

IMPORTANT NOTICE

IMPORTANT:

You must read the following before continuing. The following applies to the Prospectus following this page (the “**Prospectus**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES DESCRIBED IN THE PROSPECTUS IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER RELEVANT JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”)), EXCEPT IN A TRANSACTION NOT SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: You have been sent the attached Prospectus at your request and by accepting the e-mail and by accepting this Prospectus you shall be deemed to have represented to Man Group plc, Man Strategic Holdings Limited and Goldman Sachs International, Merrill Lynch International and Société Générale (together being the “**Joint Lead Managers**” referred to in the Prospectus and senders of the attached), (i) that you are not (or, if you are acting for another person, such person is not) a U.S. person, (ii) that you are not (or, if you are acting on behalf of another person, such person is not) located in the United States of America, its territories or possessions, any State of the United States or the District of Columbia (where “possessions” include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and (iii) that you consent (and if you are acting on behalf of another person, such person consents) to this delivery by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

The Prospectus does not constitute, and may not be used in connection with, an offer or solicitation to subscribe for or purchase any Notes by any person in any jurisdiction where offers or solicitations are not permitted by law. The distribution of this Prospectus and the offer or sale of the Notes in certain jurisdictions is restricted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction. The Prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 (as amended) does not apply.

The Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Man Group plc, Man Strategic Holdings Limited or any Joint Lead Manager, nor any person who controls any Joint Lead Manager nor any director, officer, employee, agent or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format herewith and the hard copy version available to you on request from any Joint Lead Manager.



Man Group plc

(incorporated with limited liability in England and Wales with registered number 08172396)

US\$150,000,000

Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2024

having the benefit of a subordinated guarantee of

Man Strategic Holdings Limited

(incorporated with limited liability in England and Wales with registered number 02921462)

Issue price 100 per cent.

The US\$150,000,000 Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2024 (the “**Notes**”) will be issued by Man Group plc (the “**Issuer**”). From (and including) 16 September 2014 (the “**Issue Date**”) to (but excluding) 16 September 2019, interest on the Notes will be payable at the rate of 5.875 per cent. per annum. From (and including) 16 September 2019, the Notes will bear interest at a rate which is the aggregate of 4.076 per cent. per annum and the five year US dollar mid-swap rate. Interest will be payable semi-annually in arrear on 16 March and 16 September in each year. All obligations of the Issuer to make payments in respect of the Notes will be guaranteed on a limited and subordinated basis by Man Strategic Holdings Limited (the “**Guarantor**”) as more particularly described in “*Terms and Conditions of the Notes—Status and Subordination of the Guarantee*”.

Subject as provided in Condition 6, the Notes may be redeemed at the option of the Issuer in whole but not in part on 16 September 2019 at their principal amount. In addition the Notes may be redeemed at any time in certain limited circumstances upon changes to tax law or regulation or to prudential regulatory requirements, all as more particularly described in “*Terms and Conditions of the Notes—Redemption and Purchase*”. Unless previously redeemed, purchased or cancelled, the Notes will be redeemed on 16 September 2024 (the “**Maturity Date**”) at their principal amount.

Application has been made to the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (the “**UK Listing Authority**”) for the Notes to be admitted to the official list of the UK Listing Authority (the “**Official List**”) and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Notes to be admitted to trading on the London Stock Exchange’s Regulated Market (the “**Market**”). The Market is a regulated market for the purposes of the Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

An investment in the Notes involves certain risks. For a discussion of these risks see “*Risk Factors*” below.

The Notes will be represented initially by a temporary global Note (the “**Temporary Global Note**”) in bearer form, without interest coupons (“**Coupons**”) which will be deposited outside the United States with a common depositary on behalf of Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme, Luxembourg on or about 16 September 2014. The Temporary Global Note will be exchangeable in whole or in part (free of charge to the Noteholder) for interests in a permanent global Note (the “**Permanent Global Note**”) and, together with the Temporary Global Note, the “**Global Notes**”) in bearer form, without Coupons, on or after a date which is expected to be 27 October 2014 upon certification as to non-US beneficial ownership as required by US Treasury regulations and as described in the Temporary Global Note. The Global Note will be exchangeable for Notes in definitive bearer form (the “**Definitive Notes**”), with Coupons attached, in the denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof up to and including US\$399,000, only in the limited circumstances set out in the Global Note. See “*Summary of Provisions relating to the Notes while in Global Form*”.

The Notes are expected to be assigned a rating of BBB – by Fitch Ratings Limited. Fitch Ratings Limited is established in the European Union and is registered under Regulation (EC) No 1060/2009 (as amended) (the “**CRA Regulation**”). As such Fitch Ratings Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

Joint Lead Managers

BofA Merrill Lynch

**Goldman Sachs
International**

**Société Générale
Corporate &
Investment Banking**

This Prospectus comprises a prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the “**Prospectus Directive**”).

The Issuer, having taken all reasonable care to ensure that such is the case, accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

The Guarantor, having taken all reasonable care to ensure that such is the case, accepts responsibility for the information in respect of itself and the Guarantee contained in this Prospectus in the following sections: the paragraph entitled “*Presentation of the Guarantor’s Financial Information*” on page 3, the information in respect of the Guarantor and/or the Guarantee (as the case may be) contained in the following sections: “*Overview*”, “*Risk Factors—Factors that may affect the Issuer’s and the Guarantor’s ability to fulfil their obligations under the Notes and the Guarantee*”, “*Risk Factors—Factors which are material for the purpose of assessing the market risks associated with the Notes*”, “*Terms and Conditions of the Notes*”, “*Business Description—2. History*”, “*Business Description—13. Directors and their Interests*”, “*Business Description—15. Principal Offices*”, the information in paragraphs 3 and 9 and the statements in paragraphs 4, 5 and 7 of the section entitled “*General Information*” relating to the Guarantor, and the section entitled “*Financial Statements of the Guarantor*” beginning on page F-1. To the best of the knowledge of the Guarantor, the information in respect of itself and the Guarantee contained in this Prospectus in the sections described in the previous sentence is in accordance with the facts and contains no omission likely to affect its import.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers (as defined in “*Subscription and Sale*” below) to subscribe or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain further restrictions on offers and sales of securities and distribution of this Prospectus, see the section of this Prospectus headed “*Subscription and Sale*” below.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantor or the Joint Lead Managers. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time after its date.

To the fullest extent permitted by law, the Joint Lead Managers and the Principal Paying Agent accept no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by, as the case may be, a Joint Lead Manager or on its behalf or the Principal Paying Agent or on its behalf in connection with the Issuer, the Guarantor or the issue and offering of the Notes. Each Joint Lead Manager and the Principal Paying Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.

The Notes have not been and will not be registered under the US Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to US tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to US persons.

None of the Issuer, the Guarantor, the Trustee or the Joint Lead Managers is providing any advice or recommendation in this Prospectus on the merits of the purchase, subscription for, or investment in, the Notes or the exercise of any rights conferred by the Notes.

The Notes are securities which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters. This Prospectus has been prepared on the basis that any purchaser of Notes is a person or entity having sufficient knowledge and experience of financial matters as to be capable of evaluating the merits and risks of the purchase. Before making any investment decision with respect to the Notes, prospective investors should consult their own counsel, accountants or other advisers and carefully review and consider their investment decision in the light of the foregoing. An investment in the Notes is only suitable for financially sophisticated investors

who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may result therefrom.

In connection with the issue of the Notes, Goldman Sachs International (the “Stabilising Manager”) (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or person(s) acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

All references in this Prospectus to “Pounds Sterling”, “pounds”, “sterling”, “£”, “pence”, “penny” and “p” are to the lawful currency of the United Kingdom and all references to “dollars”, “US dollars” and “US\$” are to United States Dollars.

FORWARD-LOOKING STATEMENTS

This Prospectus contains statements that are, or may be deemed to be, “forward looking statements”. All statements other than statements of historical facts included in this Prospectus may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “project”, “plan”, “schedule”, “intend”, “estimate”, “anticipate”, “believe”, “continue”, “could”, “should”, “would” or similar words or expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance or achievements of the Group to differ materially from those expressed or implied by such forward-looking statements. These factors include those set forth in the section of this Prospectus entitled “*Risk Factors*”. Such forward-looking statements are based on numerous assumptions regarding the Issuer’s and/or the Group’s present and future business strategies and the environment in which the Issuer and/or the Group will operate in the future. The risks described in this Prospectus are not the only risks investors should consider. New risk factors emerge from time to time and it is not possible for the Issuer to predict all such risk factors on its and/or the Group’s business and that of the Prospectus or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward looking statements. Given these risks and uncertainties, investors should not place any undue reliance on forward looking statements as a prediction of actual results, performance or achievements. Neither the Issuer nor the Guarantor undertake any obligation to update the forward looking statements contained in this Prospectus or any other forward looking statements it may make. All subsequent written and forward-looking statements attributable to the Issuer, the Guarantor or persons acting on their behalf are expressly qualified in their entirety by such cautionary statements.

INFORMATION REGARDING THE GROUP’S MARKETS AND INDUSTRY

Certain market or comparative data and certain industry forecasts used in this Prospectus have been obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and neither the Issuer, the Guarantor or the Joint Lead Managers make any representation as to the accuracy of that information.

Substantially all the information contained in this Prospectus concerning the Group’s position vis-à-vis its competitors is based on internal analyses derived from publicly available information. The Issuer believes that these sources and estimates are reliable, but the Issuer has not independently verified them. Any discussion of matters relating to in this Prospectus competitive position is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

Certain monetary amounts in this Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may vary slightly and may not be arithmetic aggregation of the figures which precede them.

PRESENTATION OF THE GUARANTOR'S FINANCIAL INFORMATION

The Guarantor's audited consolidated financial statements for the year ending 31 December 2012 (the "**Guarantor's 2012 Financial Statements**") and audited non-consolidated financial statements for the year ending 31 December 2013 (the "**Guarantor's 2013 Financial Statements**") are set out in the section entitled "*Financial Statements of the Guarantor*". The Guarantor's 2012 Financial Statements have been prepared on a consolidated basis and in accordance with International Financial Reporting Standards as adopted by the European Union ("**EU IFRS**"), whereas the Guarantor's 2013 Financial Statements Guarantor's have been prepared on a non-consolidated basis and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom ("**UK GAAP**"), and therefore may not be directly comparable.

USE OF DEFINED TERMS

Certain capitalised words used in the Prospectus are defined in the section headed "*Additional Definitions*" on page 61.

TABLE OF CONTENTS

OVERVIEW	5
RISK FACTORS	8
DOCUMENTS INCORPORATED BY REFERENCE	17
TERMS AND CONDITIONS OF THE NOTES	18
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM ..	33
USE OF PROCEEDS	35
BUSINESS DESCRIPTION	36
UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP .	52
TAXATION	56
SUBSCRIPTION AND SALE	58
GENERAL INFORMATION	60
ADDITIONAL DEFINITIONS	62
FINANCIAL STATEMENTS OF THE GUARANTOR	F-1

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. Terms which are defined in “Terms and Conditions of the Notes” have the same meaning when used in this overview.

Issuer	Man Group plc
Guarantor	Man Strategic Holdings Limited
Trustee	HSBC Corporate Trustee Company (UK) Limited
Principal Paying Agent	HSBC Bank plc
Maturity Date	16 September 2024.
Issue	US\$150,000,000 Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2024.
Interest	The Notes will bear interest from (and including) the Issue Date to (but excluding) 16 September 2019 at a fixed rate of 5.875 per cent. per annum on their outstanding principal amount and thereafter at a rate which is the aggregate of 4.076 per cent. per annum and the five-year US dollar mid swap rate on the date that is two US Government Securities Days before 16 September 2019.
Interest Payment Dates	Payments of interest will be payable semi-annually in arrear on 16 March and 16 September of each year starting on 16 March 2015.
Additional Amounts	All payments in respect of the Notes will be made without withholding or deduction for, or on account of, taxes of the United Kingdom, unless the withholding or deduction is required by law. In such event, the Issuer or the Guarantor will, subject as provided in Condition 9, pay such additional amounts as will be necessary to ensure that the net amount received by Noteholders, after the withholding or deduction, will equal the amount which would have been receivable in the absence of the withholding or deduction.
Subordinated Guarantee	<p>The Notes will be irrevocably guaranteed on a subordinated basis by the Guarantor. The rights and claims of Noteholders and Couponholders against the Guarantor are subordinated in a winding-up in accordance with Condition 3(b).</p> <p>The Guarantor’s obligations under the Guarantee are conditional upon the Issuer satisfying the Solvency Condition, as described in Condition 3(c). If such Solvency Condition is not satisfied, no payments will be made under the Guarantee.</p> <p>Noteholders will only have a claim against the Guarantor as debtor in respect of each Note under the Guarantee for and to the extent that there is any amount of principal or interest due but unpaid on the Notes by the Issuer and any such amount is due and payable, but is unpaid, under the Guarantee.</p> <p>The occurrence of a winding-up of the Guarantor in England and Wales will not, of itself, render the Notes immediately due and payable by the Issuer and Noteholders will only have a claim against the Guarantor as debtor in respect of each Note as described above. If there are no due and unpaid amounts of principal and/or interest outstanding on the Notes upon the occurrence of a winding-up of the Guarantor, Noteholders will have no further claim against the Guarantor and the Notes will cease to have the benefit of the Guarantee.</p>

Subordination	<p>The Notes will constitute direct, unsecured and subordinated obligations of the Issuer, and will rank <i>pari passu</i> without any preference among themselves.</p> <p>The rights and claims of the Noteholders and Couponholders against the Issuer are subordinated in a winding-up in accordance with Condition 2(b).</p> <p>The Guarantor's obligations under the Notes will constitute direct, unsecured and subordinated obligations of the Guarantor.</p>
Redemption at the Option of the Issuer	Subject as provided in Condition 6, the Notes will be redeemable on 16 September 2019 in whole but not in part, at the option of the Issuer at their principal amount.
Redemption for Tax Reasons . . .	Subject as provided in Condition 6, if, as a result of a Tax Law Change, a Tax Event occurs, the Issuer may redeem all, but not some only, of the Notes at any time at their principal amount together with any accrued but unpaid interest to (but excluding) the date of redemption, all as more particularly described in " <i>Terms and Conditions of the Notes—Redemption and Purchase</i> ".
Regulatory Event Redemption . . .	Subject as provided in Condition 6, if at any time a Regulatory Event occurs, the Issuer may redeem all, but not some only, of the Notes at any time at their principal amount together with any accrued but unpaid interest to (but excluding) the date of redemption, all as more particularly described in " <i>Terms and Conditions of the Notes—Redemption and Purchase</i> ".
Form	Bearer. The Notes will be represented initially by a Temporary Global Note which will be deposited outside the United States with a common depositary for Clearstream, Luxembourg and Euroclear on or about 16 September 2014. The Temporary Global Note will be exchangeable for interests in a Permanent Global Note on or after a date which is expected to be 27 October 2014 upon certification as to non-US beneficial ownership as required by US Treasury regulations and as described in the Temporary Global Note. Save in limited circumstances, Notes in definitive bearer form with coupons attached on issue will not be issued in exchange for interests in the Permanent Global Note.
Denomination	The Notes will be issued in denominations of US\$200,000 and integral multiples of US\$1, 000 in excess thereof up to and including US\$399,000.
Listing	Application has been made for the Notes to be admitted to the Official List of the United Kingdom Listing Authority and for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market.
Ratings	The Notes are expected to be assigned a rating of BBB– by Fitch Ratings Limited. Fitch Ratings Limited is established in the European Union and are registered under Regulation (EC) No 1060/2009 (as amended) (the " CRA Regulation "). As such Fitch Ratings Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Economic Area (the “EEA”) and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

Governing Law The Notes will be governed by, and construed in accordance with, English law.

RISK FACTORS

Any investment in the Notes is subject to a number of risks. Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are described below.

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding the Notes are exhaustive. Additional risks and uncertainties relating to the Issuer and/or the Guarantor that are not currently known to the Issuer and/or the Guarantor, or that either currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and/or the Guarantor and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's and the Guarantor's ability to fulfil their obligations under the Notes and the Guarantee

Poor investment performance may reduce the value of funds under management of the Group

The Fund Products may experience poor investment performance (both in absolute terms and relative to the performance of fund products managed by competitors and relative to other asset classes) due to the failure of strategies implemented in managing these Fund Products, falls or volatility in domestic and global financial markets and changes in the wider economy. Furthermore, loss of investor confidence could lead to lower sales and higher redemptions of Fund Products. This may also result in dissatisfied clients, negative press and reputational damage. Lower levels of FUM would result in lower management fee revenue and underperformance would result in lower performance fees (if any) which could have a material adverse effect on the business, results of operations, financial condition and/or prospects of the Group.

The Fund Products to which the Group provides seed capital may suffer poor investment performance and consequently this may impact the Group's profits

The Fund Products may experience poor investment performance (both in absolute terms and relative to the performance of fund products managed by competitors and relative to other asset classes) which would consequently impact the Group's investment in such Fund Products and its ability to redeem or sell its investment. The holding of seed capital investments on the Group's balance sheet and its increased exposure to Fund Product performance increases the volatility of the Group's profits and potentially its financial condition.

An inability to establish a strong track record or a lack of investor interest in seeded Fund Products may make it difficult for Man to sell such Fund Products and consequently redeem its investments. Furthermore, a natural tendency towards a negative holding balance, in retaining poor performing products for a longer period than better performing ones, may create a drag on overall portfolio performance.

In addition, certain strategies may invest in instruments with a lower liquidity profile or with regulatory restrictions that require instruments to be held for a longer period of time. This may result in illiquidity in strategies and consequently Fund Products.

Any of these may, in turn, affect the business, results of operations, financial condition and/or prospects of the Group.

Investors in the Group's Fund Products may choose to redeem their holdings

Existing investors in the Group's Fund Products have the ability to redeem their investments. Investors may reduce all or any portion of their investments for a number of reasons, including reasons which may be

unconnected to the Acquisition. Some investors in the Group's Fund Products may, as a result of a view they may have formed on the consequences of the Acquisition, choose to redeem their holdings. In addition, either or both of Man's or Numeric's current and prospective investors may, in response to the completion of the Acquisition, delay, change or defer investment decisions. Any such redemption, delay, change or deferral by investors could materially and adversely impact the revenues, profits and/or FUM of Man or Numeric and/or any anticipated growth in the revenues and/or FUM could be lower than expected.

Although Numeric has many institutional client relationships which can be built on going forward, it has a small number of key investors that represent a high value of its FUM and corresponding run rate management fees (being the aggregate annualised management fees payable to the Numeric Group, based on the net asset values of applicable client accounts). As at 31 May 2014, Numeric's 10 largest accounts by size of holding represented 54 per cent. of FUM. The Group's business, financial condition, results of operations, prospects and/or net inflows of FUM may therefore be affected by significant redemptions by certain key investors.

Errors in the implementation of trading algorithms

The investment management strategies of two of the Group's investment management programmes, AHL/MSS, are based upon the systematic application of trading algorithms. This is also the case for the Numeric Group's investment management strategies. These trading algorithms are regularly refined and updated on the basis of a continuous programme of research. If, despite the controls over changes to the algorithms, errors are made in the implementation of the changes, certain Fund Products could suffer significant losses, which could result in claims against and/or losses for the Group or a requirement to compensate for the losses of investors in these Fund Products. The addition of Numeric Group to the Group will increase the risk of potential errors in trading models.

The Group's future success depends to a significant degree upon its continued ability to integrate, attract and retain key personnel

The Group's future success will depend significantly upon the knowledge, expertise and continued services of certain highly skilled research professionals, portfolio managers and other key personnel, including its directors and senior management, and upon its ability to recruit, integrate, retain and motivate such personnel. The Group, and Numeric in particular, may fail to attract and/or retain highly skilled personnel (including in particular beyond the Option Period) or may incur increased costs in attracting and retaining such personnel, despite the Acquisition being structured to align the interests of Numeric Management with those of Man's shareholders and otherwise incentivising Numeric Management and other employees to grow the business. These, in turn, may have a detrimental effect on the future performance of the Group.

The Group, the Fund Products and Underlying Third Party Products are subject to counterparty default and credit risks

Due to the nature of its business, the Group is subject to the risk that a counterparty with which the funds or Man have financial transactions fails to deliver back investor or shareholder assets. Investors and shareholders in Fund Products are exposed to credit risk of prime brokers, clearing houses, future clearers, depositary banks and guarantee providers (if any). The Group also provides loans to guarantee Fund Products and so is subject to counterparty risk to certain Fund Products. The acquisition by the Group of the Numeric Group will add to the product range of the enlarged Group, and thereby increase the overall level of Fund Product-related counterparty risk exposure. The default of a counterparty could, in turn, harm the Group's business, financial condition, results of operation and/or prospects.

Adverse regulatory developments or changes in government policy relating to the financial sector generally or the alternative investment fund industry in particular could have an adverse effect on the Group's business, financial condition, results of operations or prospects

Man offers a wide range of Fund Products from a global network of offices in 19 jurisdictions and is regulated by 20 regulators. This results in the Group being subject to a matrix of regulations and a wide range of laws. Failure to comply with these laws and regulations may put Man at risk of fines, lawsuits or reputational damage.

The addition of the Numeric Group to the enlarged Group has added to the legal and regulatory complexity in which the Group operates. In particular, the addition of the Numeric Group has increased the Group's exposure to the US legal and regulatory system.

Furthermore, the Group, each of its subsidiaries, affiliates and the Fund Products and/or Underlying Third Party Products are subject to extensive regulation, legislation, accounting standards and changing interpretations thereof in a number of jurisdictions and there is a risk that changes to laws, regulations, policies and interpretations may adversely affect the Group, including via Fund Products or Underlying Third Party Products. The requirements imposed by the regulators are designed primarily to ensure the integrity of the financial markets and to protect investors and other third parties in relation to investment products. These regulations can serve to limit the scope of the Group's activities and its flexibility regarding capital structure. Furthermore, any change in such regulations may have a material adverse effect on the ability of the Group to carry on its business and pursue its investment strategies or may affect the attraction of alternative investments generally for either private or institutional investors.

Any of these changes could adversely affect the business, financial condition, results of operations and/or prospects of the Group.

If the Group (or any of its employees or other persons acting on its behalf), or any of the Fund Products, breach applicable laws and regulations, there could be a material adverse effect on the Group's business, financial condition, results of operation, prospects and/or reputation

The global nature of the Group's business, with corporate and fund entities collectively located in 19 jurisdictions, makes it subject to a wide range of laws and regulations. If the Group or any of its employees or other persons acting on its behalf or any of its Fund Products breach any such laws and regulations, for example by inappropriate trading or breaches of investment mandate and regulatory boundaries, the Group will be exposed to the risk of investigation by civil or criminal legal proceedings and/or regulatory investigations. Furthermore, regulatory, criminal or civil proceedings could result in adverse publicity or negative perceptions regarding the business of the Group and increased redemptions by investors in the Fund Products, as well as harm to its reputation. Any legal proceedings and regulatory investigations could also result in increased costs, the diversion of management's attention from the day-to-day running of the business. Any legal proceedings and regulatory investigations and consequent liabilities or fines could have a material adverse effect on the business, financial condition, results of operations and/or prospects of the Group. Furthermore, the potential addition of the Numeric Group increases the enlarged Group's exposure to the US legal and regulatory system and accordingly increases the possibility of litigation being commenced in the US courts and additional oversight by US regulators.

A failure in the operational, investment and/or risk management processes, procedures, systems or infrastructure of the Group or those of critical third parties could adversely affect the business, financial condition, results of operations and/or prospects of the Group and damage its reputation

The business of the Group is highly dependent on the successful and timely execution of complex investment management, operational, risk management and financial processes. Any operational errors or negligence by the employees of, or others acting on behalf of, the Group or weaknesses in the internal controls over these processes could result in losses for the Fund Products and/or claims against and/or losses for the Group or a requirement to compensate for losses of investors and/or other relevant parties in respect of Fund Products.

The business of the Group is also highly dependent on the integrity, security and reliability of its information technology ("IT") systems and infrastructure. If any of the critical processes or systems do not operate properly or are disabled or are subject to cyber-crime, unauthorised access, misuse, hacking and release of confidential information or computer viruses the Group's ability to perform effective investment management of the Fund Products could be materially impaired. In addition, failure to maintain an adequate infrastructure commensurate with the size and scope of its business, or failure to maintain the Group's IT systems and networks properly or to upgrade and expand such systems in response to technological change or to accommodate the growth of its business could limit the Group's ability to conduct its operations and could impede the Group's productivity and growth.

The acquisition of the Numeric Group may, particularly given the addition of a new international office as part of the enlarged Group, increase the risk of such a failure and/or a compromise to the integrity of its IT system and thereby adversely affect the results and/or prospects or reputation of the Group.

In the investment management processes carried out on behalf of the Fund Products, the Group seeks to monitor and manage the risk exposure of these Fund Products through a variety of risk models and techniques which also depend on the accuracy of data in the models and the infrastructure and systems used for these processes. If the assumptions made in the models regarding, for example, market risk or liquidity prove to be inappropriate, the data is incorrect, the systems are inadequate or if the Group fails to take or cannot take appropriate steps to mitigate this risk based on information available in its risk monitoring systems, certain Fund Products could suffer significant losses, which could result in claims against and/or losses for the Group or a requirement to compensate investors and/or other relevant parties in respect of Fund Products for losses.

The Group may be adversely affected if its reputation is harmed

The Group's reputation is one of its most important assets. The relationship of the Group with its investors and other significant market participants is very important to its business. The Group's ability to attract and retain investors and employees and raise appropriate financing or capital may be adversely affected to the extent its reputation is damaged. Any deterioration in the market perception of the Group, including but not limited to the loss of key personnel or poor investment performance or a failure of integrity, could lead to a significant redemptions from its Fund Products, and could lead to issues with external financing, credit ratings and relations with its outsourcing providers. These issues could also arise in respect of sub-advisers that manage the Group-branded Fund Products or in respect of associates and/or joint ventures in which the Group has investments, over which the Group has limited control. Damage to the reputation of the Group as a result of these or other factors could have a material adverse effect on its business, financial condition, results of operations (including impairments in the value of goodwill) and/or prospects.

The enlarged Group may fail to realise the perceived benefits of the Acquisition

The enlarged Group may not realise the expected benefits from the Acquisition or may encounter difficulties in achieving these anticipated benefits. There can be no assurance that the enlarged Group will realise these benefits in the time expected or at all. In addition, there can be no assurance that the costs to achieve these benefits will not exceed those estimated or the quantum of the relevant benefit. This could have a negative impact on the business, operating profit or overall financial condition of the enlarged Group or its ability to take advantage of currently unutilised US tax losses available to the enlarged Group.

The Numeric business may not perform in line with expectations

If the results and cash flows generated by the Numeric Group are not in line with Man's expectations, it may materially impact on the financial performance of the enlarged Group, and a write-down may be required against the carrying value of Man's investment in the Numeric Group which might have an adverse effect on the enlarged Group's financial position and operating results. Such a write-down would reduce Man's available distributable reserves.

Integration and governance of the Numeric Group

As a result of the Acquisition, it may be necessary for the Group to make changes to the structure of the enlarged Group's business in order to optimise the potential benefits available from the integration of Numeric. Notwithstanding this, it is expected that the Numeric Group will continue to operate out of its existing Boston-based premises but with the support of the systems, processes and controls of the enlarged Group. Issues may come to light during the course of integrating Numeric into the Group that could have an adverse effect on the financial condition and results of operations of the enlarged Group.

Intellectual property

The Group will depend on the intellectual property, whether registered or not, generated by the key investment professionals working within the Group. The Group could be exposed to the potential risk of its intellectual property being subject to challenge as a result of third party intellectual property rights claims, unlawful copying or other unfair competitive practices. Notwithstanding that the Group will aim to continue to protect its intellectual property in order to preserve its competitive position, there is a risk that its competitive position will be damaged by unlawful, unfair or unforeseen practices, any of which could have an adverse effect on the Group's business, financial position and/or operating results.

Risks relating to the Acquisition

The Acquisition could cause disruptions in the businesses of the Group and/or the Numeric Group, which could have material adverse effects on their businesses and financial results, as well as on the business, financial condition, results of operations and/or prospects of the Group

The Acquisition could cause disruptions in the businesses of the Group and more particularly that of the Numeric Group. Some investors in Numeric's fund products may, as a result of a view they may have formed on the consequences of the Acquisition, choose to redeem their holdings. In addition, either or both of Man's or Numeric's current and prospective investors may, in response to the Acquisition, delay, change or defer investment decisions. Any such delay, change or deferral by investors could materially and adversely impact the revenues, profits and/or FUM of Man or Numeric and/or any anticipated growth in the revenues and/or FUM could be lower than expected. Furthermore, as a result of the Acquisition process, some current and prospective employees of the Group or the Numeric Group may experience uncertainty about their future roles within the enlarged Group, which may adversely affect the Group's abilities to retain or recruit key managers and other employees.

If the Group fails to manage these risks effectively, the business and financial results of the Group could be adversely affected.

The Group may incur higher than expected transaction and Acquisition related costs

Man's legal, accounting and transaction fees and other costs related to the Acquisition, are expected to be approximately US\$4 million. Some of these costs may be higher than anticipated which could reduce the net benefits of the Acquisition and impact the Group's results of operations.

The escrow arrangements under the Merger Agreement may be insufficient to cover all losses

Two escrow funds have been established to meet the potential indemnification claims by the Group under the Merger Agreement. US\$21.9 million in cash plus US\$4.9 million in interests in Numeric of the aggregate consideration payable pursuant to the Merger Agreement has been put into escrow (the "**Core Escrow**") for a period of 15 months following Completion to meet potential indemnity claims by the Group arising from breaches of representations, warranties and covenants given to the Group under the Merger Agreement or other specified liabilities that relate to periods prior to Completion. A breach of any of these representations, warranties and undertakings may result in an indemnification claim under the Merger Agreement.

A further US\$12.5 million of the aggregate consideration payable on Completion has been put into a separate escrow (the "**Supplemental Escrow**") for a period of six months following Completion to meet potential indemnity claims by the Group under an indemnity granted in its favour with respect to any wilful violation (including fraud or wilful misconduct) of any applicable securities laws by the Numeric Group prior to Completion (the "**Supplemental Indemnity**").

The Numeric Holders' liability in relation to indemnifying the Group with respect to losses relating to breaches of the representations and warranties given by Numeric in relation to its business and affairs (absent fraud) is limited to the sum held in the Core Escrow and is limited in terms of duration to the duration of such escrow account. The Numeric Holders' liability in relation to indemnifying the Group with respect to losses relating to breaches by Numeric of the representations and warranties in relation to certain fundamental matters such as corporate power and authority is limited to the amount of consideration paid to such holders pursuant to the Merger Agreement including any amounts held in the Core Escrow (the "**Aggregate Cap**"). The Numeric Holders' liability in relation to indemnifying the Group with respect to losses covered by the Supplemental Indemnity is limited to the sum held in the Supplemental Escrow. Such escrow funds and/or the Aggregate Cap (as applicable) may not be sufficient to cover all of the Group's losses in respect of those matters which are the subject of such indemnification arrangements under the Merger Agreement.

Factors which are material for the purpose of assessing the market risks associated with the Notes

The Issuer's obligations under the Notes are subordinated

The Issuer's obligations under the Notes will constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. In the event of the winding-up or administration of the Issuer, the payment obligations of the Issuer under the Notes will be

subordinated to the claims of all Senior Creditors of the Issuer but will rank at least *pari passu* with all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and will rank in priority to the claims of holders of all obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all claims of holders of all classes of share capital of the Issuer. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the Notes.

The Guarantor's obligations under the Notes are subordinated

The Guarantor's obligations under the Notes will constitute direct, unsecured and subordinated obligations of the Guarantor. In the event of the winding-up or administration of the Guarantor, the payment obligations of the Guarantor under the Notes will be subordinated to the claims of all Senior Creditors of the Guarantor but will rank at least *pari passu* with all claims relating to a guarantee or other like or similar undertaking given by the Guarantor in respect of any obligations of any other person which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital where such obligations were incurred or issued on or after the Issue Date and will rank in priority to the claims of holders of all obligations of the Guarantor which constitute, or would, but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all claims of holders of all classes of share capital of the Guarantor. If this occurs, the Guarantor may not have enough assets remaining after these payments to pay amounts due under the Notes.

The Guarantor's obligations under the Notes are at all times conditional upon the Issuer satisfying the Solvency Condition

The Guarantor's obligations under the Guarantee are conditional upon the Issuer satisfying the Solvency Condition, as described in Condition 3(c). If such Solvency Condition is not satisfied, no payments will be made under the Guarantee and Noteholders could lose all or part of their investment.

Early redemption

The Notes may, subject as provided in Condition 6, be redeemed at their principal amount together at the option of the Issuer on 16 September 2019. In addition, upon the occurrence of a Tax Event or a Regulatory Event, the Notes may, at the option of the Issuer be redeemed at their principal amount together with any interest accrued but unpaid up to (but excluding) the date of redemption. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes.

No limitation on issuing senior or pari passu securities

There is no restriction on the amount of securities which the Issuer or the Guarantor may issue which rank senior to or *pari passu* with the Notes and/or the Guarantee. The issue of any such securities may reduce the amount recoverable by Noteholders on a winding-up of the Issuer or the Guarantor.

Restricted remedy for non-payment

In accordance with the Financial Conduct Authority's requirements for Tier 2 Capital, the sole remedy against the Issuer and/or the Guarantor (as the case may be) available to the Trustee to recover any amounts owing in respect of the principal of, or interest on, the Notes and/or pursuant to the Guarantee (as the case may be) will be to institute proceedings for the winding-up of the Issuer and/or the Guarantor (as the case may be) in England and Wales (but not elsewhere) and/or prove in the winding-up or administration of the Issuer or the Guarantor (as the case may be) whether in England and Wales (or elsewhere) and/or claim in the liquidation of the Issuer and/or the Guarantor (as the case may be) whether in England and Wales (or elsewhere). Any such claim against the Issuer shall be for all amounts then due and payable under or arising from the Notes, the Coupons and/or the Trust Deed by the Issuer and any such claim against the Guarantor shall be for and to the extent that there is any amount of principal or interest due but unpaid on the Notes by the Issuer and any such amount is due and payable, but is unpaid, under the Guarantee. See "*Terms and Conditions of the Notes—Events of Default*".

The occurrence of a winding-up of the Guarantor in England and Wales will not, of itself, render the Notes immediately due and payable by the Issuer and Noteholders will only have a claim against the Guarantor as debtor in respect of each Note as described above. Accordingly if there are no due and unpaid amounts

of principal and/or interest outstanding on the Notes upon the occurrence of a winding-up of the Guarantor, Noteholders will have no further claims against the Guarantor and the Notes will cease to have the benefit of the Guarantee.

Meetings of Noteholders; modification, waivers and substitution

Condition 11 contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who do not attend and vote at the relevant meeting and/or Noteholders who vote in a manner contrary to the relevant majority.

In addition, the Trustee may, without the consent of Noteholders, agree to (i) any modification or waiver of, or authorisation of any breach or proposed breach of, the provisions of the Notes or (ii) the substitution of (x) the Guarantor as principal debtor under the Notes in place of the Issuer, (y) a Subsidiary of the Issuer or the Guarantor as principal debtor under the Notes in place of the Issuer or (z) a successor in business (as defined in the Trust Deed) to the Guarantor or a Subsidiary of the Guarantor, in each case in place of the Guarantor, in each case in the circumstances described in Condition 11.

Notes subject to optional redemption by the Issuer

The option of the Issuer to redeem the Notes on 16 September 2019 may affect the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise above the price at which they can be redeemed. This may also be true prior to 16 September 2019.

The Issuer may also be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

The interest rate on the Notes will reset on 16 September 2019

The Notes will initially bear interest at the rate of 5.875 per cent. per annum until (but excluding) 16 September 2019 (the “**Initial Interest Rate**”). On 16 September 2019, the interest rate will be reset to the sum of the 5-year Mid-Swap Rate and 4.076 per cent per annum as determined by the Agent Bank on the Reset Rate of Interest Determination Date (the “**Reset Rate of Interest**”). The Reset Rate of Interest could be less than the Initial Interest Rate and could affect the market value of an investment in the Notes.

U.S. Foreign Account Tax Compliance Withholding

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (or “**FATCA**”) impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) “foreign passthru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. The United States has entered into an intergovernmental agreement regarding the implementation of FATCA with the United Kingdom (the “**IGA**”). While the Notes are in global form and held within Euroclear and Clearstream, Luxembourg (together, the “**ICSDs**”), in all but the most remote circumstances, it is not expected that the IGA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or

intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Significant aspects of when and how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to payments made on or with respect to the Notes in the future. An investor should be aware that if any payments in relation to a Note were subject to withholding or deduction under FATCA, neither the Issuer nor the Guarantor would have an obligation to pay any additional amounts in relation to such withholding or deduction. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuers' obligations under the Notes are discharged once they have paid the common depositary for the ICSDs (as bearer or registered holder of the Notes) and the Issuers have therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

Withholding under the EU Savings Directive

Under Council Directive 2003/48/EC on the taxation of savings income, EU Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State.

For a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments, deducting tax at a rate of 35.0 per cent. The transitional period is to terminate at the end of the first fiscal year following agreements by certain non-EU countries to the exchange of information relating to such payments. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive in respect of such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending the Directive (the “**Amending Directive**”). The Amending Directive broadens the scope of the requirements described in the first paragraph above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive and are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or paid subject to withholding. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union. They also broaden the definition of “**interest payment**” to cover income that is equivalent to interest. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor the Principal Paying Agent (as defined in the Terms and Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax. The Issuer is required to maintain an agent with a specified office in an EU Member State that will not be obliged to withhold or deduct tax pursuant to the Directive or any law implementing or complying with, or introduced to confirm to, the Directive.

Change of law

The Terms and Conditions of the Notes will be based on English law in effect as at the Issue Date. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of the issue of the Notes.

Absence of public markets for the Notes

The Notes constitute a new issue of securities by the Issuer. Prior to this issue, there will have been no public market for the Notes. Although application has been made for the Notes to be admitted to the Official List of the UK Listing Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (as amended) and to be admitted to trading on London Stock Exchange's Regulated Market, there can be no assurance that an active public market for the Notes will develop and, if such a market were to develop, the Joint Lead Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Notes can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and the Guarantor and other factors that generally influence the market prices of securities.

Trading in the clearing systems

The denomination of the Notes is US\$200,000 plus integral multiples of US\$1,000 in excess thereof. Therefore, it is possible that the Notes may be traded in amounts in excess of US\$200,000 that are not integral multiples of US\$200,000. In such case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than US\$200,000 will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more denominations.

Credit ratings may not reflect all risks

The credit ratings assigned to the Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Financial Conduct Authority shall be incorporated in, and form part of, this Prospectus:

- (a) auditors' report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2012 as set out in the Issuer's 2012 Annual Report at the following pages:

Group income statement	Page 66
Group statement of comprehensive income	Page 66
Group balance sheet	Page 67
Group cash flow statement	Page 68
Group statement of changes in equity	Page 69
Notes to the Group financial statements	Pages 70 - 98
Independent auditors' report	Page 99

- (b) auditors report and audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2013 as set out in the Issuer's 2013 Annual Report at the following pages:

Group income statement	Page 67
Group statement of comprehensive income	Page 67
Group balance sheet	Page 68
Group cash flow statement	Page 69
Group statement of changes in equity	Page 70
Notes to the Group financial statements	Pages 71 - 99
Independent auditors' report	Pages 64 - 66

- (c) the unaudited consolidated interim financial statements of the Issuer for the six months ended 30 June 2014 as set out in the Issuer's interim results announcement dated 1 August 2014 at the following pages:

Group income statement	Page 18
Group statement of comprehensive income	Page 18
Group balance sheet	Page 19
Group cash flow statement	Page 21
Group statement of changes in equity	Page 20
Notes to the Group financial statements	Pages 22 - 32
Independent review report	Page 33

- (d) the following sections from the Circular dated 7 August 2014 and sent to Man's shareholders in connection with the Acquisition:

Part III: Information on the Numeric Group	Pages 20 - 23
Part V: Consolidated Historical Financial Information on the Numeric Group	Pages 30 - 49

Except as set forth above, no other portion of these documents is incorporated by reference into this Prospectus and any information contained in the documents specified above which is not incorporated by reference in this Prospectus is either not relevant for the investor or is covered elsewhere in this Prospectus. Any documents and/or information themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus are available as provided in paragraph 10 of the section entitled "General Information" below, and on the Issuer's website (www.man.com).

TERMS AND CONDITIONS OF THE NOTES

The following, subject to amendment or modification, and except for paragraphs in italics, are the terms and conditions of the Notes which will be endorsed on each Note in definitive form (if issued).

The issue of the US\$150,000,000 Fixed Rate Reset Callable Guaranteed Subordinated Notes due 2024 (the “**Notes**”, which expression shall, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of Man Group plc (the “**Issuer**”) was authorised by resolutions of the Board of Directors of the Issuer passed on 28 July 2014 and a resolution of a duly authorised committee of the Board of Directors of the Issuer passed on 27 August 2014 and the giving of the Guarantee (as defined in Condition 3(a)) was authorised by a resolution of the Board of Directors of Man Strategic Holdings Limited (the “**Guarantor**”) passed on 29 August 2014. The Notes are constituted by a trust deed (as amended or supplemented from time to time, the “**Trust Deed**”) dated 16 September 2014 between the Issuer, the Guarantor and HSBC Corporate Trustee Company (UK) Limited (the “**Trustee**”, which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes (the “**Noteholders**”). These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Notes and of the interest coupons (the “**Coupons**”) appertaining to Notes in definitive form.

Copies of (i) the Trust Deed and (ii) the paying agency agreement (as amended or supplemented from time to time, the “**Agency Agreement**”) dated 16 September 2014 relating to the Notes between the Issuer, the Guarantor, HSBC Bank plc as the initial principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor thereto) and the other initial paying agents named therein (together with the Principal Paying Agent, the “**Paying Agents**”, which expression shall include the Paying Agents for the time being), HSBC Bank plc as agent bank (the “**Agent Bank**”, which expression shall include the Agent Bank for the time being) and the Trustee are available for inspection during usual business hours at the specified offices of each of the Paying Agents. The Noteholders and the holders of the Coupons (whether or not attached to the relevant Notes) (the “**Couponholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

1. Form, Denomination and Title

(a) *Form and Denomination*

The Notes are serially numbered and in bearer form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof up to and including US\$399,000, each with Coupons attached on issue. No definitive Notes will be issued with a denomination below US\$200,000 or above US\$399,000.

(b) *Title*

Title to the Notes and Coupons passes by delivery. The holder of any Note or Coupon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

2. Status and Subordination of the Notes

(a) *Status*

The Notes and Coupons constitute direct, unsecured and subordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves. The rights and claims of the Noteholders and the Couponholders are subordinated as described in Condition 2(b).

(b) *Subordination*

If:

- (i) at any time an order is made, or an effective resolution is passed, for the winding-up in England and Wales of the Issuer (except, in any such case, a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution of the Issuer in accordance with Condition 11(c), the terms of which reconstruction, amalgamation or substitution have previously

been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders); or

- (ii) an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend,

the rights and claims of the Trustee (on behalf of the Noteholders and Couponholders), the Noteholders and the Couponholders against the Issuer in respect of or arising under (including any damages awarded for breach of any obligations under or other amounts (if payable) in respect of) the Notes, the Coupons and the Trust Deed (including these Conditions) relating to them shall (i) be subordinated in the manner provided in this Condition 2(b) and in the Trust Deed to the claims of all Senior Creditors of the Issuer; (ii) rank at least *pari passu* with all claims of holders of all other subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith; and (iii) rank in priority to (A) the claims of holders of all obligations of the Issuer which rank, or are expressed to rank, junior to the claims in respect of the Notes, including (without limitation) obligations which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith, and (B) all claims of holders of all classes of share capital of the Issuer.

3. Status and Subordination of the Guarantee

(a) Status

Subject to Condition 3(c), the Guarantor has in the Trust Deed irrevocably guaranteed the due and punctual payment of all principal, interest and other sums from time to time payable by the Issuer in respect of the Notes and the Coupons and all other monies payable by the Issuer in respect of or under or pursuant to the Trust Deed (including these Conditions). The obligations of the Guarantor under such guarantee (the “**Guarantee**”) constitute direct, unsecured and subordinated obligations of the Guarantor.

(b) Subordination

If:

- (i) at any time an order is made, or an effective resolution is passed, for the winding-up in England and Wales of the Guarantor (except, in any such case, a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution of the Guarantor in accordance with Condition 11(c), the terms of which reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders); or
- (ii) an administrator of the Guarantor is appointed and such administrator gives notice that it intends to declare and distribute a dividend,

the rights and claims of the Trustee (on behalf of the Noteholders and Couponholders), the Noteholders and the Couponholders against the Guarantor in respect of or arising under (including any damages awarded for breach of any obligations under or other amounts (if payable) in respect of) the Notes, the Coupons and the Trust Deed (including these Conditions) relating to them shall (i) be subordinated in the manner provided in this Condition 3(b) and in the Trust Deed to the claims of all Senior Creditors of the Guarantor; (ii) rank at least *pari passu* with all claims of holders of all other subordinated obligations of the Guarantor which constitute, and all claims relating to a guarantee or other like or similar undertaking or arrangement given or undertaken by the Guarantor in respect of any obligations of any other person which constitute, or (in either case) would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith; and (iii) rank in priority to (A) the claims of holders of all obligations of the Guarantor which rank, or are expressed to rank, and all claims relating to a guarantee or other like or similar undertaking or arrangement given or undertaken by the Guarantor in respect of any obligations of any other person that rank, or are expressed to rank, junior to the claims in respect of the Guarantee, including (without limitation) obligations which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all obligations which rank, or are expressed to rank, *pari passu* therewith, and (B) all claims of holders of all classes of share capital of the Guarantor.

(c) *Guarantee conditional on Issuer satisfying the Solvency Condition*

No payment shall become due or be made under the Guarantee by the Guarantor at any time unless the Issuer satisfies the Solvency Condition. For these purposes, the Issuer shall satisfy the Solvency Condition if (i) it is able to pay its debts owed to its Senior Creditors in full as they fall due and (ii) its Assets exceed its Liabilities (other than Liabilities to persons who are not Senior Creditors).

A report as to the satisfaction of the Solvency Condition signed by (a) two directors of the Issuer or the Auditors of the Issuer or (b) if the Issuer is being wound up, its liquidator shall, in each case in the absence of manifest error, be treated and accepted by the Issuer, the Guarantor, the Trustee, the Noteholders and the Couponholders as correct and sufficient evidence thereof.

Any payments made by the Guarantor under the Guarantee shall be treated (to the extent of the amount paid) as satisfying the Trustee's and any Noteholder's and/or Couponholder's right to payment of any such amount under the Trust Deed, the Notes and/or the Coupons.

No amount shall be payable under the Guarantee prior to the time at which such amount would have fallen due under the terms of the Notes themselves.

4. *Set-off, etc.*

By acceptance of the Notes, each Noteholder, each Couponholder and the Trustee, on behalf of the Noteholders and Couponholders, waives, and will be deemed to have waived any right of set-off or counterclaim that the Noteholders and Couponholders might otherwise have against the Issuer or the Guarantor (as the case may be) in respect of or arising under or in connection with the Notes, the Coupons or the Guarantee whether prior to or in winding-up or administration. Notwithstanding the preceding sentence, if any of the rights and claims of any Noteholder or Couponholder in respect of or arising under the Notes, the Coupons or the Guarantee are discharged by set-off or counterclaim, such Noteholder or Couponholder will immediately pay an amount equal to the amount of such discharge to the Issuer or the Guarantor or, if applicable, the liquidator or trustee or receiver or administrator of the Issuer or the Guarantor and, until such time as payment is made, will hold a sum equal to such amount in trust for the Issuer or the Guarantor or, if applicable, the liquidator or the trustee or receiver or administrator in the Issuer's or the Guarantor's winding-up or administration. Accordingly, such discharge will be deemed not to have taken place.

5. *Interest*

(a) *Interest*

The Notes bear interest at the applicable Rate of Interest from (and including) the Issue Date in accordance with the provisions of this Condition 5.

Interest shall be payable on the principal amount of each Note semi-annually in arrear in equal instalments on each Interest Payment Date, as provided in this Condition 5.

"Rate of Interest" means:

- (i) in the case of each Interest Period before the Interest Period commencing on 16 September 2019, 5.875 per cent. per annum; or
- (ii) in the case of each Interest Period thereafter, the Reset Rate of Interest as determined by the Agent Bank in accordance with this Condition 5.

(b) *Interest Accrual*

The Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to these Conditions unless, upon due presentation, payment of principal in respect of the Notes is improperly withheld or refused, in which event interest shall continue to accrue, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date.

(c) *Calculation of amount of interest per Calculation Amount*

The amount of interest payable in respect of the Calculation Amount for any period shall be calculated by the Agent Bank:

- (i) applying the applicable Rate of Interest to the Calculation Amount;

- (ii) multiplying the product thereof by the Day Count Fraction; and
- (iii) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

(d) *Reset Rate of Interest*

The Agent Bank will determine the Reset Rate of Interest as soon as practicable after 11:00 a.m. (New York time) on the Reset Rate of Interest Determination Date.

(e) *Publication of Reset Rate of Interest*

The Agent Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 5 to be given to the Issuer, the Guarantor, the Trustee (if the Trustee so requests in writing), the Paying Agents, any stock exchange or other relevant authority on which the Notes are for the time being listed or admitted to trading and, in accordance with Condition 14, the Noteholders as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

The Reset Rate of Interest so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of a manifest error.

(f) *Determinations or Calculation by Trustee*

The Trustee (or an agent appointed by it) shall if the Agent Bank does not at any relevant time for any reason determine the Reset Rate of Interest on the Notes in accordance with this Condition 5, use reasonable endeavours to determine the Reset Rate of Interest and such determination shall be deemed to be a determination thereof by the Agent Bank. In doing so, the Trustee (or its agent) shall apply the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances (subject always to the provisions of this Condition 5).

(g) *Agent Bank*

So long as any Note remains outstanding the Issuer will maintain an Agent Bank. The name of the initial Agent Bank and its initial specified office is set out at the end of these Conditions.

The Issuer may, with the prior written approval of the Trustee, from time to time replace the Agent Bank with another leading financial institution in London. If the Agent Bank is unable or unwilling to continue to act as the Agent Bank or (without prejudice to Condition 5(f) above) fails duly to determine the Reset Rate of Interest as provided in Condition 5(d), the Issuer shall, as soon as reasonably practicable, appoint another leading financial institution in London approved in writing by the Trustee to act as such in its place. The Agent Bank may not resign from its duties or be removed without a successor having been appointed as aforesaid.

(h) *Determinations of Agent Bank or Trustee Binding*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 whether by the Agent Bank or the Trustee (or its agent), shall (in the absence of wilful default or a manifest error) be binding on the Issuer, the Agent Bank, the Trustee, the Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Noteholders, the Couponholders, the Issuer, the Guarantor or any other person shall attach to the Agent Bank or the Trustee (or its agent) in connection with the exercise or non-exercise by them of any of their powers, duties and discretions.

6. *Redemption and Purchase*

(a) *Redemption*

Unless previously redeemed or purchased and cancelled as provided below, each Note shall be redeemed at its principal amount on the Maturity Date.

(b) *Redemption at the Option of the Issuer*

Unless the Issuer shall have given notice to redeem the Notes under Condition 6(c) or Condition 6(d) on or prior to the expiration of the notice referred to below, the Issuer may at its option, subject to Condition 6(g), and having given not less than 30 nor more than 60 days' irrevocable

notice to the Noteholders in accordance with Condition 14 redeem all, but not some only, of the Notes on 16 September 2019 at their principal amount together with unpaid interest accrued to (but excluding) the date of redemption.

(c) Redemption for Tax Reasons

Subject to Condition 6(g) below, the Notes may be redeemed at the option of the Issuer, in whole but not in part, at their principal amount together with unpaid interest accrued to (but excluding) the date of redemption, at any time on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of the aforementioned notice that a Tax Event has occurred, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Tax Event would occur.

A “**Tax Event**” shall occur if, as a result of a Tax Law Change:

- (i) in making payments on the Notes, the Issuer or the Guarantor has paid or will or would on the next payment date be required to pay Additional Amounts (as defined in Condition 9); or
- (ii) the Issuer is not or would not be entitled to claim a deduction in respect of any payments in respect of the Notes in computing its taxation liabilities or such deduction is or would be materially reduced or deferred,

provided the Issuer or the Guarantor as the case may be could not avoid the foregoing (as applicable) by taking reasonable measures available to it.

Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Trustee (i) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal or tax advisers of recognised standing to the effect that a Tax Event either has occurred or will occur. The Trustee shall be entitled (without enquiry or liability) to accept and rely upon the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in this condition, in which event they shall be conclusive and binding on the Noteholders.

(d) Regulatory Event Redemption

Subject to Condition 6(g), the Notes may be redeemed at the option of the Issuer, in whole but not in part, at their principal amount together with unpaid interest accrued to (but excluding) the date of redemption, at any time on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), if, at any time, the Issuer determines that as a result of a change in, or amendment to law or Applicable Regulations or any change in the application or official or generally published guidance or interpretation thereof (including as a result of the implementation or applicability thereof in the United Kingdom on or after the Issue Date) on or after the Issue Date the Notes are fully excluded from Tier 2 Capital of the Group for the purposes of Applicable Regulations (except where such exclusion is only as a result of any applicable limitation on the amount of such capital) (a “**Regulatory Event**”).

Prior to the publication of any notice of redemption pursuant to this Condition 6(d), the Issuer shall deliver to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred. The Trustee shall be entitled (without enquiry or liability) to accept and rely upon the certificate as sufficient evidence of the satisfaction of the conditions precedent set out in this condition, in which event it shall be conclusive and binding on the Noteholders.

(e) Purchases

Subject to Condition 6(g) below, the Issuer or any of its Subsidiaries may at any time purchase or otherwise acquire any of the outstanding Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(f) Cancellation

All Notes which are redeemed, and any Notes which are purchased and surrendered for cancellation pursuant to Condition 6(e), shall be immediately cancelled and cannot be reissued or resold.

(g) *Redemption and Purchase Conditions*

The Issuer shall not be permitted to redeem or purchase the Notes prior to the Maturity Date unless the following conditions (in each case, if and to the extent then required by Applicable Regulations) are satisfied:

- (i) the Issuer has given any requisite notice to the Relevant Authority and has obtained the Relevant Authority's prior permission or non-objection to the redemption or purchase (as the case may be) of the Notes;
- (ii) such redemption or purchase (as the case may be) complies with Applicable Regulations, including (if then required) that the Issuer has demonstrated to the satisfaction of the Relevant Authority that, both at the time of and immediately following the redemption or purchase (as the case may be) of the Notes, it meets and will continue to meet, any capital resources requirement and has sufficient financial resources to meet the overall financial adequacy rule then applicable to it under Applicable Regulations;
- (iii) in the case of any redemption of Notes upon the occurrence of a Tax Event or a Regulatory Event prior to the fifth anniversary of the Issue Date (in each case, except to the extent that the Relevant Authority no longer so requires), the Issuer has demonstrated to the satisfaction of the Relevant Authority that the circumstances giving rise to the Tax Event or, as the case may be, the Regulatory Event were not reasonably foreseeable as at the Issue Date; and
- (iv) Notes may be redeemed or purchased by the Issuer prior to the fifth anniversary of the Issue Date only if then permitted by Applicable Regulations or if otherwise authorised or permitted by the Relevant Authority.

7. *Payments*

(a) *Principal*

Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of the Note at the specified office of any Paying Agent outside the United States. Subject as provided in these Conditions, payments will be in US Dollars made by credit or transfer to a US Dollar account maintained by the payee with a bank in New York City.

(b) *Interest*

Payments of interest shall, subject to Condition 7(g) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the specified office of any Paying Agent outside the United States in the manner described in Condition 7(a) above.

(c) *Payments in New York City*

Payments of principal or interest may be made at the specified office in the United States of any Paying Agent and (if no such appointment is then in effect) the Issuer shall, subject to the prior written approval of the Trustee, appoint and maintain a Paying Agent with a specified office in New York City at which payments will be made if:

- (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in US dollars when due;
- (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions; and
- (iii) payment is permitted by applicable United States law.

(d) *Payments subject to fiscal laws*

All payments in respect of the Notes will be subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 (inclusive) of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(e) Missing unmatured Coupons

Each Note should be presented for payment together with all related unmatured Coupons, failing which the full amount of any related missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 10) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

(f) Payments on business days

If the due date for payment of any amount in respect of any Note or Coupon is not a Business Day, the Holder shall not be entitled to payment of the amount due until the next succeeding Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

(g) Partial payments

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

8. Events of Default

(a) Events of Default

If any of the following events (“**Events of Default**”) occurs (subject always, in respect of the Guarantor, as provided in Condition 3(c)), the Trustee at its discretion may, and if so requested by Noteholders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, (but in each case subject to Condition 8(c) and Condition 8(e)) give notice to the Issuer and the Guarantor (as the case may be) that the Notes are, and they shall immediately become, due and payable at their principal amount together with accrued but unpaid interest:

- (i) default is made for a period of 14 days or more from the due date in the payment of any principal or interest due in respect of the Notes or any of them (in each case, a “**Payment Default**”); or
- (ii) an order is made or an effective resolution is passed for the winding-up of the Issuer in England and Wales (but not elsewhere) (other than a solvent winding-up which has been previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders) or an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend.

(b) Winding-up of the Guarantor

If an order is made or an effective resolution is passed for the winding-up in England and Wales of the Guarantor (other than a solvent winding-up which has been previously approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders) or an administrator of the Guarantor is appointed and such administrator gives notice that it intends to declare and distribute a dividend, to the extent there is any amount of principal or interest due but unpaid on the Notes by the Issuer and any such amount is due and payable, but is unpaid, under the Guarantee, subject as provided in Condition 3(c) and subject in each case to Condition 8(c), there shall be immediately payable by the Guarantor (as applicable) as debtor in respect of each Note and Coupon such unpaid amount of principal or interest or any other amount due but unpaid pursuant to the Guarantee in respect of or under or pursuant to the Trust Deed (including these Conditions), but the claim of the Trustee, the Noteholder or Couponholder to such amount shall be subordinated in the manner provided in Condition 3(b) and in the Trust Deed and shall rank in the manner provided in Condition 3(b).

(c) Proceedings for Winding-up

If the Notes become due and payable pursuant to Condition 8(a)(i) (in the event of a Payment Default by the Issuer only) or Condition 8(a)(ii), the only remedy available to the Noteholders, the Couponholders and the Trustee is that the Trustee may, subject to Condition 8(e), institute

proceedings for the winding-up of the Issuer in England and Wales (but not elsewhere) and/or prove in the winding-up or administration of the Issuer whether in England and Wales (or elsewhere) and/or claim in the liquidation of the Issuer whether in England and Wales (or elsewhere) for all amounts then due and payable under the Notes, the Coupons and/or the Trust Deed (including these Conditions) by the Issuer, but may take no further or other action to enforce, prove or claim for any such amount.

In the event (i) of a Payment Default by the Guarantor under the Guarantee pursuant to Condition 8(a)(i) and/or (ii) that any amounts of principal and interest or any other amount become due and payable by the Guarantor pursuant to Condition 8(b), then the only remedy available to the Noteholders, the Couponholders and the Trustee is that the Trustee may, subject to Condition 8(e), institute proceedings for the winding-up of the Guarantor in England and Wales (but not elsewhere) and/or prove in the winding-up or administration of the Guarantor whether in England and Wales (or elsewhere) and/or claim in the liquidation of the Guarantor whether in England and Wales (or elsewhere) for such payment or amount, but may take no further or other action to enforce, prove or claim for any such payment or amount.

No payment in respect of the Notes, the Coupons or the Trust Deed may be made by the Issuer or the Guarantor pursuant to Condition 8(a) or 8(b), nor will the Trustee accept the same, otherwise than during or after an administration or winding-up of the Issuer or the Guarantor (as applicable).

(d) *Enforcement*

Without prejudice to Condition 8(a), 8(b) or 8(c), the Trustee may (subject to being indemnified and/or secured and/or prefunded) at its discretion and without notice institute such proceedings against the Issuer or the Guarantor as it may think fit to enforce any term or condition binding on the Issuer or the Guarantor (as the case may be) under the Trust Deed (including these Conditions), the Notes or the Coupons (other than any payment obligation of the Issuer or the Guarantor under or arising from the Notes, the Coupons or the Trust Deed (including the Guarantee), including, without limitation, payment of any principal or interest or premium or satisfaction of any payments in respect of the Notes or the Coupons, including any damages awarded for breach of any obligations) *provided that* in no event shall the Issuer or the Guarantor, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, other than in the administration or winding-up of the Issuer or the Guarantor (as applicable).

(e) *Entitlement of Trustee*

The Trustee shall not be bound to take any of the actions referred to in Condition 8(a), (c) or (d) above against the Issuer or the Guarantor, including, without limitation, to enforce the terms of the Trust Deed, the Notes or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

(f) *Right of Noteholders*

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor or to institute proceedings for the winding-up or claim in the liquidation of the Issuer or the Guarantor or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Noteholder or the Couponholder shall have only such rights against the Issuer or the Guarantor (as the case may be) as those which the Trustee is entitled to exercise as set out in this Condition 8.

(g) *Extent of Noteholders' remedy*

No remedy against the Issuer or the Guarantor, other than as referred to in this Condition 8, shall be available to the Trustee or the Noteholders or the Couponholders, whether for the recovery of amounts owing in respect of the Notes or the Coupons or under the Trust Deed or in respect of any breach by the Issuer or the Guarantor of any of its other obligations under or in respect of the Notes, the Coupons or under the Trust Deed.

9. Additional Amounts

All payments by or on behalf of the Issuer or the Guarantor of principal and interest in respect of the Notes and Coupons, or under the Guarantee, will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, collected, withheld, assessed or levied by or on behalf of or within the United Kingdom, or any political subdivision of, or any authority of, or in, the United Kingdom having power to tax, unless the withholding or deduction is required by law. In such event, the Issuer or the Guarantor (as the case may be), will pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders or Couponholders after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of the withholding or deduction (“**Additional Amounts**”), except that no such Additional Amounts shall be payable in relation to any Note or Coupon:

- (i) presented for payment by, or on behalf of, a Noteholder or a Couponholder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note or Coupon; or
- (ii) presented for payment by, or on behalf of, a Noteholder or a Couponholder who would be able to avoid such withholding or deduction by complying, or procuring that any third party complies, with any requirement to provide such evidence as is required by statute or making a declaration or any other statement or claim, including, but not limited to, a declaration of non-residence, but fails to do so; or
- (iii) presented for payment more than 30 days after the Relevant Date, except to the extent that the relevant Noteholder or a Couponholder would have been entitled to such Additional Amounts on presenting the same for payment on such thirtieth day; or
- (iv) where such withholding or deduction is imposed on a payment and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such directive; or
- (v) presented for payment by, or on behalf of, a Noteholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

References in these Conditions to principal and/or interest shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions.

If the Issuer or the Guarantor becomes resident for tax purposes in any jurisdiction other than or in addition to the United Kingdom, references in these Conditions to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

10. Prescription

Claims in respect of Notes and Coupons will become void unless presented for payment within a period of 10 years in the case of Notes and five years in the case of Coupons from the Relevant Date relating thereto.

11. Meetings of Noteholders; Modification, Waiver and Substitution

(a) Meetings of Noteholders

Except as provided herein, any modification to these Conditions or any provisions of the Trust Deed may require the Issuer giving at least one month’s prior written notice thereof (copied to the Trustee) to, and receiving no objection from, the Relevant Authority (or such shorter period of notice as the Relevant Authority may accept, and so long as there is a requirement under the Applicable Regulations to give such notice) which non-objection (if required) the Issuer or the Guarantor (as the case may be) shall confirm in writing to the Trustee, which confirmation the Trustee shall be entitled to rely on absolutely without enquiry or liability.

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution (as defined in the Trust Deed) of any of these Conditions or any of the provisions of the Trust Deed.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain of these Conditions or any of the provisions of the Trust Deed (including, *inter alia*, the provisions regarding subordination referred to in Conditions 2 and 3, the terms concerning currency and the due dates for payment of principal or interest in respect of the Notes and reducing or cancelling the principal amount of any Notes or the rate of interest from time to time applying to the Notes) the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than 25 per cent. in principal amount of the Notes for the time being outstanding.

An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

(b) Modifications and Waiver

Notwithstanding any other provision of these Conditions, the Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error or to comply with the mandatory provisions of the law of the jurisdiction in which the Issuer or the Guarantor is incorporated.

(c) Substitution

Subject to the Issuer giving at least one month's notice thereof (copied to the Trustee) to, and receiving no objection from, the Relevant Authority (or such shorter period of notice as the Relevant Authority may from time to time require or accept, and, in each case, so long as there is a requirement under the Applicable Regulations to give such notice), which non-objection (if required) the Issuer or the Guarantor (as the case may be) shall confirm in writing to the Trustee, which confirmation the Trustee shall be entitled to rely on absolutely without enquiry or liability. the Trustee may agree with the Issuer, without the consent of the Noteholders or Couponholders:

- (i) to the substitution of the Guarantor in place of the Issuer as principal debtor under the Trust Deed, the Notes and the Coupons; or
- (ii) subject to the Notes and the Coupons remaining irrevocably guaranteed on a subordinated basis, in accordance with Condition 3, by the Guarantor or a substitute Guarantor in accordance with paragraph (iii) below, to the substitution of (a) a successor in business (as defined in the Trust Deed) to the Issuer or (b) a Subsidiary of the Issuer or the Guarantor in place of the Issuer, in each case as principal debtor under the Trust Deed, the Notes and the Coupons; or
- (iii) to the substitution of (a) a successor in business (as defined in the Trust Deed) to the Guarantor or (b) a Subsidiary of the Issuer or the Guarantor, in each case in place of the Guarantor,

(each such substitute being hereinafter referred to as the “**Substitute Obligor**”) provided that in each case:

- (a) a trust deed is executed or some other form of undertaking, supported by one or more legal opinions, is given by the Substitute Obligor in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Notes and the Coupons, with any consequential amendments which the Trustee may deem necessary, as fully as if the Substitute Obligor has been named in the Trust Deed and the Notes and the Coupons, as the principal debtor in place of the Issuer or (as the case may be) of the Guarantor (or of any previous Substitute Obligor, as the case may be);
- (b) two directors (or other officers acceptable to the Trustee) of the Substitute Obligor certify that the Substitute Obligor is solvent at the time at which the substitution is proposed to be in effect (it being declared that the Trustee may rely absolutely on such certification and shall not be bound to have regard to the financial condition, profits or prospects of the Substitute Obligor or to compare the same with those of the Issuer or (as the case may be) the Guarantor or (as the case may be) any previous Substitute Obligor);

- (c) (without prejudice to the generality of sub-paragraph (a) above) the Trustee may, in the event of such substitution agree, without the consent of the Noteholders or Couponholders, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons, unless such change would in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders;
- (d) if the Substitute Obligor is, or becomes, subject generally to the taxing jurisdiction of a territory or any taxing authority of or in a territory (the “**Substituted Territory**”) other than (or in addition to) the territory of the taxing jurisdiction of which the Issuer or (as the case may be) the Guarantor is subject generally (the “**Original Territory**”), the Substitute Obligor will unless the Trustee otherwise agrees give to the Trustee an undertaking satisfactory to the Trustee in terms corresponding to Condition 9 with the substitution for (or addition of) the references in that Condition to the Original Territory of references to the Substituted Territory whereupon the Trust Deed, the Notes and the Coupons will be read accordingly;
- (e) the Issuer, the Guarantor and the Substituted Obligor comply with such other requirements as the Trustee may direct in the interests of the Noteholders; and
- (f) the Trustee shall be satisfied that the interests of the Noteholders will not be materially prejudiced by any substitution proposed pursuant to this Condition.

In connection with any proposed substitution as aforesaid and in connection with the exercise of its functions generally, the Trustee shall have regard to the interests of the Noteholders as a class and the Trustee shall not have regard to the consequences of such substitution for individual Noteholders or Couponholders resulting from, in particular, their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

In connection with any substitution or exercise as aforesaid, no Noteholder or Couponholder shall be entitled to claim, whether from the Issuer, the Substituted Issuer (as defined in the Trust Deed), the Substituted Guarantor (as defined in the Trust Deed), the Trustee or any other person, any indemnification or payment in respect of any tax consequence of, or relating to, any such substitution or exercise (including, for the avoidance of doubt, any tax consequences arising from such substitution or exercise relating to subsequent payments made in respect of the Notes) upon any individual Noteholder or Couponholder except to the extent already provided in Condition 9.

Any such modification, waiver, authorisation or substitution shall be binding on all Noteholders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified by the Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

12. Replacement of the Notes and Coupons

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent (or any other place of which notice shall have been given in accordance with Condition 14) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer or the Principal Paying Agent may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before any replacement Notes or Coupons will be issued.

13. The Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor or any Subsidiary of the Issuer or the Guarantor without accounting for any profit resulting therefrom. The Trustee is entitled under the Trust Deed to rely on reports and certificates of the Auditors whether or not the same are addressed to the Trustee and whether or not they are subject to any limitation on the liability of the Auditors, whether by reference to a monetary cap or otherwise.

14. Notices

Notices to Noteholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

15. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Noteholders or the Couponholders, to create and issue further notes ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further notes) and so that the same shall be consolidated and form a single series with the outstanding Notes. Any such further notes shall be constituted by a deed supplemental to the Trust Deed.

16. Agents

The initial Paying Agents and their initial specified offices are listed below. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents, provided that it will:

- (i) at all times maintain a Principal Paying Agent;
- (ii) whenever a function expressed in these Conditions to be performed by the Agent Bank falls to be performed, appoint and (for so long as such function is required to be performed) maintain an Agent Bank; and
- (iii) at all times maintain a Paying Agent having a specified office in a major city in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to such directive (so long as there is such a Member State).

17. Governing Law and Jurisdiction

- (a) The Trust Deed (including the Guarantee and these Conditions), the Notes and the Coupons and any non-contractual obligation arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.
- (b) Subject to Condition 17(d) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and/or the Coupons (a “**Dispute**”) and accordingly each of the Issuer and the Guarantor in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (c) For the purposes of this Condition, the Issuer and the Guarantor waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (d) To the extent allowed by law, the Trustee, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court of competent jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes by virtue of the Contracts (Rights of Third Parties) Act 1999.

19. Definitions

In these Conditions:

“5-year Mid-Swap Rate” means:

- (i) the mid-swap rate for US dollar swaps with a term of 5 years which appears on the Screen Page as of 11:00 a.m. (New York City time) on the Reset Rate of Interest Determination Date; or
- (ii) if the 5-year Mid-Swap Rate does not appear on the Screen Page at such time on the Reset Rate of Interest Determination Date, the Reset Reference Bank Rate on the Reset Rate of Interest Determination Date;

“5-year Mid-Swap Rate Quotations” means the arithmetic mean of the bid and offered rates for the semi-annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating US dollar interest rate swap transaction which:

- (i) has a term of 5 years commencing on 16 September 2019;
- (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and
- (iii) has a floating leg based on 3-month US dollar LIBOR (calculated on an Actual/360 day count basis);

“Additional Amounts” has the meaning given to it in Condition 9;

“Agent Bank” means HSBC Bank plc;

“Applicable Regulations” means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy applying to the Group then in effect in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Relevant Authority;

“Assets” means the unconsolidated gross assets of the Issuer as shown in the latest published audited balance sheet of the Issuer, but adjusted for subsequent events, all in such manner as the directors of the Issuer, or the liquidator of the Issuer, may determine;

“Auditors” has the meaning given to it in the Trust Deed;

“Business Day” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in New York;

“Calculation Amount” means US\$1,000 in principal amount;

“Day Count Fraction” means, in respect of the calculation of an amount for any period of time (the **“Calculation Period”**), “30/360” which means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

- (i) **“Y1”** is the year, expressed as a number, in which the first day of the Calculation Period falls;
- (ii) **“Y2”** is the year, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;
- (iii) **“M1”** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- (iv) **“M2”** is the calendar month, expressed as a number, in which the day immediately following the last day of the Calculation Period falls;
- (v) **“D1”** is the first calendar day, expressed as a number, of the Calculation Period, unless such number is 31, in which case D1 will be 30; and

(vi) “**D2**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

“**Directors**” means the directors of the Issuer or, as the case may be, of the Guarantor;

“**Group**” means the Issuer, the Guarantor and their respective Subsidiaries;

“**Initial Rate of Interest**” means 5.875 per cent. per annum;

“**Interest Payment Date**” means 16 March and 16 September in each year, starting on (and including) 16 March 2015;

“**Interest Period**” means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“**Issue Date**” means 16 September 2014, being the date of the initial issue of the Notes;

“**Liabilities**” means the unconsolidated gross liabilities of the Issuer as shown in the latest published audited balance sheet of the Issuer, but adjusted for contingent liabilities and for subsequent events, all in such manner as the directors of the Issuer, or the liquidator of the Issuer, may determine;

“**Maturity Date**” means 16 September 2024;

“**Notes**” has the meaning given to it in the preamble to these Conditions;

“**Rate of Interest**” has the meaning given to it in Condition 5(a);

“**Regulatory Event**” has the meaning given to it in Condition 6(d).

“**Relevant Authority**” means the Financial Conduct Authority or such other governmental authority in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary supervisory authority with respect to the Issuer, the Guarantor and/or the Group (as applicable);

“**Relevant Date**” means in respect of a payment the date on which such payment first becomes due, except that, if the full amount of the monies payable has not been duly received by the Principal Paying Agent or the Trustee on or prior to such due date, it means the earlier of the date on which (i) the full amount of such monies have been so received by or on behalf of the Noteholder(s) and/or Couponholder(s) and (ii) notice to that effect is duly given to the Noteholders in accordance with Condition 14;

“**Reset Rate of Interest**” means the rate of interest payable in respect of each Interest Period commencing on and after 16 September 2019 and determined by the Agent Bank on the Reset Rate of Interest Determination Date in accordance with Condition 5 as the aggregate of the 5-year Mid-Swap Rate and 4.076 per cent. per annum;

“**Reset Rate of Interest Determination Date**” means the day falling two US Government Securities Business Days prior to 16 September 2019;

“**Reset Reference Bank Rate**” means the percentage rate determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reset Reference Banks to the Agent Bank at approximately 11:00 a.m. (New York City time) on the Reset Rate of Interest Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate will be 1.799 per cent. per annum;

“**Reset Reference Banks**” means five leading swap dealers in the New York City interbank market selected by the Agent Bank in its discretion after consultation with the Issuer;

“**Screen Page**” means Bloomberg screen “ISDAFIX1” or such other page as may replace it on Reuters or, as the case may be, on such other information service that may replace Reuters, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates comparable to the 5-year Mid-Swap Rate;

“Senior Creditors” means:

(a) in respect of the Issuer:

- (i) creditors of the Issuer who are unsubordinated creditors of the Issuer; and
- (ii) other creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Issuer (other than those whose claims constitute, or would but for any applicable limitation on the amount of any such capital constitute, Tier 1 Capital or Tier 2 Capital or whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Noteholders);

(b) in respect of the Guarantor:

- (i) creditors of the Guarantor who are unsubordinated creditors of the Guarantor;
- (ii) all creditors of the Guarantor whose claims are, or are expressed to be, subordinated to the claims of other creditors of the Guarantor (other than those whose claims constitute, or would but for any applicable limitation on the amount of any such capital, constitute Tier 1 Capital or Tier 2 Capital or whose claims rank, or are expressed to rank *pari passu* with, or junior to, the claims of the Noteholders under the Guarantee);

“Solvency Condition” has the meaning set forth in Condition 3(c);

“Subsidiary” has the meaning given under Sections 1159 of the Companies Act 2006 (as amended or re-enacted from time to time);

“Tax Event” has the meaning given to it in Condition 6(c);

“Tax Law Change” means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of the United Kingdom or any authority thereof or therein having the power to tax, including any treaty to which the United Kingdom is a party, any European Union regulation or directive, or any change in the application or official or generally published interpretation of such laws, regulation or directive, including a decision of any court or tribunal, or any interpretation or pronouncement by any relevant tax authority, which change or amendment becomes, or would become, effective on or after the Issue Date;

“Tier 1 Capital” and **“Tier 2 Capital”** have the meaning given to such terms by the Relevant Authority from time to time for the purposes of capital requirements applicable to the Group;

“Trust Deed” has the meaning given to it in the preamble to these Conditions;

“Trustee” has the meaning given to it in the preamble to these Conditions;

“United Kingdom” means the United Kingdom of Great Britain and Northern Ireland; and

“US Government Securities Business Day” means any day except for a Saturday, Sunday or a day on which the U.S. Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in US government securities; and

“US\$” or **“US Dollars”** means the lawful currency of the United States of America.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Temporary Global Note and the Permanent Global Note contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

1. Exchange

The Temporary Global Note is exchangeable in whole or in part for interests in the Permanent Global Note on or after a date which is expected to be 27 October 2014 upon certification as to non-US beneficial ownership in the form set out in the Temporary Global Note. The Permanent Global Note is exchangeable in whole but not in part (free of charge to the Noteholder) for the Definitive Notes described below (i) if an Event of Default (as defined in Condition 8 has occurred and is continuing, (ii) if the Permanent Global Note is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (iii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 9 which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two directors of the Issuer is delivered to the Trustee. Thereupon, in the case of (i) and (ii) above, the Noteholder may give notice to the Trustee and, in the case of (iii) above, the Issuer may give notice to the Trustee, the Principal Paying Agent and the Noteholders, of its intention to exchange the Permanent Global Note for Definitive Notes on or after the Exchange Date specified in the notice.

On or after the Exchange Date (as defined below) the holder of the Permanent Global Note may surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 2 to the Trust Deed. On exchange in full of the Permanent Global Note, the Issuer will, if the Noteholder so requests, procure that it is cancelled and returned to the Noteholder together with any relevant Definitive Notes.

“**Exchange Date**” means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (ii) above, in the cities in which the relevant clearing system is located.

2. Payments

No payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by the Permanent Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of the Permanent Global Note to or to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Permanent Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes.

3. Notices

So long as the Notes are represented by the Temporary Global Note or, as the case may be, the Permanent Global Note and the Temporary Global Note or, as the case may be, the Permanent Global Note, is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions provided that, so long as the Notes are admitted to the Official List maintained by the Financial Conduct Authority in its capacity as the UK Listing Authority (the “UKLA”) and admitted to trading on the London Stock Exchange plc’s market for listed securities, all requirements of the UKLA have been complied with. Any such notice shall be deemed to have been given to the Noteholders on the second day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such a manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

4. Prescription

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by the Temporary Global Note or, as the case may be, the Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 19).

5. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an “**Accountholder**”) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders) other than with respect to the payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

6. Euroclear and Clearstream, Luxembourg

References in the Global Notes to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

7. Purchase and Cancellation

Cancellation of any Note required by the Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Global Note.

8. Call Options

The option of the Issuer provided for in Condition 6 shall be exercised by the Issuer giving notice to the relevant clearing system for communication by it to entitled accountholders (subject to the provisions of paragraph 3 above) within the time limits set out in and containing the information required by that Condition.

9. Trustee's Powers

In considering the interests of Noteholders while the Global Note is held on behalf of a clearing system the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note and may consider such interests as if such accountholders were the holder of the Global Note.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used for the general corporate purposes of the Group including without limitation and for the avoidance of doubt, potential acquisitions and Fund Product seeding investment activity.

BUSINESS DESCRIPTION

1. Introduction

The Group is a leading alternative investment management business. It has expertise in a wide range of liquid investment styles including managed futures, equity, credit and convertibles, emerging markets, global macro and multi manager, combined with product structuring, distribution and client service capabilities. The Group's investment products are designed to offer performance across market cycles and are developed and structured internally and through partnerships with other financial institutions.

All of the Group's investment managers together provide a diverse and complementary range of liquid alternative investment strategies: AHL/MSS in systematic managed futures trading and other quantitative strategies; GLG in discretionary strategies; FRM in bespoke, actively managed fund of hedge fund offerings; and Numeric is a quantitative equity manager. The Group has a global distribution network and an investment management track record dating back more than 20 years. As at 30 June 2014, funds under management were US\$57.7 billion (31 December 2013: US\$54.1 billion). The Group's global headcount including contractors and consultants as at 31 July 2014 was approximately 1,015.

As at 30 June 2014, the Group had US\$185 million of seed investments and loans to funds on its balance sheet. As the Group launches new products over time, it may increase the size of its seed capital programme (in order to support new strategies and products) significantly, based on current requirements, potentially up to US\$500 million utilising total regulatory capital of around US\$125 million, approximately US\$75 million more than as at 30 June 2014.

2. History

Man, formerly known as E D & F Man Group plc, was incorporated in England and Wales under the Companies Act 1985 (as amended) (the "Act") on 22 April 1994 as a company limited by shares under the name E D & F Man Group Limited, with registered number 02921462. On 5 September 1994, E D & F Man Group Limited was re-registered under the Act as a public company limited by shares of indefinite duration and in the same year was floated on the London Stock Exchange. On 29 September 2000, the name of E D & F Man Group plc was changed to that of "Man Group plc" (now known as Man Strategic Holdings Limited, the Guarantor). In 2012, the Group undertook a corporate reorganisation pursuant to which a new listed holding company (Man) was introduced for the Group. On 6 November 2012, under a court approved scheme of arrangement under Part 26 of the Companies Act 2006, all of the issued ordinary shares in the former holding company were cancelled, the same number of new ordinary shares were issued to the new holding company and shareholders received, for every ordinary share they held in the former holding company, one ordinary share in a new holding company. This new holding company (Man) became the new listed holding company for the Group and has the same name as its predecessor, "Man Group plc". As a result, the Guarantor is now an intermediate holding company of the Group. Man's registered office and principal place of business is at Riverbank House, 2 Swan Lane, London EC4R 3AD (telephone +44 20 7144 1000). As at the date of this Prospectus, Man is the parent company of the Group of companies, and is the holding company for the various operating entities and divisions which together constitute Man's business.

Man can trace its trading origins back to the late eighteenth century. The asset management division of Man was formed in 1983 and in 1989 Man purchased a majority stake in London based systematic investment manager AHL, acquiring the remaining minority stake in AHL in 1994, the year in which Man was also admitted to trading on the London Stock Exchange. In 2000, Man completed the acquisition of Glenwood, a US fund of funds business and in 2002, Man acquired Swiss fund of hedge funds manager, RMF. At that time, Man operated two principal divisions: "Asset Management" and "Brokerage". In July 2007, Man de-merged its brokerage business (re-named MF Global Holdings Ltd.) by way of an initial public offering and listing on the New York Stock Exchange, allowing Man to focus purely on the investment management business.

In March 2009, Man brought together the previous separate in-house fund of fund capabilities in RMF, Glenwood and Man Global Strategies to form Man Multi Manager.

On 14 October 2010, Man completed its acquisition of GLG Partners, Inc., a leading global multi strategy investment manager.

On 17 July 2012, Man completed its acquisition of FRM Holdings Limited (“**FRM Holdings**”), a global hedge fund research and investment specialist. For further information on Man’s acquisition of FRM, see paragraph 10 (*Material Contracts—Acquisition of FRM*) below.

On 5 September 2014, Man completed its acquisition of Numeric Holdings LLC, a privately-owned, Boston-based quantitative equity manager with US\$14.7 billion of funds under management as at 31 May 2014 (*Source: Numeric management information as at 31 May 2014*). Under the terms of the Acquisition, Man paid approximately US\$219 million in cash at Completion, with up to US\$275 million of further consideration payable to Numeric Management following the fifth anniversary of Completion under an option arrangement, dependent on the run rate profitability of the business.

On 1 August 2014, Man also completed its acquisition of Pine Grove Asset Management LLC, 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.

3. Strengths

The Board believes that the Group’s business continues to benefit from a strong competitive position, founded on its historic investment performance across a wide range of investment strategies, global distribution and financial strength, together with a benchmark performance comparable for the corresponding periods.

Investment performance across a wide range of investment strategies

All of the Group’s investment managers together provide a diverse and complementary range of liquid alternative investment strategies: AHL/MSS in technology driven, quantitative and systematic managed futures trading; GLG in discretionary strategies and FRM in bespoke, actively managed fund of hedge fund offerings. Following the acquisition of GLG, the Group is able to offer its clients a broader suite of investment strategies with reduced correlation of investment returns. Further information on each of the investment managers is set out in paragraph 7 (*Business Overview—Investment Management*) below.

The table below sets out the representative investment performance of these strategies on the basis of their: (i) total return for the three months to 30 June 2014; (ii) total return for the 6 months to 30 June 2014; (iii) annualised return for the three years to 30 June 2014; and (iv) annualised return for the five years to 30 June 2014.

Investment Performance

	Total Return		Annualised Return	
	3 months to 30 Jun 2014	6 months to 30 Jun 2014	3 years to 30 Jun 2014	5 years to 30 Jun 2014
AHL/MSS				
AHL Diversified ⁽¹⁾	11.2%	8.7%	1.9%	1.8%
AHL Alpha ⁽²⁾	7.2%	6.0%	2.3%	3.0%
AHL Evolution ⁽³⁾	11.2%	13.3%	n/a	n/a
AHL Dimension ⁽⁴⁾	6.1%	6.7%	4.1%	4.5%
MSS TailProtect ⁽⁵⁾	−4.1%	−6.8%	−4.0%	n/a
MSS Europe Plus ⁽⁶⁾	1.6%	3.5%	9.9%	n/a
GLG ALTERNATIVES				
Equity				
Europe				
GLG European Long Short Fund ⁽⁷⁾	−5.0%	−5.4%	2.9%	5.0%
GLG European Equity Alternative UCITS Fund ⁽⁸⁾ . . .	−5.2%	−5.7%	3.0%	n/a
GLG European Alpha Alternative UCITS Fund ⁽⁹⁾ . . .	−0.5%	1.4%	3.0%	4.4%
North America				
GLG North American Opportunity Fund ⁽¹⁰⁾	1.9%	0.4%	−0.5%	4.3%
GLG North American Equity Alternative UCITS Fund ⁽¹¹⁾	0.2%	−0.9%	−2.9%	n/a
UK				
GLG Alpha Select Fund ⁽¹²⁾	−3.3%	−0.9%	2.3%	3.5%
GLG Alpha Select UCITS Fund ⁽¹³⁾	−3.2%	−0.8%	1.8%	n/a

	Total Return		Annualised Return	
	3 months to 30 Jun 2014	6 months to 30 Jun 2014	3 years to 30 Jun 2014	5 years to 30 Jun 2014
Other equity alternatives				
GLG Global Opportunity Fund ⁽¹⁴⁾	−1.2%	−1.5%	−0.9%	2.8%
Convertibles				
GLG Global Convertible Fund ⁽¹⁵⁾	0.1%	1.2%	3.7%	7.3%
GLG Global Convertible UCITS Fund ⁽¹⁶⁾	0.4%	2.5%	5.2%	8.6%
Market neutral				
GLG Market Neutral Fund ⁽¹⁷⁾	1.7%	4.0%	8.2%	23.7%
GLG European Distressed Fund ⁽¹⁸⁾	2.7%	5.9%	7.8%	n/a
Macro and Special Situations				
GLG Atlas Macro Fund ⁽¹⁹⁾	−9.6%	−16.9%	−5.3%	0.8%
GLG Atlas Macro Alternative UCITS Fund ⁽²⁰⁾	−9.5%	−16.9%	−5.1%	n/a
Multi-strategy				
GLG Multi-Strategy Fund ⁽²¹⁾	−1.4%	−1.9%	1.1%	5.8%
GLG LONG ONLY				
GLG Japan Core Alpha Equity Fund ⁽²²⁾	4.8%	−1.4%	16.9%	8.2%
GLG Global Equity UCITS Fund ⁽²³⁾	3.6%	1.9%	9.9%	12.0%
GLG Strategic Bond Fund ⁽²⁴⁾	2.7%	5.5%	n/a	n/a
GLG Undervalued Assets Fund ⁽²⁵⁾	−1.5%	3.2%	n/a	n/a
FRM				
AA Diversified ⁽²⁶⁾	0.8%	1.0%	1.2%	2.9%
FRM Diversified II ⁽²⁷⁾	0.9%	1.4%	2.4%	4.4%
FRM Dynamic Selection ⁽²⁸⁾	1.6%	2.3%	1.2%	1.9%
Indices				
World Stocks ⁽²⁹⁾	4.4%	5.5%	13.0%	14.5%
World Bonds ⁽³⁰⁾	1.8%	3.9%	4.4%	3.9%
Corporate Bonds ⁽³¹⁾	3.7%	9.6%	9.4%	10.2%
Hedge fund indices				
HFRI Fund of Funds Composite Index ⁽³²⁾	1.5%	1.9%	3.2%	4.2%
HFRI Fund Weighted Composite Index ⁽³²⁾	2.0%	3.2%	4.0%	6.5%
HFRX Global Hedge Fund Index	0.6%	1.8%	1.5%	3.0%
Style indices				
Barclay BTOP 50 Index ⁽³³⁾	1.9%	0.4%	−0.5%	0.1%
HFRI Equity Hedge (Total) Index ⁽³²⁾	2.1%	3.6%	4.9%	7.4%
HFRI EH: Equity Market Neutral Index ⁽³²⁾	0.3%	1.5%	2.4%	2.5%
HFRI Macro (Total) Index ⁽³²⁾	1.2%	0.9%	−0.5%	1.4%
HFRI Relative Value (Total) Index ⁽³²⁾	2.4%	4.8%	6.4%	9.1%

Source: Man database, Bloomberg, MSCI and Source. There is no guarantee of trading performance and past or projected performance is not a reliable indicator of future performance. Returns may increase or decrease as a result of currency fluctuations. This is not a complete list of investment products. Funds have been chosen to give a representative view across product range and strategy.

- (1) Represented by Man AHL Diversified plc from 26 March 1996 to 29 October 2012, and by Man AHL Diversified (Guernsey) USD Shares—Class A from 30 October 2012 to date. The representative product was changed at the end of October 2012 due to legal and/or regulatory restrictions on Man AHL Diversified plc preventing the product from accessing the Programme's revised target allocations. Both funds are valued weekly; however, for comparative purposes, statistics have been calculated using the best quality price that is available at each calendar month end, using estimates where a final price is unavailable. Where a price, either estimated or final is unavailable on a calendar month end, the price on the closest date prior to the calendar month end has been used.
- (2) Represented by AHL Alpha plc from 17 October 1995 to 30 September 2012, and by AHL Strategies PCC Limited: Class Y AHL Alpha USD Shares from 1 October 2012 to 30 September 2013. The representative product was changed at the end of September 2012 due to the provisioning of fund liquidation costs in October 2012 for AHL Alpha plc, which resulted in tracking error compared with other Alpha Programme funds. Both funds are valued weekly; however, for comparative purposes, statistics have been calculated using the best quality price that is available at each calendar month end, using estimates where a final price is unavailable. Where a price, either estimated or final is unavailable on a calendar month end, the price on the closest date prior to the calendar month end has been used. Both of the track records have been adjusted to reflect the fee structure of AHL Alpha (Cayman) Limited—USD Shares. From 30 September 2013, the actual performance of AHL Alpha (Cayman) Limited—USD Shares is displayed.
- (3) Represented by AHL (Cayman) SPC—Class A1 Evolution USD Shares.

- (4) Represented by AHL Strategies PCC Limited: Class B AHL Dimension USD Shares until 31 May 2014, and by AHL Dimension (Cayman) Ltd—Class F USD Shares from 1 June 2014 to date.
- (5) Represented by TailProtect Limited Class B.
- (6) Represented by the official performance of Man GLG Europe Plus Source ETF net of a 0.75% p.a. management fee and no performance fee. Provided by Source.
- (7) Represented by GLG European Long Short Fund—Class D Unrestricted—EUR.
- (8) Represented by GLG European Equity Alternative IN EUR.
- (9) Represented by GLG European Alpha Alternative IN EUR.
- (10) Represented by GLG North American Opportunity Fund—Class A Unrestricted—USD.
- (11) Represented by GLG North American Equity Alternative IN USD.
- (12) Represented by GLG Alpha Select Fund—Class C—EUR.
- (13) Represented by GLG Alpha Select Alternative IN H EUR.
- (14) Represented by GLG Global Opportunity Fund—Class Z—USD.
- (15) Represented by GLG Global Convertible Fund—Class A—USD.
- (16) Represented by GLG Global Convertible UCITS Fund—Class IL T USD to Class IM USD (08/06/2009).
- (17) Represented by GLG Market Neutral Fund—Class Z Unrestricted—USD.
- (18) Represented by GLG European Distressed Fund—Class A—USD.
- (19) Represented by GLG Atlas Macro Fund—Class A—USD.
- (20) Represented by GLG Atlas Macro Alternative IN USD.
- (21) Represented by the gross return of Man GLG Multi-Strategy Fund—Class A—USD Shares until 31 December 2012. From 1 January 2013 the actual gross performance of Man GLG Multi-Strategy Fund—Class G—USD Shares is displayed.
- (22) Represented by GLG Japan CoreAlpha Equity Fund—Class C to Class I JPY (28/01/2010).
- (23) Represented by GLG Global Equity Fund—Class I T USD to Class I USD (13/05/2011).
- (24) Represented by GLG Strategic Bond Fund Class A.
- (25) Represented by GLG Undervalued Assets Fund—C Accumulation Shares.
- (26) Represented by Absolute Alpha Fund PCC Ltd Diversified—USD.
- (27) Represented by FRM Diversified II Fund SPC—Class A USD.
- (28) Represented by FRM Dynamic Selection USD I.
- (29) Represented by MSCI World Net Total Return Index hedged to USD.
- (30) Represented by Citigroup World Government Bond Index hedged to USD (total return).
- (31) Represented by Citigroup High Grade Corp Bond TR.
- (32) HFRI index performance over the past 4 months is subject to change.
- (33) The historic BarclayHedge data is subject to change.

Global distribution

Investor requirements vary significantly across investor types and geographies. The Group benefits from a well-established network of offices in the significant markets in which it operates and has developed strong relationships with key regulators. The Group directly services the needs of institutional investors, such as pension funds, insurance companies or banking institutions. The Group accesses private investors via a global distribution network of intermediary relationships, comprising substantial private banking platforms and smaller intermediaries.

The Group has cultivated strong partnerships with investors, intermediaries, regulators and others over many years. These partnerships enable the Group to gain subscriptions from investors onshore, as well as internationally.

Financial strength

As at the date of this Prospectus, Man is lead-regulated in the UK by the FCA and its shares listed on the Official List and traded on the London Stock Exchange. Man is subject to compliance with transparency and other such obligations resulting from such listed and regulated status. The Group has the expertise, relationships and infrastructure to adapt and operate in an environment where the regulatory and policy landscape is continually changing. As at 30 June 2014, Man had a regulatory capital surplus of US\$625 million, net cash of US\$820 million and total liquidity resources of US\$2,345 million. The Group continues to exercise financial discipline in cost management.

4. Business Strategy

The Group's corporate strategy is to deliver strong long-term investment performance across a wide range of alternative investment strategies and formats to a growing global investor base within a strong framework of people management, governance, risk management, innovation and capital allocation.

In 2014, the Group is focusing on four strategic priorities to implement its corporate strategy:

- Investment Performance—achieve industry leading, risk-adjusted performance across a wide range of liquid investment strategies;
- Growth—develop high-alpha investment products and restructure existing products to appeal to a broader client base;
- Distribution—reorienting the distribution effort to reflect the increasing demand from institutional channels and away, in particular, from guaranteed products; and
- Efficiency—implementing its cost savings programme and running the business as efficiently as possible.

5. Funds under Management (FUM) Overview

The Group provides investment management and advisory services to third party investors and fund entities. The fund entities have independent boards of directors with independent governance and decision making powers, including the ability to remove the investment manager. The fund entities' investment performance, assets and liabilities are therefore separate from the Group and are not consolidated into the Group's financial statements.

The investors' capital is managed by the Group in accordance with investment management and advisory mandates. These mandates specify the types of investment that are permitted, subscription and redemption criteria and fees. Investors are charged management fees based on asset exposure and incentive fees based on investment performance. The asset exposure, or FUM, is supported by the investors' capital and any financing provided to the fund entities by banks and prime brokers, referred to as 'leverage'.

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

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

Funds under management are a key driver of the Group's results and prospects, as FUM forms the basis on which its revenue is generated. The Group is aiming to grow funds under management while seeking to maintain its revenue margin by product. As at 30 June 2014, FUM of the combined Group, including Numeric (being approximately US\$14.7 billion) and Pine Grove (being approximately US\$1 billion), amounted to approximately US\$73.4 billion. The Group divides its FUM into eight product categories reflecting a range of different margin characteristics. As at 30 June 2014, guaranteed products have the highest gross margin at over 500 basis points and long only products have the lowest gross margin at less than 90 basis points.

The table below sets out the Group's funds under management as at 30 June 2014, 31 December 2013, 31 December 2012, 31 December 2011 and 31 March 2011.

	30.06.2014	31.12.2013	31.12.2012	31.12.2011*	31.03.2011**
Alternative	38.2	36.5	39.9	37.7	40.0
Quant (AHL / MSS)	9.0	8.9	11.2	14.5	13.7
Discretionary (GLG)	18.0	16.3	14.6	14.4	16.8
Fund of Funds (FRM)	11.2	11.3	14.1***	8.8	9.5
Long Only	18.1	15.3	11.4	10.7	14.0
Quant (AHL /MSS)	2.1	1.5	1.7	1.0	1.0
Discretionary (GLG)	16.0	13.8	9.7	9.7	13.0
Guaranteed	1.4	2.3	5.7	10.0	15.1
Total	57.7	54.1	57.0	58.4	69.1

* Adjusted to represent a like for like basis—Pemba and Ore Hill from Alternative Fund of Fund to Discretionary Alternative and MSS from Discretionary Long Only to Long Only Quant

** Adjusted to represent a like for like basis—Pemba and Ore Hill from Alternative Fund of Fund to Discretionary Alternative and MSS from Discretionary Long Only to Long Only Quant

*** increase due to FRM acquisition

6. Business Model

The Group's business model brings together, in a unified structure, strengths in:

- (a) Investment Management;
- (b) Investor Solutions; and
- (c) Distribution and Client Services.

This structure allows for investment management autonomy, while at the same time generating significant operating leverage potential through centralised structuring, legal, compliance and operations support and centralised access to global distribution capability, supported by a managed approach to risk and capital strength.

7. Business Overview

(a) Investment Management

(i) AHL/MSS

AHL/MSS is a world leading quantitative manager, with funds under management of US\$12.1 billion as at 30 June 2014. AHL/MSS manages several systematic portfolios, including managed futures, quantitative multi-strategy, equity alpha-capture, tail protection and sector-focused funds.

AHL

Founded in 1987, AHL is a managed futures manager, and has over 25 years of trading experience. Investment decisions are systematic, with AHL's trading systems sampling prices daily in order to primarily identify and profit from trends across a broad range of sectors, including currencies, bonds, stocks, energies, interest rates, metals, agricultural and credit. This high degree of diversification means that the allocation to each position is small, which helps to control risk within portfolios. Investment exposure to this broad range of sectors is accessed predominantly through on-exchange futures and forwards contracts as well as over the counter derivative instruments.

Risk control is of paramount importance, with portfolios targeting a level of volatility rather than return. Risk is controlled in real-time by a dynamic volatility process applied across all positions, which reduces position sizes as volatility increases and vice versa. In addition a variety of risk

measures such as value-at-risk, stress testing and leverage are monitored daily to adjust portfolios in accordance with pre-defined limits.

Trades are executed either electronically using AHL's proprietary trade execution platform or by the team of experienced non-discretionary execution traders.

AHL is fully compliant with industry standards for disclosure, risk management, valuation, fund governance and market related issues, as determined and maintained by the Hedge Fund Standards Board.

Man Systematic Strategies (MSS)

Founded in 2011 and merging with AHL in 2013, MSS is responsible for developing and managing profitable systematic strategies, driven by cutting edge technology. MSS launched the Group's first exchange traded fund in January 2011. Designed in partnership with ETF provider Source, Man GLG Europe Plus Source ETF produces European equity index plus returns based on fundamental brokers ideas provided specifically for GLG. The MSS team then uses proprietary quantitative technologies to enhance these recommendations, with the objective of generating steady alpha at low risk. MSS has also launched Man TailProtect, an actively managed, systematic investment vehicle designed to provide tail risk protection to institutional investors. Using models designed at the Group and incorporating volatility forecasting research output from the Oxford-Man Institute of Quantitative Finance, the product is designed to be profitable during market stress periods.

TailProtect won industry awards in 2012 for Most Innovative Hedge Fund and separately Best Convertible Arbitrage/Volatility Hedge Fund. MSS also launched in early 2012, a long only commodity strategy that uses a trend following, fundamentals and roll-yield based investment approach and has recently launched a fixed income strategy which trades interest rate and foreign exchange products.

Investment Performance

The investment performance of a representative sample of AHL/MSS's funds for the three months and six months ended 30 June 2014, the annualised return for the three years and five years ended 30 June 2014, together with a benchmark performance comparable for the corresponding periods, is set out in the table contained in paragraph 3 (*Strengths—Investment performance across a wide range of investment strategies*) above.

Investment in research

AHL/MSS's long-term track record is underpinned by a world class research capability and advanced trading infrastructure, benefitting from continued significant investment and development. Through the Man Research Laboratory co-located within the Oxford-Man Institute of Quantitative Finance within the world leading University of Oxford, AHL/MSS continues to gain insights into academic developments in financial econometrics and access to leading academic experts in this field.

AHL/MSS continues to refine and adapt its trading programmes to enhance returns and manage risk for investors.

All new trading ideas are extensively researched and tested before being introduced into client trading. As new strategies successfully transition into the final stages of development, one of the final checks is to test them in live trading with the Group's capital. This is a prerequisite before any strategy can trade with client capital.

Investment in trading

Following the Group's move in 2011 to its new headquarters in London, AHL has benefitted from enhanced trading technology and a new trading floor at the heart of the operations. In May 2011, AHL moved its operational staff to Hong Kong to support its local trading desk, making it completely self-reliant. This means that in the unlikely event of failures to its UK primary and back up trading sites it can still run its entire trading operation from Hong Kong.

(ii) GLG

GLG is a leading discretionary, multi-strategy global investment management business that offers a range of absolute return and long only strategies across asset classes, sectors and geographies. Founded in 1995, GLG is a substantial alternative investment manager, managing US\$18.1 billion in hedge fund strategies (split between equity, credit and convertibles and macro) and US\$16 billion of long only funds, in each case as at 30 June 2014, for a broad range of investors.

GLG aims to exceed investor expectations by delivering a combination of attractive risk adjusted returns, portfolio transparency and outstanding client service.

Investment performance

The investment performance of a representative sample of funds across GLG's investment styles for the three months and six months ended 30 June 2014, the annualised return for the three years and five years ended 30 June 2014, together with a benchmark performance comparable for the corresponding periods, is set out in the table contained in paragraph 3 (*Strengths—Investment performance across a wide range of investment strategies*) above.

A platform for investment management talent

GLG provides a versatile investment management platform with significant potential to expand existing strategies and add new styles.

(iii) FRM

The Group completed its acquisition of FRM Holdings on 17 July 2012 and has integrated it to form a hedge fund investment operation trading under the FRM brand.

Overview

FRM is one of the largest, independent alternatives specialists based in Europe and employs an extensive research and investment team located in London, New York, Tokyo, Guernsey and Pfaffikon (Switzerland). It specialises in open architecture hedge fund and alpha strategy solutions for institutional investors, including fund of hedge funds, client advisory solutions and outsourced research. Its extensive managed accounts platform offers institutional investors control, transparency and sophisticated risk management. As at 30 June 2014, FRM had US\$11.5 billion of funds under management.

FRM offers clients a wide range of multi-manager investment services across the liquidity spectrum, from commingled FoHFs through to managed accounts (MACs) activities. With 16 years of experience in building MAC capabilities, FRM's industry leading platform provides the access and transparency to promote better investment decisions.

Investment performance

The investment performance of FRM's flagship funds across FRM's investment styles for the three months and six months ended 30 June 2014, the annualised return for the three years and five years ended 30 June 2014, together with a benchmark performance comparable for the corresponding periods, is set out in the table contained in paragraph 3 (*Strengths—Investment performance across a wide range of investment strategies*) above.

(b) Investor Solutions

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

The Group's global team of financing and product structuring experts work closely with the investment managers and client service teams to develop a wide range of "off-the-shelf" and bespoke investment vehicles tailored to a wide range of client needs, which include:

- onshore or offshore investment vehicles;
- UCITS IV compliant funds;

- open-ended or close-ended vehicles allocating to single managers or multi-manager portfolios;
- managed accounts; and
- capital guaranteed/principal protected structures.

The Group believes that its structuring capabilities give it the potential to capitalise on investor appetite across a wide range of markets and format preferences for strategies which perform strongly and/or which are complex and challenging to bring to market. Examples of the Group's structuring capability include UCITS offerings of its European Equity Long Short strategies and TailProtect, its volatility based strategy, described in more detail above.

(c) *Distribution and Client Services*

Overview

The Group operates two distinct distribution models, marketing directly to institutions and via third party intermediaries to private investors.

Institutions represent a significant percentage of industry allocations and the Group has been deepening its relationships with global consultants over the past few years.

Man's intermediary network covers a wide range of substantial global and strategic regional financial institutions as well as smaller intermediaries and offers the Group scale, flexibility and efficiency in the distribution of its products. Global wealth platforms and banking relationships remain important and the Group has made significant progress in expanding its presence on several global private banking platforms.

The Group's longstanding network of regional offices helps place its staff close to investors. Detailed reporting can be provided in both standard and customised formats designed specifically to meet the requirements of both private and institutional investors. The Group's customer service teams include specialised relationship managers, client service professionals embedded in the investment management teams and a network of regional offices around the world.

The Group's investors

The Group's investor base comprises both institutional and retail investors.

Institutional Investors

As at 30 June 2014, institutional investors represented approximately 67 per cent. of the Group's investor base (US\$38.6 billion), predominantly constituting pension funds, insurance companies, banks, asset managers, sovereign wealth funds and endowments.

Retail Investors

As at 30 June 2014, private investors represented approximately 33 per cent. of the Group's investor base (US\$19.1 billion). The Group generally targets the mass affluent investor segment, where, for example, new onshore regulated products are providing access to hedge fund returns to an expanding global market.

Investors by geography

The table below sets out the geographic breakdown by way of FUM for the Group's investors as at 30 June 2014, 31 December 2013, 31 December 2012, 31 December 2011 and 31 March 2011.

FUM by geography	As at 30 June 2014		As at 31 December						As at 31 March 2011	
			2013		2012		2011			
	US\$bn	%	US\$bn	%	US\$bn	%	US\$bn	%	US\$bn	%
EMEA	43.0	75%	39.8	73%	37.6	66%	36.8	63%	44.9	65%
Asia Pacific	10.8	19%	10.7	20%	14.8	26%	15.8	27%	17.3	25%
Americas	3.9	7%	3.6	7%	4.6	8%	5.8	10%	6.9	10%
Total	57.7	100%	54.1	100%	57.0	100%	58.4	100%	69.1	100%

8. Risk Management and Capital

Risk Management

The following description represents the current risk management arrangements in place at Man.

The Group's approach to risk management is to identify, monitor and evaluate risk throughout the Group and to manage these risks within acceptable risk limits set internally. The Group aims to maintain sufficient excess capital and substantial liquidity resources in order to give it flexibility both to continue to finance long-term growth and to operate the business effectively under market stress situations.

The Man Board is ultimately responsible for the framework of risk governance and risk management, as well as for determining risk strategy, setting parameters for the Group's risk appetite and ensuring that risk is monitored and controlled effectively. The Man Board has given, delegated authority to four committees—the Audit and Risk Committee, Executive Committee, the Risk Assurance Committee and the Finance Committee—to provide oversight across all risks faced by the business. These committees comprise senior management from the business and support areas and provide oversight across all risks faced by the business. The principle of individual accountability and responsibility for risk management is an important feature of the Group's corporate culture, with senior management within the Group's businesses being accountable for all risks assumed in their areas of responsibility and for the execution of appropriate risk management discipline within the framework of policy and delegated authority set out by the Man Board.

Day to day independent and objective assessment and monitoring of risk is provided by various risk control functions at the Group level which include group risk, finance, legal, compliance, human resources and internal audit, with formal reporting lines. In addition, risk management functions reside within each business unit, with formal reporting lines and segregation of duties for the key risk, compliance, legal and finance functions.

Capital

As at the date of this Prospectus, Man is lead-regulated by the FCA and is therefore subject to the FCA's prudential and capital regulation. Its regulatory capital requirements are calculated in accordance with a limited licence investment group under the EU Capital Requirements Directive. In addition, it calculates its economic capital using scenario and statistical modelling. Man's economic capital methodology forms part of its Internal Capital Adequacy Assessment Process (ICAAP) submission to the FCA.

Man's capital and liquidity framework is designed to be conservative, allowing it to invest in the growth of its business. Man utilises capital to support the operation of the investment management process and the launch of new fund products. As at 30 June 2014, Man had a regulatory capital surplus of US\$625 million, net cash of US\$820 million and total liquidity resources of US\$2,345 million.

9. Legal and Arbitration Proceedings

Save as disclosed in this paragraph 9 under the heading "*GLG-related claims*", there are no legal or arbitration proceedings (and Man is not aware of any such proceedings which are pending or threatened), which may have or which have had in the 12 months preceding the date of this document, a significant effect on the financial position or profitability of Man or the Group.

Ordinary course claims

The Group is subject to various claims, assessments, regulatory enquiries and investigations in the normal course of its business. As at 9 September 2014 (the latest practicable date prior to the date of this document), the Directors do not expect such matters to have a material adverse effect on the business, financial condition or results of operations of the Group.

GLG-related claims

GLG Partners LP is defending claims brought in the Commercial Court in London by Richard Desmond and trustees of a pension scheme for Mr Desmond's benefit (Credit Suisse International is also a defendant to one of the claims brought by Mr Desmond's pension scheme trustees). GLG Partners LP is a limited partnership established under English law. The general partner of GLG Partners LP is GLG Partners Limited, a member of the Group. GLG Partners Limited is defending the claims for and on behalf of GLG Partners LP.

The claims relate to a transaction between Credit Suisse International and Mr Desmond in April 2007 and a second, similar transaction between Credit Suisse International and Mr Desmond's pension scheme trustees in June 2007. The transactions were linked to the performance of a basket of GLG funds. Man considers the claims, the value of which is said by Mr Desmond and his pension scheme trustees to total up to approximately £42 million (plus interests and costs), to be unsubstantiated and GLG Partners Limited is vigorously defending them; the claims are not considered to have a material adverse effect on the financial position of the Group.

Unless the claims are resolved or withdrawn, they are due to be tried by the Commercial Court in London in January 2015.

10. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by Man and/or members of the Group within the two years immediately preceding the date of this document and are, or may be, material to the Group or have been entered into at any time by Man or another member of the Group and contain provisions under which Man or another member of the Group has an obligation or entitlement which is, or may be, material to Man or another member of the Group at the date of this document.

US\$1.56 billion Revolving Credit Facility with Barclays Bank plc

On 22 July 2011, Man Investments Finance Limited, Man Investments Limited, Man Investments (UK) Limited, Man-AHL (USA) Limited, GLG Partners International Ltd, GLG Partners UK Ltd, GLG Partners LP (acting by its general partner, GLG Partners Limited) and GLG Partners Investment Funds UK Limited (as borrowers) and Man and Man Investments Finance Limited (as guarantors) entered into an agreement (as amended and restated pursuant to an amendment and restatement agreement dated 7 September 2012) (the “**Revolving Facility Agreement**”) with Barclays Bank plc as agent and the financial institutions listed therein for an unsecured revolving credit facility of US\$1,560 million (the “**Revolving Credit Facility**”). As at 20 September 2012, the amount of the Revolving Credit Facility was reduced by US\$35 million to US\$1,525 million, being equal to the participation of one lender who exited the Revolving Credit Facility on that date.

The Revolving Credit Facility comprises a multicurrency revolving facility. The purpose of the Revolving Credit Facility is for financing the general corporate purposes of the Group (including for the avoidance of doubt, the making of acquisitions). Each advance made under the Revolving Facility Agreement is to be repaid on the last day of the interest period applicable to that advance and may be re-borrowed. The initial maturity date of the Revolving Facility Agreement is 22 July 2016, but the maturity date may be extended in respect of individual lenders to 22 July 2017 or 22 July 2018 (provided notice of such extension is provided, respectively, by the end of the first and second anniversaries of the date of the Revolving Facility Agreement), with such lender's agreement. The Revolving Facility Agreement was extended accordingly on 7 September 2012 to 22 July 2017 for an amount of US\$1,320 million for the extended period. It was then further extended on 23 July 2013 such that US\$70 million of the facility will mature on 22 July 2016, US\$120 million of the facility will mature on 22 July 2017 and the remaining US\$1,335 million of the facility will mature on 22 July 2018.

Under the terms of the Revolving Facility Agreement, in circumstances involving a change of control or likely change of control of Man, Man is required to notify the agent promptly upon becoming aware thereof (who will in turn notify the lenders). Upon receipt of such notification, each lender is entitled to request certain changes to the Revolving Facility Agreement, or otherwise must notify the agent that it is prepared to continue to participate in the Revolving Facility Agreement on the terms and conditions set out therein or that it is not prepared to continue on any terms.

The prompt performance by the borrowers of their obligations under the finance documents including the Revolving Facility Agreement is guaranteed by the guarantors. The representations, warranties, undertakings and events of default contained in the Revolving Facility Agreement are of a type usual for a transaction of this nature entered into at that time.

Acquisition of FRM

On 17 July 2012, Man Group UK Limited (“**Man Group UK**”) completed its acquisition of FRM by way of scheme of arrangement under Jersey law (the “**FRM Acquisition**”). Under the terms of the FRM

Acquisition, no consideration was paid up front, with contingent consideration dependent on asset retention and investment management performance. The contingent consideration payment comprises:

- two earn out payments, payable in cash following the first and third anniversaries of completion, on a sliding scale dependent on levels of net run rate management fees, as follows:
- after one year, up to US\$47.5 million; and
- after three years, up to US\$66.5 million; and
- 47.5 per cent. of net performance fees generated from FRM's existing assets in the three years after completion, capped at US\$60.8 million.

Man Group UK also agreed to pay an estimated US\$71.7 million in cash for an anticipated US\$102.9 million of FRM's net assets, principally cash, representing a discount to book value of approximately US\$31.2 million, subject to completion balance sheet adjustments.

In connection with the FRM Acquisition, the following material contracts were entered into by Man Group UK:

Implementation Agreement dated 21 May 2012

Man Group UK, RBH Holdings (Jersey) Limited (a wholly-owned subsidiary of Man Group UK) ("**RBH**"), FRM Holdings and Adam Street Representative Limited (the "**Sellers' Representative**") entered into an implementation agreement dated 21 May 2012 (the "**Implementation Agreement**") which contains certain obligations in relation to the implementation of the scheme of arrangement relating to the FRM Acquisition (the "**FRM Scheme**").

Under the Implementation Agreement, RBH has given certain warranties to FRM Holdings and the Sellers' Representative, acting on behalf of the selling shareholders of FRM Holdings, including that (i) it has the necessary cash resources available to meet its obligations under the FRM Scheme and (ii) it has fully disclosed the details of all arrangements between itself and Sumitomo Mitsui Trust Bank, Limited ("**SMTB**") and will continue to keep FRM Holdings and the Sellers' Representative fully informed of any material amendments to the terms of the strategic relationship agreement entered into with SMTB during the three years from 17 July 2012, to the extent that such changes may affect the amount of any deferred consideration which the relevant shareholders under the FRM Scheme may have been entitled to receive.

In addition, under the terms of the Implementation Agreement and the FRM Scheme, Man Group UK has agreed unconditionally and irrevocably to guarantee that RBH will perform when due any and all of its obligations relating to the FRM Acquisition, including payment by RBH of the deferred consideration under the FRM Scheme. Man has agreed that if RBH fails to make any payment when it is due, it shall on demand pay the relevant amount to the Sellers' Representative on behalf of FRM Holdings' previous shareholders (other than SMTB) as if it were Man Group UK's obligation to make the payment in the first place.

Strategic Relationship Agreement dated 21 May 2012

SMTB participated in the FRM Scheme by exchanging its shares in FRM Holdings for the issue of certain preference shares in RBH (the "**Preference Shares**"). The Preference Shares entitle SMTB to receive a cumulative preferential dividend equal to a percentage of certain net management fees and net performance fees (the "**Annual Dividend**").

Prior to the FRM Acquisition, FRM Holdings and SMTB were parties to a strategic relationship agreement relating to the promotion of interests in certain of the FRM's funds of hedge funds in Japan. In connection with the FRM Acquisition, the original strategic relationship agreement was terminated and replaced with a new strategic relationship agreement between SMTB, RBH, FRM Investment Management Limited and Man Group UK dated 21 May 2012 (the "**SRA**"), which became effective on 17 July 2012. As was the case with the original strategic relationship agreement, the SRA contains (i) the terms on which SMTB promotes interests in certain of Man Group UK's funds of hedge funds in Japan on an ongoing basis and (ii) the terms that govern how SMTB and Man Group UK will co-operate in relation to the promotion of such funds of hedge funds. The SRA has an initial term of 10 years although it can be terminated earlier in certain circumstances.

In addition to the Annual Dividend, SMTB is entitled, pursuant to the SRA, to receive a portion of the management fees in relation to each fund of hedge funds covered by the SRA (the "**Management Fees**").

In certain circumstances specified in the SRA, (i) SMTB also has the option to put its Preference Shares onto Man Group UK and (ii) Man Group UK has a call option over such Preference Shares. Furthermore, under the SRA, Man Group UK guarantees (i) the obligations of RBH in relation to payment of the Annual Dividend and (ii) the obligations of FRM Investment Management Limited in relation to payment of the Management Fees.

Share Repurchase Agreement

On 5 March 2014, Man entered into an irrevocable, non-discretionary arrangement with Goldman Sachs International to repurchase on its behalf Man Ordinary Shares up to a maximum consideration of US\$115 million and subject to certain pre-set parameters, during the period from 6 March 2014 up to and including 19 December 2014 (the “**Period**”), including during any “close period” or “prohibited period” of Man (as such terms are defined in the Listing Rules) which fell during the Period. The purpose of the share repurchase arrangement was to return surplus capital to shareholders and was completed in full on 19 June 2014, with all shares repurchased pursuant to this arrangement having been cancelled. The arrangement was in accordance with the Listing Rules and the Man’s general authority to repurchase its shares.

Sponsor’s Agreement

On 7 August 2014, an agreement was entered into between Man and Credit Suisse whereby Credit Suisse agreed to act as sponsor in connection with the Acquisition. Pursuant to this agreement, the related engagement letter dated 16 June 2014 between Man and Credit Suisse and the related indemnity agreement dated 8 May 2014 between Man and Credit Suisse, Man has agreed to provide Credit Suisse with certain customary indemnities, undertakings and warranties in connection with its role as sponsor. The indemnities provided by Man indemnify Credit Suisse against claims made against it or losses incurred in connection with its role as sponsor subject to certain exceptions.

11. Regulation

The Group is subject to minimum capital requirements set by the FCA. Adherence to the stipulated capital ratios and requirements is extremely important to the ongoing operations and business of the Group. The FCA is the Group’s lead regulator, and supervises the Group on a consolidated basis and, every three months, the Group submits returns to the FCA on its capital adequacy. Various subsidiaries are directly regulated by the FCA or supervisors in other countries, which set and monitor their capital adequacy. As at 30 June 2014, Man had a regulatory capital surplus of US\$625 million, net cash of US\$820 million and total liquidity resources of US\$2,345 million. See also paragraph 8 (*Risk Management and Capital—Capital*) above for further information.

12. Recent Developments

Acquisition of Numeric Holdings LLC

On 5 September 2014, Man completed its acquisition of Numeric Holdings LLC (“**Numeric**”) (the “**Acquisition**”), a Boston-based quantitative equity manager with US\$14.7 billion of funds under management as at 31 May 2014 (*Source: Numeric management information as at 31 May 2014*).

Founded in 1989, Numeric has an attractive and established investment track record across a range of long only and long-short quantitative strategies and has seen substantial growth in recent years, with funds under management increasing from US\$7.6 billion at the end of 2012 to US\$14.7 billion as at 31 May 2014 (*Source: Numeric management information as at 31 May 2014*).

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

Numeric manages four main categories of quantitative equity strategies across long only and alternatives: Global & International with approximately US\$9.7 billion of assets; US Large Cap with US\$2.8 billion of assets; US Small Cap with US\$1.2 billion of assets; and US\$1.0 billion of alternatives which are

predominantly invested in multi-strategy and market neutral strategies. Numeric's major strategies have a strong investment performance track record with a number of them having meaningful capacity, which furthers Man's objective of providing superior, risk-adjusted returns to its clients and provides the potential for Man to add incremental FUM through combining Numeric's investment offering with Man's distribution capability.

Numeric has a highly experienced and well regarded team and there is a strong cultural fit with Man. Mike Even (Chief Executive Officer of Numeric) and Shanta Puchtler (Co-Chief Investment Officer and Director of Research at Numeric) have been appointed to Man's executive committee.

Under the terms of the Acquisition, Man paid approximately US\$219 million in cash at Completion. In addition, Numeric Management have rolled over the majority of their consideration in return for an ongoing 18.3 per cent. equity interest in the business (the "**Management Interests**") and at Completion, Numeric Management and other current employees of Numeric were also granted profit interests in the business that entitle the holders of such interests to share in 16.5 per cent. 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 call option arrangement. In the event that Man does not exercise the call option, Numeric Management may require Man to acquire such interests at the end of five and a half years from Completion pursuant to a put option arrangement. The amount payable by Man under the option arrangement is dependent upon the run rate profitability of the business, subject to a cap of US\$275 million.

The consideration payable on Completion was funded from Man's existing cash resources. Any further payments pursuant to the option arrangement are expected to be paid in cash, also funded from Man's cash resources and available facilities at the relevant time. However, Man has retained the right to, at its discretion, issue Man Ordinary Shares to holders of the Management Interests and Profit Interests at the then prevailing market price in order to satisfy some or all of the consideration payable under the option arrangement.

The regulatory capital usage associated with the Acquisition was approximately US\$325 million (*Source: Unaudited internal financial accounting records of Man representing estimated financial information compiled in accordance with the requirements of IFRS 3 (revised) 'Business Combinations'*). The Group's balance sheet and regulatory capital position are expected to remain strong after taking account of the proposed Acquisition.

Further information on the Numeric Group's business is set out in "Part III: Information on the Numeric Group" of the Circular and is incorporated by reference into this Prospectus.

Historical financial information in relation to the Numeric Group is set out in "Part V: Consolidated Historical Financial Information on the Numeric Group" of the Circular and is incorporated by reference into this Prospectus.

Acquisition of Pine Grove Asset Management LLC

On 4 August 2014, Man announced the acquisition 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 approximately US\$1.0 billion of assets under management. Since inception, the firm's hedge fund selections and portfolio management have delivered attractive risk-adjusted returns across market cycles. Approximately two thirds of Pine Grove's assets are from institutional investors, primarily US-based, with the remaining third from US high net worth individuals and family offices. Pine Grove will further enhance Man's presence in the US and add to FRM's fund of hedge funds business, reinforcing Man's efforts to offer clients a wide variety of investment opportunities, including SEC-registered US 40 Act funds and complementary fund of hedge fund products.

13. Directors And Their Interests

The Directors of Man are as follows:

<u>Director</u>	<u>Office</u>
Jon Aisbitt	Chairman
Phillip Colebatch	Senior Independent Non-Executive Director
Andrew Horton	Independent Non-Executive Director
Matthew Lester	Independent Non-Executive Director
Emmanuel Roman	Chief Executive Officer
Dev Sanyal	Independent Non-Executive Director
Nina Shapiro	Independent Non-Executive Director
Jonathan Sorrell	Chief Financial Officer

The business address of all the Directors of Man is Riverbank House, 2 Swan Lane, London, EC4R 3AD. None of the Directors has any conflicts of interest between their duties to Man and their private interests and/or other interests, nor do they engage in any principal activities outside Man, which may be significant with respect to Man.

The directors of the Guarantor are as follows:

<u>Director</u>	<u>Office</u>
Fiona Blakemore	Director
Emmanuel Roman	Director
Jonathan Sorrell	Director
George Edmund Wood	Director

The business address of all the directors of the Guarantor is Riverbank House, 2 Swan Lane, London, EC4R 3AD. None of the directors of the Guarantor has any conflicts of interest between their duties to the Guarantor and their private interests and/or other interests, nor do they engage in any principal activities outside the Guarantor, which may be significant with respect to the Guarantor.

14. Audit and Risk Committee

The composition of Man's Audit and Risk Committee is:

Matthew Lester (*Chairman*)
Phillip Colebatch
Andrew Horton
Dev Sanyal

15. Principal Offices

The registered office and principal place of business of Man and the Guarantor are at Riverbank House, 2 Swan Lane, London EC4R 3AD.

16. Major Shareholders

As at 26 August 2014 (being the latest practicable date prior to publication of this Prospectus), the following exercisable voting interests in the ordinary share capital of Man, disclosable under the Disclosure and Transparency Rules of the Financial Conduct Authority, had been notified to Man:

Odey Asset Management LLP	5.91%
TIAA-CREF Investment Management LLC and Teachers Advisors, Inc. ⁽¹⁾	5.17%
Societe Generale SA, Societe Generale Option Europe and Societe Generale Acceptance ⁽²⁾	6.13%

(1) As at 4 August 2014, TIAA-CREF Investment Management LLC held a 2.269 per cent. interest in Man's issued share capital and Teachers Advisors, Inc. held a 2.902 per cent. interest in Man's issued share capital. Teachers Advisors, Inc. is affiliated with TIAA-CREF Investment Management LLC.

(2) As at 19 August 2014, Societe Generale SA, Societe Generale Option Europe and Societe Generale Acceptance together held a 6.13 per cent. interest in Man's issued share capital. This consisted of a 0.08 per cent. direct interest and a 0.02 per cent. indirect interest in Man's voting rights attached to shares and a 6.03 per cent. interest in Man's voting rights attached to financial instruments with a similar economic effect to qualifying financial instruments.

17. Share Capital

Man's share capital as at 26 August 2014 (being the latest practicable date prior to publication of this Prospectus) was as follows:-

	<u>Nominal Value</u>	<u>Issued and fully paid Number</u>	<u>Aggregate Nominal Amount</u>
Ordinary Shares	3 ³ / ₇ US Cents	1,756,241,351	US\$60,213,989.16
Deferred sterling shares	£1.00	50,000	£50,000.00

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Section A: Unaudited Pro Forma Financial Information of the enlarged Group

The unaudited *pro forma* statement of net assets of the enlarged Group has been based on the net assets of the Group as at 31 December 2013 and prepared on the basis of the notes set out below. The unaudited *pro forma* statement of net assets has been prepared to illustrate the effect of the Acquisition on the net assets of the Group as if Completion had taken place on 31 December 2013.

The unaudited *pro forma* statement of net assets has been prepared in a manner consistent with the accounting policies adopted by the Group in preparing the audited financial statements for the year ended 31 December 2013.

The unaudited *pro forma* statement of net assets has been prepared for illustrative purposes only and, because of its nature, it addresses a hypothetical situation and does not represent the enlarged Group's actual financial position or results.

	Group net assets Note ^(a)	As at 31 December 2013 Adjustments		Pro forma enlarged Group Note ^(d)
		Numeric net liabilities Note ^(b)	Acquisition accounting Note ^(c)	
		(US\$ million)		
Assets				
Cash and cash equivalents	992	29	(234)	787
Trade and other receivables	388	29	—	417
Investments in fund products and other investments	273	1	—	274
Pension asset	71	—	—	71
Investments in associates	31	—	—	31
Leasehold improvements and equipment	68	3	—	71
Goodwill and acquired intangible assets	1,328	—	303	1,631
Other intangible assets	26	—	—	26
Non-current assets held for sale	56	—	—	56
Total assets	3,233	62	69	3,364
Liabilities				
Trade and other payables	725	21	110	856
Current tax liabilities	37	—	—	37
Borrowings	—	81	(81)	—
Deferred tax liabilities	58	—	—	58
Non-current liabilities held for sale	6	—	—	6
Total liabilities	826	102	29	957
Net assets/(liabilities)	2,407	(40)	40	2,407

Note (a) The consolidated financial information of the Group as at 31 December 2013 has been extracted without material adjustment from the audited consolidated financial statements of Man for the year ended 31 December 2013.

Note (b) The consolidated financial information relating to the Numeric Group as at 31 December 2013 has been extracted from Part V (Consolidated Historical Financial Information on the Numeric Group) of the Circular and reflects the audited US GAAP consolidated financial information of Numeric as at 31 December 2013 adjusted for:

- i. Adjustments for material differences between the accounting standards and accounting policies of Man and Numeric; and
- ii. Reclassifications in order to present the information on a basis consistent with the consolidated financial statements of the Group.

Note (c) The unaudited *pro forma* statement of net assets has been prepared on the basis that the Acquisition will be accounted for using the acquisition method of accounting. The excess of consideration over the book value of the assets acquired has been reflected as goodwill. A fair value exercise will be completed post acquisition; therefore no account has been taken of any additional intangible assets, fair value adjustments or deferred taxes which may arise on the Acquisition. Before Completion, the junior subordinated borrowings (US\$66 million at 31 December 2013) of Numeric will be converted to equity and the remaining borrowings (US\$15 million at 31 December 2013) will be repaid out of the cash balances of Numeric immediately after Completion, which has been reflected in the table above. The adjustment to cash and cash equivalents comprises the cash consideration of approximately US\$219 million payable at Completion, and the repayment of the other borrowings of US\$15 million immediately after Completion. The adjustment to trade and other payables

represents the estimated aggregate “earn-out” consideration of US\$83 million. The amount of goodwill has been calculated as follows:

	<u>Note</u>	<u>US\$ m</u>	<u>US\$ m</u>
Cash consideration			219
Year 5 earn-out consideration, annual dividend earn-out consideration and consideration based on any uncrystallised performance fees at the date of Completion	(i)		110
Gross consideration			329
Net liabilities of Numeric		(40)	
Conversion of shareholder’s debt to equity(ii)	(ii)	<u>66</u>	
			<u>26</u>
Goodwill			<u>303</u>

(i) The Year 5 “earn-out” consideration, which relates to both the Equity Interests and Profit Interests, is payable in cash or Man Ordinary Shares, and the annual “earn out” will be paid in the form of dividends. In addition, an amount based on uncrystallised performance fees at the date of Completion will be added to the purchase consideration. The net present value of an estimate of the “earn out” consideration and an estimate of the uncrystallised performance fees are used in the above table.

(ii) As stated in Note (c) above, US\$66 million of Numeric’s borrowings will be converted to equity before Completion, and hence the acquired net liabilities of Numeric have been adjusted.

Note (d) No adjustment has been made to reflect either the trading results of the Group or Numeric since 31 December 2013, or the potential additional consideration the Group will be required to pay for any net working capital balance at Completion in excess of US\$3 million as presented on the consolidated balance sheet of Numeric as at the date of Completion. The net working capital at Completion being all accounts receivable and other current assets (excluding cash), less all amounts payable and accrued expenses, accrued interest payable and current deferred lease incentives (but excluding indebtedness and expenses relating to the Transaction), determined in accordance with US GAAP and consistent with the accounting policies of Numeric.



Section B: Accountants' Report on the Unaudited Pro Forma Financial Information of the enlarged Group

Deloitte LLP
Hill House
1 Little New Street
London
EC4A 3TR

The Board of Directors
on behalf of Man Group plc
Riverbank House
2 Swan Lane
London
EC4R 3AD

10 September 2014

Dear Sirs,

Man Group plc (the “Company”)

We report on the pro forma financial information (the “Pro forma financial information”) set out in Section A (*Unaudited Pro Forma Financial Information of the enlarged Group*) of the section entitled “Unaudited Pro Forma Financial Information of the enlarged Group” of the prospectus dated 10 September 2014 (the “Prospectus”), which has been prepared on the basis described in such Section A, for illustrative purposes only, to provide information about how the Acquisition (as defined in the Prospectus) of Numeric Holdings LLC might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 31 December 2013. This report is required by the Commission Regulation (EC) No 809/2004 (the “Prospectus Directive Regulation”) and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.4R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex IX item 13.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.



We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.4R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex IX item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP
Chartered Accountants

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

TAXATION

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs practice relating to certain aspects of United Kingdom withholding taxation treatment at the date hereof. The comments below are of a general nature and are not intended to be, nor should be construed to be, legal or tax advice. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

The Notes issued by the Issuer which carry a right to interest ("UK Notes") will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the UK Notes are and continue to be quoted Eurobonds, payments of interest on the UK Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The London Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange.

In cases falling outside the exemption described above, interest on the UK Notes that has a United Kingdom source may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

If the Guarantor makes any payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) such payments may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction by HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply. Such payments by the Guarantor may not be eligible for the "quoted Eurobond" exemption described above.

HMRC has powers to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payments derived from the Notes. This may include details of the beneficial owners of the Notes, of the persons for whom the Notes are held and of the persons to whom payments derived from the Notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, administrators of such transactions, the registered holders of the Notes, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HMRC may be provided to tax authorities in other jurisdictions.

EU SAVINGS DIRECTIVE

Under Council Directive 2003/48/EC on the taxation of savings income, EU Member States are required to provide to the tax authorities of other Member States details of certain payments of interest or similar income paid or secured by a person established in a Member State to or for the benefit of an individual resident in another Member State or certain limited types of entities established in another Member State. For a transitional period, Luxembourg and Austria may instead apply (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, deducting tax at a rate of 35.0 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. In April 2013, the

Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive in respect of such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 24 March 2014, the Council of the European Union adopted a Council Directive the Directive (the “**Amending Directive**”). The Amending Directive broadens the scope of the requirements described in the first paragraph above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive and are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or paid subject to withholding. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union. They also broaden the definition of “**interest payment**” to cover income that is equivalent to interest. Investors who are in any doubt as to their position should consult their professional advisers.

THE PROPOSED FINANCIAL TRANSACTIONS TAX (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States).

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, established in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Goldman Sachs International, Merrill Lynch International and Société Générale (the “**Joint Lead Managers**”) have, pursuant to a Subscription Agreement dated 10 September 2014, jointly and severally agreed with the Issuer and the Guarantor, subject to the satisfaction of certain conditions, to subscribe (or procure the subscription) for the Notes at 100 per cent. of their principal amount. The Issuer has agreed to pay to the Joint Lead Managers a combined management, underwriting and sales commission of 0.50 per cent. of the aggregate principal amount of the Notes. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes will be issued in bearer form and therefore are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986 (as amended) and regulations thereunder.

Each Joint Lead Manager has represented, warranted and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement) within the United States or to, or for the account or benefit of, US persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a dealer, whether or not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

1. it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended or re-enacted from time to time) (“**FSMA**”)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
2. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Switzerland

This Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, distributed, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering, the company or the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are

not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA (“**FINMA**”), and investors in the Notes will not benefit from protection or supervision by such authority.

General

Each Joint Lead Manager has agreed to comply, to the best of its knowledge and belief, with all applicable laws and regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributed this Prospectus or any such other material relating to the Notes, in all cases at its own expense.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through the Clearstream, Luxembourg and Euroclear (which are the entities in charge of keeping the records) systems with a Common Code of 11033470. The International Securities Identification Number for the Notes is XS1103347701.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

2. It is expected that listing of the Notes on the Official List and admission of the Notes to trading on the London Stock Exchange's Regulated Market will be granted on or about 17 September 2014, subject only to the issue of the Temporary Global Note. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day after the day of the transaction. The total expenses related to the admission to trading are estimated to be approximately £6,975.
3. The issue of the Notes was authorised by resolutions of the Board of Directors of the Issuer passed 28 July 2014 and a resolution of a committee of the Board of Directors of the Issuer passed on 27 August 2014. The giving of the Guarantee by the Guarantor was authorised by resolution of the Board of Directors of the Guarantor passed on 29 August 2014.
4. There has been no significant change in the financial or trading position of the Issuer or the Group (excluding the Numeric Group) since 30 June 2014, the date to which Man's last published interim financial statements were prepared. There has been no significant change in the financial or trading position of the Numeric Group since 31 December 2013, the date to which Numeric's last published audited financial statements were prepared. There has been no significant change in the financial or trading position of the Guarantor since 31 December 2013, the date to which the Guarantor's last published audited financial statements were prepared. There has been no material adverse change in the prospects of the Issuer, the Group or the Guarantor since 31 December 2013, the date to which the Issuer's and the Guarantor's last published audited financial statements were prepared.
5. Save as disclosed on pages 45 to 46 of this Prospectus under "*Business Description—Legal and Arbitration Proceedings*", there are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had, a significant effect on the financial position or profitability of the Issuer, the Group or the Guarantor.
6. The Notes and Coupons will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".
7. Save as disclosed on pages 46 to 48 of this Prospectus under "*Business Description—Material Contracts*", there are no material contracts entered into other than in the ordinary course of the Issuer's or Guarantor's business which could result in any member of the Issuer's group being under an obligation or entitlement that is material to the Issuer's or Guarantor's ability to meet its obligations to Noteholders in respect of the Notes being issued.
8. Where information in this Prospectus has been sourced from third parties this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
9. PricewaterhouseCoopers LLP has audited, and rendered unqualified audit reports on, the accounts of the Issuer for the years ended 31 December 2013 and 31 December 2012. PricewaterhouseCoopers LLP has also audited, and rendered unqualified audit reports on, the accounts of the Guarantor for the years ended 31 December 2012 and 31 December 2013. On 9 May 2014, Deloitte LLP formally replaced PricewaterhouseCoopers LLP as the Issuer's auditor following shareholder approval at the Issuer's annual general meeting. Deloitte LLP also replaced PricewaterhouseCoopers LLP as the Guarantor's auditor on 25 June 2014.

10. Copies of the following documents may be inspected at the offices of the Paying Agent during usual business hours on any weekday (public holidays excepted) from the date of this Prospectus:
- (i) the Memorandum and Articles of Association of each of the Issuer and the Guarantor;
 - (ii) the audited consolidated annual financial statements of the Issuer for the years ended 31 December 2012 and 31 December 2013, together with the audit reports prepared in connection therewith, and unaudited consolidated interim financial statements of the Issuer for the six months ended 30 June 2014;
 - (iii) the audited consolidated annual financial statements of the Guarantor for the year ended 31 December 2012, together with the audit report prepared in connection therewith;
 - (iv) the audited non-consolidated annual financial statements of the Guarantor for the year ended 31 December 2013, together with the audit report prepared in connection therewith;
 - (v) the unaudited *pro forma* statement of the combined net assets of the enlarged Group and the accountants' report from Deloitte LLP set out in Sections A (*Unaudited Pro Forma Financial Information of the enlarged Group*) and B (*Accountants' Report on the Unaudited Pro Forma Financial Information of the enlarged Group*) respectively, of the section entitled "Unaudited Pro Forma Financial Information of the Enlarged Group" of this Prospectus;
 - (vi) the Trust Deed (which includes the Guarantee, the form of the Temporary Global Note, the Permanent Global Note, the definitive Notes and the Coupons); and
 - (vii) the Agency Agreement.
11. Deloitte LLP has given and has not withdrawn its written consent to the inclusion of its report set out in Section B (*Accountants' Report on the Unaudited Pro Forma Financial Information of the enlarged Group*) of the section entitled "Unaudited Pro Forma Financial Information of the Enlarged Group" of this Prospectus in the form and context in which it appears, and has authorised the contents of such part of this Prospectus which comprises such report for the purposes of paragraph 5.5.4R(2)(f) of the Prospectus Rules made under Section 84 of the FSMA.
12. Some of the Joint Lead Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. In addition, in the ordinary course of its business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the underwriters or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

ADDITIONAL DEFINITIONS

The following terms used in this Prospectus have the meanings ascribed to them below:

- the “**Act**” means the Companies Act 1985 (as amended);
- “**Acquisition**” has the meaning given to such term in “*Business Description—History*”;
- “**Aggregate Cap**” has the meaning given to such term in “*Risk Factors—Risks relating to the Acquisition—The escrow arrangements under the Merger Agreement may be insufficient to cover all losses*”;
- “**AHL**” means the Group’s managed futures manager;
- “**AHL**” or “**AHL/MSS**” means the Group’s systematic investment specialist business that focuses on delivering a range of absolute return, long-only and momentum-based quantitative funds;
- “**Circular**” means the circular dated 7 August 2014 sent by Man to its shareholders in relation to the Acquisition;
- “**Companies Act 2006**” means the Companies Act 2006 of the United Kingdom;
- “**Completion**” means completion of the Acquisition in accordance with the terms of the Merger Agreement;
- “**Core Escrow**” has the meaning given to such term in “*Risk Factors—Risks relating to the Acquisition—The escrow arrangements under the Merger Agreement may be insufficient to cover all losses*”;
- “**FCA**” means the Financial Conduct Authority;
- “**FoHFs**” means fund of hedge funds;
- “**Fund Product**” means any or all of the following, as the context may require:
 - (i) a collective investment scheme, company, unit trust, partnership, note or derivative instrument, bond or other investment vehicle or arrangement in which investors invest and in respect of which any subsidiaries and/or joint ventures of Man and/or of any member within the Group directly or indirectly provides investment management, advisory, structuring, risk management, operational or other services; and/or
 - (ii) a collective investment scheme, company, unit trust, partnership, note or derivative instrument, bond or other investment vehicle or arrangement owned, managed or advised by any subsidiaries and/or joint ventures of Man and/or of any member within the Group and used directly or indirectly to facilitate or effect the allocation of investor capital to underlying hedge fund strategy and other investment exposures from an investor-facing investment vehicle in respect of which any subsidiaries and/or joint ventures of Man and/or of any member within the Group directly or indirectly provides investment management, advisory, structuring, risk management, operational or other services;
- “**FRM**” means the Group’s open architecture hedge fund and alpha strategy solution for institutional investors including fund of hedge funds, client advisory solutions, outsourced research and consulting;
- “**FRM Holdings**” means FRM Holdings Limited;
- “**FUM**” means funds under management;
- “**GLG**” means GLG Partners, Inc., the Group’s discretionary fund management business;
- the “**Group**” means (a) in respect of periods prior to Completion of the Acquisition, Man, its subsidiaries and subsidiary undertakings, and (b) in respect of periods following Completion, the combined group comprising the Group as enlarged by the Numeric Group;
- “**HSR Act**” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C. §18a;
- “**LSE**” or “**London Stock Exchange**” means the London Stock Exchange plc or its successor;
- “**Man**” or the “**Issuer**” means Man Group plc, registered in England and Wales with registered number 08172396;
- “**Man Board**” means the board of directors of Man;

- “**Management Interests**” has the meaning given to such term in “*Business Description—Recent Developments*”;
- “**Man Ordinary Shares**” means the ordinary shares of 3¾ US cents each in the capital of Man;
- “**Merger Agreement**”—the agreement and plan of merger dated 18 June 2014 relating to the Acquisition;
- “**MSS**” means Man Systematic Strategies;
- “**Numeric**” means Numeric Holdings LLC a Delaware limited liability company;
- “**Numeric Group**” means Numeric, its subsidiaries and subsidiary undertakings;
- “**Numeric Holders**” means the existing holders of direct and indirect interests in Numeric;
- “**Numeric Management**” means those members of Numeric’s management who held direct and indirect interests in Numeric immediately prior to Completion;
- “**Option Period**” means the period between Completion and the exercise or expiration of the call option or put option (as the case may be) described in “*Risk Factors—Factors that may affect the Issuer’s and the Guarantor’s ability to fulfil their obligations under the Notes and the Guarantee—The Group’s future success depends to a significant degree upon its continued ability to integrate, attract and retain key personnel*”;
- “**Profit Interests**” has the meaning given to such term in “*Business Description—Recent Developments*”;
- “**Supplemental Escrow**” has the meaning given to such term in “*Risk Factors—Risks relating to the Acquisition—The escrow arrangements under the Merger Agreement may be insufficient to cover all losses*”;
- “**Supplemental Indemnity**” has the meaning given to such term in “*Risk Factors—Risks relating to the Acquisition—The escrow arrangements under the Merger Agreement may be insufficient to cover all losses*”;
- “**UCITS**” means Undertakings for Collective Investments in Transferable Securities;
- “**Underlying Third Party Products**” means any collective investment scheme, company, unit trust, partnership, note or derivative instrument, bond or other investment vehicle or arrangement in respect of which any third party hedge fund manager or adviser provides investment management or advisory services and to which a Fund Product directly or indirectly allocates capital or otherwise procures investment exposure;
- “**US**”, “**United States**” or “**United States of America**” means the United States of America (including the states of the United States of America and the District of Columbia), its possessions and territories and all areas subject to its jurisdiction; and
- “**US\$**” and “**US Dollars**” means the lawful currency of the United States of America.

FINANCIAL STATEMENTS OF THE GUARANTOR

Index to Guarantors Financial Statements

Audited Consolidated Financial Statement for the year ended 31 December 2012 Page F-2

Audited Non-Consolidated Financial Statements for the year ended 31 December 2013 . . . Page F-53

ANNUAL REPORT

Man Strategic Holdings Limited
(formerly known as Man Group plc and Man Strategic Holdings plc)
for the year ended 31 December 2012

Directors' report

The directors submit their report, together with the audited consolidated financial statements, for the year ended 31 December 2012 (the 'year').

New Group holding company

In this Annual Report, references to 'the Group' refer to Man Strategic Holdings Limited and its subsidiaries. References to 'Man' refer to Man Group plc (the Group's holding company) and its subsidiaries.

Man Strategic Holdings Limited was the ultimate parent company for the Group until 6 November 2012. On 6 November 2012, under a Court approved scheme of arrangement between the Company, and its shareholders under Part 26 of the Companies Act 2006, all the issued ordinary shares in the Man Strategic Holdings Limited were cancelled. Shareholders received, for every ordinary share they held in the Company, one ordinary share in a new holding company which became the new listed holding company for the Man Group.

The consolidated results for Man Strategic Holdings Limited, now the former holding company, are presented on a combined and continuous basis for the full year. Throughout the Annual Report, references to the Board and its Committees refer to the old holding company (and its subsidiaries) prior to 6 November 2012 and the new holding company (and its subsidiaries) from that date. Both companies are domiciled and incorporated in the United Kingdom.

Name change

Man Strategic Holdings Limited was formerly known as Man Group plc and Man Strategic Holdings plc, and was renamed following: (1) the incorporation of a new holding company on 8 August 2012 which became the new listed holding company of the Man Group on 6 November 2012 via a Court approved scheme of arrangement under Part 26 of the Companies Act 2006; and (2) the re-registration of the Company as a private limited company on 8 March 2013.

Principal activities, business review and results

To assess how the directors have performed in their duty to promote the success of the Company, the Companies Act 2006 requires the directors to set out in this report a fair review of the business of the Group during the year, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group in the future. Information fulfilling these requirements and those contained in the FSA's Listing Rules and Disclosure and Transparency Rules can be found in the following sections of the Group financial statements for the year ended 31 December 2012 which are incorporated by reference:

	Pages
Business review, including:	3 to 21
• Development and performance of the business	
• Principal risks and uncertainties	
• Key performance indicators	
• Main trends and factors impacting business performance	
• Employees	
• Corporate responsibility	
Audited financial statements	24 to 57
Financial risk management and financial instruments	40 to 43, 53 to 54
Research and development	12 to 14
Directors' responsibility statement	23
Dividend	34
Dividend waiver	46
Share capital and purchase of own shares	48 to 50
Charitable donations	21
Post balance sheet events	57
Credit facilities	40 to 42
Principal operating subsidiaries	57
Credit payment policy	44

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Jon Aisbitt—Chairman (resigned 6 November 2012)
Alison Carnwath—Independent non-executive director (resigned on 6 November 2012)
Phillip Colebatch—Independent non-executive director (resigned on 6 November 2012)
Frédéric Jolly—Independent non-executive director (resigned on 6 November 2012)
Matthew Lester—Independent non-executive director (resigned on 6 November 2012)
Patrick O’Sullivan—Senior Independent Director (resigned on 6 November 2012)
Nina Shapiro—Independent non-executive director (resigned on 6 November 2012)
Emmanuel Roman
Kevin Hayes (resigned 18 June 2012)
Jonathan Sorrell (appointed 18 June 2012)
Peter Clarke (resigned on 28 February 2013)
Nick Taylor (appointed 8 March 2013)
Edmund Wood (appointed 8 March 2013)

Directors’ indemnities and insurance cover

During the year the directors benefitted from a third party indemnity provision to the extent permitted by law and these indemnities remain in force at the date of this report.

Auditors

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Company number

The Company’s registered number is 02921462

By order of the Board



Rachel Rowson
Company Secretary
22 April 2013

Financial statements

	<u>Note</u>	<u>Page</u>
Audited information		
Group income statement		24
Group statement of comprehensive income		24
Group balance sheet		25
Group cash flow statement		26
Group statement of changes in equity		27
Parent Company financial information		59
Basis of preparation	1	28
Significant accounting policies schedule	1	29
Adjusted profit before tax	2	30
Revenue and margins	3	31
Distribution costs	4	31
Asset services	5	31
Compensation, including directors' remuneration	6	31
Other costs	7	33
Finance expense and finance income	8	33
Taxation	9	34
Dividends	10	34
Goodwill and acquired intangibles	11	35
Other intangibles	12	40
Cash, liquidity and borrowings	13	40
Investment in fund products and other investments	14	42
Fee and other receivables	15	44
Trade and other payables	16	44
Investments in associates	17	45
Leasehold improvements and equipment	18	45
Deferred compensation arrangements	19	46
Capital management	20	48
Pension benefits	21	50
Foreign currencies	22	53
Fair value hierarchy of financial assets/liabilities	23	53
Segmental analysis	24	54
Geographical disclosure	25	55
Related party transactions	26	55
Financial guarantees and commitments	27	56
Post balance sheet events	28	57
Other matters	29	57
Principal group investments / ultimate parent undertaking and controlling party	30	57
Independent auditors' report		58
Unaudited information		
Directors' responsibility statement (unaudited)		23

Our approach to reporting our financial performance.

The Financial statements contained on pages 22 to 64 give a detailed explanation of our financial performance by integrating the financial statements, accounting policies and explanations regarding our performance, capital and liquidity.

Directors' responsibility statement

The directors are responsible for preparing the Annual 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, and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; 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 comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the current directors confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the Group;
- the Management report contained on pages 3 to 21 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and
- there is no relevant audit information of which the Group's auditors are unaware, and that they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that Man's auditors are aware of that information.

Group income statement

<u>\$m</u>	<u>Note</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
Revenue:			
Gross management and other fees	3	1,209	1,160
Performance fees	3	90	94
		1,299	1,254
Gains/(losses) on investments and other financial instruments		32	(1)
Distribution costs	4	(336)	(237)
Asset services	5	(31)	(24)
Amortisation of acquired intangible assets	11	(65)	(47)
Compensation	6	(499)	(422)
Other costs	7	(308)	(277)
Share of after tax profit of associates	17	10	3
Gain on disposal of Lehman claims	2	131	—
Impairment of GLG and legacy Man Multi-Manager goodwill	2, 11	(979)	—
Impairment of investment in parent company shares		(125)	—
Release of tax indemnity provision	2	11	—
Recycling of FX revaluation on liquidation of subsidiaries	2	42	—
Finance expense	8	(80)	(83)
Finance income	8	36	27
(Loss)/profit before tax		(862)	193
Taxation	9	(41)	(34)
Statutory (loss)/profit for the period attributable to owners of the parent		(903)	159
Adjusted profit before tax	2	282	262

Group statement of comprehensive income

<u>\$m</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
Statutory (loss)/profit for the period attributable to owners of the parent . . .	(903)	159
Other comprehensive (expense)/income:		
Available for sale investments:		
Valuation gains taken to equity	18	—
Transfers from statement of comprehensive income upon sale or impairment	(19)	—
Cash flow hedges:		
Valuation gains taken to equity	16	—
Transfer to income statement	(9)	—
Foreign currency translation	3	(9)
Recycling of FX revaluation on liquidation of subsidiaries	(42)	—
Tax charged	(1)	—
Total comprehensive (expense)/income for the period attributable to owners of the parent	<u>(937)</u>	<u>150</u>

Group balance sheet

<u>\$m</u>	<u>Note</u>	<u>At 31 December 2012</u>	<u>At 31 December 2011</u>
ASSETS			
Cash and cash equivalents	13	2,000	1,639
Fee and other receivables	15	390	428
Investments in fund products	14	487	631
Other investments and pension asset	14, 21	170	436
Investments in associates	17	38	41
Leasehold improvements and equipment	18	150	173
Goodwill and acquired intangibles	11	1,484	2,478
Other intangibles	12	45	187
Total assets		<u>4,764</u>	<u>6,013</u>
LIABILITIES			
Trade and other payables	16	653	675
Current tax liabilities		100	118
Borrowings	13	859	1,066
Deferred tax liabilities	9	97	94
Total liabilities		<u>1,709</u>	<u>1,953</u>
NET ASSETS		<u>3,055</u>	<u>4,060</u>
EQUITY			
Capital and reserves attributable to the owners of the parent ⁽¹⁾	20	<u>3,055</u>	<u>4,060</u>
		<u>3,055</u>	<u>4,060</u>

Note:

(1) Refer to the Group statement of changes in equity for further details.

The financial statements were approved by the directors on 22 April 2013 and signed on its behalf by:



Jonathan Sorrell
Director

Group cash flow statement

\$m	12 months to 31 December 2012	9 months to 31 December 2011
Cash flows from operating activities		
(Loss)/profit for the period	(903)	159
Adjustments for:		
Income tax	41	34
Net finance expense	44	56
Share of results of associates	(10)	(3)
Depreciation and impairment of leasehold improvements and equipment . .	43	21
Amortisation of other intangible fixed assets	141	122
Share-based payments expense	79	70
Impairment of goodwill and other intangibles	1,104	—
Net losses on financial instruments	1	2
Gain on disposal of Lehman claims	(131)	—
Impairment of capitalised placement fees	88	—
Recycling of FX revaluation on liquidation of subsidiaries	(42)	—
Increase in pension asset	(10)	(3)
Other non-cash movements	11	30
	<u>456</u>	<u>488</u>
Changes in working capital:		
Decrease in receivables	80	59
Decrease in other financial assets	135	304
Decrease in payables	(126)	(46)
Cash generated from operations	545	805
Interest paid	(81)	(57)
Income tax paid	(55)	(71)
Cash flows from operating activities	<u>409</u>	<u>677</u>
Cash flows from investing activities		
Purchase of leasehold improvements and equipment	(20)	(58)
Purchase of other intangible assets	(33)	(53)
Purchase of Lehman claims	—	(355)
Purchase of other investments	(17)	(25)
Proceeds from settlement and sale of Lehman claims	466	22
Net proceeds from sale of other investments	28	6
Acquisition of subsidiary, net of cash acquired	40	1
Interest received	35	26
Dividends received from associates and other investments	13	3
Cash flows from investing activities	<u>512</u>	<u>(433)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	7	3
Purchase of own shares by ESOP trust	(9)	(56)
Repurchase of own shares	(7)	(143)
Repayment of borrowings	(219)	(349)
Dividends paid to Company shareholders	(299)	(394)
Dividend payments in respect of perpetual subordinated capital securities . .	(33)	(25)
Cash flows from financing activities	<u>(560)</u>	<u>(964)</u>
Net increase/(decrease) in cash	361	(720)
Cash at beginning of the period	1,639	2,359
Cash at period end	<u>2,000</u>	<u>1,639</u>

Group statement of changes in equity

\$m	12 months to 31 December 2012			9 months to 31 December 2011		
	Share Capital and capital Reserves	Revaluation reserves and retained earnings	Total equity	Share capital and capital reserves	Revaluation reserves and retained earnings	Total equity
At beginning of the period	3,364	696	4,060	3,346	1,090	4,436
(Loss)/profit for the period	—	(903)	(903)	—	159	159
Other comprehensive expense	—	(34)	(34)	—	(9)	(9)
Total comprehensive (expense)/income for the period	—	(937)	(937)	—	150	150
Perpetual capital securities coupon . . .	—	(25)	(25)	—	(18)	(18)
Acquisition of business	—	—	—	15	—	15
Share-based payments	8	65	73	3	21	24
Repurchase of own shares	—	(7)	(7)	—	(143)	(143)
Capital restructure	—	180	180	—	—	—
Movement in close period buyback obligations	—	10	10	—	(10)	(10)
Dividends	—	(299)	(299)	—	(394)	(394)
At period end (Note 20)	3,372	(317)	3,055	3,364	696	4,060

Shareholders' equity decreased during the year primarily as a result of dividend payments and a loss for the year. In the prior period, shareholders' equity decreased primarily as a result of dividend payments and the repurchase of own shares, partly offset by profits for the period.

The close period buyback obligations relate to share buybacks contractually undertaken with third parties. These are included in payables and deducted from equity on the balance sheet for the value of the maximum number of shares that may be purchased under the contract with the third party. No contract existed at the balance sheet date (31 December 2011: \$10 million).

No dividend has been proposed at the year end (31 December 2011: \$124 million).

Included in Note 20 are details of share capital and capital reserves, revaluation reserves and retained earnings and related movements.

Notes to the Group financial statements

1. Basis of preparation

Scheme of arrangement

On 6 November 2012, under a scheme of arrangement between Man Strategic Holdings Limited (formally Man Group plc), the former holding company of the Group, and its shareholders under Part 26 of the Companies Act 2006, and as sanctioned by the High Court, all the issued ordinary shares in that company were cancelled and the same number of new ordinary shares were issued to Man Group plc (the new parent holding company) in consideration for the allotment to shareholders of one ordinary share in Man Group plc for each ordinary share they held in Man Strategic Holdings Limited. The scheme of arrangement is treated as a capital reorganisation.

Change in reporting period

During 2011 we announced the decision to change our financial year end to a calendar year to align our financial reporting with that of our funds and the asset management industry generally. We are therefore reporting our financial position and our results as at and for the 12 months ended 31 December 2012. For comparative purposes we are required to disclose our results for the nine months ended 31 December 2011.

Acquisition of FRM

The acquisition of FRM was completed on 17 July 2012, and therefore the results for the 12 months ended 31 December 2012 include 5.5 months of results for the acquired FRM business. More information can be found in Note 11.

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. The Group's principal accounting policies have been consistently applied 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 Group's year ended 31 December 2012 and accounting standards that are not yet effective is outlined below.

Consolidated group and reporting currency

The consolidated group is Man Strategic Holdings Limited and its subsidiaries (the Group). The stand-alone parent company financial statements of Man Strategic Holdings Limited have been included as separate financial statements, starting on page 59. The majority of revenues, assets, liabilities and funding are denominated in US dollars (USD) and therefore the Group's reporting currency is USD.

Judgemental areas and accounting estimates

The most significant area of judgement is the allocation and evaluation of goodwill and intangible assets, in particular the goodwill in relation to the GLG acquisition (Note 11) and the carrying value of capitalised product placement fees (Note 12). Other areas of significant judgement are: the determination of fair values for investments; deferred compensation awards; and pension obligations.

Going concern

The Group's business activity is discussed on pages 3 to 17, together with the significant risk factors (pages 18 to 20). The Group's liquidity and capital positions are set out in Note 13 and 20 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 analysis of stressed capital and liquidity scenarios. The directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the consolidated and parent financial statements have been prepared on a going concern basis using the historical cost convention, except for the

Notes to the Group financial statements (Continued)

1. Basis of preparation (Continued)

measurement at fair value of certain financial instruments that are available-for-sale or held at fair value through profit or loss.

Independent audit

The independent auditors' report from PwC on page 58 expresses an unqualified opinion.

The Group's relationship with independent fund entities

The Group acts as the investment manager/advisor to fund entities. Having considered all significant aspects of the Group's relationships with fund entities, the directors are of the opinion that, although The Group may have significant influence over the fund entities, the existence of independent boards of directors at the fund entities; termination provisions in the investment management agreements, which allow for the removal of the investment manager/advisor; the influence of investors; and, the arm's length nature of the Group's contracts with the fund entities; The Group does not control the fund entities and their associated assets, liabilities and net income should not be consolidated into the Group financial statements.

Significant accounting policies schedule

<u>Policy</u>	<u>Note</u>	<u>Page</u>
Goodwill	11	35
Other Intangible assets		
—Investment management contracts, distribution channels and brand names	11	35
—Placement fees	12	40
—Capitalised software	12	40
Investment in fund products	14	42
Investments in associates	17	45
Revenue	3	31
Compensation—share-based payments	19	46
Compensation—restructuring	2	30
Pension benefits	21	50

Impact of new accounting standards

A number of amendments to existing standards and interpretations have been issued, some of which were mandatory for the year beginning 1 January 2012, with the remaining becoming effective in future periods.

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

- IFRS 7—"Financial Instruments: Disclosures"—Amendments enhancing disclosures about transfers of financial assets
- IAS 12—"Income Taxes"—Limited scope amendment (recovery of underlying assets)

IAS 19 (Revised) "Employee benefits" is effective from 1 January 2013. The majority of the impact will be recorded as an adjustment to equity on transition in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors' to reflect the change in accounting treatment of the Group's defined benefit pension plans, of which the principal change is to cease to apply the "corridor approach". The adoption of the revised standard will have the following impact:

- a \$71 million debit to profit and loss reserves on 1 January 2012, net of tax;
- an increased charge of \$3 million (before tax) in the income statement for the year ended 31 December 2012;
- an additional charge of \$13 million (before tax) through Other comprehensive income for the year ended 31 December 2012;

Notes to the Group financial statements (Continued)

1. Basis of preparation (Continued)

- a reduction in net pension assets recognised in the balance sheet at 31 December 2012 of \$110 million to give a net pension liability of \$4 million; and
- a decrease of \$26 million in the deferred tax liability at 31 December 2012.

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

- IAS 1—“Presentation of financial statements”
- IFRS 10—“Consolidated financial statements”
- IFRS 11—“Joint Arrangements”
- IFRS 12—“Disclosure of Interests in Other Entities”
- IFRS 13—“Fair value measurement”
- IAS 27 (revised 2011)—“Separate Financial Statements”
- IAS 28 (revised 2011)—“Investments in Joint Ventures and Associates”
- 2011 Annual Improvements
- Amendments to IAS 32—“Financial Instruments: Presentation” on asset and liability offsetting
- IFRS 9—“Financial Instruments”

2. Adjusted profit before tax

Statutory (loss)/profit before tax is adjusted to give a fuller understanding of the underlying profitability of the business. These are explained in detail either below or in the relevant note.

\$m	Note	12 months to 31 December 2012	9 months to 31 December 2011
Statutory (loss)/profit before tax		(862)	193
Adjusting items:			
Gain on disposal of Lehman claims		(131)	—
Impairment of GLG and legacy Man Multi-Manager goodwill	11	979	—
Impairment of investment in parent company shares		125	—
Release of tax indemnity provision		(11)	—
Recycling of FX revaluation on liquidation of subsidiaries		(42)	—
Impairment of capitalised placement fees	4,12	88	—
Compensation—restructuring	6	65	7
Other costs—restructuring	7	—	15
FRM acquisition costs	6,7	12	—
Revaluation of contingent consideration		(9)	—
Unwind of contingent consideration discount	8	3	—
Amortisation of acquired intangible assets	11	65	47
Adjusted profit before tax		282	262
Tax		(43)	(45)
Adjusted net income		239	217

The Lehman claims were sold by the Group in November 2012 for a total consideration of \$456 million, resulting in a pre-tax gain of \$131 million. The overall gain comprised a gain of \$114 million on the carrying value at the date of disposal as well as \$19 million of previous gains recognised recycled from Other comprehensive income, partly offset by \$2 million of directly attributable transaction costs. More details can be found in Note 14.3.

Notes to the Group financial statements (Continued)

2. Adjusted profit before tax (Continued)

Goodwill and other intangibles were tested for impairment at 30 June 2012 and 31 December 2012. As a result, GLG and the legacy Man Multi-Manager goodwill was impaired by \$91 million and \$142 million respectively at 30 June 2012, with a further \$746 million impairment of GLG goodwill at 31 December 2012 (total impairment of \$837 million for GLG goodwill for the year). Further details are provided in Note 11.

As from 6 November 2012, the effective date of the scheme of arrangement, the Employee Trusts' holding of shares in Man Group plc were no longer an investment in "own shares" for the purposes of the Man Strategic Holdings Limited group. As at this date they were reclassified as an available for sale investment and their carrying value was reduced to below their purchase cost to reflect their market value. An impairment charge of \$125 million was recognised in 2012.

A tax indemnity provision raised on a business disposal has been released, as it is no longer required.

A number of the Group's foreign subsidiaries were liquidated during the year, which had a related foreign currency translation reserve of \$42 million at the date of liquidation. The related foreign currency translation reserve was recycled to the income statement on liquidation of these subsidiaries as required by IAS 21.

Capitalised placement fees were impaired by \$88 million during the year. As a result of de-gearing and negative investment performance in relation to guaranteed products, \$50 million of external capitalised placement fees were written off. Internal capitalised placement fees of \$38 million were written off in December 2012, as a result of the introduction of a new servicing fee based internal compensation structure that is effective from 1 January 2013, which triggered the impairment.

Compensation costs incurred as part of restructuring are accounted for in full at the time the obligation arises, following the communication of the formal plan, and include payments in lieu of notice and enhanced termination costs. These include accelerated share-based payment and fund product based charges.

In the prior period, restructuring costs primarily relate to onerous lease contracts on property in New York.

FRM acquisition costs consist of redundancy costs associated with achieving the acquisition cost synergies included within Compensation (\$7 million) as shown in Note 6, as well as legal fees and onerous lease charges included within Other costs (\$5 million) as shown in Note 7.

The revaluation of contingent consideration is an adjustment to the fair value of expected earn out payments resulting primarily from movements in net management fee run rates since the acquisition of FRM and has been included within Gains/(losses) on investments and other financial instruments. The gain was partly offset by an unwind of the discount on the contingent consideration of \$3 million, included within Finance expense (Note 8).

The amortisation of acquired intangible assets relates to the amortisation of the investment management contracts and brands recognised on the acquisition of FRM, GLG, and Ore Hill. Further details are provided in Note 11.

3. Revenue and margins

Management fees, which include all non-performance related fees and interest income from loans to fund products, are recognised in the period in which the services are rendered. Performance fees are only recognised when they can be measured reliably. Performance fees can only be measured reliably at the end of the performance period as the net asset value (NAV) of the fund products could move significantly, as a result of market movements, between the Group's financial reporting period end and the end of the performance period.

The level of funds under management (FUM) drives the aggregate level of management fee revenue so in order to sustain a profitable business operating costs must be flexible with different levels of FUM.

Notes to the Group financial statements (Continued)

4. Distribution costs

<u>\$m</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
External distribution costs	203	192
Internal distribution costs	45	45
Distribution costs—before adjusting items	248	237
Impairment of capitalised placement fees (Note 2)	88	—
Total distribution costs	<u>336</u>	<u>237</u>

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

Distribution costs, before adjusting items, of \$248 million (nine months to 31 December 2011: \$237 million) comprise product placement fees of \$82 million (nine months to 31 December 2011: \$83 million) and investor servicing fees of \$166 million (nine months to 31 December 2011: \$154 million). Placement fees are paid for product launches or sales and are capitalised and amortised over the expected investment hold period (refer Note 12). Investor servicing fees are paid to intermediaries and employees for ongoing investor servicing and are expensed as incurred.

Capitalised placement fees were impaired by \$88 million during the year, and classified as an adjusting item. Refer to Note 2 for further details.

5. Asset services

Asset services include valuations, fund accounting, and registrar functions performed by third parties under contract to the Group, on behalf of the funds. The cost of these services is based on activity or FUM, therefore variable with activity levels and FUM. Asset services costs for the year were \$31 million (nine months to 31 December 2011: \$24 million).

6. Compensation

<u>\$m</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
Salaries—fixed	198	166
Salaries—variable	111	124
Share-based payment charge	56	63
Fund product based payment charge	17	31
Social security costs	30	24
Pension costs	15	7
Compensation costs—before adjusting items	427	415
Restructuring	65	7
FRM acquisition costs	7	—
Total compensation costs	<u>499</u>	<u>422</u>

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 based compensation, if required.

Compensation costs in total were \$427 million, before adjusting items, or 33% of revenue, in line with prior period levels.

Fixed compensation and benefits was \$233 million compared to \$191 million in the prior nine month period ended 31 December 2011. Fixed compensation comprises: salaries—fixed; pension costs; and a

Notes to the Group financial statements (Continued)

6. Compensation (Continued)

share of the social security costs. The current year includes fixed compensation from FRM from 17 July 2012, the date of the acquisition.

Variable compensation was \$194 million compared to \$224 million in the prior nine month period as a result of lower revenue, reflecting the variability of our cost base.

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

The accounting for share-based and fund product based compensation arrangements is covered in Note 19. The unamortised deferred compensation at period end was \$54 million (nine months to December 2011: \$91 million) which had a weighted average remaining vesting period of 1.2 years (31 December 2011: 1.6 years). The decrease is due primarily to the share-based and fund product based amortisation charges (as in the above table), net of a small amount of new additions in the period.

Pension costs relate to the Group's defined contribution and defined benefit plans (Note 21).

6.1. Directors' remuneration

The table sets out remuneration for executive and non-executive directors for which entitlement arose for current and prior financial reporting periods. This shows remuneration for (a) the current 12 month financial reporting and performance period ended 31 December 2012 and (b) the prior nine month financial reporting period ended 31 December 2011 which includes nine-month salary and 12 months bonus.

Directors' remuneration—including executive directors and non-executive directors (including social security)

\$'000	12 months to 31 December 2012	9 months to 31 December 2011
Fees and remuneration	5,275	6,586
Gains made on transfer of share awards and exercise of share options in the year	—	839
Contributions to money purchase pension schemes	132	117

The highest paid director received remuneration of \$1,835,000 in 2012 (2011: \$2,711,000). There was no accrued pension provision of the highest paid director at 31 December 2012 (2011: £72,000).

In 2012, there were three directors who accrued benefits under a defined contribution scheme (2011: 1) and one director who accrued benefits under a defined benefit scheme (2011: 1).

No directors exercised share options in 2012 (2011: 1). The highest paid director in the prior period exercised share options during that period.

The amounts disclosed within Directors' remuneration comprise other emoluments in respect of the 12 months ended 31 December 2012, pro-rated for the period of directorship, where applicable. The amounts disclosed for the previous financial period comprise cash bonuses and other emoluments in respect of the nine months ended 31 December 2011.

Notes to the Group financial statements (Continued)

7. Other Costs

<u>\$m</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
Occupancy	55	48
Travel and entertainment	15	17
Technology	20	18
Communication	25	19
Audit, accountancy, actuarial and tax fees	11	10
Legal fees	21	16
Temporary staff and recruitment	30	31
Other professional fees	2	4
Consultancy and managed services	12	9
Benefits	20	21
Insurance	13	11
Marketing and sponsorship	11	12
Other cash costs	5	4
Total other costs before depreciation and amortisation	<u>240</u>	<u>220</u>
Depreciation and amortisation	63	42
Other costs—before adjusting items	303	262
Restructuring (Note 2)	—	15
FRM acquisition costs (Note 2)	5	—
Total other costs	<u>308</u>	<u>277</u>

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

Other costs, before depreciation and adjusting items, were \$240 million in the period, compared to \$220 million in the prior nine month period, which reflects the impact of the various cost saving initiatives to reduce the cost base of the firm as previously announced.

7.1. Remuneration paid to the Group's auditors, Pricewaterhouse Coopers LLP and its worldwide associates

<u>\$'000</u>	<u>12 months to December 2012</u>	<u>9 months to December 2011</u>
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	37	2,304
Other services:		
The audit of the Company's subsidiaries pursuant to legislation	2,457	3,955
Audit-related assurance services	668	704
Tax compliance services	556	399
Tax advisory services	235	193
Other assurance services	687	—
All other services	891	387
Total auditors' remuneration	<u>5,531</u>	<u>7,942</u>

Notes to the Group financial statements (Continued)

8. Finance expense and finance income

<u>\$m</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
Finance income:		
Interest on cash deposits	21	16
Other—gain recognised on the repayment of loan notes issued by BlueCrest	<u>15</u>	<u>11</u>
Total finance income	<u>36</u>	<u>27</u>
Finance expense:		
Interest payable on borrowings	(50)	(78)
Premium paid on debt buyback and other	<u>(27)</u>	<u>(5)</u>
Total finance expense—before adjusting items	(77)	(83)
Unwind of contingent consideration discount (Note 2)	<u>(3)</u>	<u>—</u>
Total finance expense	<u>(80)</u>	<u>(83)</u>

Finance income included a gain of \$15 million (nine months to 31 December 2011: \$11 million) recognised on the repayment of loan notes issued by BlueCrest. Finance expense includes a \$21 million charge relating to a debt buy back during the year (refer to Note 13).

9. Taxation

<u>\$m</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
Analysis of tax charge for the period:		
Current tax:		
UK corporation tax on profits of the period	46	13
Foreign tax	14	39
Adjustments to tax charge in respect of previous periods	<u>(17)</u>	<u>(12)</u>
Total current tax	43	40
Deferred tax:		
Origination and reversal of temporary differences	(6)	(8)
Adjustments to tax charge in respect of previous periods	<u>4</u>	<u>2</u>
Total tax charge	<u>41</u>	<u>34</u>

Man is a global business and therefore operates across many different tax jurisdictions. Income and profits are allocated to these different jurisdictions based on transfer pricing methodologies set in accordance with the laws of the jurisdictions in which we operate. The effective tax rate results from the combination of taxes paid on earnings attributable to the tax jurisdictions in which they arise. The majority of the Group's profit was earned in Switzerland, Australia and the UK. The current effective tax rate of -4.8% (nine months to 31 December 2011: 17.6%) differs principally as a result of the impairment of goodwill on which no tax relief is received and otherwise is consistent with this earnings profile. The effective tax rate on adjusted profits (Note 2) is 15.2% (nine months to 31 December 2011: 17.2%). The lower rate is principally the result of the effect of prior year tax credits for settled tax returns, which outweigh the impact of reduced relief on share-based compensation costs and losses for which no tax relief has been recognised.

Notes to the Group financial statements (Continued)

9. Taxation (Continued)

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

<u>\$m</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
(Loss)/profit before tax	(862)	193
Theoretical tax (credit)/charge at UK rate—24.5% (31 December 2011: 26%)	(211)	50
Effect of:		
Overseas rates compared to UK	(32)	(32)
Adjustments to tax charge in respect of previous periods	(13)	(10)
Impairment of goodwill and other adjusting items	279	—
Share-based payments	8	15
Other	10	11
	<u>252</u>	<u>(16)</u>
Total tax charge	<u>41</u>	<u>34</u>

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the rates expected to be applied when the asset or liability is realised. The deferred tax closing balance of \$97 million (31 December 2011: \$94 million) relates mostly to the tax arising on intangible assets of \$114 million (31 December 2011: \$120 million). The closing balance is also net of deferred tax assets primarily related to employee share schemes of \$8 million (31 December 2011: \$11 million), tax allowances over depreciation of \$9 million (31 December 2011: \$10 million) and other temporary differences of nil (31 December 2011: \$5 million).

10. Dividends

<u>\$m</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
Ordinary shares		
Final dividend paid for the nine months to 31 December 2011—7 cents (2010: 12.5 cents)	126	226
Interim dividend paid for the six months to 30 June 2012—9.5 cents (2011: 9.5 cents)	173	168
Proposed final dividend for the year to 31 December 2012—nil (2011: 7 cents)	—	124

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

Notes to the Group financial statements (Continued)

11. Goodwill and acquired intangibles

\$m	12 months to 31 December 2012			9 months to 31 December 2011		
	Goodwill	IMCs and other acquired intangibles ⁽²⁾	Total	Goodwill	IMCs and other acquired intangibles ⁽²⁾	Total
Cost:						
At beginning of the period	2,234	694	2,928	2,214	672	2,886
Acquisition of business ⁽¹⁾	16	32	48	22	22	44
Currency translation	2	—	2	(2)	—	(2)
At period end	<u>2,252</u>	<u>726</u>	<u>2,978</u>	<u>2,234</u>	<u>694</u>	<u>2,928</u>
Aggregate amortisation and impairment:						
At beginning of the period	(375)	(75)	(450)	(375)	(28)	(403)
Amortisation	—	(65)	(65)	—	(47)	(47)
Impairment ⁽⁴⁾	(979)	—	(979)	—	—	—
At period end	<u>(1,354)</u>	<u>(140)</u>	<u>(1,494)</u>	<u>(375)</u>	<u>(75)</u>	<u>(450)</u>
Net book value at period end	<u>898</u>	<u>586</u>	<u>1,484</u>	<u>1,859</u>	<u>619</u>	<u>2,478</u>
Allocated to cash generating units as follows:						
GLG ⁽³⁾	262	555	817	1,099	619	1,718
FRM	227	31	258	353	—	353
AHL	409	—	409	407	—	407

Notes:

- (1) Acquisition of business relates to FRM in the current period and to Ore Hill in the prior period.
- (2) Includes investment management contracts (IMCs), brand names and distribution channels.
- (3) The Ore Hill CGU has been allocated to the GLG CGU in the current period.
- (4) The impairment of \$979 million relates to the impairment of the legacy Man Multi-Manager business at 30 June 2012 of \$142 million, and the impairments of the GLG business recognised at 30 June 2012 and 31 December 2012 of \$91 million and \$746 million respectively (total of \$837 million for GLG for the year ended 31 December 2012).

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the net identifiable assets of the acquired business at the date of acquisition. The consideration transferred is the fair value of the assets given, equity instruments issued and liabilities incurred at the date of acquisition.

Goodwill is carried in the balance sheet at cost less accumulated impairment losses. 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.

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

Investment management contracts (IMCs)

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

Notes to the Group financial statements (Continued)

11. Goodwill and acquired intangibles (Continued)

Allocation of goodwill to cash generating units

The Group has three identified cash-generating units for impairment review purposes: GLG, FRM, and AHL. The goodwill and other intangible assets acquired on the acquisition of FRM has been allocated to the FRM cash generating unit as the acquired FRM business has been fully integrated with the previous Man Multi-Manager business, which will benefit from all of the synergies from the acquisition.

In the prior period, the goodwill and other intangible assets acquired on the acquisition of GLG was allocated to the cash generating units (CGUs) expected to benefit from the synergies of the business combination. As at the date of acquisition, 77% of the acquired goodwill and all other intangible assets was allocated to the GLG CGU (goodwill: \$1,077 million; other intangibles \$672 million) with the remaining 23% of the goodwill allocated to the AHL CGU (goodwill: \$326 million).

Ore Hill was previously reported as a separate cash-generating unit and is now part of the GLG cash-generating unit as it has been integrated into the GLG business. The \$22 million of goodwill relating to the Ore Hill business has been reclassified to the GLG CGU in the comparative period at 31 December 2011 accordingly.

GLG cash generating unit (CGU)

The recoverable amount of the GLG CGU is assessed each year using a value in use calculation. A value in use calculation gives a higher valuation for the GLG CGU as a fair value approach would exclude some of the revenue synergies available to the Group through its ability to distribute GLG products using its well established distribution channels, which is unlikely to be fully available to other market participants. At 31 December 2011, the value in use calculation suggested there was headroom of around \$95 million over the carrying value of the GLG goodwill and other intangibles balance and no impairment was considered necessary.

At 30 June 2012, as a result of the challenging economic environment, the recoverable amount of the GLG CGU was again assessed on the same basis. A goodwill impairment charge of \$91 million was deemed necessary and was recognised at 30 June 2012 in the interim financial statements. As disclosed in the interim financial statements at 30 June 2012, the model is sensitive to small changes in the assumptions. At 30 June 2012, applying various stressed scenarios to investment performance and net flow assumptions over the three year budget period suggested possible impairment in future periods of between \$94 million to \$1,605 million.

At both 31 December 2011 and 30 June 2012, Duff and Phelps, a specialist valuation firm, was appointed to provide an estimate of the recoverable amount of the GLG CGU. The valuations and the associated headroom or impairment in these periods were supported by their work as an independent valuation expert. At 31 December 2012, Duff and Phelps have not been re-appointed as it has been established that their valuation methodology and outcome is not significantly different from the internal valuation calculation that is currently being applied.

The recoverable amount of the GLG CGU has again been assessed at 31 December 2012 using a value in use calculation. The value in use calculation uses cash flow projections based on the approved budget for the year to 31 December 2013 and a further two years of projections (2014 and 2015) plus a terminal value. The following valuation analysis is based on best practice guidance whereby a terminal value is calculated at the end of a short discrete budget period and assumes no growth in asset flows after this three year budget period above the long-term growth rate.

The key assumptions used in the value in use calculation are represented by the compound average annualised growth in funds under management (FUM) over the three year budget period and the discount

Notes to the Group financial statements (Continued)

11. Goodwill and acquired intangibles (Continued)

rates applied to the modelled cash flows. These are shown in the table below. The discount rates are the same as those used at 30 June 2012 and 31 December 2011.

Compound average annualised growth in FUM (over 3 years)	8.5%
Discount rate (post-tax)	
—Net management fees	11%
—Net performance fees	17%

The pre-tax equivalent of the net management fee and net performance fee discount rates is 12.2% and 21.1% respectively.

The terminal value is calculated at the end of 2015. The terminal value is calculated based on the projected closing FUM at 31 December 2015 and applying a mid-point of a range of historical multiples, being 13 times for management fees and 5.5 times for performance fees. This is equivalent to an overall terminal growth rate of 1.3%.

GLG's FUM at 31 December 2012 and the budgeted FUM over the three year budget period are lower in comparison to the modelled FUM in the value in use calculation at 30 June 2012, reflecting the on-going challenging market conditions resulting in a more cautious outlook for growth in funds under management. The decrease in FUM, partly offset by a reduction in GLG's costs from the cost saving initiatives, has resulted in a decrease in the value in use calculation for the GLG CGU with a value of \$867 million as at 31 December 2012. The total carrying value of the GLG CGU, including goodwill, is assessed to be \$1,613 million, resulting in a goodwill impairment of \$746 million. This impairment has been recognised accordingly at 31 December 2012, with a total impairment charge of \$837 million for the year ended 31 December 2012 including the \$91 million recognised at 30 June 2012.

A summary of the factors attributing to the change in the value of the GLG CGU from 31 December 2011, with the amount attributable to each change if these factors were changed in this order, is shown in the table below.

	\$m
Value of GLG business at 31 December 2011	1,812
Decrease in funds under management growth assumption	(803)
Changes in calculation of value attributable to management and performance fees	(142)
Value of GLG business at 31 December 2012*	<u>867</u>

Note:

* The difference between the value of the GLG business at 31 December 2012 of \$867 million and the value of the goodwill and other acquired intangible assets allocated to the GLG business of \$817 million relates to leasehold improvements and equipment of \$45 million and capitalised computer software of \$5 million that has been allocated to the GLG business.

The decline in the funds under management growth assumption reflects the on-going challenging market conditions, weighted more towards current experience rather than longer term historical averages, in particular reflecting net outflows of \$1,033 million in the second half of 2012. This contributed to a decrease of approximately \$803 million in the value of the GLG CGU.

The value attributable to management and performance fees has decreased as a result of the terminal value being calculated by applying a mid-point of a range of historic multiples, equating to an overall terminal growth rate of 1.3%, which is lower than the overall terminal growth rate applied previously.

The table below shows two adverse scenarios, whereby the base case key assumptions are changed to stressed assumptions. These stressed assumptions are applied to decrease the compound average annualised growth in FUM (over three years) to 5% in the first sensitivity; and to 0% in the second sensitivity. The table below shows the effect of these scenarios and the associated increase in the modelled impairment charge that would result.

Notes to the Group financial statements (Continued)

11. Goodwill and acquired intangibles (Continued)

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

Stressed assumptions to change compound average annualised growth in FUM to:	5%	0%
Increase in modelled impairment (\$m)	223	394

If the net management fee and net performance fee post-tax discount rates were increased by 1% to 12% and 18% respectively, it would result in increased modelled impairment of \$17 million. If the discount rates were decreased by 1%, it would result in decreased modelled impairment of \$18 million.

If the mid-point of the range of historical multiples for management and performance fees used to calculate the terminal value were increased by 1 to 14 times and 6.5 times respectively, it would result in decreased modelled impairment of around \$90 million. If they were decreased by 1 to 12 times and 4.5 respectively, it would result in increased modelled impairment of around \$90 million.

FRM cash generating unit

The FRM CGU includes the legacy Man Multi-Manager business and the acquired FRM business. At 30 June 2012 and 31 December 2011, the FRM CGU included the legacy Man Multi-Manager business only as the FRM business was acquired in July 2012.

The recoverable amount of the FRM CGU was reviewed at 31 December 2011 by assessing the fair value of the business based on market earnings multiples applied to the post-tax net earnings for calendar year 2011. It was concluded that no impairment charge was required.

At 30 June 2012, as a result of the challenging economic environment, the recoverable amount of the legacy Man Multi-Manager CGU was assessed using a value in use calculation. A goodwill impairment charge of \$142 million was deemed necessary at 30 June 2012 and was recognised in the interim financial statements.

As with the GLG CGU, the recoverable amount of the FRM CGU has again been assessed at 31 December 2012 using a value in use calculation. The recoverable amount at 31 December 2012 includes the previous Man Multi-Manager and the acquired FRM business. The value in use calculation follows the same methodology as for the GLG CGU.

The key assumptions used in the value in use calculation are represented by the compound average annualised growth in funds under management (FUM) over the three year budget period and the discount rates applied to the modelled cash flows. These are shown in the table below.

Compound average annualised growth in FUM (over 3 years)		
—Guaranteed products		–22%
—Institutional FoF and open-ended products		5.2%
Discount rate (post-tax)		
—Net management fees		11%
—Net performance fees		17%

In the above table for the model assumptions, the pre-tax equivalent of the net management fee and net performance fee discount rates is 12.7% and 19.0% respectively.

The terminal value is calculated at the end of 2015. The terminal value is calculated based on the projected closing funds under management at 31 December 2015 and applying historical market multiples. This is equivalent to an overall terminal growth rate of 1.6%.

As a result of the FRM acquisition during the year and the level of Man specific synergies from the acquisition, as well as the decrease in costs as a result of the cost saving initiatives, the value in use calculation suggests a value for the FRM CGU with significant headroom over the carrying value of the business.

Notes to the Group financial statements (Continued)

11. Goodwill and acquired intangibles (Continued)

In an adverse scenario, the compound average annualised growth in FUM (over three years) would have to decrease for guaranteed products and institutional FoF and open-ended products to –39% and –9.4% respectively as a result of a combination of declined net investment performance and net flows for any impairment to arise.

If the net management fee and net performance fee post-tax discount rates were increased by 1% to 11% and 18% respectively, it would result in decreased modelled headroom of \$18 million. If the discount rates were decreased by 1%, it would result in increased modelled headroom of \$19 million.

AHL cash generating unit

The recoverable amount of the AHL CGU was reviewed at 31 December 2011 by assessing the fair value of the business based on market earnings multiples applied to the post-tax net earnings for calendar year 2011. The fair value less costs to sell valuation indicated a significant amount of headroom over the carrying value of the AHL CGU at 31 December 2011, and there were no realistic scenarios which would result in impairment being necessary.

As with the GLG and FRM CGUs, the recoverable amount of the AHL CGU has been assessed at 31 December 2012 using a value in use calculation. The value in use calculation follows the same methodology as for the GLG and FRM CGUs.

The key assumptions used in the value in use calculation are represented by the compound average annualised growth in funds under management (FUM) over the three year budget period and the discount rates applied to the modelled cash flows. These are shown in the table below.

Compound average annualised growth in FUM (over 3 years)

—Guaranteed products	–18%
—Open-ended products	3.1%
Discount rate (post-tax)	
—Net management fees	11%
—Net performance fees	17%

In the above table for the model assumptions, the pre-tax equivalent of the net management fee and net performance fee discount rates is 12.8% and 20.0% respectively.

The terminal value is calculated at the end of 2015. The terminal value is calculated based on the projected closing funds under management at 31 December 2015 and applying historical market multiples. This is equivalent to an overall terminal growth rate of 1.7%.

The value in use calculation for the AHL CGU again indicates a significant amount of headroom over the carrying value of the AHL CGU.

In an adverse scenario, the compound average annualised growth in FUM (over three years) for guaranteed products and open-ended products would have to decrease to –31% and –5.6% respectively as a result of a combination of declined net investment performance and net flows for any impairment to arise.

If the net management fee and net performance fee post-tax discount rates were increased by 1% to 11% and 18% respectively, it would result in decreased modelled headroom of \$37 million. If the discount rates were decreased by 1%, it would result in increased modelled headroom of \$38 million.

Acquisition of FRM business

On 17 July 2012, the Group acquired the entire issued share capital of FRM Holdings Limited (Financial Risk Management “FRM”), a global hedge fund research and investment specialist with funds under management at the date of acquisition of \$8.3 billion.

The consideration to FRM shareholders comprised approximately \$66 million in cash for the acquisition balance sheet and two earn out payments, payable in cash following the first and third anniversaries of closing, on a sliding scale dependent on levels of run rate net management fees as well as a 47.5% of net

Notes to the Group financial statements (Continued)

11. Goodwill and acquired intangibles (Continued)

performance fees generated within three years of the acquisition date. Cash balances of \$106 million were acquired as part of the acquisition balance sheet, which more than covered the \$66 million of initial cash consideration, resulting in a net cash inflow of \$40 million on acquisition.

In addition, Sumitomo Mitsui Trust Bank Limited (SMTB), a 5% shareholder in FRM, exchanged its shareholding for a holding of preference shares in RBH Holdings (Jersey) Limited, the group subsidiary which acquired FRM. This shareholding entitles SMTB to a dividend corresponding to a 2.65% per annum share of the net management and performance fee revenues generated from the acquired FRM funds under management and new funds under management raised from SMTB sales.

Under IFRS 3—“Business combinations”, the Group is required to calculate the fair value of acquired assets. Provisional values for the acquired business, at the date of acquisition, are set out in the table below:

<u>\$m (Provisional)</u>	<u>Book value</u>	<u>Fair value adjustments</u>	<u>Provisional value</u>
Cash and cash equivalents	106	—	106
Fee and other receivables	45	(6)	39
Investments in fund products	3	—	3
Leasehold improvements and equipment	1	—	1
Intangible assets	—	32	32
Trade and other payables	(36)	(3)	(39)
Deferred tax arising on other intangible assets	—	(6)	(6)
Net assets acquired	119	17	136
Goodwill on acquisition	—	—	16
Net assets acquired including goodwill	==	==	<u>152</u>
Purchase consideration:			
Cash consideration			66
Contingent cash consideration	—	—	86
Total consideration	==	==	<u>152</u>

The fair value adjustments relate primarily to the recognition of intangible assets comprising acquired investment management contracts (IMCs) and the FRM brand, which were valued at \$31 million and \$1 million respectively. 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 years. Deferred tax has been provided on the value of the intangible assets (\$6 million) and this is a non-cash item as the liability arises due to the tax non-deductibility of the amortisation of IMCs.

Goodwill primarily represents the cost synergies to be generated from acquiring and integrating the FRM business with the legacy Man Multi Manager business. Goodwill is not expected to be deductible for tax purposes. Acquisition costs of \$12 million, primarily relating to redundancy costs, legal fees and advisor fees, have been expensed and do not form part of goodwill (Note 2). The contingent cash consideration of \$86 million is calculated as the present value of expected earn out payments and dividends on the perpetual preference shares issued to SMTB. The contingent consideration is deemed to be a financial liability measured initially at fair value and subsequently at fair value through profit or loss.

In addition to the assets and liabilities in the above table, an indemnification asset and corresponding liability, in relation to employee loans, arose on acquisition, which have subsequently been fully settled.

The post tax result for the period since the acquisition date for the legacy FRM business alone amounted to a \$4 million profit, excluding pre-tax items in relation to the post-acquisition amortisation of purchased intangibles (\$1 million) and acquisition costs (\$12 million), partially offset by excluding the fair value gain of \$6 million on the contingent consideration. If the acquisition had taken place at the beginning of the financial year, the post tax profit for FRM would have been \$7 million, excluding amortisation of purchased intangibles (\$3 million) and a charge of \$33 million for acquisition and restructuring costs

Notes to the Group financial statements (Continued)

11. Goodwill and acquired intangibles (Continued)

relating to the pre and post-acquisition period, partially offset by excluding a fair value gain of \$3 million on contingent consideration. This result does not include any benefit from cost synergies. Revenue for the period since the acquisition date for the legacy FRM business amounted to \$36 million, and if the acquisition had taken place at the beginning of the financial year, the revenue would have been \$80 million.

12. Other intangibles

\$m	Note	12 months to 31 December 2012			9 months to 31 December 2011		
		Placement fees	Capitalised computer software	Total	Placement fees	Capitalised computer software	Total
Cost:							
At beginning of the period		639	115	754	822	113	935
Acquisition of business		—	—	—	—	1	1
Additions		29	4	33	46	7	53
Redemptions/disposals		(587)	(11)	(598)	(229)	(6)	(235)
At period end		81	108	189	639	115	754
Aggregate amortisation and impairment:							
At beginning of the period		(482)	(85)	(567)	(638)	(68)	(706)
Impairment	2	(88)	—	(88)	—	—	—
Redemptions/disposals		577	10	587	210	4	214
Amortisation		(56)	(20)	(76)	(54)	(21)	(75)
At period end		(49)	(95)	(144)	(482)	(85)	(567)
Net book value at period end		32	13	45	157	30	187

Placement fees

Placement fees are paid to distributors and employees for selling fund products. The majority of placement fees paid are capitalised as an intangible asset which represents the contractual right to benefit from future income from providing investment management services. The amortisation period is based on management's estimate of the weighted average period over which the Group expects to earn economic benefit from the investor in each product, estimated to be between two to five years on a straight-line basis.

If an investor redeems their investment in a fund product, the corresponding unamortised placement fee is written off. The placement fees intangible is also subject to impairment testing each period to ensure that the future economic benefit arising from each fund product is in excess of the remaining unamortised balance. Amortisation expense, amounts written off, and any impairment losses, are included in distribution costs in the Income statement.

During the year, \$88 million of external and internal capitalised placement fees were impaired. Refer to Note 2 for additional information.

The weighted average remaining amortisation period of the unamortised placement fees at 31 December 2012 is 2.9 years (31 December 2011: 2.2 years).

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

Capitalised computer software

Costs that are directly associated with the procurement or development of identifiable and unique software products, which will generate economic benefits exceeding costs beyond one year, are recognised as

Notes to the Group financial statements (Continued)

12. Other intangibles (Continued)

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 Income statement.

13. Cash, liquidity and borrowings

Liquidity and borrowings

The business is cash generative at an operating level and has the ability to generate significant cash through performance fees.

Total liquidity resources aggregated to \$3,525 million at 31 December 2012 (31 December 2011: \$3,199 million) and comprised cash and cash equivalents of \$2,000 million (31 December 2011: \$1,639 million) and the undrawn committed revolving credit facility of \$1,525 million (31 December 2011: \$1,560 million), available through Man Group plc. Cash and cash equivalents at period end comprises \$268 million (31 December 2011: \$193 million) of cash at bank on hand, \$1,153 million of treasury bills (31 December 2011: nil), and \$579 million (31 December 2011: \$1,446 million) in short-term deposits, net of overdrafts of nil (31 December 2011: nil). Cash ring-fenced for regulated entities totalled \$303 million (31 December 2011: \$246 million).

Liquidity resources support on-going 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 27.1), 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 Man Group plc 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 the liquidity. Accordingly, cash is invested in short-dated US Treasury bills and is held in short-term bank deposits and demand deposit bank accounts. At 31 December 2012, \$1,153 million was invested in short-dated US Treasury bills and \$847 million was cash balances with 30 banks (31 December 2011: \$1,639 million with 34 banks). The single largest counterparty bank exposure of \$183 million was held with an A+ rated bank (31 December 2011: \$305 million with an A – rated bank). Balances with banks in the AA ratings band aggregated to \$134 million (31 December 2011: \$145 million). Balances with banks in the A ratings band aggregated to \$713 million (31 December 2011: \$1,493 million).

Notes to the Group financial statements (Continued)

13. Cash, liquidity and borrowings (Continued)

The following tables summarise the maturity profile of outstanding borrowings, the perpetual subordinated capital securities and the committed revolving credit facility, and the Group's available liquidity as at 31 December 2012 and 2011.

31 December 2012 (\$m)	Total	Less than 1 year	2 years	3 years	Greater than 3 years
Senior 2013 fixed rate bonds	173	173	—	—	—
Senior 2015 fixed rate € bonds	285	—	—	285	—
Tier 2 subordinated 2015 floating rate notes	170	—	—	170	—
Tier 2 subordinated 2017 fixed rate bonds	231	—	—	—	231
Borrowings	859	173	—	455	231
Tier 1 perpetual subordinated capital securities	300	—	—	—	300
Cash and cash equivalents	2,000	—	—	—	—
Undrawn committed revolving credit facility ⁽¹⁾	1,525	—	—	—	1,525
Total liquidity	3,525	—	—	—	—

31 December 2011 (\$m)	Total	Less than 1 year	2 years	3 years	Greater than 3 years
Senior 2013 fixed rate bonds	172	—	172	—	—
Senior 2015 fixed rate € bonds	492	—	—	—	492
Tier 2 subordinated 2015 floating rate notes	171	—	—	—	171
Tier 2 subordinated 2017 fixed rate bonds	231	—	—	—	231
Borrowings	1,066	—	172	—	894
Tier 1 perpetual subordinated capital securities	300	—	—	—	300
Cash and cash equivalents	1,639	—	—	—	—
Undrawn committed revolving credit facility	1,560	—	—	—	1,560
Total liquidity	3,199	—	—	—	—

Note:

(1) At 31 December 2012, the Company's parent is the only named drawer under the revolving credit facility. However, letters of support are in place making the facility available to other group companies.

To maintain maximum flexibility, the revolving credit facility, the bonds and the capital securities do not include financial covenants. The mix of funded debt and committed bank facilities is a matter determined by the Board based on funding needs and availability in the capital and bank markets.

Borrowings are initially recorded at fair value net of transaction costs incurred, and are subsequently stated at amortised cost. The difference between the amount repayable at maturity on the borrowings and the carrying value is amortised over the period up to the expected maturity of the associated debt in accordance with the effective interest method. At 31 December 2012, the fair value of borrowings was \$826 million.

Senior 2013 fixed rate bonds: the \$173 million senior fixed rate bonds were issued in 2008, mature on 1 August 2013 and have a coupon of 6.5% per annum payable semi-annually in arrears up to and including the maturity date.

Senior 2015 fixed rate € bonds: the €216 million (\$285 million) senior fixed rate bonds were issued in 2010, mature on 18 February 2015 and have a coupon of 6.0% per annum payable annually in arrears up to and including the maturity date. These bonds are hedged in to US dollars on an on-going basis. €166 million (\$219 million) was repurchased during the year. The premium paid of \$20 million, and an accelerated unwind of issue costs and fees of \$1 million, have been included in finance expense for the year.

Tier 2 subordinated 2015 floating rate notes: the \$170 million subordinated floating rate notes were issued in 2005, mature on 22 September 2015 and have a coupon of 3-month US dollar LIBOR plus 1.65%. The

Notes to the Group financial statements (Continued)

13. Cash, liquidity and borrowings (Continued)

notes may be redeemed in whole at the Group's option on any interest payment date falling on or after 22 September 2010, subject to FSA approval.

Tier 2 subordinated 2017 fixed rate bonds: the \$231 million subordinated floating rate bonds were issued in August 2010, have a coupon of 5% and mature on 9 August 2017.

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

Committed revolving credit facility: the committed revolving credit facility of \$1,525 million, where the Company's parent is the only named drawer at 31 December 2012, was put in place in July 2011 as a five-year facility and includes the option for the Group to ask the banks to extend the maturity date by a year on each of the first and second anniversaries. The participant banks have the option to accept or decline our request. Before the first anniversary in July 2012 the banks were asked to extend the maturity date of the facility by a year. Banks with participations totalling \$1,320 million accepted the request and as a result \$205 million of the facility is currently scheduled to mature in July 2016 and \$1,320 million in July 2017.

The expected payment profile of future interest payments, totalling \$106 million (31 December 2011: \$190 million), is as follows: \$39 million is expected to be due within one year (31 December 2011: \$56 million); \$48 million within two and three years (31 December 2011: \$97 million); and \$19 million is expected to be due after three years (31 December 2011: \$37 million). Disclosures in relation to financial guarantees and commitments are included in Note 27.

Foreign exchange and interest rate risk

The Group is subject to risk from changes in interest rates or foreign exchange rates on monetary assets and liabilities. A 10% strengthening/weakening of the US dollar against all other currencies, with all other variables held constant, would have resulted in a foreign exchange loss/gain of \$8 million (31 December 2011: \$5 million loss/gain), with a corresponding impact on equity. In respect of the Group's monetary assets and liabilities which earn/incur interest indexed to floating rates, as at 31 December 2012, a 50bp increase/decrease in interest rates, with all other variables held constant, would have resulted in a \$4 million increase or decrease (31 December 2011: \$5 million increase or decrease) in net interest income.

Notes to the Group financial statements (Continued)

14. Investments in fund products and other investments

\$m	31 December 2012				31 December 2011			
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Total	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Total
Investments in fund products comprise:								
Loans to fund products	—	—	274	274	—	—	334	334
Other investments in fund products	212	1	—	213	296	1	—	297
	<u>212</u>	<u>1</u>	<u>274</u>	<u>487</u>	<u>296</u>	<u>1</u>	<u>334</u>	<u>631</u>
Other investments comprise ⁽¹⁾ :								
Lehman claims	—	—	—	—	—	333	—	333
Investment in shares in parent company	—	55	—	55	—	—	—	—
Other	—	9	—	9	—	11	—	11
	<u>—</u>	<u>64</u>	<u>—</u>	<u>64</u>	<u>—</u>	<u>344</u>	<u>—</u>	<u>344</u>

Note:

(1) This excludes the Pension Asset of \$106 million (31 December 2011: \$92 million) which is discussed in Note 21.

14.1. Loans to fund products

Loans to fund products are short-term advances primarily to the Group structured products. The loans are repayable on demand and are carried at amortised cost using the effective interest method. The average balance during the period was \$332 million (nine months to 31 December 2011: \$449 million). Loans to fund products have decreased compared to the prior period as the structured product FUM has decreased together with the associated leverage. The liquidity requirements of the structured products together with commitments to provide financial support (Note 27), which give rise to loans to funds, are subject to our routine liquidity stress testing and any liquidity requirements are met by available cash resources, or the committed syndicated revolving loan facility.

Loans to fund products expose the Group 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 the Group's maximum exposure to credit risk. Loans are closely monitored against the assets held in the funds. The largest single loan to a fund product was \$21 million (31 December 2011: \$18 million). Fund entities are not externally rated, but our internal modelling indicates that fund products have a probability of default that is equivalent to a credit rating of AA or better.

14.2. Other investments in fund products

Man uses capital to invest in our fund products as part of our on-going business to build our product breadth and to trial investment research developments before we market the products to investors. These investments are generally held for less than one year. Other investments in fund products are classified primarily at fair value through profit or loss. Purchases and sales of investments are recognised on trade date.

Other investments in fund products are not actively traded and the valuation at the fund level cannot be determined by reference to other available prices. The fair values of investments in fund products are derived from the reported net asset values (NAVs) of each of the fund products, which in turn are based upon the value of the underlying assets held within each of the fund products and the timings of being able to redeem the fund product. The valuation of the underlying assets within each fund product is determined by external valuation service providers (VSPs) based on an agreed valuation policy and methodology.

Notes to the Group financial statements (Continued)

14. 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 net asset values reported by the VSPs are reliable and appropriate. Man makes adjustments to NAVs where the timing of being able to redeem the fund product or events or circumstances indicate that the NAVs are not reflective of fair value. The fair value hierarchy of financial assets is disclosed in Note 23.

Other investments in fund products expose Man to market risk and therefore the commitment process is subject to limits consistent with the Board's risk appetite. The largest single investment in fund products was \$46 million (31 December 2011: \$36 million). The market risk from other investments in fund products and other investments is modelled using a value at risk (VaR) methodology using a 95% confidence interval and one month time horizon. The VaR is estimated to be \$15 million at 31 December 2012 (31 December 2011: \$16 million).

The total net gain on investments in fund products reported in the Income statement was \$23 million (nine months to December 2011: net losses of \$6 million).

Fund investment for deferred compensation arrangements

At year end, investment in fund products included \$51 million (31 December 2011: \$40 million) related to deferred compensation arrangements. Employees are subject to mandatory deferral arrangements and as part of these arrangements employees can elect deferral into a designated series of Man fund products. As the fund product plans are treated as variable plans for accounting purposes the compensation expense increases/decreases based on the value of the designated fund products. The fund product investments are held to offset this change in compensation during the vesting period and at vesting the fund investment is delivered to the employee. The fund product investments are recorded at fair value with any unrealised gain/loss during the vesting period charged to compensation expense in the Income statement.

14.3. Other investments

Sale of Lehman claims

On 16 November 2012, the Group entered into a series of transactions with Hutchinson Investors LLC, managed by the Baupost Group, to sell the residual exposure to the Lehman estates (Lehman claims) that it acquired in July 2011 from certain GLG managed funds.

The total consideration for the transactions was \$456 million, and resulted in a gain on sale of \$131 million (Note 2). The Group may receive up to a further \$5 million if overall recoveries by the buyer exceed certain thresholds in the future.

The transaction allows the Group to benefit from the payment of the total consideration, while providing guarantees of up to \$75 million (Note 27.2) to the funds for prompt payment by the Baupost Group of amounts owed to the funds in the event of a successful claim. The proceeds increased Man's regulatory capital surplus and further enhanced its net cash position.

15. Fee and other receivables

<u>\$m</u>	<u>31 December 2012</u>	<u>31 December 2011</u>
Fee receivables	65	104
Prepayments and accrued income	179	132
Other receivables	138	192
Amounts receivable from Man Group plc	8	—
	<u>390</u>	<u>428</u>

Fee and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Fee receivables and accrued income represent management and performance fees from fund products and are received in cash when the funds' NAV is determined. All

Notes to the Group financial statements (Continued)

15. Fee and other receivables (Continued)

fees are deducted from the NAV of the respective funds by the independent administrators and therefore the credit risk of fee receivables is minimal. No balances were overdue or delinquent at period end.

For the Open Ended Investment Collective (OEIC) Funds businesses, the Group acts as the intermediary for the collection of subscriptions due from customers and payable to the funds, and for redemption requests receivable from funds and payable to customers. At 31 December 2012 the amount included in other receivables is \$29 million (31 December 2011: \$17 million). The unsettled fund payable is recorded in trade and other payables.

Other receivables have decreased during the year due to the repayment of the loan notes by BlueCrest. The loan notes were originally issued in 2011 as part of the consideration received upon disposal of the Group's equity stake, with a par value of \$100 million. The total gain on settlement of \$15 million has been disclosed in Finance income (Note 8).

The value of derivative financial instruments, which consist primarily of foreign exchange contracts, as at 31 December 2012 included in other receivables was \$14 million (31 December 2011: \$8 million) and the notional value was \$599 million (31 December 2011: \$289 million). All derivatives mature within one year. During the year, there were \$18 million net realised and unrealised gains arising from derivatives (nine months ended 31 December 2011: \$61 million net losses). Derivatives are classified as Level 2 under the Group's fair value hierarchy (Note 23). Foreign exchange contracts are used to hedge the Group's foreign currency monetary assets and liabilities (e.g. the senior 2015 fixed rate € bonds) and sometimes to economically mitigate foreign currency cash flows. At the year end, \$28 million (31 December 2011: \$94 million) of fee and other receivables are expected to be settled after 12 months.

16. Trade and other payables

\$m	31 December 2012	31 December 2011
Accruals	343	376
Trade payables	48	38
Provisions	59	57
Contingent consideration	60	—
Other payables	141	204
Amounts payable to Man Group plc	2	—
	<u>653</u>	<u>675</u>

Accruals includes compensation accruals. Trade payables primarily relate to GLG's OEIC business. Provisions primarily relate to onerous property leases and potential legal claims. Contingent consideration relates to the amounts payable in respect of the FRM acquisition (Note 11). Other payables include servicing fees payable to distributors and redemption proceeds due to investors.

Payables are recorded initially at fair value and subsequently measured at amortised cost. Included in trade and other payables at 31 December 2012 are balances of \$93 million (31 December 2011: \$99 million) that are expected to be settled after more than 12 months. The Group's policy is to meet its contractual commitments and pay suppliers according to agreed terms.

The value of derivatives, comprising foreign exchange contracts, included in other payables as at 31 December 2012 was \$2 million (31 December 2011: \$15 million) and the notional value was \$267 million (31 December 2011: \$653 million). All derivative contracts mature within one year.

Notes to the Group financial statements (Continued)

17. Investments in associates

\$m	12 months to 31 December 2012	9 months to 31 December 2011
At beginning of the period	41	68
Share of post-tax profit	10	3
Dividends received	(13)	(3)
Acquisition of controlling interest in Ore Hill	—	(27)
At period end	<u>38</u>	<u>41</u>

At 31 December 2012, the carrying value of investments in associates relates to a 25% interest in Nephila Capital Limited, an alternative investment manager specialising in the management in funds which underwrite natural catastrophe reinsurance and invest in insurance-linked securities and weather derivatives.

In the prior period, the Group acquired the remaining 50% equity interest in Ore Hill for predominantly share-based consideration, with it becoming a subsidiary undertaking at that date.

Associates are entities in which the Group holds an interest and over which it has significant influence but not control. Investments in associates are recorded by the equity method of accounting and at cost plus (or minus) our share of cumulative post-acquisition movements in undistributed profits (or losses). Gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the entities.

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

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

18. Leasehold improvements and equipment

\$m	31 December 2012			31 December 2011		
	Leasehold improvements	Equipment	Total	Leasehold improvements	Equipment	Total
Cost						
At beginning of the period	149	105	254	126	128	254
Acquisition of business	—	1	1	—	—	—
Additions	19	1	20	58	2	60
Disposals	(9)	(26)	(35)	(3)	(58)	(61)
Reclassifications	(35)	35	—	(32)	33	1
At period end	<u>124</u>	<u>116</u>	<u>240</u>	<u>149</u>	<u>105</u>	<u>254</u>
Aggregate depreciation:						
At beginning of the period	(25)	(56)	(81)	(25)	(91)	(116)
Charge for period	(14)	(29)	(43)	(6)	(15)	(21)
Disposals	8	26	34	1	55	56
Reclassifications	—	—	—	5	(5)	—
At period end	<u>(31)</u>	<u>(59)</u>	<u>(90)</u>	<u>(25)</u>	<u>(56)</u>	<u>(81)</u>
Net book value at period end	<u>93</u>	<u>57</u>	<u>150</u>	<u>124</u>	<u>49</u>	<u>173</u>

All leasehold improvements and equipment are shown at cost, less subsequent depreciation and impairment. Depreciation is calculated using the straight-line method over the asset's estimated useful life as follows: leasehold improvements over the shorter of the life of the lease and the improvement; and

Notes to the Group financial statements (Continued)

18. Leasehold improvements and equipment (Continued)

equipment over 3-10 years. Assets in the course of construction, included within leasehold improvements, were nil at year end (31 December 2011: \$35 million). The additions during the year primarily relate to the fit out of the New York office. Reclassifications relate to the completion and capitalisation of Man's new data centre facility during the year.

From a capital perspective, leasehold improvements and equipment are supported by a combination of shareholders' equity and subordinated debt for both economic and regulatory capital purposes.

19. Deferred compensation arrangements

Man operates cash and equity settled share-based schemes as well as fund product based compensation arrangements.

Because of the Scheme of arrangement referred to on page 28, all references to share awards relate to shares in the Company's parent company, Man Group plc.

During the year, \$101 million (nine months to 31 December 2011: \$94 million) was included in compensation and distribution costs for share-based payment and deferred fund product plans, split between equity settled share-based payments of \$74 million (nine months to 31 December 2011: \$56 million), cash-settled share-based payments totalling \$4 million (nine months to 31 December 2011: \$7 million), and deferred fund product plans of \$23 million (nine months to 31 December 2011: \$31 million).

In respect of equity settled share-based schemes, the fair value of the employee services received in exchange for the share awards and options granted is recognised as an expense, with the corresponding credit being recognised in equity. The fair value of the share awards and options granted in exchange for employee services is calculated using a binomial model that takes into account the effect of both financial and demographic assumptions. Financial assumptions include the future share price volatility, dividend yield, risk-free interest rate, and the best estimate outcome of performance conditions. Forfeiture and early vesting are based upon historical observable data. The fair values per option and award granted during the period to employees, and the assumptions used in the calculations are presented below.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and options awarded/granted. Changes to the original estimates, if any, are included in the Income statement, with a corresponding adjustment to equity. For cash-settled share-based compensation schemes, a liability is recognised for the services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in the Income statement for the period, taking into account the period of vesting to date.

Man also operates compensation plans in which deferred compensation is invested in fund products managed by Man. The fair value of the employee services received in exchange for the fund units is recognised as an expense, with a corresponding liability. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards, re-measured at each reporting date until the settlement date is reached. The fair value of the awards equates to the fair value of the underlying fund products at the settlement date.

19.1 Employee Trusts

The Employee Trusts have the obligation to deliver shares and options in the Company's parent company, Man Group plc, and fund product based payments which have been granted to employees. The Group contributed funds in order for the Trusts to meet their current period obligations of \$25 million (nine months to 31 December 2011: \$38 million) in the period.

The Trusts are fully consolidated into the Group. The shares held by the Trusts are deducted from Tier 1 Capital. The employee trusts are controlled by independent trustees and their assets are held separately from those of the Group. At 31 December 2012 the net assets of the employee trusts amounted to \$43 million (31 December 2011: \$13 million). These assets include 40,762,323 (31 December 2011: 55,548,586) ordinary shares in the Company, \$35 million notional value options over Man shares

Notes to the Group financial statements (Continued)

19. Deferred compensation arrangements (Continued)

(31 December 2011: \$29 million), and \$26 million fund units to deliver against the future obligations (31 December 2011: \$16 million). Since 6 November 2012, the effective date of the Scheme of arrangement referred to on page 28, the shares have been classified as available for sale investments. Prior to this date, the shares were recorded at cost and shown as a deduction from shareholders' funds. Other assets were primarily cash and receivables from employees in connection with the purchase of shares in the Company. During the period the trustees of one of the employee trusts waived all of the interim dividend for the 12 months to 31 December 2012 on each of 41,985,564 of the ordinary shares registered in its name at the relevant date for eligibility for the interim dividend (interim dividend for the nine months to 31 December 2011: all on 52,909,807 shares) and all of the final dividend for the nine months to 31 December 2011 on each of 50,148,674 of the ordinary shares registered in its name at the relevant date for eligibility for the final dividend (31 March 2011 final: all on 42,142,009 shares).

19.2 Share-based payments: share grant information

The following information shows the movements in share-based payments during the period with comparative information.

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

	Key executive option plan	Executive share option scheme	Deferred bonus share option scheme	Other employee share option schemes
Grant dates	08/03/2012	15/03/2012	15/03/2012	28/08/2012
Weighted average share price at grant date (\$) . .	4.5	2.2	2.2	1.2
Weighted average exercise price at grant date (\$) .	5	2.2	2.5	1
Share options made in the period	109,829	901,897	2,636,163	5,270,836
Vesting period (years)	3	3	3	3 - 5
Expected share price volatility	40	40	40	40
Dividend yield	6	6	6	6
Risk-free rate	2.7	1.2	1.2	0.3
Expected option life (years)	8.1	8.1	8.2	3.4
Number of options assumed to vest	109,829	—	2,636,163	3,946,271
Average fair value per option granted (\$)	1.1	0.5	0.5	0.3

The expected share price volatility is based on historical volatility over the last 10 years. The expected option life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon US and UK (where appropriate) government bonds of a term consistent with the assumed option life.

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

	12 months to 31 December 2012		9 months to 31 December 2011	
	Number	Weighted average exercise price (\$ per share)	Number	Weighted average exercise price (\$ per share)
Share options outstanding at beginning of the period	58,998,026	4.66	56,792,151	4.68
Granted	8,918,725	1.62	3,372,009	4.65
Forfeited	(10,128,772)	4.46	(1,104,376)	5.72
Exercised	(1,153)	1.03	(61,758)	3.2
Share options outstanding at period end*	57,786,826	4.22	58,998,026	4.66
Share options exercisable at period end*	1,485,261	4.34	438,578	5.38

* At year end, the share options relate to shares in the Company's parent, Man Group plc.

Notes to the Group financial statements (Continued)

19. Deferred compensation arrangements (Continued)

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

Range of exercise prices (\$ per share)	31 December 2012			31 December 2011		
	Number of share options	Weighted average exercise price (\$ per share)	Weighted average expected remaining life	Number of share options	Weighted average exercise price (\$ per share)	Weighted average expected remaining life
1.01 - 5.00	29,830,297	3.6	5.3	58,691,556	4.5	6.8
5.01 - 7.00	27,952,395	5	6.2	291,495	6.17	3.0
7.01 - 9.00	4,134	7.7	0.1	14,975	7.54	0.2
	<u>57,786,826</u>	<u>—</u>	<u>—</u>	<u>58,998,026</u>	<u>—</u>	<u>—</u>

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

	Performance share plan	Deferred share plan
Grant dates	15/03/2012	14/11/2011 - 1/12/2012
Weighted average share price at grant date (\$)	2.2	2.2
Share awards made in the period	1,123,171	18,397,679
Vesting period (years)	4	1 - 3
Average fair value per share award granted (\$)	1.8	2.2

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

	12 months to 31 December 2012 Number	9 months to 31 December 2011 Number
Share awards outstanding at beginning of the period	42,199,998	58,045,049
Granted	19,520,850	1,186,300
Forfeited	(4,512,479)	(2,214,453)
Exercised	(20,587,521)	(14,816,898)
Share awards outstanding at period end*	<u>36,620,848</u>	<u>42,199,998</u>
Share awards exercisable at period end*	<u>2,418,239</u>	<u>1,911,105</u>

* At year end, the awards relate to shares in the Company's parent, Man Group plc.

20. 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 financial crisis. This capital has given Man flexibility to support our investors, intermediaries and financial partners and to allow them to make informed decisions regarding their investment exposures. This confidence gives our business credibility and sustainability.

We have a conservative capital and liquidity framework which allows us to invest in the growth of the business. We utilise capital to support the operation of the investment management process and the launch of new fund products. We view this as a competitive advantage which allows us to align directly our interests with those of investors and intermediaries.

Man monitors its capital requirements through continuous review of its regulatory capital and economic capital, including monthly reporting to Finance Committee and the Board.

Notes to the Group financial statements (Continued)

20. Capital management (Continued)

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.

New Group holding company

A new holding company was incorporated on 8 August 2012 and became the new listed holding company of the Man Group on 6 November 2012 via a Court approved scheme of arrangement under Part 26 of the Companies Act 2006. The Company was renamed Man Strategic Holdings Limited and the new holding company assumed the name Man Group plc.

Under the scheme of arrangement, shares in the Company were cancelled. The same number of new ordinary shares were issued to the new holding company in consideration for the allotment to shareholders of one ordinary share of \$1.07 in that new holding company for each ordinary share of 3 $\frac{3}{4}$ US cents they had held in the Company.

Ordinary shares

Ordinary shares have a par value of 3 $\frac{3}{4}$ US cents per share (31 December 2011: 3 $\frac{3}{4}$ 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 to 31 December 2012, the Company repurchased 3,332,756 (nine months to 31 December 2011: 66,176,820) ordinary shares, equivalent to 0.18% of the issued share capital for a total consideration of \$7 million. All of the shares repurchased to date have been cancelled.

Deferred sterling shares

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. 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.

Issued and fully paid share capital

	12 months to 31 December 2012		Nominal value \$m
	Ordinary shares Number	Deferred sterling shares Number	
At 1 January 2012	1,820,814,143	50,000	63
Issue of ordinary shares:			
Employee share awards/options	165,512	—	—
GLG Partnership Plans	3,012,545	—	—
Purchase and cancellation of own shares	(3,332,756)	—	—
Scheme of arrangement—cancellation of shares (6 November 2012)	(1,820,659,444)	—	(63)
Scheme of arrangement—issue of shares to new parent company (6 November 2012)	1,820,659,444	—	63
At 31 December 2012	1,820,659,444	50,000	63

Notes to the Group financial statements (Continued)

20. Capital management (Continued)

	9 months to 31 December 2011		
	Ordinary shares Number	Deferred sterling shares Number	Nominal value \$m
At 1 April 2011	1,881,460,689	50,000	65
Issue of ordinary shares:			
Employee share awards/options	390,201	—	—
GLG Partnership Plans	1,369,888	—	—
Shares issued in business combinations	3,770,185	—	—
Purchase and cancellation of own shares	(66,176,820)	—	(2)
At 31 December 2011	<u>1,820,814,143</u>	<u>50,000</u>	<u>63</u>

Share capital and reserves

\$m	Share capital	Perpetual subordinated capital securities	Share premium account	Capital redemption reserve	Total
At 1 January 2012	63	300	1,707	1,294	3,364
Employee share awards/options	—	—	8	—	8
Scheme of arrangement:					
—Cancellation of shares (6 November 2012) . .	(63)	—	—	—	(63)
—Issue of shares to new parent company (6 November 2012)	<u>63</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>63</u>
At 31 December 2012	<u>63</u>	<u>300</u>	<u>1,715</u>	<u>1,294</u>	<u>3,372</u>
At 1 April 2011	65	300	1,689	1,292	3,346
Ordinary shares issued in business combinations	—	—	15	—	15
Employee share awards/options	—	—	3	—	3
Repurchase of own shares	<u>(2)</u>	<u>—</u>	<u>—</u>	<u>2</u>	<u>—</u>
At 31 December 2011	<u>63</u>	<u>300</u>	<u>1,707</u>	<u>1,294</u>	<u>3,364</u>

Notes to the Group financial statements (Continued)

20. Capital management (Continued)

Revaluation reserves and retained earnings

\$m	Available-for-sale reserve	Cash flow hedge reserve	Own shares held by ESOP trust	Cumulative translation adjustment	Profit and loss account	Total
At 1 January 2012	4	—	(221)	43	870	696
Currency translation difference	—	—	(10)	13	—	3
Movement in close period						
buyback obligations	—	—	—	—	10	10
Repurchase of own shares	—	—	—	—	(7)	(7)
Share-based payments charge						
for the period	—	—	—	—	66	66
Purchase of own shares by						
ESOP trusts	—	—	—	—	(1)	(1)
Disposal of own shares by						
ESOP trusts	—	—	61	—	(61)	—
Capital restructure	—	—	170	—	10	180
Fair value gains taken to equity	18	16	—	—	—	34
Corporation tax debited to						
reserves	—	(1)	—	—	—	(1)
Transfer to income statement						
on sale or impairment	(19)	(9)	—	(42)	—	(70)
Dividends	—	—	—	—	(299)	(299)
Dividends with respect to						
Perpetual Subordinated						
Capital Securities	—	—	—	—	(33)	(33)
Taxation with respect to						
Perpetual Subordinated						
Capital Securities	—	—	—	—	8	8
Loss for the period	—	—	—	—	(903)	(903)
At 31 December 2012	3	6	—	14	(340)	(317)

Notes to the Group financial statements (Continued)

20. Capital management (Continued)

\$m	Available-for-sale reserve	Cash flow hedge reserve	Own shares held by ESOP trust	Cumulative translation adjustment	Profit and loss account	Total
At 1 April 2011	4	—	(234)	59	1,261	1,090
Currency translation difference	—	—	7	(16)	—	(9)
Movement in close period						
buyback obligations	—	—	—	—	(10)	(10)
Repurchase of own shares	—	—	—	—	(143)	(143)
Share-based payments charge						
for the period	—	—	—	—	63	63
Purchase of own shares by						
ESOP trusts	—	—	(56)	—	(3)	(59)
Disposal of own shares by						
ESOP trusts	—	—	62	—	(45)	17
Dividends	—	—	—	—	(394)	(394)
Dividends with respect to						
Perpetual Subordinated						
Capital Securities	—	—	—	—	(25)	(25)
Taxation with respect to						
Perpetual Subordinated						
Capital Securities	—	—	—	—	7	7
Profit for the period	—	—	—	—	159	159
At 31 December 2011	<u>4</u>	<u>—</u>	<u>(221)</u>	<u>43</u>	<u>870</u>	<u>696</u>

21. Pension benefits

The Group operates 12 (31 December 2011: 12) defined contribution plans and two (31 December 2011: two) funded defined benefit plans.

Defined contribution plans

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contributions have been paid. Defined contribution pension costs totalled \$10 million for the 12 months to 31 December 2012 (nine months to 31 December 2011: \$7 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. 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 2012, the UK plan comprised 86% (31 December 2011: 83%) of the Group's total defined benefit pension obligations.

The UK plan was closed to new members in May 1999, and to future accrual in May 2011. 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.

The Swiss plan remains open to new members. It is a mandatory BVG basic pension scheme. Such schemes aim to maintain the recipients' accustomed standard of living. The law requires minimum contributions to the employer's pension scheme to be withheld from income, up to a specific ceiling.

The asset recognised in the Group balance sheet in respect of defined benefit pension plans is the fair value of plan assets (including the Reservoir Trust described below) less the present value of the defined

Notes to the Group financial statements (Continued)

21. Pension benefits (Continued)

benefit obligation at the balance sheet date adjusted for unrecognised actuarial gains or losses by applying the “corridor approach”. The surplus or deficit before adjustment for unrecognised actuarial gains or losses represents the shareholders’ obligation to the pension plans and the potential use of Man’s resources in future.

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. To remove the funding deficit, the Group has agreed to make an annual cash payment 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. This funding plan has been agreed by the directors and in principle by the Trustees. Cash contributions of £7.3 million were made to the UK Plan in the year to 31 December 2012.

In order to maintain flexibility with regards to the funding of the UK Plan, Man also set up the Man Group Reservoir Trust (the Reservoir Trust) in 2010. The Group 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 the Group can fund a deficit at 31 December 2017 and in the event that the UK Plan is fully funded, allows the Group to recover the assets so that the UK Plan is not over funded.

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

<u>\$m</u>	<u>31 December 2012</u>	<u>31 December 2011</u>
Present value of funded obligations	(419)	(385)
Fair value of plan assets	413	381
Deficit	(6)	(4)
Unrecognised actuarial losses	112	96
Net pension asset in the Group balance sheet at period end	<u>106</u>	<u>92</u>

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

Pensions: actuarial information

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

<u>\$m</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
Present value of funded obligations at beginning of the period	385	366
Currency translation difference	16	(12)
Current service cost (employer portion)	4	4
Interest cost	17	13
Employee contributions	3	3
Actuarial losses	17	34
Actual benefit payments	(23)	(23)
Present value of funded obligations at period end	<u>419</u>	<u>385</u>

Notes to the Group financial statements (Continued)

21. Pension benefits (Continued)

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

<u>\$m</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
Fair value of plan assets at beginning of the period	381	401
Currency translation difference	16	(11)
Expected return on plan assets	21	18
Actuarial gains/(losses) on plan assets	1	(10)
Employer contributions	14	3
Employee contributions	3	3
Benefits paid	(23)	(23)
Fair value of plan assets at period end	<u>413</u>	<u>381</u>

The plan assets are invested approximately one third in each of equities, bonds and hedge funds. The actual return on plan assets for the year to 31 December 2012 was \$22 million (nine months to 31 December 2011: \$8 million).

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

<u>\$m</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
Current service cost (employer portion)	4	4
Interest cost	17	13
Expected return on plan assets	(21)	(18)
Amortisation of unrecognised net loss	5	1
Total charge	<u>5</u>	<u>—</u>

The principal actuarial assumptions used in the valuations of the two plans as at 31 December 2012 were:

	<u>UK plan</u>		<u>Swiss plan</u>	
	<u>31 December 2012</u>	<u>31 December 2011% pa</u>	<u>31 December 2012</u>	<u>31 December 2011% pa</u>
Discount rate	4.4	4.8	2	2.2
Price inflation	3.0	3.2	1.5	1.5
Expected return on plan assets	5.4	5.3	3.3	3.5
Future salary increases	3.0	3.2	1.5	1.5
Social security increases	—	—	1.0	1.0
Interest crediting rate	—	—	2.0	2.2
Pension in payment increases	3.5	3.6	—	—
Deferred pensions increases	5.0	5.0	—	—

The expected return on plan assets is based on the market expectation at the beginning of the year for returns over the entire life of the benefit obligation. In the UK, investment market conditions suggest an expected return on equities of around 6.8% (31 December 2011: 6.9%), expected bond returns of around 3.6% (31 December 2011: 3.9%), expected return on diversified growth funds of around 6.1% (31 December 2011: 6.2%), and expected average return on other plan assets (cash) of around 3.0% (31 December 2011: 3.0%). The Reservoir Trust holds a different mixture of hedge funds, the expected return on these assets is around 6.6% (31 December 2011: 5.4%). In Switzerland, investment market conditions suggest an expected return on equities of around 5.0% (31 December 2011: 5.1%), expected bond returns (including cash) of around 0.7% (31 December 2011: 0.8%), expected returns on property of 3.0% (31 December 2011: 3.1%), expected hedge fund returns of around 5.0% (31 December 2011: 5.1%) and expected average return on other plan assets (commodities) of around 5.0% (31 December 2011: 5.1%).

Notes to the Group financial statements (Continued)

21. Pension benefits (Continued)

At 31 December 2012, mortality rates in the UK plan are assumed to be in line with 100% of the S1NA tables (2011: 120% of the PNA00 tables) projected by year of birth with allowance for future improvements in mortality rates in line with the 2011 CMI projections with a long-term rate of improvement of 1.25% pa for males and 1% pa for females (2011: medium cohort projections with a minimum rate of improvement each year of 1.0% for males and 0.5% for females).

At both 31 December 2011 and 31 December 2012 mortality rates in the Swiss Plan are assumed to be in line with the Swiss BVG 2010 generational tables.

History of experience gains and losses:

	12 months to December 2012		9 months to December 2011		12 months to 31 March 2011		12 months to 31 March 2010		12 months to 31 March 2009	
	\$m	%	\$m	%	\$m	%	\$m	%	\$m	%
Experience (loss)/gain arising on plan assets (% of plan assets) .	(1)	(0.2)	(10)	(2.5)	13	3.3	37	9.4	(35)	(14.1)
Experience (loss)/gain arising on plan liabilities (% of the present value of plan liabilities)	10	2.4	(2)	(0.6)	6	1.7	5	1.2	(11)	(3.7)
Present value of plan liabilities .	(419)		(385)		(366)		(384)		(296)	
Fair value of plan assets	413		381		401		391		248	
Plan (deficit)/surplus	(6)		(4)		35		7		(48)	

22. Foreign currencies

The majority of revenues, assets, liabilities and funding are denominated in US dollars (USD) and therefore the Group's presentation currency is USD.

The assets and liabilities of consolidated entities that have a functional currency other than USD are translated into USD at the balance sheet date rate. Income and expenses are translated at the average rate for the period in which the transactions occur. Exchange differences which arise are recorded in other comprehensive income.

In consolidated entities with the same USD functional currency, monetary assets and liabilities denominated in foreign currencies are translated at each balance sheet date rate. Transactions denominated in foreign currencies are converted at the spot rate at the date of the transaction or if appropriate the average rate for the month in which the transaction occurs. Resulting exchange differences are recognised in the Income statement.

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

	Period-end rates		Average rates	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Euro	0.7579	0.7725	0.7775	0.7141
Sterling	0.6158	0.6435	0.6307	0.6233
Swiss Franc	0.9154	0.9384	0.9376	0.8695

23. Fair value hierarchy of financial assets/liabilities

The Group uses a three-level hierarchy for fair value measurement disclosure, as follows:

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

Notes to the Group financial statements (Continued)

23. Fair value hierarchy of financial assets/liabilities (Continued)

The fair value hierarchy of financial assets and liabilities as at 31 December 2012 can be analysed as follows:

\$m	31 December 2012				31 December 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held at fair value:								
Investments in fund products (Note 14)	—	96	117	213	20	94	183	297
Other investments (Note 14) and other receivables (Note 15)	59	14	5	78	5	8	339	352
	<u>59</u>	<u>110</u>	<u>122</u>	<u>291</u>	<u>25</u>	<u>102</u>	<u>522</u>	<u>649</u>
Financial liabilities held at fair value:								
Other payables (Note 16)	—	2	60	62	—	15	—	15
	<u>—</u>	<u>2</u>	<u>60</u>	<u>62</u>	<u>—</u>	<u>15</u>	<u>—</u>	<u>15</u>

The basis of measuring the fair value of Level 3 investments is outlined in Note 14. Movement in Level 3 financial assets and financial liabilities, measured at fair value, during the period can be analysed as follows:

\$m	12 months to 31 December 2012			9 months to 31 December 2011		
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
Level 3 financial assets held at fair value						
At beginning of the period	183	339	522	264	7	271
Purchases	52	—	52	43	355	398
Total gains/(losses) in comprehensive income	17	18	35	(2)	—	(2)
Included in (loss)/profit for the period	17	(1)	16	(2)	—	(2)
Included in other comprehensive income	—	19	19	—	—	—
Sales or settlements	(137)	(352)	(489)	(104)	(23)	(127)
Transfers into Level 3	3	—	3	—	—	—
Transfers out of Level 3	(1)	—	(1)	(20)	—	(20)
Other adjustments	—	—	—	2	—	2
At period end	<u>117</u>	<u>5</u>	<u>122</u>	<u>183</u>	<u>339</u>	<u>522</u>
Total gains for the period included in the statement of comprehensive income for assets held at period end	<u>17</u>	<u>—</u>	<u>17</u>	<u>1</u>	<u>—</u>	<u>1</u>

Notes to the Group financial statements (Continued)

23. Fair value hierarchy of financial assets/liabilities (Continued)

\$m	12 months to 31 December 2012	9 months to 31 December 2011
Level 3 financial liabilities held at fair value		
At beginning of the period	—	—
Purchases	87	—
Total gains in comprehensive income	(21)	—
Included in (loss)/profit for the period	(21)	—
Included in other comprehensive income	—	—
Settlements	(6)	—
At period end	60	—
Total gains for the period included in the statement of comprehensive income for assets held at period end	<u>6</u>	<u>—</u>

24. Segmental analysis

The criteria for identifying an operating segment is that it is a component of the Group whose results are regularly reviewed by the Executive Committee to make decisions about resources to be allocated to the segment and to assess its performance. Management information regarding revenues, gross management fee margins, investment performance and distribution costs relevant to the operation of the investment managers, products and the investor base are reviewed by the Executive Committee. A centralised shared infrastructure for operations, products structuring and distribution means that operating costs are not allocated to constituent parts of the investment management businesses. As a result, resources are allocated and performance is assessed by the Executive Committee on the basis of the investment management business of the Group 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

Disclosure of revenue by geographic location is based on the registered domicile of the fund entity paying the Group fees. This geographic analysis is therefore not necessarily representative of the spread of our global business. The geographic analysis of funds under management based on the location of the intermediary or institutional investor may be more relevant to an understanding of the geographic spread of our business. In addition, the table below includes an analysis of revenue by geographic location of the legal entity recognising the revenue, as this is considered more meaningful than revenue by fund location.

\$m	12 months to 31 December 2012			9 months to 31 December 2011		
	Non-current assets	Revenues by fund location	Revenues by legal entity	Non-current assets	Revenues by fund location	Revenues by legal entity
Bermuda	38	262	1	45	298	—
Cayman Islands	—	276	128	1	315	35
Cook Islands	—	146	—	—	170	—
Ireland	—	177	74	—	152	14
Switzerland	140	—	756	397	1	608
United Kingdom	183	224	254	180	153	530
United States of America	1,235	35	49	2,127	38	56
Other Countries	121	179	37	129	127	11
	<u>1,717</u>	<u>1,299</u>	<u>1,299</u>	<u>2,879</u>	<u>1,254</u>	<u>1,254</u>

Revenue from any single fund during the period does not exceed 10% of total revenues. Non-current assets above exclude financial instruments, deferred tax and pension assets, and are allocated based on where the assets are located. Operating segments are discussed in Note 24.

Notes to the Group financial statements (Continued)

25. Geographical disclosure (Continued)

Average number of employees and partners

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

<u>Number</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
UK	847	891
Switzerland	291	365
USA	127	136
Other countries	193	204
Average number of employees and partners	<u>1,458</u>	<u>1,596</u>

26. Related party transactions

Related parties comprise key management personnel and associates. Transactions with related parties include seeding and liquidity investments, loans to fund products, external re-financing guarantees, asset management performance, management and other fees, brokerage commissions, and interest and dividend income.

Total revenue earned from fund entities deemed to be associates, included in the Income statement during the period was \$169 million (31 December 2011: \$177 million) and at 31 December 2012 total fee receivables and loan balances with fund entities deemed to be associates totalled \$15 million (31 December 2011: \$45 million). In addition, the Group had entered into committed purchase agreements totalling \$6 million (31 December 2011: \$28 million) with fund entities deemed to be associates. All transactions with related parties were carried out on an arm's length basis.

Refer to the Note 17 for details of income earned from equity accounted associates

26.1 Executive Committee and key management remuneration

The Executive Committee consists of the executive directors and senior business leaders responsible for delivering the Company strategy with remuneration policy set accordingly to incentivise and encourage retention within the risk management framework. For 2012 Executive Committee members' incentive awards are significantly reduced to reflect the deteriorated performance outcome, and for those receiving bonuses, awards are subject to 100% deferral to focus on retaining key individuals. All share and fund awards are conditional and subject to forfeiture if an employee resigns or employment is terminated for misconduct.

The Executive Committee, together with the non-executive directors, are the Company's key management being those directors and employees having authority and responsibility for planning, directing and controlling the activities of the Group.

Notes to the Group financial statements (Continued)

26. Related party transactions (Continued)

Key management compensation is reported below. The current financial reporting period is 12 months. The previous nine month financial period compensation includes salary for the nine month financial period ended 31 December 2011 and bonus for the 12 month period ended 31 December 2011.

<u>Key management compensation^(a)</u>	<u>12 months to 31 December 2012</u>	<u>9 months to 31 December 2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Salaries and other short-term employee benefits ^(b)	8,043	6,462
Performance Cash and Mandatory Deferral ^(c)	0	13,556
Post-employment benefits ^(d)	263	735
Share-based payments ^(e)	16,001	11,046
Other long-term benefits ^(e)	3,154	444
Total	<u>27,094</u>	<u>32,243</u>

Notes:

- (a) Key management includes non executive directors and the Executive Committee including executive directors of the Board.
- (b) Salary, benefits (including cash pension allowance) and social security.
- (c) Cash bonus including social security.
- (d) Money purchase pension and defined benefit increase in transfer value pension benefit.
- (e) Other long-term benefits relate to fund product deferrals. Refer to Note 19 for further explanation of share-based and fund product based deferred compensation arrangements.

27. Financial guarantees and commitments

27.1 Committed purchase agreements (CPAs)

For certain structured products, the Group 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. The Group has the option to defer a purchase, if so called, for three months. The commitment at 31 December 2012 covers investments in existing fund products totalling \$145 million (31 December 2011: \$390 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 stress liquidity and risk modelling performed across all structured products includes the CPAs and is provided for in our liquidity and risk management framework.

27.2 Guarantee to funds in respect of Lehman claims

As a result of the disposal of the Lehman claims to Hutchinson Investors LLC, the Group 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.

27.3 Daylight settlement facilities

The Group 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 (31 December 2011: \$400 million). Ordinarily no net exposure exists at the end of any given day and the fair value of these commitments has been determined to be nil (31 December 2011: nil).

Notes to the Group financial statements (Continued)

27. Financial guarantees and commitments (Continued)

27.4 Intra-day and overnight credit facilities

The Group guarantees the obligations under a \$500 million (31 December 2011: \$500 million) intra-day and \$25 million overnight credit facilities (31 December 2011: \$25 million), used to settle the majority of the Group's banking arrangements. As at 31 December 2012, the exposure under the intra-day facility was nil (31 December 2011: nil) and the overnight exposures was nil (31 December 2011: nil). The fair value of these commitments has been determined to be nil (31 December 2011: nil).

27.5 Operating lease commitments

Operating lease commitments due within one year totalled \$45 million (31 December 2011: \$32 million), \$138 million from one to five years (31 December 2011: \$157 million) and \$384 million due after five years (31 December 2011: \$364 million). The commitments include non-cancellable offsetting sublease arrangements, totalling \$75 million (31 December 2011: \$51 million) for commitments less than five years and \$64 million (31 December 2011: \$106 million) for commitments over five years.

The operating lease commitments include the agreements for lease contracts for the headquarters at Riverbank House, London (25 years) expiring in November 2035, and the UK Data Centre, Woking (10 years) expiring in July 2019, which aggregated to \$439 million (31 December 2011: \$378 million).

Included in the total lease commitments are the Group's annual commitments acquired as part of the FRM acquisition in respect of non-cancellable operating leases in a number of locations, which expire on various dates through to 2016 (\$6 million).

Rent and associated expenses for all leases are recognised on a straight-line basis over the life of the respective lease.

28. Post balance sheet events

On 15 April 2013, the Company undertook an internal reorganisation to facilitate the remittance in future periods of trading profits from the Group's operating entities up to the Company's parent, Man Group plc. This was achieved by way of a capital reduction whereby the Company's share capital was reduced to \$500,000 and its share premium account and capital redemption reserve were fully reduced. As a result, \$3,070 million of additional profit and loss account reserves were created.

29. Other matters

The Group is subject to various claims, assessments, regulatory enquiries and investigations in the normal course of its business, including an on-going informal enquiry from the Securities and Exchange Commission (SEC) in the US in relation to the historical valuations of two illiquid assets. The directors do not expect these enquiries to have a material adverse effect on the financial position of the Group.

30. Principal group investments / ultimate parent undertaking and controlling party

The names of the principal investments of Man Strategic Holdings Limited, together with the Group's interests in the equity shares, are given below. The country of operation is the same as the country of incorporation and the period end is 31 December (unless otherwise stated).

Notes to the Group financial statements (Continued)

30. Principal group investments / ultimate parent undertaking and controlling party (Continued)

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.

<u>Principal operating subsidiaries</u>	<u>Country of incorporation</u>	<u>Effective group interest</u>
Asset Management		
Man Investments Limited	England	100
Man Investments AG	Switzerland	100
FRM (Americas) LLC	US	100
Man Investments (CH) AG	Switzerland	100
GLG Partners LP	England	100
Group Services Company		
E D & F Man Limited	England	100
Group treasury and holding company		
Man Investments Finance Limited	England	100

The directors regard Man Group plc, a company registered in England, as both the Company's immediate parent undertaking and its ultimate parent company and controlling party. The financial statements of Man Group plc are available from: Man Group plc, Riverbank House, 2 Swan Lane, London EC3R 3AD, United Kingdom.

The smallest group of undertakings of which the company is a member that draws group financial statements is that of the Company itself. The largest group of undertakings of which the company is a member that draws group financial statements is that of Man Group plc.

Independent auditors' report to the members of Man Strategic Holdings Limited on the Group's financial statements

We have audited the Group financial statements of Man Strategic Holdings Limited for the year ended 31 December 2012 which comprise the Group income statement, the Group statement of comprehensive income, the Group balance sheet, the Group statement of changes in equity, the Group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibility statement set out on page 23, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Man Strategic Holdings Limited Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

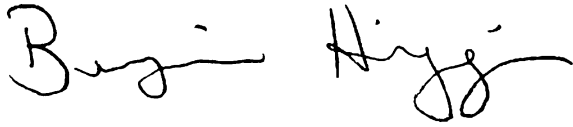
We have nothing to report in respect of the following:

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Parent Company financial statements of Man Strategic Holdings Limited for the period ended 31 December 2012.

A handwritten signature in black ink, appearing to read 'Benjamin Higgin', with a stylized, cursive script.

Benjamin Higgin (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 April 2013

MAN STRATEGIC HOLDINGS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

MAN STRATEGIC HOLDINGS LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the audited financial statements of Man Strategic Holdings Limited (“the Company”) for the year ended 31 December 2013.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to \$4,441,000 (2012: loss \$905,395,000).

During the year the Company has paid \$280,000,000 in dividends (2012: \$298,710,000)

The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2013 (2012: \$nil).

FUTURE OUTLOOK

The directors do not expect any development in the Company’s business in the current year to be significantly different from its present activities.

DIRECTORS

The directors who served during the year were:

G E R Wood (appointed 8 March 2013)

F J C Blakemore (appointed 21 November 2013)

J E H Sorrell

E Roman

N M Taylor (appointed 8 March 2013, resigned 21 November 2013)

P L Clarke (resigned 28 February 2013)

The directors named above have been members of the Board throughout the year under review, except where indicated.

DIRECTOR INDEMNITIES

During the year the directors benefitted from a third party indemnity provision to the extent permitted by law and these indemnities remain in force at the date of this report. The indemnity is provided by another company within the Group.

STATUTORY ACCOUNTS

The financial statements of the Company have been produced in US dollars. This reflects the underlying business which is conducted in that currency.

GOING CONCERN

The directors have concluded that there is a reasonable expectation that the Company has adequate resources to continue in operational existence in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors’ Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

AUDITORS

Following a competitive tender process by the Company's ultimate parent company, Man Group plc, Deloitte LLP is to be appointed as auditor to the Company. PricewaterhouseCoopers LLP will submit a notice of resignation to the Company subsequent to their signing the Auditors' Report for the financial year ended 31 December 2013 (the "Auditors' Report"). This notice will be effective on the date that it is received by the Company, at a time subsequent to the signing of the Auditors' Report, at which time the directors will appoint Deloitte LLP as auditor to the Company in accordance with the provisions of the Companies Act 2006.

DISCLOSURES IN STRATEGIC REPORT

In accordance with section 414C(11) of the Companies Act 2006, the directors have disclosed in the Strategic Report the following matters which they consider to be of strategic importance, which would otherwise be required to be disclosed in the Directors' Report: industry outlook and financial instruments.

This report was approved by the Board and signed on its behalf.



Rachel Rowson
Secretary

Date: 25 June 2014

MAN STRATEGIC HOLDINGS LIMITED
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

REVIEW OF THE BUSINESS

Man Strategic Holdings Limited was formerly known as Man Group plc and Man Strategic Holdings plc, and was renamed following: (1) the incorporation of a new holding company on 8 August 2012 which became the new listed holding company of the Man Group on 6 November 2012 via a Court approved scheme of arrangement under Part 26 of the Companies Act 2006; and (2) the re-registration of the Company as a private limited company on 8 March 2013.

The review of the Group's business is set out in the CEO's Performance Review on pages 8 to 13 of the Group's Annual Report for the year ended 31 December 2013 (which does not form part of this report).

The Company has net assets of \$3,336,873,000 at the balance sheet date (2012: \$3,931,397,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The directors consider the principal risks of the Company to be consistent with those identified at Group level and managed by the directors of Man Group plc. For this reason, the Company's directors believe that a discussion of the Company's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of Man Group plc, which include those of the Company, are discussed in the Risk Management and Principal Risks and Mitigants sections of the Group's Annual Report for the year ended 31 December 2013 on pages 20 to 23 (which do not form part of this report).

KEY PERFORMANCE INDICATORS ("KPIs")

The directors of the Company consider its operations to be consistent with those at Group level that are managed by the directors of Man Group plc. For this reason, the Company's directors believe that an analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Group's Asset Management business, which includes the Company, is discussed in the CEO's Performance Review on pages 8 to 13 and in the Key Performance Indicators section on pages 14 and 15 of the Group's Annual Report for the year ended 31 December 2013 (which do not form part of this report).

STRATEGY OVERVIEW

An overview of the strategy of the Group is set out in the Group's Annual Report for the year ended 31 December 2013 in the Strategic Framework section on pages 4 and 5 and in the CEO's Performance Review on pages 8 to 13 (which do not form part of this report).

INDUSTRY OUTLOOK

The outlook of the Group is set out in the CEO's Performance Review on pages 8 to 13 of the Group's Annual Report for the year ended 31 December 2013 (which does not form part of this report).

FINANCIAL INSTRUMENTS

The directors consider the financial risks of the Company to be consistent with those identified at Group level and managed by the directors of Man Group plc. For this reason, the Company's directors believe that a discussion of the Company's financial risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal financial risks of Man Group plc, which include those of the Company, are discussed in Note 14 and Note 15 of the Group's Annual Report for the year ended 31 December 2013 on pages 82 and 84 respectively (which do not form part of this report).

This report was approved by the board on 25 June 2014 and signed on its behalf.



Rachel Rowson
Secretary

MAN STRATEGIC HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAN STRATEGIC HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Man Strategic Holdings Limited, comprise:

- the Balance Sheet as at 31 December 2013;
- the Profit and Loss Account for the year then ended; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 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 Directors' 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Director's Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

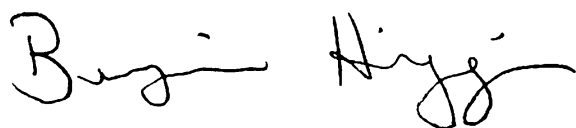
RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 1 and 2, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Benjamin Higgin (Senior statutory auditor)

for and on behalf of

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

Date: 25 June 2014

MAN STRATEGIC HOLDINGS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	<u>Note</u>	<u>2013</u>	<u>2012</u>
		<u>\$000</u>	<u>\$000</u>
Administrative expenses		(239)	(20,326)
Other operating income	2	<u>22,171</u>	<u>3,873</u>
OPERATING PROFIT/(LOSS)		21,932	(16,453)
Interest receivable and similar income	3	27,915	79,435
Amounts written off investments	7	—	(905,582)
Interest payable and similar charges	4	<u>(50,516)</u>	<u>(69,674)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(669)	(912,274)
Tax on loss on ordinary activities	5	<u>5,110</u>	<u>6,879</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	12	<u>4,441</u>	<u>(905,395)</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and Loss Account.

There are no material differences between the loss on ordinary activities before taxation and the retained profit/(loss) for the financial year stated above and their historical cost equivalents.

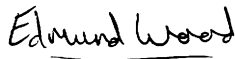
The notes on pages 10 to 20 form part of these financial statements.

MAN STRATEGIC HOLDINGS LIMITED
REGISTERED NUMBER: 2921462

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	\$000	2013 \$000	\$000	2012 \$000
FIXED ASSETS					
Investments	7		3,642,465		2,642,465
CURRENT ASSETS					
Debtors	8	12,580		2,237,269	
CREDITORS: amounts falling due within one year . .	9	(318,001)		(262,020)	
NET CURRENT (LIABILITIES)/ASSETS			(305,421)		1,975,249
TOTAL ASSETS LESS CURRENT LIABILITIES . . .			3,337,044		4,617,714
CREDITORS: due after one year	10		—		(686,042)
PROVISIONS FOR LIABILITIES					
Deferred tax	6		(171)		(275)
NET ASSETS			3,336,873		3,931,397
CAPITAL AND RESERVES					
Called up share capital	11		500		62,499
Share premium account	12		—		1,713,596
Capital redemption reserve	12		—		1,294,835
Other reserves	12		—		300,000
Profit and loss account	12		3,336,373		560,467
SHAREHOLDERS' FUNDS	13		3,336,873		3,931,397

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



G E R Wood
Director

Date: 25 June 2014

The notes on pages 10 to 20 form part of these financial statements.

MAN STRATEGIC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The principal accounting policies are set out below and have been applied consistently throughout the period.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

1.2 Scheme of arrangement and capital reduction

Man Strategic Holdings Limited was formerly known as Man Group plc and Man Strategic Holdings plc, and was renamed following: (1) the incorporation of a new holding company on 8 August 2012 which became the new listed holding company of the Man Group on 6 November 2012 via a Court approved scheme of arrangement under Part 26 of the Companies Act 2006; and (2) the re-registration of the Company as a private limited company on 8 March 2013.

Under the scheme of arrangement, shares in the Company were cancelled and the same number of new ordinary shares were issued to the new holding company in consideration for the allotment to shareholders of one ordinary share of \$1.07 in the new holding company for each ordinary share of 3 and 3/7 cents they had held in the Company.

A capital reduction was approved on the 12 April 2013, achieved by reducing the Company's share premium and capital reserves to nil and by the cancellation of: one issued A Ordinary Redeemable share of £1; 50,000 Deferred Sterling Shares £1; and 1,806,076,109 Ordinary shares of 3¾ US Cents. The capital reduction enabled the Company to access distributable reserves.

1.3 Cash Flow Statement

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with Financial Reporting Standard 1 (Revised 1996) ("FRS 1"), Cash Flow Statements.

1.4 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into dollars at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into dollars at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1.5 Functional Currency

The Company's principal business is transacted in US dollars and accordingly the Company's functional currency is US dollars and these financial statements have been prepared in that currency.

1.6 Accruals

Accruals are included within Creditors and comprises amounts incurred during the financial period but estimated as at the balance sheet date.

MAN STRATEGIC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2013

1. ACCOUNTING POLICIES (Continued)

1.7 Subsidiary undertakings

The Company's shares in subsidiary undertakings are stated in the balance sheet of the Company at cost less provision for any impairment incurred. The directors believe that the carrying value of the investments is supported by their underlying net assets.

1.8 Administrative expenses

Administrative expenses comprise amounts incurred in the operations of the business, including amounts recharged by other Group undertakings, and are recognised as incurred.

1.9 Other operating income

Other operating income comprises amounts charged to other Group undertakings in respect of services performed on their behalf, and are recognised as earned. Also included are sundry income and foreign exchange gains and losses recognised during the year.

1.10 Taxation

Current tax, including UK corporation tax, is recorded at amounts to be recovered or paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.11 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.12 Dividends and distributions

Dividends distributed to the Company's shareholders are recognised directly in equity in the Company's financial statements in the period in which the dividend is paid or, if required, approved by the Company's shareholders. Distributions received from subsidiary undertakings are recognised directly in the Profit and Loss Account.

1.13 Financial instruments disclosure

The Company is a wholly owned subsidiary undertaking of Man Group plc which provides financial instruments disclosures that comply with the requirements of FRS 29 "Financial Instruments: Disclosures". Consequently, the Company has taken advantage of the exemption from preparing financial instruments disclosures in accordance with FRS 29.

1.14 Borrowings

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

MAN STRATEGIC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2013

2. OTHER OPERATING INCOME

	<u>2013</u>	<u>2012</u>
	<u>\$000</u>	<u>\$000</u>
Other operating income	334	—
Sundry income	21,845	3,267
Foreign exchange difference—(loss)/gain	(8)	606
	<u>22,171</u>	<u>3,873</u>

Sundry income in the current year includes \$21,285,000 (2012: \$3,267,000) in relation to a release of the indemnity liability outlined in note 9.

3. INTEREST RECEIVABLE

	<u>2013</u>	<u>2012</u>
	<u>\$000</u>	<u>\$000</u>
Interest receivable from group companies	27,915	79,435

4. INTEREST PAYABLE

	<u>2013</u>	<u>2012</u>
	<u>\$000</u>	<u>\$000</u>
On bank loans and other	47,861	69,674
On loans from group undertakings	2,655	—
	<u>50,516</u>	<u>69,674</u>

5. TAXATION

	<u>2013</u>	<u>2012</u>
	<u>\$000</u>	<u>\$000</u>
Analysis of tax credit in the year		
Current tax (see note below)		
UK corporation tax credit on loss for the year	(4,987)	(3,097)
Adjustments in respect of prior periods	(19)	(3,854)
Total current tax	<u>(5,006)</u>	<u>(6,951)</u>
Deferred tax		
Origination and reversal of timing differences	(86)	94
Effect of change in tax rate	(18)	(22)
Total deferred tax (see note 6)	<u>(104)</u>	<u>72</u>
Tax on loss on ordinary activities	<u>(5,110)</u>	<u>(6,879)</u>

MAN STRATEGIC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2013

5. TAXATION (Continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012—higher than) the standard rate of corporation tax in the UK of 23.25% (2012—24.5%). The differences are explained below:

	<u>2013</u>	<u>2012</u>
	<u>\$000</u>	<u>\$000</u>
Loss on ordinary activities before tax	<u>(669)</u>	<u>(912,274)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012—24.5%)	(156)	(223,507)
Effects of:		
Adjustments to tax charge in respect of prior periods	(19)	(3,854)
Short term timing difference leading to an increase (decrease) in taxation	86	(118)
Non-taxable income	(4,949)	—
Other differences leading to an increase (decrease) in the tax charge	<u>32</u>	<u>220,528</u>
Current tax credit for the year (see note above)	<u>(5,006)</u>	<u>(6,951)</u>

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. The main rate of corporation tax for the tax year beginning 1 April 2013 reduced from 24% to 23%. This resulted in a weighted average of 23.25% for the year ended 31 December 2013 (2012: 24.5%).

Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date).

6. DEFERRED TAXATION

	<u>2013</u>	<u>2012</u>
	<u>\$000</u>	<u>\$000</u>
At beginning of year	275	203
(Released during)/charge for year (P&L)	(104)	72
At end of year	<u>171</u>	<u>275</u>

The provision for deferred taxation is made up as follows:

	<u>2013</u>	<u>2012</u>
	<u>\$000</u>	<u>\$000</u>
Fair value gains and losses	<u>171</u>	<u>275</u>

MAN STRATEGIC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2013

7. INVESTMENTS

	Investments in subsidiary companies
	\$000
Cost or valuation	
At 1 January 2013	3,574,285
Disposals	(26,238)
Capitalisation of loan to subsidiary	1,000,000
At 31 December 2013	<u>4,548,047</u>
Impairment	
At 1 January 2013	931,820
Impairment on disposals	(26,238)
At 31 December 2013	<u>905,582</u>
Net book value	
At 31 December 2013	<u>3,642,465</u>
At 31 December 2012	<u>2,642,465</u>

8. DEBTORS

	2013	2012
	\$000	\$000
Amounts owed by group undertakings	1,802	2,222,168
Current tax assets	10,778	11,182
Amounts owed by parent company	—	3,919
	<u>12,580</u>	<u>2,237,269</u>

9. CREDITORS

Amounts falling due within one year

	2013	2012
	\$000	\$000
Trade creditors	74	—
Amounts owed to group undertakings	286,220	10,692
Other creditors	31,359	227,160
Accruals	348	24,168
	<u>318,001</u>	<u>262,020</u>

Other creditors include a fixed rate bond of \$nil (2012: \$173,058,000) which was redeemed on 1 August 2013.

Other creditors also includes a liability of \$31,359,000 (2012: \$52,644,000) which relates to the Company establishing indemnities to the benefit of some subsidiaries. The decrease in the liability is due to the the same level of provision no longer being required, the \$21,285,000 decrease results in sundry income outlined in note 2.

MAN STRATEGIC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2013

10. BORROWINGS

	<u>2013</u>	<u>2012</u>
	<u>\$000</u>	<u>\$000</u>
Fixed rate bonds and floating rate notes	—	<u>686,042</u>

On 7 May 2013, the €216,165,000 (\$284,527,000) senior 2015 fixed rate bonds were repurchased.

On 14 June 2013, the \$231,363,000 Tier 2 subordinated 2017 fixed rate bonds were repurchased.

On 24 June 2013, the \$170,152,000 Tier 2 subordinated 2015 floating rate notes were repurchased.

11. SHARE CAPITAL

	<u>2013</u>	<u>2012</u>
	<u>\$000</u>	<u>\$000</u>
Allotted, called up and fully paid		
14,583,335 (2012—1,820,659,444) Ordinary shares of 3¾ cents each	500	62,423
50,000 Deferred sterling shares of £1 each	—	<u>76</u>
	<u>500</u>	<u>62,499</u>

Share capital has decreased following the capital reduction as discussed in note 1.2

12. RESERVES

	<u>Share premium account</u>	<u>Capital redempt'n reserve</u>	<u>Perpetual subordinated capital securities</u>	<u>Profit and loss account</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
At 1 January 2013	1,713,596	1,294,835	300,000	560,467
Profit for the financial year				4,441
Dividends				(304,750)
Capital reduction	(1,713,596)			
Transfer between capital redemption reserve and profit and loss account		(1,294,835)		
Buyback of perpetual subordinated capital securities			(300,000)	
Other movements				<u>3,076,215</u>
At 31 December 2013	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,336,373</u>

Dividends above include payments relating to the perpetual subordinated capital securities of \$24,750,000.

The movement in the share premium account and capital redemption reserve relate to the scheme of arrangement and capital reduction as discussed in accounting policy 1.2.

On 7 August 2013, the \$300,000,000 perpetual subordinated capital securities were redeemed at par value.

Other movements in the profit and loss account include: the capital reduction from share capital of \$61,999,000 and from the share premium account of \$1,713,596,000; a transfer from the capital redemption reserve of \$1,294,835,000; and the tax on the perpetual subordinated capital securities dividends of \$5,785,000.

MAN STRATEGIC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2013

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013	2012
	\$000	\$000
Opening shareholders' funds	3,931,397	5,095,508
Profit/(loss) for the financial year	4,441	(905,395)
Dividends	(304,750)	(331,710)
Shares cancelled and capital reduction during the year	(61,999)	(6,495)
Share premium on shares issued (net of expenses)	—	6,489
Share premium utilised on redemption of shares	(1,713,596)	—
Other movements in profit and loss reserve	3,076,215	73,000
Repayment of perpetual subordinated capital securities	(300,000)	—
Transfer of capital redemption reserve to profit and loss account	(1,294,835)	—
Closing shareholders' funds	<u>3,336,873</u>	<u>3,931,397</u>

14. STAFF COSTS

The Company has no employees other than the directors, who did not receive any remuneration (2012—\$nil).

15. GUARANTEES AND COMMITMENTS

	Less than 1 year	1 - 5 years	Over 5 years	2013	2012
	\$000	\$000	\$000	\$000	\$000
Intra-day and overnight credit facilities	575,000	—	—	575,000	575,000
Operating lease commitment—land and buildings	16,000	45,000	309,000	370,000	442,000
Other Group facilities	—	190,000	1,335,000	1,525,000	1,525,000
Total	<u>591,000</u>	<u>235,000</u>	<u>1,644,000</u>	<u>2,470,000</u>	<u>2,542,000</u>

(i) Intra-day and overnight credit facilities

In addition the daylight settlement facility to funds of \$50 million (31 December 2012: \$50 million), the Company guarantees the obligations of a subsidiary under a \$500 million (31 December 2012: \$500 million) intra-day and \$25 million overnight credit facilities (31 December 2012: \$25 million), used to settle the majority of the Group's banking arrangements. As at 31 December 2013 the exposure under the intra-day facility was nil (31 December 2012: nil) and the overnight exposures was nil (31 December 2012: nil). The fair value of these commitments has been determined to be nil (31 December 2012: nil).

(ii) Operating lease commitments

The Company has guaranteed the performance of a subsidiary in relation to a number of property lease contracts, including the new headquarters at Riverbank House, London (25 years). The fair value of these commitments has been determined to be nil (31 December 2012: nil).

(iii) Other Group facilities

The Company guarantees Man Group plc who is the borrower under a committed syndicated revolving credit facility of \$1,525 million. The facility was undrawn as at 31 December 2013 and 31 December 2012. The fair value of these commitments was determined to be nil (31 December 2012: nil).

MAN STRATEGIC HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2013

15. GUARANTEES AND COMMITMENTS (Continued)

(iv) UK Defined Benefit Pension plan

On 24th March 2010, a deed of guarantee was drawn up between Man Group plc (now Man Strategic Holdings Limited) and the trustees of Man Group plc Pension Fund. In it, Man Strategic Holdings Limited guarantees the performance of Man Group Services Limited's obligations to the defined benefits pension fund relating to contributions, deficiencies in assets, and the pension funds trust deed.

16. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under the provisions of FRS 8 "Related Party Disclosures" not to disclose transactions with other Group companies since the Company is a wholly owned subsidiary of Man Group plc, the consolidated financial statements of which are publicly available. During the period there have been no disclosable transactions with related parties other than Group companies.

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The directors regard Man Group plc, a company registered in England and Wales, as the Company's ultimate parent company and controlling party.

The smallest and largest group of undertakings of which the Company is a member that draws up group financial statements is that of Man Group plc.

The financial statements of Man Group plc are available from:

Man Group plc
Riverbank House
2 Swan Lane
London EC4R 3AD
United Kingdom

REGISTERED OFFICE OF THE ISSUER

Man Group plc
Riverbank House
2 Swan Lane
London, EC4R 3AD

REGISTERED OFFICE OF THE GUARANTOR

Man Strategic Holdings Limited
Riverbank House
2 Swan Lane
London, EC4R 3AD

JOINT LEAD MANAGERS

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Société Générale
29, boulevard Haussmann
75009 Paris
France

AUDITORS TO THE ISSUER AND GUARANTOR

Deloitte LLP
Hill House
Little New Street
London EC4A 3TR

TRUSTEE

HSBC Corporate Trustee Company (UK) Limited
8 Canada Square
London E14 5HQ
United Kingdom

PRINCIPAL PAYING AGENT AND AGENT BANK

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

LEGAL ADVISERS

To the Issuer and the Guarantor
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

To the Joint Lead Managers and to the Trustee
Allen & Overy LLP
One Bishops Square
London E1 6AD

