	Compound average annualised growth in FUM		Discount rates (post-tax) Management fee/ Performance fee		Multiples (post-tax) Management fee/ Performance fee	
Stressed to:	8%	7%	10%/16%	12%/18%	13x/5x	11x/3x
Modelled headroom/(impairment) ($m)	10	(19)	46[1]	36[1]	60[2]	22[2]

Notes:
1 An increase/decrease of $5 million.
2 An increase/decrease of $19 million.

Acquisition of Numeric

On 5 September 2014 Man acquired Numeric Holdings LLC ('Numeric'), a Boston-based quantitative equity manager with funds under management at the date of acquisition of $15.2 billion.

The consideration to Numeric owners is comprised of $219 million up-front and $19 million of balance sheet consideration paid in cash at completion, plus two earn-out style contingent consideration arrangements (the 'Option Consideration') payable post-acquisition. Numeric Management are rolling over the majority of their consideration in return for an ongoing 18.3% equity interest in the business (the 'Management Interests') and have also been granted profits interests in the business that entitle them to share in 16.5% of the increase in the value of the Numeric business over the period prior to the exercise date for the put and call arrangement described below (the 'Profit Interests'). At the end of five years following completion, Man will have an opportunity to acquire the Management Interests and the Profit Interests pursuant to a put and call option arrangement. The maximum aggregate amount payable by Man in respect of the Option Consideration is capped at $275 million. The call and put options structure means that it is virtually certain that Man will elect to, or be obliged to, purchase the interests held by Numeric management at five (call option) or five and a half (put option) years post-closing. Therefore this element of the consideration is equivalent to an earn-out and is deemed to be a financial liability measured initially at fair value and any subsequent fair value movements recognised through the Group income statement (Note 27).

12. Goodwill and acquired intangibles continued

Provisional values for the acquired business at the date of acquisition are set out below.

$m	Book value	Fair value adjustments	Provisional value
Cash and cash equivalents	12	–	12
Fees and other receivables	26	–	26
Leasehold improvements and equipment	3	–	3
Intangible assets	–	185	185
Trade and other payables	(15)	(1)	(16)
Net assets acquired	26	184	210
Goodwill on acquisition			134
Net assets acquired including goodwill			344
Purchase consideration:			
Cash consideration			238
Contingent consideration			106
Total consideration			344

The fair value adjustments relate to the recognition of intangible assets comprising acquired investment management contracts ($181 million) and the Numeric brand ($4 million). These intangible assets are recognised at the present value of the expected future cash flows generated from the assets and are amortised on a straight-line basis over their expected life of 10 and 13 years respectively. No deferred tax liability has been recognised on acquisition as these intangibles are tax-deductible in the US.

Goodwill primarily represents future synergies from combining Man's global distribution capabilities with the existing Numeric business, Numeric's skilled workforce, and the market share and positioning within the US quantitative domain. Numeric's strong performance track record underpins the implied goodwill within the acquired business. Goodwill is expected to be deductible for tax purposes. The newly acquired Numeric business is considered a separate CGU for future statutory accounting impairment review purposes.

Acquisition costs relating to staff termination, legal and other advisory fees, as well as the costs of integrating our operating platforms, have been incurred as a result of the Numeric transaction. These have been expensed and do not form part of goodwill, and are classified as adjusting items (Note 2).

The pre-tax profit for the Numeric business since acquisition date is $19 million. If Numeric had been acquired at the beginning of the financial year, the pre-tax profit for Numeric would have been $43 million, based on the post-acquisition expense structure and excluding any deal related costs. Numeric revenue for the period since the acquisition date is $42 million (including performance fee revenue of $23 million), and if the acquisition had taken place at the beginning of the financial year, the revenue would have been $94 million (including performance fee revenue of $39 million).

Acquisition of Pine Grove

On 4 August 2014, Man acquired the entire issued share capital of Pine Grove Asset Management LLC ('Pine Grove'), a US based fund of hedge fund manager specialising in the management of credit-focused hedge fund portfolios with funds under management at the date of acquisition of $1.0 billion.

The consideration to Pine Grove owners comprises $1 million in cash up-front and $5 million in August 2015, and contingent amounts based on management fees earned, paid annually for five years post acquisition (valued at $11 million). The deferred consideration payable is equivalent to an earn-out and deemed to be a financial liability measured initially at fair value and any subsequent fair value movements recognised through the Group income statement (Note 27).

Provisional values for the acquired business at the date of acquisition are set out below.

$m	Book value	Fair value adjustments	Provisional value
Fees and other receivables	1	–	1
Intangible assets	–	13	13
Net assets acquired			14
Goodwill on acquisition			3
Net assets acquired including goodwill			17
Purchase consideration:			
Cash consideration			6
Contingent consideration			11
Total consideration			17

12. Goodwill and acquired intangibles continued

The fair value adjustments relate primarily to the recognition of investment management contracts of $13 million. These intangible assets are recognised at the present value of the expected future cash flows generated from the assets and are amortised on a straight-line basis over their expected life of nine years. No deferred tax liability has been recognised on acquisition as these intangibles are tax-deductible in the US.

Goodwill primarily represents the future incremental synergies from cost savings, Pine Grove's skilled workforce and increased access to the US market.

Acquisition costs relating to staff termination, legal and other advisory fees, as well as the costs of integrating our operating platforms, have been incurred as a result of the Pine Grove transaction. These have been expensed and do not form part of goodwill, and are classified as adjusting items (Note 2).

The pre-tax profit for the Pine Grove business since acquisition date is $2 million. If Pine Grove had been acquired at the beginning of the financial year, the pre-tax profit for Pine Grove would have been $4 million, excluding any deal related costs. Pine Grove revenue for the period since the acquisition date is $4 million, and if the acquisition had taken place at the beginning of the financial year, the revenue would have been $11 million.

13. Other intangibles

	Year ended 31 December 2014			Year ended 31 December 2013		
$m	**Placement fees**	**Capitalised computer software**	**Total**	Placement fees	Capitalised computer software	Total
Cost:						
At beginning of the year	**74**	**69**	**143**	81	108	189
Additions	**–**	**9**	**9**	3	–	3
Redemptions/disposals	**(8)**	**(20)**	**(28)**	(10)	(39)	(49)
At year end	**66**	**58**	**124**	74	69	143
Aggregate amortisation and impairment:						
At beginning of the year	**(54)**	**(63)**	**(117)**	(49)	(95)	(144)
Redemptions/disposals	**6**	**16**	**22**	5	40	45
Amortisation	**(13)**	**(3)**	**(16)**	(10)	(8)	(18)
At year end	**(61)**	**(50)**	**(111)**	(54)	(63)	(117)
Net book value at year end	**5**	**8**	**13**	20	6	26

Placement fees

Placement fees are paid to distributors for fund product launches or sales. The majority of placement fees paid up-front are capitalised as intangible assets which represent 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 benefits from the investor in each product, estimated to be 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 (accelerated amortisation). The placement fees intangible is also subject to a valuation assessment semi-annually to ensure that the future economic benefit arising from each fund product is in excess of the remaining unamortised balance. Amortisation expense, including any accelerated charges, is included in distribution costs in the Group income statement.

The weighted average remaining period of the unamortised placement fees at 31 December 2014 is 1.9 years (31 December 2013: 1.5 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 amortisation 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 by 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 its estimated useful life (three years) and is subject to regular impairment reviews. Amortisation of capitalised computer software is included in Other costs in the Group income statement.

Notes to the Group financial statements continued

14. Cash, liquidity and borrowings

Liquidity and borrowings

Total liquidity resources aggregate to $2,263 million at 31 December 2014 (2013: $2,517 million) and comprise cash and cash equivalents of $738 million (2013: $992 million) and the undrawn committed revolving credit facility of $1,525 million (2013: $1,525 million). Cash and cash equivalents at year end comprises $291 million (2013: $291 million) of cash at bank on hand, and $447 million (2013: $701 million) in short-term deposits, net of overdrafts of nil (2013: nil). Cash ring-fenced for regulated entities totalled $24 million (2013: $16 million).

Liquidity resources support ongoing operations and potential liquidity requirements under stressed scenarios. The amount of potential liquidity requirements is modelled based on scenarios that assume stressed market and economic conditions. With the exception of committed purchase arrangements (Note 29.1), the funding requirements for Man relating to the investment management process are discretionary. The liquidity profile of Man is monitored on a daily basis and the stressed 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 current requirements and potential requirements under stressed scenarios.

Cash is invested in accordance with strict limits consistent with the Board's risk appetite, which consider both the security and availability of liquidity. Accordingly, cash is held in short-term bank deposits and on-demand deposit bank accounts. At 31 December 2014 the $738 million cash balance is held with 22 banks (2013: $992 million with 24 banks). The single largest counterparty bank exposure of $100 million is held with an AA- rated bank (2013: $136 million with an AA- rated bank). At 31 December 2014, balances with banks in the AA ratings band aggregate to $284 million (2013: $472 million) and balances with banks in the A ratings band aggregate to $453 million (2013: $520 million).

During 2013 Man repaid all of its previously outstanding borrowings and the perpetual subordinated capital securities.

On 16 September 2014 Man issued $150 million ten year fixed rate reset callable guaranteed subordinated notes (Tier 2 notes), with associated issuance costs of $1 million. The Tier 2 notes were issued with a fixed coupon of 5.875% until 15 September 2019. The notes may be redeemed in whole at Man's option on 16 September 2019 at their principal amount, subject to FCA approval. If the notes are not redeemed at this time then the coupon will reset to the five year mid-swap rate plus 4.076% and the notes will be redeemed on 16 September 2024 at their principal amount.

31 December 2014 ($m)	Total	Less than 1 year	2 years	3 years	Greater than 3 years
Borrowings					
2024 fixed rate reset callable guaranteed subordinated notes	149	–	–	–	149
Cash and cash equivalents	738	738	–	–	–
Undrawn committed revolving credit facility	1,525	–	70	120	1,335
Total liquidity	2,263	738	70	120	1,335

31 December 2013 ($m)	Total	Less than 1 year	2 years	3 years	Greater than 3 years
Cash and cash equivalents	992	992	–	–	–
Undrawn committed revolving credit facility	1,525	–	–	70	1,455
Total liquidity	2,517	992	–	70	1,455

Borrowings are initially recorded at fair value net of transaction costs incurred, and are subsequently measured 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 rate method. At 31 December 2014, the fair value of borrowings is $154 million (2013: nil).

In 2013 the senior fixed rate bonds and floating rate notes of $859 million were repurchased at a total premium of $26 million. This premium, along with an accelerated unwind of issue costs and fees of $2 million, was included in finance expense in 2013.

The committed revolving credit facility of $1,525 million was put in place during July 2011 as a five year facility and included the option for Man to ask the banks to extend the maturity date by a year on each of the first and second anniversaries. The participant banks had the option to accept or decline Man's request. Before the second anniversary in July 2013 the banks were asked to extend the maturity date of the facility by a further year. Banks with participations totalling $1,335 million accepted the request and as a result $70 million of the facility is currently scheduled to mature in July 2016, $120 million in July 2017, and $1,335 million in July 2018. To maintain maximum flexibility, the revolving credit facility does not include financial covenants.

Disclosures in relation to financial guarantees and commitments are included in Note 29.

14. Cash, liquidity and borrowings continued

Foreign exchange and interest rate risk
Man is subject to risk from changes in interest rates and 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 $6 million (2013: $2 million loss/gain), with a corresponding impact on equity. This exposure is based on USD balances held by non-USD functional currency entities and non-USD balances held by USD functional currency entities within the Group. In respect of Man's monetary assets and liabilities which earn/incur interest indexed to floating rates, as at 31 December 2014, a 50bp increase/decrease in interest rates, with all other variables held constant, would have resulted in a $2 million increase or a $1 million decrease (2013: $3 million increase or $1 million decrease) in net interest income.

15. Investments in fund products and other investments

	31 December 2014					
$m	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Total investments in fund products and other investments	Net non-current assets held for sale	Total investments
Investments in fund products comprise:						
Loans to fund products	–	–	94	94	–	94
Other investments in fund products	207	2	–	209	153	362
Other investments	–	4	–	4	–	4
	207	6	94	307	153	460

	31 December 2013					
$m	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Total investments in fund products and other investments	Net non-current assets held for sale	Total investments
Investments in fund products comprise:						
Loans to fund products	–	–	99	99	–	99
Other investments in fund products	167	1	–	168	50	218
Other investments	–	6	–	6	–	6
	167	7	99	273	50	323

15.1. Loans to fund products
Loans to fund products are short-term advances primarily to Man guaranteed products, which are made to assist with the financing of the leverage associated with the structured products. The loans are repayable on demand and are carried at amortised cost using the effective interest rate method. The average balance during the year is $80 million (2013: $238 million). Loans to fund products have decreased compared to the prior year as guaranteed product FUM has decreased together with the associated leveraging. The liquidity requirements of guaranteed products together with commitments to provide financial support (Note 29) 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 revolving credit 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 this credit risk. Loans are closely monitored against the assets held in the funds. The largest single loan to a fund product at 31 December 2014 is $14 million (2013: $12 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 A.

15.2. Other investments in fund products
Man uses capital to invest in our fund products as part of our ongoing business to build our product breadth and to trial investment research developments before we market the products to investors. These seeding investments are generally held for less than one year. Where Man is deemed not to control the fund, these are classified as other investments in fund products. Other investments in fund products are classified primarily at fair value through profit or loss, with movements in fair value being recognised through income or gains on investments and other financial instruments. 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 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 anticipated redemption horizon of the fund product. The valuation of the underlying assets within each fund product is determined by external valuation service providers based on an agreed valuation policy and methodology.

15. Investments in fund products and other investments continued

Whilst these valuations are performed independently of Man, Man has established oversight procedures and due diligence processes to ensure that the NAVs reported by the external valuation service providers are reliable and appropriate. Man makes adjustments to these NAVs where the anticipated redemption horizon or events or circumstances indicate that the NAVs are not reflective of fair value. The fair value hierarchy of financial assets is disclosed in Note 27.

Other investments in fund products expose Man to market risk and therefore this process is subject to limits consistent with the Board's risk appetite. The largest single investment in fund products is $51 million (2013: $50 million). The market risk from seeding investments is modelled using a value at risk methodology using a 95% confidence interval and one year time horizon. The value at risk is estimated to be $26 million at 31 December 2014 (2013: $19 million).

Fund investment for deferred compensation arrangements

At 31 December 2014 investments in fund products included $68 million (2013: $61 million) of fund products related to deferred compensation arrangements. Employees are subject to mandatory deferral arrangements and as part of these arrangements employees can elect to have their deferral in a designated series of Man fund products. The changes in the fair value of the fund product awards are recognised over the relevant vesting period, which means the compensation expense changes 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 value of the fund investment is delivered to the employee. The fund product investments are recorded at fair value with any gains or losses during the vesting period recognised as income or gains on investments and other financial instruments in the Group income statement.

15.3. Non-current assets held for sale

Seed capital invested into funds may at times be significant, and therefore the fund may be deemed to be controlled by the Group. Where the Group acquired the controlling stake exclusively with a view to subsequent disposal through sale or dilution and it is considered highly probable that it will relinquish control within a year, the investment in the controlled fund is classified as held for sale. The seeded fund is recognised in the Group balance sheet as non-current assets and liabilities held for sale, with the interests of any other parties included within non-current liabilities held for sale. Amounts recognised are measured at the lower of the carrying amount and fair value less costs to sell.

The non-current assets and liabilities held for sale are as follows:

$m	**31 December 2014**	31 December 2013
Non-current assets held for sale	**186**	56
Non-current liabilities held for sale	**(33)**	(6)
Investments in fund products held for sale	**153**	50

Investments cease to be classified as held for sale when the fund is no longer controlled by the Group, at which time they are classified as financial assets at fair value through profit or loss (Note 15.2). Loss of control may eventuate through sale of the investment or a dilution in the Group's holding. If a held for sale fund remains under the control of the Group for more than one year, and it is unlikely that the Group will reduce or no longer control its investment in the short-term, it will cease to be classified as held for sale and will be consolidated on a line-by-line basis.

15.4. Structured entities

A structured entity is an entity designed so that its activities are not governed by way of voting rights, for example where contractual arrangements are the dominant factor in affecting an investor's returns. Man has evaluated all exposures and concluded that where Man holds an investment, loan, fees receivable, guarantee or commitment with an investment fund or a collateralised loan obligation, this represents an interest in a structured entity. The activities of these entities are governed by investment management agreements or, in the case of a collateralised loan obligation, the indenture.

In determining whether Man controls a structured entity the directors focus on the purpose and design of the entity, the decision making rights as investment manager or advisor, the substantive rights to remove the fund manager or advisor and Man's aggregate economic interests in the form of interest held and exposure to variable returns. Where Man does not hold an investment in the structured entity, Man considers that the characteristics of control are not met. Furthermore, for managed accounts where we do not act as investment manager or advisor, and for illiquid investments purchased by Man where these are no longer actively traded or managed, Man's role in directing investment activities is diminished and therefore these are not considered to be structured entities.

15. Investments in fund products and other investments continued

In most instances Man's decision making authority in its capacity as investment manager or advisor to these entities is well defined and discretion is exercised regarding the relevant activities. These agreements include only terms, conditions or amounts that are customarily present in similar arrangements negotiated on an arm's length basis, including management and performance fee arrangements. Where the right to remove Man as investment manager without cause also exists, Man is acting as agent on behalf of the investors and therefore these entities are not consolidated into Man's results.

Man is considered to be acting as principal where Man is the investment manager or advisor and is able to make the investment decisions on behalf of the investors, has substantial exposure to variable returns through investments held and fee arrangements, and there are no substantive rights that would remove Man as investment manager or advisor. Consolidated structured entities are detailed in Note 15.3 and Note 32.

Man's interest in and exposure to unconsolidated structured entities is as follows:

	Total FUM ($bn)	Less Managed Accounts and Consolidated fund entities ($bn)	Total FUM Unconsolidated Structured entities ($bn)	No. of funds	Gross management fee margin (%)[1]	Fair value of investment held ($m)	Fees receivable ($m)	Loans to funds ($m)	Maximum exposure to loss ($m)[2]
Alternative									
Quant (AHL/Numeric)	12.9	–	12.9	87	2.2	40	85	1	126
Discretionary (GLG)	14.5	0.1	14.4	439	1.4	114	7	93	214
Fund of funds (FRM)	10.8	1.8	9.0	141	0.9	6	12	–	18
Long only									
Quant (AHL/Numeric)	16.7	–	16.7	10	0.3	2	3	–	5
Discretionary (GLG)	16.0	–	16.0	112	0.9	4	9	–	13
Guaranteed	2.0	–	2.0	48	5.2	–	18	–	18
Total	**72.9**	**1.9**	**71.0**	**837**		**166**	**134**	**94**	**394**

Notes:
1 Gross management fee margins are the categorical weighted average. Performance fees can only be earned after a high water mark is achieved. For performance fee eligible funds, performance fees are within the range of 10% to 20%.
2 Man's maximum exposure to loss from unconsolidated structured entities at 31 December 2014 is the sum total of any investment held, fees receivable and loans to the fund entities.

Included within fund of funds is a $19 million interest representing approximately 46% in the most subordinated debt tranche of a collateralised loan obligation. Man is also the Collateral Manager. Man has limited decision making power and therefore ability to affect returns due to restrictive parameters within the indenture, which also provides substantive removal rights on which Man cannot vote, in particular in relation to the key-man clause, meaning in practice that either the holder of the remaining majority subordinated debt tranche or the majority controlling class shareholder can remove Man as Collateral Manager. Furthermore, the majority controlling class shareholder has demonstrated its power to make changes to the indenture. Accordingly, having considered all factors and in particular the restrictive indenture and the practical ability of the other parties to remove Man as Collateral Manager, Man considers that it does not control this investment. As a holder of the most subordinated debt tranche, Man has a greater exposure to the risk of borrower default than most other investors, however this risk is limited to the value of the investment held.

Support provided to unconsolidated structured entities is detailed in Note 15.1, and is included within the maximum exposure to loss above. Furthermore, on occasion Man agrees to purchase illiquid investments from the funds at market rates in order to facilitate investor withdrawals. Man has not provided any other non-contractual support to unconsolidated structured entities. Further information about risks relating to investment funds can be found in Principal risks and mitigants on page 25.

Notes to the Group financial statements continued

16. Fee and other receivables

$m	31 December 2014	31 December 2013
Fee receivables	**134**	62
Prepayments and accrued income	**204**	200
Derivative financial instruments	**3**	20
Other receivables	**55**	106
	396	388

Fee and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Fee receivables and accrued income represent management and performance fees from fund products and are received in cash when the funds' net asset values are 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 are overdue or delinquent at year end. At 31 December 2014, $8 million (2013: $18 million) of fee and other receivables are expected to be settled after 12 months.

For the Open Ended Investment Collective (OEIC) funds businesses, Man acts as the intermediary for the collection of subscriptions due from customers and payable to the funds, and for redemptions receivable from funds and payable to customers. At 31 December 2014 the amount included in other receivables is $19 million (2013: $27 million). The unsettled fund payable is recorded in trade and other payables.

In limited circumstances, the Group uses derivative financial instruments to hedge its risk associated with foreign exchange movements. Where fixed foreign currency denominated costs are hedged, the associated derivatives may be designated as cash flow hedges. Effective unrealised gains or losses on these instruments are recognised within the cash flow hedge reserve in equity, and when realised these are reclassified to the Group income statement in the same line as the hedged item. Other derivative financial instruments, which consist primarily of foreign exchange contracts, are measured at fair value through profit or loss. The notional value of derivative financial assets is $280 million (2013: $265 million). All derivatives are held with external banks with ratings of A or higher and mature within one year. During the year, there were $3 million net realised and unrealised losses arising from derivatives (2013: $18 million net gains). Derivatives are classified as Level 2 under Man's fair value hierarchy (Note 27).

17. Trade and other payables

$m	31 December 2014	31 December 2013
Accruals[1]	**289**	336[1]
Trade payables	**35**	54
Deferred consideration	**150**	44
Derivative financial instruments	**15**	1
Other payables	**92**	198
	581	633

Note:
1 $19 million relating to restructuring has been reclassified from accruals, as presented in prior year, to provisions (Note 18).

Accruals primarily relate to compensation accruals. Trade payables include payables of $20 million at 31 December 2014 (2013: $27 million) relating to the OEIC funds business. Deferred consideration in 2014 relates to the amounts payable in respect of the Numeric, Pine Grove and FRM acquisitions (2013: FRM) (Note 27). Other payables include servicing fees payable to distributors and redemption proceeds due to investors.

Payables are initially recorded at fair value and subsequently measured at amortised cost. Included in trade and other payables at 31 December 2014 are balances of $109 million (2013: $22 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.

Derivative financial instruments, which consist primarily of foreign exchange contracts, are measured at fair value through profit or loss. The notional value of derivative financial liabilities at 31 December 2014 is $358 million (2013: $412 million). All derivative contracts mature within one year.

18. Provisions

$m	Onerous property lease contracts	Litigation	Restructuring	Total
As 1 January 2014	43	30	19	92
Charged/(credited) to the income statement:				
Charge in the year	2	–	–	2
Provisions related to acquisitions during year	–	–	3	3
Unused amounts reversed	(1)	(6)	–	(7)
Unwinding of discount	1	–	–	1
Exchange differences	(2)	–	–	(2)
Used during the year/settlements	(9)	–	(15)	(24)
At 31 December 2014	**34**	**24**	**7**	**65**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions for onerous property lease contracts represent the present value of the future lease payments that the Group is presently obliged to make under non-cancellable onerous operating lease contracts, less the future benefit expected to be generated from these, including sub-lease revenue where applicable. The unexpired terms of the onerous leases range from one to 21 years.

Provisions for restructuring are recognised when the obligation arises, following communication of the formal plan. Movements in the restructuring provision relate to the settlement of prior year provisions and termination costs associated with acquisitions during the year.

The $6 million reduction in the litigation provision is the result of reassessment of the litigation provision required.

The opening provision balances for 2013 were $29 million for onerous property lease contracts, $30 million in relation to litigation and nil for restructuring.

19. Investments in associates

Associates are entities in which Man holds an interest and over which it has significant influence but not control, and are accounted for using the equity method. In assessing significant influence Man considers the investment held and its power to participate in the financial and operating policy decisions of the investee through its voting or other rights.

Under the equity method associates are carried 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 associates are eliminated to the extent of the Group's interests in these entities. An impairment assessment of the carrying value of associates is performed annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and any impairment is expensed in the Group income statement.

Man's investments in associates are as follows:

	Year ended 31 December 2014			Year ended 31 December 2013		
$m	**Nephila Capital Ltd**	**OFI MGA**	**Total**	Nephila Capital Ltd	OFI MGA	Total
% ownership	**18.75%**[1]	**20%**		18.75%[1]	20%	
At beginning of the year	**28**	**3**	**31**	38	–	38
Additions	**–**	**–**	**–**	–	2	2
Shares of post-tax profit	**9**	**–**	**9**	11	1	12
Dividends received	**(9)**	**(1)**	**(10)**	(11)	–	(11)
Disposals	**–**	**–**	**–**	(10)	–	(10)
At year end	**28**	**2**	**30**	28	3	31

Note:

1 18.75% represents Man's ownership of class B common shares. Man's participation in the profits of Nephila is governed by the share class rights and therefore does not relate proportionately to the ownership interest held. In 2013 Man reduced its interest in Nephila from 25% to 18.75%, realising a gain on disposal of $10 million which is classified as an adjusting item (Note 2). Man considers that this equity interest, Man's ability to veto Nephila's annual business plan, and the presence of a Man member on the Nephila board of directors provides Man with the power to participate in the financial and operating policy decisions, and equates to significant influence.

Notes to the Group financial statements continued

19. Investments in associates continued

Nephila Capital Limited is an alternative investment manager based in Bermuda specialising in the management of funds which underwrite natural catastrophe reinsurance and invest in insurance-linked securities and weather derivatives. OFI MGA is a French asset manager which was acquired during 2013. Both Nephila Capital Ltd and OFI MGA have a 31 December year end. Man has not provided any financial support to associates during the year to 31 December 2014 (2013: nil).

20. Leasehold improvements and equipment

	Year ended 31 December 2014			Year ended 31 December 2013		
$m	Leasehold improvements	Equipment	Total	Leasehold improvements	Equipment	Total
Cost						
At beginning of the year	119	114	233	124	116	240
Acquisition of business	2	–	2	–	–	–
Additions	1	2	3	1	1	2
Disposals	(8)	(13)	(21)	(2)	(7)	(9)
Reclassifications	–	–	–	(4)	4	–
At year end	114	103	217	119	114	233
Accumulated depreciation:						
At beginning of the year	(78)	(87)	(165)	(31)	(59)	(90)
Charge for year	(6)	(15)	(21)	(11)	(28)	(39)
Accelerated depreciation	–	–	–	(38)	(5)	(43)
Disposals	8	13	21	2	5	7
At year end	(76)	(89)	(165)	(78)	(87)	(165)
Net book value at year end	38	14	52	41	27	68

All leasehold improvements and equipment are shown at cost, less depreciation and impairment. Cost includes the original purchase price of the asset and costs directly attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated using the straight-line method over the asset's estimated useful life, which for leasehold improvements is over the shorter of the life of the lease and the improvement and for equipment is between three and 10 years.

In 2013 the accelerated depreciation of $43 million relates to the assets no longer being used following the sub-letting of space in Riverbank House (our main London headquarters).

21. Deferred compensation arrangements

Man operates cash and equity-settled share-based payment schemes as well as fund product based compensation arrangements. Details of these schemes can be found in the Directors' remuneration report on pages 44 to 64.

For compensation plans whereby deferred compensation is invested in fund products managed by Man, the fair value of the employee services received in exchange for the fund units is recognised as an expense over the vesting period, with a corresponding liability. The total amount to be expensed is determined by reference to the fair value of the awards, which is re-measured at each reporting date, and equates to the fair value of the underlying fund products at settlement date.

During the year, $42 million (2013: $70 million) is included in compensation costs relating to share-based payment and deferred fund product plans, consisting of equity-settled share-based payments of $10 million (2013: $35 million), cash-settled share-based payments totalling $1 million (2013: $1 million), and deferred fund product plans of $31 million (2013: $34 million).

21.1 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 in the year, of $21 million (2013: $27 million).

The Employee Trusts are fully consolidated into Man and shares held are treated as treasury shares for EPS purposes (Note 10). The shares held by the Employee Trusts are deducted from Tier 1 Capital. The Employee Trusts are controlled by independent trustees and their assets are held separately from those of Man. At 31 December 2014 the net assets of the Employee Trusts amounted to $35 million (2013: $36 million). These assets include 21,113,109 (2013: 29,681,372) ordinary shares in the Company, $32 million notional value options over Man shares (2013: $31 million), and $33 million fund units (2013: $36 million) to deliver against the future obligations. The shares are recorded at cost and shown as a deduction from shareholders' funds. During the year the trustees of one of the Employee Trusts waived all of the interim dividend for the year ended 31 December 2014 on each of the 21,217,345 ordinary shares registered in its name at the relevant date for eligibility for the interim dividend (2013 interim dividend: waived on all 30,526,357 shares) and all of the final dividend for the year ended 31 December 2013 on each of 26,925,242 of the ordinary shares registered in its name at the relevant date for eligibility for the final dividend (2012 final dividend: waived on all 37,404,793 shares).

21.2 Share-based payments

In respect of equity-settled share-based payment schemes, the fair value of the employee services received in exchange for the share awards and options granted is recognised as an expense, with the corresponding credit being recognised in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards and options at grant date. The fair value of the share awards and options granted in exchange for employee services is calculated using the Black-Scholes valuation model that takes into account the effect of both financial and demographic assumptions. Forfeiture and early vesting are based on historical observable data. Changes to the original estimates, if any, are included in the Group income statement, with a corresponding adjustment to equity.

Share options

The fair values of share options granted during the year and the assumptions used in the calculations are as follows:

	Sharesave share option schemes
Grant dates	12/09/2014
Weighted average share price at grant date ($) (£1.2)	1.9
Weighted average exercise price at grant date ($) (£0.9)	1.5
Share options granted in the period	2,302,961
Vesting period (years)	3–5
Expected share price volatility (%)	45
Dividend yield (%)	6
Risk-free rate (%)	1.3
Expected option life (years)	3.2
Number of options assumed to vest	1,754,558
Average fair value per option granted ($)	0.6

The expected share price volatility is based on historical volatility over the past 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.

There were no share options granted for the key executive option plan, executive share option scheme or deferred bonus share option scheme during the year ended 31 December 2014.

21. Deferred compensation arrangements continued

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

	Year ended 31 December 2014		Year ended 31 December 2013	
	Number	Weighted average exercise price ($ per share)	Number	Weighted average exercise price ($ per share)
Share options outstanding at beginning of the year	**53,140,223**	**4.3**	57,786,826	4.2
Granted	**2,302,961**	**1.5**	622,317	1.2
Forfeited	**(4,225,115)**	**3.7**	(5,060,748)	3.5
Exercised	**(244,150)**	**1.0**	(208,172)	1.0
Share options outstanding at year end	**50,973,919**	**4.2**	53,140,223	4.3
Share options exercisable at year end	**43,271,313**	**4.7**	14,147,305	4.7

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

	31 December 2014			31 December 2013		
Range of exercise prices ($ per share)	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
1.01–5.00	**26,604,713**	**3.7**	**3.5**	27,166,824	3.8	5.5
5.01–7.00	**24,369,206**	**5.1**	**4.3**	25,973,399	5.1	6.2
	50,973,919			53,140,223		

Share awards

The fair values of share awards granted during the year and the assumptions used in the calculations are as follows:

	Deferred share plan
Grant dates	13/3/2014–29/09/2014
Weighted average share price at grant date ($)	1.7
Share awards granted in the period	12,035,895
Vesting period (years)	1–5
Average fair value per share award granted ($)	1.7

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

	Year ended 31 December 2014 Number	Year ended 31 December 2013 Number
Share awards outstanding at beginning of the year	**25,682,204**	36,620,848
Granted	**12,035,895**	11,731,744
Forfeited	**(1,738,473)**	(3,792,637)
Exercised	**(13,760,822)**	(18,877,751)
Share awards outstanding at year end	**22,218,804**	25,682,204
Share awards exercisable at year end	**2,030,681**	1,660,353

22. Capital management

Investor confidence is an important element in the sustainability of our business. That confidence comes, in part, from the strength of our capital base. Man has maintained significant surplus capital and available liquidity throughout the recent periods of market volatility. 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 business credibility and sustainability.

We have a conservative capital and liquidity framework which allows us to invest in the growth of our 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 directly align our interests with those of investors and intermediaries.

Man monitors its capital requirements through continuous review of its regulatory and economic capital, including monthly reporting to the Risk and Finance Committee and the Board.

Man's dividend policy is that we will pay out at least 100% of adjusted net management fee earnings per share in each financial year by way of ordinary dividend. In addition, Man expects to generate significant surplus capital over time, primarily from net performance fee earnings. Available surpluses, after taking into account our required capital (including accruals for future earn-out payments), 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 considers dividends as the primary method of returning capital to shareholders, it will continue to execute share repurchases when advantageous.

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 the Employee Trusts are recorded at cost, including any directly attributable incremental costs (net of tax), 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 $3\frac{3}{7}$ US cents per share (2013: $3\frac{3}{7}$ 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.

During the year ended 31 December 2014, $115 million shares were repurchased at an average price of 99.7p, buying back 68.8 million shares (2013: no shares), which had an accretive impact on EPS of approximately 3%. $1 million of costs were incurred relating to the repurchase, largely relating to stamp duty. As at 24 February 2015, Man Group had an unexpired authority to repurchase up to 153,455,914 of its ordinary shares. A special resolution will be proposed at the forthcoming Annual General Meeting, pursuant to which the Company will seek authority to repurchase up to 263,267,978 of its ordinary shares, representing 14.99% of the issued share capital at 24 February 2015.

Deferred sterling shares

50,000 unlisted deferred sterling shares, representing 0.1% of the Company's issued share capital with a par value of £1 per share, were issued due to the redenomination of the ordinary share capital into US dollars. These shares are necessary for the Company 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 limited circumstances.

Notes to the Group financial statements continued

22. Capital management continued

Issued and fully paid share capital

	Year ended 31 December 2014		
	Ordinary shares Number	Unlisted deferred sterling shares Number	Nominal value $m
At 1 January 2014	**1,823,733,081**	**50,000**	**63**
Issue of ordinary shares:			
– Purchase and cancellation of own shares	**(68,835,247)**	**–**	**(2)**
– Partnership Plans	**1,392,880**	**–**	**–**
At 31 December 2014	**1,756,290,714**	**50,000**	**61**

	Year ended 31 December 2013		
	Ordinary shares Number	Unlisted deferred sterling shares Number	Nominal value $m
At 1 January 2013	1,821,790,279	50,000	63
Issue of ordinary shares:			
– Partnership Plans	1,942,802	–	–
At 31 December 2013	1,823,733,081	50,000	63

Share capital and reserves

$m	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Reorganisation reserve	Total
At 1 January 2014	**63**	**5**	**–**	**491**	**632**	**1,191**
Purchase and cancellation of own shares	**(2)**	**–**	**2**	**–**	**–**	**–**
Share awards/options	**–**	**2**	**–**	**–**	**–**	**2**
At 31 December 2014	**61**	**7**	**2**	**491**	**632**	**1,193**
At 1 January 2013	63	1	–	491	632	1,187
Share awards/options	–	4	–	–	–	4
At 31 December 2013	63	5	–	491	632	1,191

22. Capital management continued

Revaluation reserves and retained earnings

$m	Available-for-sale reserve	Cash flow hedge reserve	Own shares held by Employee Trusts	Cumulative translation adjustment	Profit and loss account	Total
At 1 January 2014	3	14	(110)	4	1,305	1,216
Currency translation difference	–	–	7	(18)	–	(11)
Share-based payments charge for the period	–	–	–	–	9	9
Deferred tax credited to reserves – share-based payments	–	–	–	–	2	2
Purchase of own shares by the Employee Trusts	–	–	(14)	–	–	(14)
Disposal of own shares by the Employee Trusts	–	–	55	–	(55)	–
Corporation tax credited on cash flow hedge movements	–	3	–	–	–	3
Fair value (losses)/gains taken to equity	–	(16)	–	–	–	(16)
Revaluation of defined benefit pension scheme	–	–	–	–	(21)	(21)
Corporation tax credited to reserves – pension scheme	–	–	–	–	4	4
Transfer to Group income statement	–	(17)	–	–	–	(17)
Share repurchases	–	–	–	–	(116)	(116)
Dividends	–	–	–	–	(163)	(163)
Profit for the year	–	–	–	–	365	365
At 31 December 2014	3	(16)	(62)	(14)	1,330	1,241

$m	Available-for-sale reserve	Cash flow hedge reserve	Own shares held by Employee Trusts	Cumulative translation adjustment	Profit and loss account	Total
At 1 January 2013	3	6	(170)	14	1,570	1,423
Currency translation difference	–	–	(4)	(11)	–	(15)
Share-based payments charge for the period	–	–	–	–	30	30
Purchase of own shares by the Employee Trusts	–	–	(18)	–	–	(18)
Disposal of own shares by the Employee Trusts	–	–	82	–	(82)	–
Corporation tax debited on cash flow hedge movements	–	(3)	–	–	–	(3)
Fair value (losses)/gains taken to equity	(1)	12	–	–	–	11
Revaluation of defined benefit pension scheme	–	–	–	–	16	16
Corporation tax credited to reserves – pension scheme	–	–	–	–	6	6
Deferred tax debited to reserves – pension scheme	–	–	–	–	(11)	(11)
Transfer to Group income statement	1	(1)	–	1	–	1
Dividends	–	–	–	–	(277)	(277)
Dividends with respect to perpetual subordinated capital securities	–	–	–	–	(25)	(25)
Taxation with respect to perpetual subordinated capital securities	–	–	–	–	6	6
Profit for the year	–	–	–	–	72	72
At 31 December 2013	3	14	(110)	4	1,305	1,216

Notes to the Group financial statements continued

23. Pension benefits

Man operates 12 (2013: 12) defined contribution plans and two (2013: two) funded defined benefit plans.

Defined contribution plans

Man pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Man has no further payment obligation once the contributions have been paid. Defined contribution pension costs totalled $8 million for the year to 31 December 2014 (2013: $8 million). The contributions are recognised as pension costs when they are due.

Defined benefit plans

A defined benefit plan creates a financial obligation to provide funding to the pension plan to provide a retired employee with pension benefits usually dependent on one or more factors such as age, years of service and compensation. As with the vast majority of similar arrangements, Man ultimately underwrites the risks related to the defined benefit plans. These risks include investment risks and demographic risks, such as members living longer than expected.

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 2014, the UK plan comprised 91% (31 December 2013: 89%) of the Group's total defined benefit pension obligations.

The UK Plan is approved by HMRC for tax purposes, and is operated separately from Man and managed by an independent set of trustees. The trustees are responsible for payment of the benefits and management of the UK Plan's assets. Under UK regulations, Man and the trustees of the UK Plan are required to agree a funding strategy and contribution schedule for the UK Plan.

In order to maintain flexibility with regards to the funding of the UK Plan, Man 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 has committed to ensure the Reservoir Trust value remains at least £69 million from 1 April 2013 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 2017 and in the event that the UK Plan is fully funded, allows Man to recover the assets so that the UK Plan is not over funded.

The latest funding valuation of the UK Plan was carried out by independent qualified actuaries as at 31 December 2011 and indicated a deficit of £45 million, after including £49 million of assets in the Reservoir Trust. During 2015 a funding valuation of the UK plan as at 31 December 2014 will be carrried out. To remove the funding deficit, Man agreed to make three cash payments of £11.8 million at 31 March 2013, 2014 and 2016, with a further lump sum to be contributed from the Reservoir Trust in March 2018 of up to £69.0 million to cover any remaining funding deficit. Cash contributions of £11.8 million were made to the UK Plan in the year to 31 December 2014. The Group disinvested £16.1m from the Reservoir Trust during 2014 because of the improvement in the funding position at 31 December 2013. If the contributions currently agreed are insufficient to pay the benefits due, Man will need to make further contributions.

The Group has concluded that it has no requirement to adjust the balance sheet to recognise either a current surplus or a minimum funding requirement on the basis that the Group has an unconditional right to a refund of a current or projected future surplus at some point in the future for the UK Plan, and that the Employer Contribution Reserve is greater than the measured surplus in the Swiss Plan.

The UK plan was closed to new members in May 1999, and to future accrual in 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.

In Switzerland, the Group operates a retirement foundation with assets which are held separately from the Group. This foundation covers the majority of employees in Switzerland and provides benefits on a cash balance basis. From 1 January 2014 the financing vehicle was changed, and from this date the assets and liabilities were transferred to a multi-employer vehicle called Vita Invest, with the assets and liabilities segregated from those of the other employers. A number of other changes were made to the structure of benefits, resulting in a past service credit recognised in 2013.

Each employee has a retirement account to which the employee and the Group make contributions at rates set out in the plan rules based on a percentage of salary. Every year the pension fund commission (composed of employer and employee representatives) decides the level of interest, if any, to apply to retirement accounts based on their agreed policy. At retirement an employee can take their retirement account as a lump sum or have this paid as a pension.

23. Pension benefits continued

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

$m	31 December 2014	31 December 2013
Present value of funded obligations	**(438)**	(413)
Fair value of plan assets	**483**	484
Net pension asset/(liability) in the Group balance sheet at year end	**45**	71

Our economic capital model includes capital in respect of a possible deficit in the pension plans.

Pensions: actuarial information

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

$m	Year ended 31 December 2014	Year ended 31 December 2013
Present value of funded obligations at beginning of the year	**413**	417
Currency translation difference	**(29)**	6
Current service cost (employer portion)	**2**	3
Interest cost	**17**	16
Employee contributions	**1**	2
Remeasurements due to:		
– changes in financial assumptions	**61**	1
– changes in demographic assumptions	**–**	(3)
– experience adjustments	**(2)**	(3)
Actual benefit payments	**(14)**	(10)
Past service costs	**–**	(1)
Curtailments and settlements	**(11)**	(15)
Present value of funded obligations at year end	**438**	413

Changes in the fair value of plan assets are as follows:

$m	Year ended 31 December 2014	Year ended 31 December 2013
Fair value of plan assets at beginning of the year	**484**	413
Currency translation difference	**(32)**	10
Interest income on plan assets	**21**	18
Actual return on plan assets less interest on plan assets	**38**	11
Employer (repayments)/contributions	**(7)**	53
Employee contributions	**1**	2
Benefits paid	**(14)**	(10)
Assets distributed on curtailments and settlements	**(8)**	(13)
Fair value of plan assets at year end	**483**	484

The plan assets primarily relate to investments in equities, bonds and hedge funds. The equity and bond assets have prices quoted in active markets and the hedge funds are primarily unquoted. At 31 December 2014, around 70% of the plan assets relate to those with quoted prices and 30% with unquoted prices (2013: around 75% quoted and 25% unquoted). The actual return on plan assets for the year to 31 December 2014 is $59 million (2013: $29 million).

23. Pension benefits continued

The change in the net asset/(liability) recognised in the Group balance sheet is as follows:

$m	Year ended 31 December 2014	Year ended 31 December 2013
Net pension asset/(liability) at start of the year	71	(4)
Total pension credit/(charge)	5	2
Amount recognised outside profit and loss	(21)	16
Employer (repayments)/contributions	(7)	53
Currency translation difference	(3)	4
Net pension asset at end of the year	45	71

The amounts recognised in the Group income statement are as follows:

$m	Year ended 31 December 2014	Year ended 31 December 2013
Current service cost (employer portion)	2	3
Interest on net pension asset	(4)	(2)
Past service cost	–	(1)
Gains on settlement/curtailment	(3)	(2)
Total credit	(5)	(2)

The contributions expected to be paid during the year ending 31 December 2015 are nil.

The most significant actuarial assumptions used in the valuations of the two plans are:

	UK plan		Swiss plan	
	31 December 2014 % pa	31 December 2013 % pa	31 December 2014 % pa	31 December 2013 % pa
Discount rate	3.6	4.5	1.1	2.4
Price inflation	3.0	3.4	1.4	1.4
Future salary increases	3.0	3.4	1.4	1.4
Interest crediting rate	–	–	1.1	2.4
Social security increases	–	–	1.0	1.0
Pension in payment increases	3.6	3.7	0.0	–
Deferred pensions increases	5.0	5.0	–	–

At 31 December 2014, mortality rates in the UK plan are assumed to be in line with 100% of the S1NA tables (2013: 100% of the S1NA tables) projected by year of birth with allowance for future improvements in mortality rates in line with the 2014 CMI projections with a long-term rate of improvement of 1.25% pa for males and 1.00% pa for females (2013: in line with the 2011 CMI projections with a long-term rate of improvement of 1.25% pa for males and 1.00% pa for females).

At both 31 December 2013 and 31 December 2014 mortality rates in the Swiss plan are assumed to be in line with the Swiss BVG 2010 generational tables.

	UK plan		Swiss plan	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Life expectancy of male aged 60 at accounting date	27.0	26.9	26.3	26.1
Life expectancy of male aged 60 in 20 years	29.0	29.0	28.1	28.0

The table below illustrates the impact on the assessed value of the benefit obligations from changing the actuarial assumptions. The calculations to produce the below figures have been carried out using the same method and data as Man's pension figures. Each assumption has been varied individually and a combination of changes in assumptions could produce a different result.

23. Pension benefits continued

As at 31 December 2014:

$m	UK Plan Increase in obligation	Swiss Plan Increase in obligation
Discount rate decreased by 0.1% pa	7	1
Inflation rate increased by 0.1% pa	2	–
One year increase in assumed life expectancy	13	1

The duration of a pension plan is the average term over which the plan's benefits are expected to fall due, weighted by the present value of each expected benefit payment. The duration of the UK plan is approximately 17 years, and the duration of the Swiss plan is approximately 22 years.

The assets held by the two plans as at 31 December 2014 are as follows:

	UK plan		Swiss plan	
	$m	%	**$m**	%
UK equities	**19**	4	**–**	–
Non-UK equities	**19**	4	**–**	–
Swiss equities	**–**	–	**6**	13
Non-Swiss equities	**–**	–	**7**	16
Index linked government bonds	**38**	9	**–**	–
Corporate bonds	**77**	18	**–**	–
Swiss bonds	**–**	–	**8**	18
Non-Swiss bonds	**–**	–	**11**	25
Property	**–**	–	**6**	14
Hedge funds	**–**	–	**2**	5
LDI	**56**	13	**–**	–
Diversified growth funds	**101**	23	**–**	–
Cash	**37**	8	**2**	4
Other	**–**	–	**2**	5
Reservoir Trust holdings:				
– Convertible bond type hedge funds	**35**	8	**–**	–
– Growth type hedge funds	**57**	13	**–**	–
– Cash	**–**	–	**–**	–
Total assets	**439**	100	**44**	100

The plans do not invest directly in property occupied by Man or in Man's own transferable financial securities.

The UK Plan's investment strategy is broadly split into 'growth' and 'matching' portfolios. The matching portfolio is invested primarily in government and corporate bonds, and liability driven investment (LDI) funds. These were intended to partially match the movement in the UK Plan's funding liabilities, and therefore remove some interest and inflation rate risk.

As the Swiss Plan is essentially a defined contribution plan with guarantees, the assets held aim to be at least as much as the total of the member account balances at any point in time. Member account balances cannot reduce, but interest is only applied to the account balances when sufficient surplus assets are available. As such there is no specific asset/liability matching strategy in place, but if the liabilities (i.e. the sum of the member account balances) ever exceed the value of the assets, the Company will consider how to remove a deficit as quickly as possible.

Notes to the Group financial statements continued

24. Segmental analysis

The criteria for identifying an operating segment is that it is a component of Man whose results are regularly reviewed by the Board and 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 Board and the Executive Committee. A centralised shared infrastructure for operations, product structuring, distribution and support functions means that operating costs are not allocated to constituent parts of the investment management businesses. As a result, performance is assessed, resources are allocated and other strategic and financial management decisions are determined by the Board and 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.

25. Geographical disclosure

$m	Year ended 31 December 2014		Year ended 31 December 2013	
	Non-current assets	**Revenues by fund location**	Non-current assets	Revenues by fund location
Bermuda	**32**	**86**	32	159
Cayman Islands	**–**	**425**	–	355
Cook Islands	**–**	**63**	–	95
Ireland	**–**	**234**	–	223
Switzerland	**43**	**2**	58	2
United Kingdom and the Channel Islands	**76**	**208**	94	197
United States of America	**1,433**	**34**	1,167	24
Other countries	**93**	**98**	102	105
	1,677	**1,150**	1,453	1,160

Disclosure of revenue by geographic location is based on the registered domicile of the fund entity paying Man fees. Revenue from any single fund during the year did not exceed 10% of total revenues. Non-current assets above are allocated based on where the assets are located, and include investments in associates, leasehold improvements and equipment, and goodwill and other intangible assets.

Average number of directors, employees and partners

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

	Year ended 31 December 2014	Year ended 31 December 2013
United Kingdom and the Channel Islands	**640**	723
Switzerland	**150**	210
USA	**105**	96
Other countries	**106**	134
Average number of directors, employees and partners	**1,001**	1,163

26. Foreign currencies

The majority of revenues, assets, liabilities and funding are denominated in US Dollars (USD) and therefore Man's presentation currency is USD.

For consolidated entities that have a functional currency other than USD, the assets and liabilities 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. Resulting exchange differences are recorded in other comprehensive income.

For consolidated entities with a 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 Group income statement.

27. Fair value of financial assets/liabilities

Man discloses the fair value measurement of financial assets and liabilities using three levels, 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 of financial assets and liabilities can be analysed as follows:

	31 December 2014				31 December 2013			
$m	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held at fair value:								
Investments in fund products and other investments (Note 15)	4	167	42	213	5	102	67	174
Derivative financial instruments (Note 16)	–	3	–	3	–	20	–	20
	4	170	42	216	5	122	67	194
Financial liabilities held at fair value:								
Derivative financial instruments (Note 17)	–	15	–	15	–	1	–	1
Contingent consideration (Note 17)	–	–	145	145	–	–	44	44
	–	15	145	160	–	1	44	45

During the year, there were no significant changes in the business or economic circumstances that affected the fair value of Man's financial assets and no significant transfers of financial assets or liabilities held at fair value between categories. For investments in fund products, Level 2 investments comprise holdings primarily in unlisted, open-ended, active and liquid funds, such as seeding investments, which have weekly or daily pricing derived from third party information.

A transfer into Level 3 would be deemed to occur where the level of prolonged activity, as evidenced by subscriptions and redemptions, is deemed insufficient to support a Level 2 classification. This, as well as other factors such as a deterioration of liquidity in the underlying investments, would result in a Level 3 classification. The material holdings within this category are priced on a recurring basis based on information supplied by third parties without adjustment. Liquidity premium adjustments of $2 million (2013: $6 million) have been applied to gated, suspended, side-pocketed or otherwise illiquid Level 3 investments. The range of liquidity premium adjustments is from 12% to 33% based on the expected timeframe for exit. A larger liquidity adjustment is applied where the exit is further in the future. Reasonable changes in the liquidity premium assumptions would not have a significant impact on the fair value.

The fair value of non-current assets and liabilities held for sale (Note 15.3) are equal to the carrying values of $186 million (2013: $56 million) and $33 million respectively (2013: $6 million), and would be classified within Level 2.

Notes to the Group financial statements continued

27. Fair value of financial assets/liabilities continued

The basis of measuring the fair value of Level 3 investments is outlined in Note 15.2. The movements in Level 3 financial assets and financial liabilities measured at fair value are as follows:

$m	Year ended 31 December 2014 Financial assets at fair value through profit or loss	Year ended 31 December 2014 Available-for-sale financial assets	Year ended 31 December 2014 Total	Year ended 31 December 2013 Financial assets at fair value through profit or loss	Year ended 31 December 2013 Available-for-sale financial assets	Year ended 31 December 2013 Total
Level 3 financial assets held at fair value						
At beginning of the year	66	1	67	117	5	122
Purchases	2	–	2	24	–	24
Total gains in the Group statement of comprehensive income	5	–	5	16	2	18
Included in profit for the year	5	–	5	16	2	18
Included in other comprehensive income	–	–	–	–	–	–
Sales or settlements	(14)	(1)	(15)	(82)	(6)	(88)
Transfers into Level 3	–	–	–	–	–	–
Transfers out of Level 3	(17)	–	(17)	(9)	–	(9)
At year end	42	–	42	66	1	67
Total gains/(losses) for the period included in the Group statement of comprehensive income for assets held at year end	5	–	5	16	(1)	15

$m	Year ended 31 December 2014	Year ended 31 December 2013
Level 3 financial liabilities held at fair value		
At beginning of the year	44	60
Purchases	118	–
Total (gains)/losses in the Group statement of comprehensive income	(7)	2
Included in profit for the year	(7)	2
Included in other comprehensive income	–	–
Settlements	(10)	(13)
Other adjustments	–	(5)
At year end	145	44
Total (gains)/losses for the year included in the Group statement of comprehensive income for liabilities held at year end	(7)	2

The financial liabilities in Level 3 relate to the contingent consideration payable at 31 December 2014 to the former owners of Numeric ($110 million), Pine Grove ($11 million) and FRM Holdings Limited ($24 million). Details of the Numeric and Pine Grove arrangements are detailed in Note 12. For FRM Holdings Limited the contingent consideration is based on the expected run rate management fees for the legacy FRM business (relating to legacy FRM FUM only) up to three years after the original acquisition date of July 2012.

The fair values are based on discounted cash flow calculations, which represent the expected future profits of each business as per the earn-out arrangements. The fair values are determined using a combination of inputs, such as weighted average cost of capital, high water mark levels, net management fee margins, performance, operating margins and the growth in FUM, as applicable. The discount rates applied are 11% for management fees and 17% for performance fees.

The most significant inputs into the valuations are as follows:

	Year ended 31 December 2014 Numeric	Year ended 31 December 2014 Pine Grove	Year ended 31 December 2014 FRM
Weighted average net management fee margin	0.4%	1.0%	0.8%
Compound growth in average FUM	11%	0%	6%

27. Fair value of financial assets/liabilities continued

Changes in inputs would result in the following decrease/(increase) of the contingent consideration creditor:

$m	Year ended 31 December 2014 Numeric	Pine Grove	FRM
Weighted average net management fee margin:			
0.1% increase	**27**	**1**	**7**
0.1% decrease	**(27)**	**(1)**	**(7)**
Compound growth in average FUM:			
1% increase	**9**	**–**	**1**
1% decrease	**(9)**	**–**	**(1)**

Increases/(decreases) in the fair value of the contingent consideration creditor would have a corresponding (expense)/gain in the Group income statement.

28. Related party transactions

The definition of related parties has been reassessed during 2014, as outlined in Note 1. Related parties comprise key management personnel and associates. All transactions with related parties were carried out on an arm's length basis. Refer to Note 19 for details of income earned from associates.

The Executive Committee, together with the non-executive directors, are considered to be the Company's key management, being those directors, partners and employees having authority and responsibility for planning, directing and controlling the activities at Man. Key management compensation is reported in the table below.

Key management compensation	Year ended 31 December 2014 $'000	Year ended 31 December 2013 $'000
Salaries and other short-term employee benefits[1]	**27,895**	23,191
Post-employment benefits[2]	**426**	347
Share-based payments[3]	**4,522**	10,270
Other long-term benefits[3]	**6,426**	8,362
Termination benefits	**765**	1,281
Total	**40,034**	43,451

Notes:
1 Salary, benefits (including cash pension allowance) and cash bonus.
2 Money purchase pension.
3 Other long-term benefits relate to fund product deferrals. Refer to Note 21 for further explanation of share-based and fund product-based deferred compensation arrangements.

29. Financial guarantees and commitments

29.1 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 2014 covers investments in existing fund products totalling $34 million (2013: $37 million).

Given the risk and liquidity management at the portfolio level by the investment manager the residual liquidity and market risk to Man from CPAs is not significant. The stressed liquidity and risk modelling performed across all structured products includes the CPAs and is provided for in our liquidity and risk management framework.

29.2 Guarantee to funds in respect of Lehman claims

As a result of the disposal of the Lehman claims to Hutchinson Investors LLC, Man has provided a continuing guarantee to certain GLG funds for the obligations of Hutchinson Investors LLC in respect of amounts it would owe to funds, up to a maximum of $75 million. The fair value of this commitment has been determined to be nil (2013: nil).

29.3 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 $50 million (2013: $50 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 (2013: nil).

29.4 Intra-day and overnight credit facilities

Man guarantees the obligations under a $500 million intra-day (2013: $500 million) and $25 million overnight credit facilities (2013: $25 million), used to settle the majority of the Group's banking arrangements. As at 31 December 2014, the exposure under the intra-day facility is nil (2013: nil) and the overnight facility exposure is nil (2013: nil). The fair value of these commitments has been determined to be nil (2013: nil).

29.5 Operating lease commitments

Operating lease commitments due within one year totalled $35 million (2013: $39 million), $93 million from one to five years (2013: $107 million) and $289 million due after five years (2013: $315 million). The commitments include non-cancellable offsetting sublease arrangements, totalling $82 million (2013: $81 million) for commitments less than five years and $73 million (2013: $97 million) for commitments over five years.

The operating lease commitments primarily include the agreements for lease contracts for the headquarters at Riverbank House, London (expiring in 2035) and the UK Data Centres (Woking expiring in 2019 and Redhill expiring in 2025), which aggregate to $330 million (2013: $368 million).

Rent and associated expenses for all leases are recognised on a straight-line basis over the life of the respective lease.

30. Post balance sheet events

On 20 January 2014 the Board completed the acquisition of Silvermine Capital Management LLC ('Silvermine'), with an estimated acquisition fair value of approximately $45 million. Silvermine is a Connecticut-based leveraged loan manager with $3.8 billion of funds under management across nine active collateralised loan obligation structures. The estimated acquisition fair value primarily relates to acquired intangible assets which attract tax deductions in the US. The acquisition consideration is structured to align Silvermine's interests with those of Man, and comprises an upfront payment of $23.5 million and two earn-out payments. The earn-out payments are payable following the first (up to $16.5 million) and fifth (up to $30 million) anniversary of closing on a sliding scale dependent on levels of run rate management fees.

31. Other matters

Man Group is subject to various other claims, assessments, regulatory enquiries and investigations in the normal course of its business. The directors do not expect these enquiries to have a material adverse effect on the financial position of the Group.

32. Principal Group investments

The names of the principal subsidiaries of Man Group plc, together with the Group's interests, 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 and associates will be annexed to the Company's Annual Return.

Principal operating subsidiaries	Country of incorporation	Effective group interest
Asset management		
Man Investments Limited	UK	100
AHL Partners LLP	UK	100
Man Investments AG	Switzerland	100
Man Investments Inc	US	100
Man Investments (CH) AG	Switzerland	100
GLG Partners LP	UK	100
Numeric Investors LLC[1]	US	100
Group services company		
E D & F Man Limited	UK	100
Group treasury and holding company		
Man Investments Finance Limited	UK	100

Note:
1 Numeric Management hold an 18.3% equity interest in the business as part of the acquisition consideration, which, as detailed in Note 12 within the Acquisition of Numeric section, is deemed to be a financial liability.

Consolidated structured entities

The following investment funds, which the Group is deemed to control, have been consolidated:

Strategy	Country of incorporation/ principal place of operation	% of net assets value held
GLG Global Rates fund[1]	Cayman	99.7%
AHL Multi Strategy Alternative[1]	Ireland	76.9%
Man Systematic Directional Equities Alternative[1]	Ireland	100.0%
Man AHL Target Risk[1]	Ireland	100.0%
Man Systematic Volatility Alternative[1]	Ireland	57.7%

Note:
1 Classified as non-current assets and liabilities held for sale (Note 15.3).

Five year record

$m	12 months to 31 December 2014	12 months to 31 December 2013	12 months to 31 December 2012 (Restated)[3]	9 months to 31 December 2011	12 months to 31 March 2011
Income statement – continuing operations					
Profit before adjusting items	**481**	297	275	262	599
Adjusting items[1]	**(97)**	(241)	(1,023)	(69)	(275)
Pre-tax profit/(loss)	**384**	56	(748)	193	324
Taxation	**(19)**	16	(39)	(34)	(51)
Profit/(loss) for the period on continuing operations	**365**	72	(787)	159	273
Income statement – discontinued operations					
Pre-tax loss	–	–	–	–	(62)
Taxation	–	–	–	–	–
Loss for the period on discontinued operations	–	–	–	–	(62)
Total profit/(loss) for the period	**365**	72	(787)	159	211
Earnings per share (diluted)					
Continuing operations (cents)	**20.5**	2.9	(45.8)	7.6	14.0
Continuing and discontinued operations (cents)	**20.5**	2.9	(45.8)	7.6	10.5
Balance sheet ($m)					
Net cash	**589**	992	1,141	573	881
Net assets	**2,434**	2,407	2,910	4,060	4,436
Other statistics					
Post-tax return on equity – continuing operations (%)	**15.8**	2.1	(23.2)	4.6	6.5
Ordinary dividends per share (cents)	**10.1**	7.9	22.0	16.5	22.0
Funds under management ($bn)	**72.9**	54.1	57.0	58.4	69.1
Average headcount – continuing operations[2]	**1,001**	1,163	1,458	1,596	1,562
Sterling/US Dollar exchange rates					
Average	**0.6072**	0.6388	0.6307	0.6233	0.6427
Period end	**0.6419**	0.6040	0.6158	0.6435	0.6235

Notes:
1 Statutory profit/(loss) before tax is adjusted to give a fuller understanding of the underlying profitability of the business. See Note 2.
2 The average headcount includes partners.
3 Restated for the impact of the adoption of IAS 19 (Revised) in 2013.

Parent Company financial information

Balance sheet

$m	Note	At 31 December 2014	At 31 December 2013
Fixed assets			
Investments	2	**2,439**	2,439
Current assets			
Debtors	3	**5**	6
Creditors – amounts falling due within one year			
Other creditors and accruals	4	**(176)**	(28)
Net current liabilities		**(171)**	(22)
Borrowings		**(149)**	–
Total assets less current liabilities		**2,119**	2,417
Capital and reserves			
Called up share capital		**61**	63
Share premium		**7**	5
Merger reserve		**491**	491
Capital Reserve		**2**	–
Profit and loss account		**1,558**	1,858
Total shareholders' funds	5	**2,119**	2,417

The financial statements were approved by the Board of directors on 25 February 2015 and were signed on its behalf by:

Emmanuel Roman
Chief Executive Officer

Jonathan Sorrell
Chief Financial Officer

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 period. The Company has adopted FRS 29 and has taken advantage of the exemption from providing further financial risk disclosures.

In the prior year the grant by the Company of share awards over its equity instruments to the employees of subsidiary undertakings was treated as a capital contribution. In the current year this has been restated to reflect that employee share awards are pre-funded by the subsidiary employing entity through hedging arrangements with the Group Employee Trusts, and that therefore there is no contribution recognised by the Company as parent of the Group. This change has resulted in a decrease to Shares in Group undertakings of $15 million in 2013, with a corresponding decrease in reserves. The impact on the opening 2013 balance sheet is to reduce Shares in Group undertakings by $6 million, with a corresponding decrease in reserves.

The Company's financial statements are prepared on a going concern basis. For further details, refer to Note 1 to the Group financial statements.

Result for the period

The loss after tax for the year was $21 million (2013: $256 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

Foreign currency transactions are translated into the functional currency using the spot rate at the date of the transaction or, if appropriate an average rate for the month in which the transaction occurs. 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 distributions to the Company's shareholders are recognised 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 Note 11 in the consolidated financial statements for more information on dividends paid during the year.

2. Investments

$m	**31 December 2014**	31 December 2013[1]
Shares in Group undertakings		
At 1 January	**2,439**	2,439
Additions	**–**	–
At 31 December	**2,439**	2,439

1 Restated. See Note 1.

The Company's shares in subsidiary undertakings are stated in the balance sheet of the Company at cost less provision for any impairment incurred. Details of the principal Group subsidiaries are given on page 113.

3. Debtors – amounts falling due within one year

$m	**31 December 2014**	31 December 2013
Current tax assets	**5**	6

4. Creditors – amounts falling due within one year

$m	31 December 2014	31 December 2013
Amounts owed to Group undertakings	**173**	28
Other creditors	**3**	–
	176	28

5. Reconciliation of movements in shareholders' funds

$m	Called up share capital	Share premium account	Capital reserve	Merger reserve	Profit and loss account	Total
At 1 January 2013	63	–	–	491	1,879	2,433
Issue of ordinary share capital	–	5	–	–	–	5
Profit for the financial period	–	–	–	–	256	256
Dividend	–	–	–	–	(277)	(277)
At 31 December 2013	**63**	**5**	**–**	**491**	**1,858**	**2,417**
Issue of ordinary share capital	–	2	–	–	–	2
Repurchase of shares	(2)	–	2	–	(116)	(116)
Loss for the financial year	–	–	–	–	(21)	(21)
Dividends	–	–	–	–	(163)	(163)
At 31 December 2014	**61**	**7**	**2**	**491**	**1,558**	**2,119**

The allotted and fully paid share capital of the Company is detailed in Note 22 of the Group financial statements.

6. Directors' remuneration

Details of the individual directors' emoluments, options and interests are disclosed in the Directors' remuneration report on pages 44 to 64.

7. Statutory and other information

There are no employees of the Company. The directors of the Company were paid by another Group company in the 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 provided in the Directors' remuneration report on pages 44 to 64.

The Company provides financial instruments disclosures in accordance with IFRS 7 in the Group financial statements on pages 109 to 111. Consequently the Company has taken advantage of the FRS 29 exemption from providing further financial instruments disclosures.

The Company provides related party disclosures in Note 28 to the Group financial statements. Consequently the Company has taken advantage of the exemption not to disclose related party transactions with other members of Man Group plc.

Shareholder information

In this section we have provided some key information to assist you in managing your shareholding in Man Group. If you have a question that is not answered below, you can contact us by email: shareholder@man.com

Useful websites

References are made throughout this section to two websites which you will find useful for managing your shareholding in Man Group and for finding out more about the Company:

Man Group (www.man.com)

The Man Group corporate website contains a wealth of information about the Company including details of the industry in which we operate, our strategy and business performance, recent news from Man Group and corporate responsibility initiatives. The Investor Relations section is a key tool for shareholders with information on share price and financial results, reports and presentations. This section of the website also gives access to the Shareholder Information pages which contain dividend and shareholder meeting details and useful Frequently Asked Questions.

Equiniti Shareview (www.shareview.co.uk/shareholders)

Man Group's register of shareholders is maintained by Equiniti, the Company's Registrars. Many aspects of managing your shares such as checking your current shareholding, managing dividend payments, and updating your contact details can be carried out by registering on the Equiniti Shareview website. To do this you will need your shareholder reference number which can be found on your share certificate or dividend tax voucher.

Dividends

Final dividend for the year ended 31 December 2014

3.95 pence per share

The directors have recommended a final dividend of 3.95 pence per share in respect of the year ended 31 December 2014. Payment of this dividend is subject to approval at the 2015 Annual General Meeting (AGM). Key dates relating to this dividend are given below:

Ex-dividend date	23 April 2015
Record date	24 April 2015
DRIP election date	24 April 2015
AGM (to approve final dividend)	8 May 2015
Payment date	15 May 2015
CREST accounts credited with DRIP shares	20 May 2015
DRIP share certificates received	21 May 2015

Dividend policy

Man Group's dividend policy is 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 Group expects to generate significant surplus capital over time, primarily from net performance fee earnings. Available surpluses, after taking into account our required capital (including accruals for future earn-out payments), potential strategic opportunities and a prudent buffer, will be distributed to shareholders over time, by way of higher dividend payments and/or share repurchases. During 2014 the Company undertook a share repurchase programme pursuant to which $115 million of surplus capital was returned to shareholders. As announced at the time of our 2014 year end results, the Board intends to launch a $175 million share repurchase programme which will be conducted over the remainder of the year.

Dividend payment methods

You can choose to receive your dividend in a number of ways. Dividends will automatically be paid to you by cheque and sent to your registered address unless you have chosen one of the options below:

1. **Direct payment to your bank:** We recommend that you apply for cash dividends to be paid directly into your UK bank or building society account to speed up the payment process and to avoid 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 simply download a dividend mandate form from the Dividends section of our corporate website. Alternatively, dividend mandate forms are available from the Equiniti Shareview website. If you have any queries you may telephone Equiniti on 0871 384 2112[1], who will be able to assist.

2. **Overseas payment service[2]:** If you live overseas, Equiniti offers an overseas payment service which is available in certain countries. This may make it possible to receive dividends direct into your bank account in your local currency. Further information can be found on the Equiniti Shareview website or via the Equiniti helpline 0871 384 2112[1].

3. **Dividend Reinvestment Plan (DRIP):** The Company is pleased to offer a DRIP which gives shareholders the opportunity to build their shareholding in Man Group plc in a convenient and cost-effective way. Instead of receiving your dividend in cash, you receive as many whole shares as can be bought with your dividend, taking into account related purchase costs; any residual cash is then carried forward and added to your 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 Dividends section of the Man Group website. Simply complete the DRIP mandate form and return it to Equiniti. Should you have any questions regarding the DRIP, or to request a paper mandate form, please contact Equiniti on 0871 384 2268[1]. Please note that if you wish to join the DRIP in time for the payment of the forthcoming final dividend for the year ended 31 December 2014, Equiniti must have received your instruction by 5.00pm on 24 April 2015. Instructions received after this date will be applied to the next dividend payment.

Notes:

1 Lines are open from 8.30am to 5.30pm, each business day. Calls to this number are charged at 8 pence per minute plus network extras.

2 Please note that a payment charge will be deducted from each individual payment before conversion to your local currency.

Dividends paid in the 2014/15 tax year	Dividend no	Payment date	Amount per share (p)	Ex-dividend date	Record date	DRIP share price (p)	DRIP purchase date
Interim dividend for the year ended 31 Dec 2014	O/15	03/09/14	2.37	13/08/14	15/08/14	122.70	03/09/14
Final dividend for the year ended 31 Dec 2013	O/14	16/05/14	3.19	23/04/14	25/04/14	90.25	19/05/14

Dividend history

To help shareholders with their tax affairs, details of dividends paid in the 2014/15 tax year can be found above. 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. For details of historical payments, please refer to the Dividends section of our corporate website which can be found under Shareholder Information.

Shareholder communications

Annual and Interim Reports

Man Group publishes an Annual and Interim Report every year. The Annual Report is sent to shareholders in March through the post unless the shareholder has chosen to receive shareholder communications electronically (see 'E-communications' below). The Interim Report is published on the website in early August and printed copies are available on request from the Company Secretary.

E-communications

You can help Man Group to reduce its printing and postage costs as well as its carbon footprint by signing up to receive communications electronically rather than receiving printed documents such as annual reports and notices of AGMs in the post. To sign up for e-communications, simply register on the Equiniti Shareview website. Once registered, you will need to change your mailing preference to e-communications and provide your email address. You will then receive an email each time a shareholder communication or document becomes available on the Man Group website.

Managing your shareholding

Online, by post, or by phone

Many aspects of your shareholding can be managed by registering on the Equiniti Shareview website. For enquiries about your shareholding you can also contact Equiniti in writing at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, or by telephone on 0871 384 2112[1] or Text tel 0871 384 2255[1], quoting Ref No 874. Callers from outside the UK should telephone +44 121 415 7592.

Share dealing service

Equiniti provides a share dealing facility through which you can buy 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 Equiniti Shareview website (www.shareview.co.uk/dealing). To use Equiniti's telephone dealing service, please call 08456 037 037 between 8.00am and 4.30pm Monday to Friday. You can also buy and sell 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.

Don't fall victim to share fraud!

Even seasoned investors have been caught out by sophisticated share or investment scams where smooth-talking fraudsters cold call from 'boiler rooms' to offer them worthless, overpriced or even non-existent shares, or to buy shares they currently hold at a price higher than the market value. All shareholders are advised to be extremely wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. It is estimated that £200 million is lost in this way in the UK each year, with an average loss of £20,000 per investor.

The Financial Conduct Authority (FCA) provides helpful information about such scams on its website, including practical tips on how to protect your savings and how to report a suspected investment scam. Man Group encourages its shareholders to read the information on the site which can be accessed at www.fca.org.uk/consumers/scams.

How your details are protected from cybercrime

Man Group takes the protection of its shareholders' personal data from the ever-increasing threat of cybercrime very seriously. Shareholder details are maintained by Equiniti, our Registrars, who safeguard this information to the highest standards, based on the 20 core critical controls recommended by the Centre for the Protection of National Infrastructure (CPNI). These can be viewed at www.cpni.gov.uk/advice/cyber/Critical-controls. Equiniti's security measures include multiple levels of firewall, no wireless access to the corporate network, and regular external vulnerability scans and system penetration tests.

Company contact details

Registered office

Man Group plc
Riverbank House
2 Swan Lane
London
EC4R 3AD

Telephone: 020 7144 1000
Fax: 020 7144 1923
Web: www.man.com

Registered in England and Wales with registered no: 08172396

Investor Relations

investor@man.com
Head of Investor Relations – Fiona Smart

Company Secretariat

shareholder@man.com
Company Secretary – Rachel Rowson

Company advisers

Independent auditor

Deloitte LLP

Corporate brokers

Bank of America Merrill Lynch
Credit Suisse
Goldman Sachs

Public relations

RLM Finsbury

Registrars

Equiniti

Note:

1 Lines are open from 8.30am to 5.30pm, each business day. Calls to this number are charged at 8 pence per minute plus network extras.

Man's literary sponsorships

Man sponsors two major literary prizes – the annual Man Booker Prize for Fiction and the biennial Man Booker International Prize

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Man has sponsored the Man Booker Prize since 2002. Launched in 1969, the prize receives worldwide recognition and aims to promote excellence in fiction by awarding the best full-length novel published in the English language that year. 2014 saw the introduction of new rules, expanding the prize to include entries from writers of all nationalities, writing originally in English and published in the UK.

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."

Tasmanian born writer Richard Flanagan won the 2014 Man Booker Prize for Fiction with his novel The Narrow Road to the Deep North. Named after the famous Japanese book by the haiku poet Basho, Flanagan's novel is described by the 2014 judges as "a harrowing account of the cost of war to all who are caught up in it." Flanagan was presented with the prize by the Duchess of Cornwall and Man's Chief Executive Officer, Emmanuel Roman, on 14 October 2014, at Guildhall.

The Man Booker International 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 differs from the annual Man Booker Prize in that it highlights one writer's overall contribution to fiction on the world stage, rather than a single work. The 2013 prize went to US author Lydia Davis.

Sponsorship of the prizes underscores Man Group's charitable focus on literacy and education as well as the firm's commitment to excellence and entrepreneurship. Together with the wider charitable activities of the Booker Prize Foundation, the prizes play a very important role in promoting literary excellence on a global scale that the firm is honoured to support.

Charitable trust

Despite the economic recovery, the voluntary sector remains in a state of change and reorganisation, facing a continuing increase in demand for its services. Smaller charities and community groups in some of the most deprived areas of the UK have been among the worst hit by the recession, and public spending cuts have had a major impact on individuals and communities, making those with low levels of basic skills more vulnerable to economic hardship.

In 2014, the Trust concentrated its grant-making activity on charities working with children, adults and schools to improve their literacy and numeracy skills and raise educational attainment. Literacy and numeracy skills are essential to the happiness, health and economic wellbeing of individuals and society. It is well documented that low levels of these skills lead to a large number of poor outcomes and are linked to unemployment or dependence on state benefits, low wages and poor health. A 2013 Skills Survey conducted by the Organisation for Economic Co-operation and Development, showed that the literacy and numeracy skills of young people in England are among the lowest in the developed world, with a talent pool of highly skilled adults likely to shrink relative to other countries. It is vital that these findings are addressed to ensure that the UK does not suffer a severe skills shortage and has a literate and numerate workforce to be able to compete in the global economy in future years.

The Trust continued to utilise its reserves in 2014, spending $787,000 on charitable donations and employee engagement programmes in the period and enabling the charities we support to leverage approximately $1 million from other funding sources. In the UK our supported projects benefited thousands of vulnerable children, young people and adults living in disadvantaged neighbourhoods, providing them with the essential skills they need to succeed in life and make a positive contribution to society.

Our supported charities also gained from the time and effort given by Man employees through our Man**Kind** community volunteering programme. The positive social benefits that stem from employees' skills, experience and knowledge can make a real difference to local communities. Volunteering also provides a highly cost-effective and valuable method of achieving positive learning and development benefits for our employees and we are delighted that 23% volunteered their time, enthusiasm and skills during the past year.

Man volunteers provided over 1,000 hours of support to those in need in the local community, undertaking a range of activities including running financial literacy programmes and weekly reading sessions for primary school children, transforming outdoor spaces and sorting and packaging food at a local foodbank. Volunteers also planted poppies at the Tower of London as part of the major art installation marking the centenary of the First World War, raising funds for six service charities.

Employees additionally took part in a number of volunteering and fundraising activities for our Annual Charity, the Children's Cancer Recovery Project, supporting their work with children and families coping with a child's cancer diagnosis. Employees ran, jumped out of aeroplanes, baked cakes and donated hundreds of toys to sick children in hospitals and hospices across the UK.

We would like to express our thanks to all the Man employees who supported our charitable programmes during the year and to those who donated via their Give as You Earn accounts. In 2015, the Trust intends to continue to provide support to charities that are able to evidence their ability to improve literacy and numeracy outcomes.

Lisa Clarke
Trust Manager

Featured grants

Man Charitable Trust

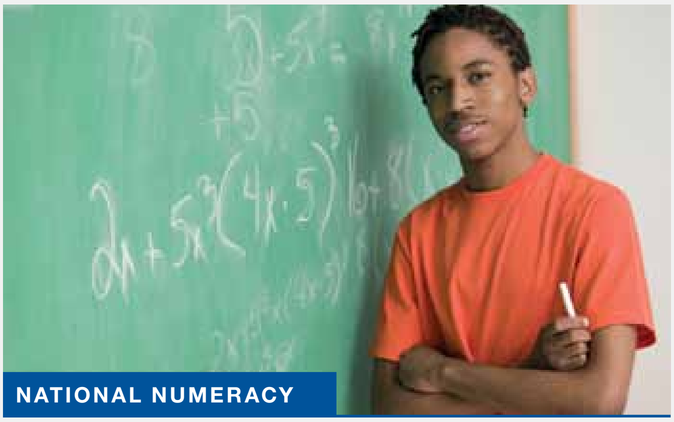
Registered charity no: 275386

BEANSTALK

Beanstalk is a national charity that recruits, trains and supports volunteers to work in primary schools in the most deprived areas of England with children who have fallen behind with their reading.

Beanstalk's trained reading helpers work with children aged 6–11 on a one to one basis, giving them consistent support to improve reading levels, increase overall confidence and help them gain the vital literacy skills they need to succeed in education, training and employment. Last year Beanstalk helped over 8,400 children across England and 74% of the children they worked with progressed by at least two reading sub-levels.

The Trust's donation supported Beanstalk's growth in London.



NATIONAL NUMERACY

National Numeracy is a charity set up to tackle low levels of numeracy among adults and children throughout the UK and to change negative attitudes to maths. It works to influence politicians, business and education and highlight the importance of good numeracy in the media. It also helps to put research into practice by scaling up effective approaches for those who need most support with numeracy. Last year the charity worked with over 150 schools to improve the teaching and learning of maths.

The Trust's donation supported the National Numeracy Challenge, a nationwide drive designed to tackle the major issue of low adult numeracy in the UK and improve every day skills in over 1m adults over the next five years.

SPRINGBOARD FOR CHILDREN

Springboard works to improve the life opportunities of disadvantaged children who are at risk of being left behind in the education system because they struggle to read and write.

Through skilled tutors, trained volunteers and secondary school peers, Springboard works to improve literacy in challenged schools and communities, primarily in socially and economically disadvantaged areas of the UK.

The Trust's donation supported Springboard's Expert Programme for children with complex learning needs who have a level of literacy at least 2 years behind their peers. Children who graduated from the programme during 2013/14 narrowed the gap between their reading age and their chronological age, on average, from 22 months to just 8 months.

NATIONAL LITERACY TRUST

The National Literacy Trust is a national charity dedicated to raising literacy levels in the UK. The charity works to improve the reading, writing, speaking and listening skills in the UK's most disadvantaged communities where up to 40% of people have literacy problems. They focus their work on families, young people and children – establishing literacy projects in the poorest areas, inspiring and supporting children and families to improve their skills. In 2013/14 the charity supported over 61,000 children with their literacy skills and trained and supported 4,700 teachers to improve literacy outcomes in schools across the UK.

The Trust's donation supported the National Literacy Trust's 'Literacy through Culture' programmes in London

Notes

Notes

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