Five-year Record

	2009 $m	2008 $m	2007 $m	2006 $m	2005 $m
Income statement – continuing operations					
Profit before adjusting items	**1,243**	2,079	1,301	1,154	720
Adjusting items[1]	**(500)**	–	–	–	195
Pre-tax profit	**743**	2,079	1,301	1,154	915
Taxation	**(240)**	(362)	(191)	(194)	(132)
Profit for the year on continuing operations	**503**	1,717	1,110	960	783
Income statement – discontinued operations					
Pre-tax profit	**–**	1,788	263	82	143
Taxation	**–**	(35)	(89)	(28)	(41)
Profit for the year on discontinued operations	**–**	1,753	174	54	102
Total profit for the year	**503**	3,470	1,284	1,014	885
Earnings per share (diluted)					
Continuing operations (cents)	**28.4**	90.2	55.4	48.3	38.8
Continuing and discontinued operations (cents)	**28.4**	182.0	63.9	51.0	34.5
Balance sheet ($m)					
Net cash	**1,718**	1,474	1,832	1,301	1,011
Net assets	**4,192**	4,711	4,563	3,577	2,712
Other statistics					
Post-tax return on equity – continuing operations (%)	**13.5**	41.6	32.2	36.0	29.8
Ordinary dividend per share (cents)	**44.0**	44.0	20.0	14.3	11.0
Funds under management ($bn)	**46.8**	74.6	61.7	49.9	43.0
Average headcount – continuing operations	**1,776**	1,731	1,548	1,364	1,129
Average headcount – discontinued operations	**–**	3,252	3,174	2,067	1,759
Sterling/US dollar exchange rates					
Average	**0.5817**	0.4981	0.5280	0.5600	0.5417
Year-end	**0.6970**	0.5043	0.5079	0.5759	0.5298

1 Adjusting items are those items presented separately on the face of the income statement by virtue of their size or nature – see Note 2 to the financial statements.

Financial Review

Key performance indicators and financial objectives

To measure our progress against our strategy we selected four Key Performance Indicators (KPIs) in 2008: growth in funds under management; growth in revenue; growth in diluted earnings per share; and post-tax return on equity. These KPIs are shown on pages 4 and 5 in the Strategy and KPIs overview section, together with two further KPIs, which we have added in 2009, being the excess/shortfall of our fund product performance compared to appropriate benchmarks for private investor products and institutional products. Growing earnings per share and maintaining a high level of post-tax return on equity continue to be the basis for the Group's financial objectives and are also the performance criteria used for the Group's long-term incentive schemes, as the Board believes that long-term shareholder value will be achieved through continued delivery of these objectives.

Earnings per share is a measure that encapsulates the primary drivers of financial performance for the Group. The earnings metric includes management and other fee income which is the measure of revenue that results from growing funds under management and performance fee income from the investment performance of the funds. The management of pre-tax margins as we grow demonstrates our ability to control our expense base. The denominator of average shares outstanding reflects our policy of share repurchases and cancellation. Return on equity is the measure to enable us to assess whether we are utilising shareholders' equity efficiently.

Earnings per share

Adjusted diluted earnings per share on continuing operations for the year decreased 37% to 57.0 cents, compared to 90.2 cents for the prior year. Adjusting items in 2009 include the accelerated amortisation of MGS sales commissions (recorded in the first half), restructuring costs and impairment provisions relating to Ore Hill investments and the residual holding in MF Global. Further details can be found in Note 2 to the financial statements. Statutory diluted earnings per share on continuing operations declined 69% in the year to 28.4 cents.

As part of the Company's distribution policy shares are repurchased and cancelled using excess reserves. During the year 30.5 million shares were repurchased and cancelled at a total cost of $280 million. This was earnings enhancing, resulting in a 0.9% accretion to diluted earnings per share.

Return on equity (ROE)

The Group's post-tax return on shareholders' equity for continuing operations for the year was 13.5% (2008: 41.6%). This excludes the loss arising on the residual interest in brokerage assets in 2009 (and the earnings, and the profit on sale, of MF Global in 2008), and the equity base excludes the residual investment in MF Global (and the proceeds from the sale in 2008). The average equity for the year was $4.4 billion (2008: $4.1 billion). The decrease in ROE is primarily the result of lower average FUM resulting in lower management fee income and lower performance fee income compared to the prior year. The ROE for 2009 is 20% higher than the Group's weighted average cost of capital of 11.2%. The performance criteria for the Performance Share Plan (PSP) awards to executive directors and senior management are based on the Group's average ROE over a three year period, with no award vesting unless the Group maintains an average annual ROE of at least 20% with full vesting only achieved if the average annual ROE reaches 30%. As a result of the lower ROE achieved in 2009, the 2006 PSP awards will vest below 100% and the 2007 and 2008 awards are likely to vest at lower levels than achieved historically.

Funds Under Management (FUM)

FUM is a key driver behind the Group's results and prospects, as it forms the basis from which the Group's revenue is generated. Movements in FUM during the year are shown below:

	Private Investor				2009	2008
	Guaranteed $bn	Open-ended $bn	Total $bn	Institutional $bn	Total $bn	Total $bn
Opening FUM – 1 April 2008	**31.0**	**12.5**	**43.5**	**31.1**	**74.6**	**61.7**
Sales	6.1	5.2	11.3	3.6	14.9	15.9
Redemptions	(4.6)	(4.5)	(9.1)	(7.9)	(17.0)	(10.7)
Net sales	1.5	0.7	2.2	(4.3)	(2.1)	5.2
Investment movement	(1.8)	0.3	(1.5)	(5.1)	(6.6)	5.6
FX	(1.7)	(0.3)	(2.0)	(2.2)	(4.2)	4.0
De-risking	(12.1)	–	(12.1)	–	(12.1)	–
Other	(0.5)	(1.8)	(2.3)	(0.5)	(2.8)	(1.9)
Closing FUM – 31 March 2009	**16.4**	**11.4**	**27.8**	**19.0**	**46.8**	**74.6**

Financial Review
continued

Sales and redemptions

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

Private investor	H2 2009	H1 2009	H2 2008	H1 2008
Sales ($bn):				
• Guaranteed	2.4	3.7	1.3	3.2
• Open-ended	1.8	3.4	2.3	1.0
	4.2	7.1	3.6	4.2
Redemptions ($bn):				
• Guaranteed	2.6	2.0	1.9	1.3
• Open-ended	3.5	1.0	1.2	0.8
	6.1	3.0	3.1	2.1
Annualised redemptions/average FUM (%):				
• Guaranteed	24.2	13.9	12.4	9.0
• Open-ended	54.7	15.0	21.0	16.5

Institutional	H2 2009	H1 2009	H2 2008	H1 2008
Sales ($bn)	0.5	3.1	4.3	3.8
Redemptions ($bn)	4.9	3.0	3.2	2.3
Annualised redemptions/average FUM (%)	42.8	20.7	21.7	17.3

The increase in private investor open-ended redemptions in the second half of 2009 followed strong sales in the first half and strong performance from AHL, which returned 8% in the financial year. This is a pattern that has often been seen in the past. Although the increase in private investor guaranteed redemptions was higher in the second half of 2009, the redemption rate increased significantly as a result of the decline in guaranteed FUM following the MGS de-risking exercise. Institutional redemptions also increased significantly in the second half of 2009 as investors looked to balance their portfolios and took liquidity where it was available.

Investment movement

The investment performance of our investment managers is described in the Investment Management section starting on page 30.

FX impact

FUM by currency

	2009		2008	
	FUM $bn	**FX gain/(loss) $bn**	FUM $bn	FX gain/(loss) $bn
US dollar	**24.1**	**–**	46.3	–
Euro	**14.7**	**(2.8)**	20.1	3.0
Australian dollar	**3.6**	**(0.9)**	3.9	0.4
Swiss franc	**1.2**	**(0.1)**	1.5	0.3
Japanese yen	**2.1**	**(0.3)**	1.5	0.2
Other	**1.1**	**(0.1)**	1.3	0.1
	46.8	**(4.2)**	74.6	4.0

The table above shows that FUM reduced in the year as a result of the strengthening of the US dollar, in contrast to the previous year. This has also had an impact on our non-US dollar fee income in the year, which has been lower by approximately $23 million in US dollar terms as a result of movements in average exchange rates for 2009 compared to 2008, primarily in relation to the weakening of the Australian dollar. This impact has been offset by favourable exchange rate movements in relation to our operating costs, a significant proportion of which are denominated in sterling and Swiss francs. The weakening of sterling against the US dollar during the year, partly offset by the strengthening of Swiss francs, has reduced our costs in 2009 in US dollar terms by approximately $18 million.

De-risking

The reduction of investment exposure across the MGS product range to protect investor capital and the associated product rebalancing, which was primarily undertaken in the third quarter of the financial year, has now been completed. This reduced FUM by $12.1 billion. Certain MGS products retain an ability to increase their investment exposure, and these will do so progressively from 1 April 2009. Further details on the MGS de-risking can be found on page 31.

Other movements

These include: the net effect in the change of leverage relating to redemptions and prior year sales of $2.0 billion; maturities of $0.7 billion; return of capital of the China Methane Recovery Fund of $0.5 billion; restructuring of an Ore Hill fund of $0.4 billion; partially offset by the acquisition of our share of Ore Hill FUM of $0.8 billion.

Review of Group Income Statement

Revenue for the year was $2,488 million, compared to $3,222 million in 2008, and included gross performance fees income of $627 million, a decrease of 47% compared to 2008. Within performance fees, AHL contributed $609 million and other managers earned $18 million. In terms of recognising performance fees, AHL fees typically are realised on a weekly or monthly basis, Glenwood typically monthly and RMF on an annual basis at 31 December in general. Currently all our investment managers are below performance fee high water marks and therefore it is unlikely that significant performance fee income will be earned in the year ending March 2010.

Gross management and other fees have decreased 8% to $1,861 million, as a result of: the average funds under management for the year declining 6% to $65.1 billion for 2009 from $69.3 billion for the prior year; and to a small fall in gross margins primarily caused by a shift in the proportion of total private investor FUM relating to the higher margined guaranteed products to slightly lower margined open-ended products (see further analysis on margins below).

Net losses on investments amounted to $260 million, which includes seeding and other investment losses of $287 million, net of a gain of $27 million on the sale of exchange shares in the first half. We hold seeding investments for various reasons including: to establish track records on products; to seed new alpha strategies; to seed single managers to test alpha generation; and to co-invest with institutional investors. An analysis of these investment losses is given below. The decrease in these investments from the prior year is the result of management action to reduce the overall level of the portfolio and as a result of losses.

Seeding investments	Investment at March 2009 $m	Investment at March 2008 $m	Gain/(loss) in 2009 $m
RMF seeding	294	460	(78)
Ore Hill/Pemba seeding	53	17	(70)
Glenwood seeding	90	37	(15)
MGS seeding	57	221	(36)
AHL seeding	52	78	3
Other seeding	75	207	(32)
	621	1,020	(228)
Rebalancing	–	54	(25)
Secondary market	46	158	(13)
Sales support	19	27	(8)
Other Group investments	32	20	(13)
	718	1,279	(287)

Sales commissions were $411 million (excluding the accelerated amortisation of MGS sales commissions) compared with $391 million for the prior year. Included in sales commissions is $240 million relating to upfront commissions (also known as placement fees), compared to $216 million in the prior year, and $171 million relating to trail commission (also known as servicing fees), which are down from $175 million in the prior year. Typically, upfront commissions are paid at a rate of 4% on investor money raised and trail commissions are paid at a rate of 0.5% of the product's net asset value, quarterly in arrears.

Excluding the restructuring costs (discussed in the section on Adjusted earnings below), compensation costs have decreased by $176 million to $463 million from $639 million in the comparable period, reflecting the decrease in discretionary employee bonus compensation partly offset by the impact of a higher headcount. Compensation as a percentage of revenue was 20.8% compared to 20.2% last year. We continue to maintain tight controls and significant cost flexibility in our total expense base and in particular compensation expense. Further details on the compensation costs for the year are given in the Remuneration Report on page 53.

Other costs amounted to $275 million, up from $238 million in the comparative period, as analysed in Note 4. The significant increase in technology costs during the year related to a number of strategic technology projects to increase the scalability and robustness of our infrastructure and to support growth of our business in the future. Some technology costs were incurred in the year in relation to the integrated hedge fund management business, and further costs relating to this project will be incurred in the 2009/10 financial year. To accomplish this we have grown our temporary headcount, as by using people on short-term contracts we can access the technical expertise we require while maintaining our cost flexibility.

Income from associates largely relates to our investment in BlueCrest, whose contribution to our profit consisted of $87 million of net performance fee income and $50 million of net management and other fee income.

Net finance income for the year was $20 million compared to $34 million last year, excluding interest income from the proceeds from the MF Global IPO ($56 million). Interest expense was $38 million compared to $55 million last year, reflecting the decrease in US dollar interest rates. Interest income on cash and cash equivalents was $58 million, compared with $89 million last year.

Adjusted earnings

Adjusted earnings relate to the Group's profit excluding those material items which the directors consider should be presented separately on the face of the income statement, in order to aid comparability from period to period. These adjusting items are:

	2009 $m
Accelerated amortisation of MGS sales commissions	**(107)**
Restructuring costs	**(37)**
Gain on disposal of 50% of subsidiary	**48**
Impairment of Ore Hill investments and goodwill	**(299)**
Loss arising from residual interest in brokerage assets	**(105)**
	(500)

The accelerated amortisation charge of $107 million related to unamortised upfront sales commission associated with MGS products and was recorded in the first half. Following the decision to de-risk many of the MGS products to protect investor capital, it was considered unlikely that the capitalised commissions will be fully covered by future fee income and therefore a significant proportion of the capitalised commissions relating to these products has been written down.

The restructuring costs of $37 million comprise the redundancy costs associated with 272 permanent employees. Of the $37 million cost, $17 million relates to cash items and $20 million to non-cash items and of the cash items, $3 million was paid out by the year-end with the remainder being paid in the current financial year. Recognising the decrease in FUM, this cost-saving initiative was designed to reduce the Group's fixed cost base by $60 million on an annual run-rate basis.

Financial Review
continued

Review of Group Income Statement continued
Following the transfer of a 50% interest in Pemba to Ore Hill's principals as part of the acquisition of a 50% interest in Ore Hill, a book gain of $48 million was recognised. Since this disposal, the credit markets have continued to deteriorate, which has severely affected the Pemba business. Accordingly, Pemba has been restructured and as part of this exercise, in February 2009, the Group took back its 50% shareholding from the Ore Hill principals at nil cost, with no further profit or loss arising.

This is offset by the recognition of an impairment charge of $214 million against the carrying value of the Ore Hill investment, following a deterioration in market conditions since the acquisition, and $75 million against the carrying value of the Group's interest in Ore Hill's Designated Investment portfolio. Further details of the gain and these impairments are included in Note 2 to the financial statements. In addition, the goodwill of $10 million relating to MTM was impaired.

Loss arising from residual interest in brokerage assets of $105 million primarily arose from the impairment of the Group's residual equity interest in MF Global (further details are given in Note 2).

Group profit before tax from continuing operations was down 64% to $743 million, reflecting a 62% decrease in net performance fee income to $358 million, a 23% decrease in net management fee income to $885 million compared to last year and non-recurring costs (adjusting items) of $500 million as detailed above. Adjusted Group profit before tax was down 40% to $1,243 million. Adjusted pre-tax margin was 52% compared with 64% last year, reflecting reduced performance fees partly offset by reduced compensation expenses.

The tax charge for the year amounts to $240 million. The effective tax rate on profits before the adjusting items is 20.3% (tax charge of $253 million on profit before the adjusting items of $1,243 million), compared with 17.4% last year. The prior year rate was lower principally as a result of favourable foreign exchange differences arising in the Group's Swiss entities, which did not recur in the current year. Additionally, in the current year the tax rate increased as a result of losses on seed investments, which are generally subject to lower tax rates, and a reduction in tax relief on employee share schemes, as a result of the fall in the Group's share price impacting on the related deferred tax asset. The effective tax rate for the year including the adjusting items is 32.3%. The primary reason for this higher rate is that in respect of the majority of the adjusting items, tax relief is not available or has not been recognised given the uncertainty of recoverability of the potential deferred tax asset.

Revenue margins
Gross management and other fees represent management fee income earned from funds under management, interest on loans to funds and other fees. Gross margins, before interest income earned from funds, are negotiated directly with institutional investors and distributors of the private investor products. These margins are also shown in the table below as this information is considered useful in analysing trends. Loans to funds are made to facilitate rebalance and investing activities. In the table below we have shown gross margins both including and excluding interest income earned on loans to funds.

Net margins are also shown to indicate the margin after deducting expenses (as explained below).

The gross management and other fees margin (before interest income) for private investors was 420bp, compared to 429bp for the prior year. The primary reasons for the reduction in the gross margin are:

- a switch in the relative proportion of total private investor FUM relating to guaranteed products (relatively higher margin) and open-ended products (relatively lower margin) such that the proportion of open-ended products has increased compared to the prior year (impact: 7bp); and
- reduced fee loads on some MGS products prior to the MGS de-risk exercise (impact: 2bp).

The gross margin (excluding interest income) on guaranteed products is approximately 427bp and approximately 365bp on open-ended products.

The gross management and other fees margin for institutional investors was 94bp, compared with 100bp in the prior year. The decrease in this margin is primarily a result of a reduction in management fee income as some of our larger, long-standing investors switched into new, lower fee earning products. Excluding the margin impact of known redemptions from significant institutional investors, the gross management and other fees margin for institutional investors would have been slightly lower at 90bp.

Review of Group Income Statement continued

The net management fees margin excludes net finance income, which principally relates to interest income earned on free cash deposits less finance costs on the Group's debt, and also the adjusting items, which are deemed to be non-recurring. The increase in compensation and other expenses has reduced net margins for private investors by around 11bp. This is partly the result of: a higher proportion of variable compensation being allocated to management fee income in periods of reduced performance fee income; and the acceleration of the amortisation charge relating to previously issued share awards. In addition, other expenses have increased, particularly in technology, to support the robustness of our infrastructure. Sales commissions have reduced the net margins for private investors by around 10bp, reflecting the higher amortisation charge on upfront sales commissions.

Revenue margins

	2009	H1 2009	2008	2007
Average FUM in period ($bn)				
Private investor	**38.4**	44.2	39.6	33.5
Institutional	**26.7**	31.5	29.7	23.7
Private investor				
Gross management and other fees[1] ($m)	**1,662**	964	1,771	1,525
Interest income earned from funds ($m)	**50**	33	74	78
Net management fee income[2] ($m)	**737**	458	898	787
Gross management fee margin (%)	**4.33**	4.36	4.47	4.55
Gross management fee margin before interest income from funds (%)	**4.20**	4.21	4.29	4.31
Net management fee margin (%)	**1.92**	2.07	2.27	2.35
Institutional				
Gross management and other fees[1] ($m)	**252**	146	297	269
Net management fee income[2] ($m)	**128**	71	157	147
Gross management fee margin (%)	**0.94**	0.93	1.00	1.14
Net management fee margin (%)	**0.48**	0.45	0.53	0.62

1 Includes management and other fee income from associates.
2 Net management fee income is before net finance income and excludes adjusting items.

Financial Review
continued

Review of Group Balance Sheet and Group Cash Flow Statement

Cash balances increased $485 million in the year to $2,361 million. Net of borrowings and issued debt the net cash position at year-end was $1,718 million, up from $1,474 million at the end of the prior year. The movement of cash is analysed in the cash flow statement and our liquidity position is discussed further below.

Trade and other receivables primarily relates to fee income. The decrease of $360 million from the prior year-end is largely offset by a decrease in trade and other payables, which primarily relate to commissions payments and accruals, including the compensation bonus accrual.

Investments in fund products comprises loans to fund products of $373 million (up $4 million from 2008) and other investments in fund products, primarily relating to seeding investments, of $718 million (down $561 million from 2008). Loans to fund products are exposed to credit risk whereas other investments (mainly seeding investments) are primarily exposed to market risk. An analysis of our seeding investments at the year-end is given in the table in the Group Income Statement section of this Financial Review on page 69. The decrease reflects our strategy to reduce balance sheet exposure in the current volatile market conditions and also arises as a result of losses in the year. In particular our exposure to MGS products is now significantly reduced.

The decrease in other investments to $184 million from $322 million at the end of the prior period is the result of the fall in value of our residual stake in MF Global and the sale of a large proportion of our remaining exchange shares, partly offset by the purchase of the Ore Hill DI portfolio. The investment in joint ventures and associates relates to BlueCrest ($217 million), Ore Hill ($59 million) and other smaller investments ($41 million).

Goodwill of $774 million at the year-end primarily relates to RMF ($621 million), with the remainder resulting from the acquisitions of Glenwood and our business in Australia. Note 15 to the financial statements includes sensitivity analysis around the impairment of goodwill. Although the FUM relating to RMF has declined significantly from last year-end to $16.1 billion, it is higher, and expected to remain so, than the $8.7 billion level at the time of our acquisition of RMF. Other intangibles include upfront sales commissions (now known as placement fees) which have decreased to $317 million from $427 million at the prior year-end, although this decrease is primarily the result of the accelerated amortisation of upfront sales commissions on MGS products taken in the first half of the financial year.

At 31 March 2009, shareholders' equity was $4.2 billion, compared to $4.7 billion at the prior year-end. Major increases in shareholders' equity during the period arose from the issue of $0.3 billion of perpetual capital securities and the retention of earnings during the year of $0.5 billion. This was more than offset by the payment of ordinary dividends in the year of $0.7 billion, consideration paid for share repurchases of $0.3 billion and adverse foreign currency translation adjustments of $0.3 billion.

Equity capital is maintained to absorb losses and to provide the Group with capital flexibility to grow the business. We calculate economic capital using a series of risk exposures and economic scenarios. In addition the Group is subject to the regulatory capital regime of the Financial Services Authority in the UK, the Group's primary regulator.

As at 31 March 2009 the Group's economic capital requirement was $825 million. The regulatory capital requirement amounted to around $1.0 billion.

Regulatory capital

As at 31 March 2009, the Group had excess regulatory capital of around $1.7 billion (2008: around $1.6 billion).

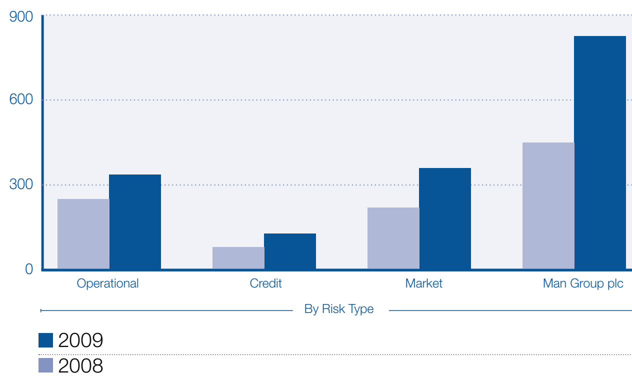
Group's regulatory capital position

	31 March 2009 $m	31 March 2008 $m
Permitted share capital and reserves	**3,843**	4,028
Innovative Tier 1 Perpetual Subordinated Capital Securities	**300**	–
Less goodwill and other intangibles:		
– Goodwill on acquisitions of subsidiaries	**(774)**	(813)
– Goodwill on acquisitions of associates/JVs	**(277)**	(194)
– Commission intangible (FEL)	**(317)**	(427)
– Other intangibles	**(49)**	(36)
Available Tier 1 Group capital	**2,726**	2,558
Tier 2 capital – subordinated debt	**399**	399
Tier 2 capital – revaluation reserves	**–**	74
Material holdings deduction – MF Global residual holding	**(94)**	(221)
Other material holdings deductions	**(288)**	(191)
Group Financial Resources	**2,743**	2,619
Less Financial Resources Requirement (including Board cushion)	**(1,030)**	(1,007)
Net excess of Group capital	**1,713**	1,612

Review of Group Balance Sheet and Group Cash Flow Statement continued

Economic capital

Economic capital is calculated according to the risk scenarios in relation to market, credit and operational risk. The calculation takes into account the diversification benefits within and between each risk category. Goodwill and investments in associates are considered to be supported by the equity of the Group. The economic capital is calculated at a 99.9% confidence interval which equates to maintaining an A– credit rating.



Liquidity

The Group's strategy is to maintain sufficient liquidity to give it the flexibility to support the business through different market conditions and business cycles. The amount of the potential requirement for liquidity is modelled based on scenarios that assume stressed market conditions, including reduced bank advance rates, de-risking of FUM, investor redemption bridging requirements, gating by underlying managers and the risk of a substantial adverse move in AHL and the consequential request to fund margin calls in those structured products that include an AHL allocation. Although the majority of these liquidity requirements are discretionary, the Board believes it has sufficient liquidity to meet these stressed modelled scenarios.

Liquidity is available in the form of a committed syndicated bank facility and cash which is invested in short-term bank deposits. The Board reviews the Group's funding resources at each Board meeting and on an annual basis as part of the strategic planning process.

The Group's liquid resources include cash balances of $2.4 billion at 31 March 2009 (31 March 2008: $1.9 billion), and a committed syndicated loan facility.

At 31 March 2009, none of the $2.4 billion committed syndicated loan facility was drawn. The committed facility was drawn for 235 days during the year, with an average drawdown of $308 million and a maximum drawdown of $500 million. During the period $1.8 billion of this facility had its maturity extended by one year until June 2013. The balance continues to mature in June 2012 as originally contracted.

In May 2008, the Group issued $300 million of 11% Perpetual Subordinated Capital Securities. This qualifies as Innovative Tier 1 regulatory capital and is convertible into preferred stock which is also classified as Tier 1 regulatory capital. In August 2008 the Group issued $250 million (issued at a discount; proceeds amounted to $242 million) of 5 year senior notes under the Euro Medium Term Note Programme. This debt has a fixed coupon of 6.5%. These issuances are part of our strategy to diversify our funding and tier our capital structure.

The following table summarises the Group's available facilities (drawn and undrawn) by maturity as at 31 March 2009 based on final expected maturity.

		Maturity by period			
	Total $m	Less than 1 year $m	1–3 years $m	3–5 years $m	After 5 years $m
Drawn					
Subordinated FRN	399	–	–	–	399
EMTN programme: senior	243	–	–	243	–
Hybrid Tier 1 Securities	300	–	–	–	300
Undrawn					
Committed syndicated bank facility	2,430	–	–	2,430	–
Cash balances	2,361				
Total available liquidity (Cash plus undrawn committed facilities	**4,791**				

The Group's available liquidity of $4.8 billion is considered to be sufficient to cover: the Group's current financial liabilities in excess of the Group's current receivables of $0.2 billion, as shown in Note 9 (a); the Group's current worst case obligations in relation to guarantees and commitments of $1.9 billion ($1.0 billion relates to committed purchase agreements); and the discretionary liquidity requirements as discussed above.

Group Cash Flow Statement

The Group had a net cash position of $1.7 billion (excluding the hybrid instrument) at 31 March 2009 compared to a net cash position of $1.5 billion at prior year-end. Cash generated from operations for the year was $2.0 billion, compared with Group profit before tax for the year of $0.7 billion. The difference principally relates to a decrease in working capital requirements of $0.5 billion, income from associates and net finance income of $0.2 billion, and non-cash amortisation charges relating to sales commission and employee share awards of $0.4 billion and impairment charges of $0.4 billion. The increase in the Group's net cash position since the prior year-end is primarily the result of cash generated from operating activities ($1.6 billion) and cash realised from other financial assets ($0.2 billion), offset by the Ore Hill and Nephila acquisitions ($0.2 billion) and shareholder distributions of $1.0 billion (dividend and share buy-backs).

Auditors' Report on the Group's Financial Statements

Independent auditors' report to the members of Man Group plc

We have audited the Group financial statements of Man Group plc for the year ended 31 March 2009 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense, the Principal Accounting Policies and the notes to the Group financial statements. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Man Group plc for the year ended 31 March 2009 and on the information in the Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities on page 52.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements.

The information given in the Directors' Report includes that information presented in the Business Review and Financial Review, which is cross referred from the principal activities, business review and results section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Report reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Business Overview and the unaudited part of the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group financial statements.

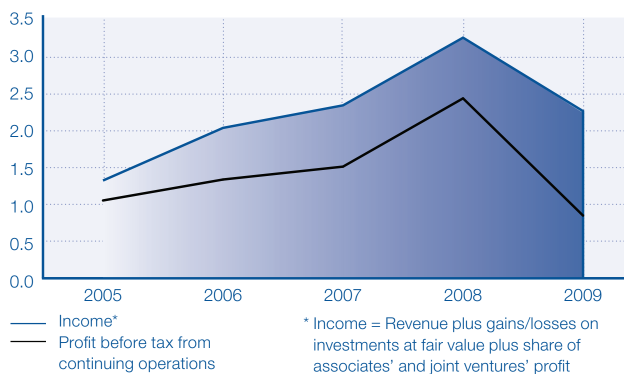
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 May 2009

Group Income Statement

For the year ended 31 March

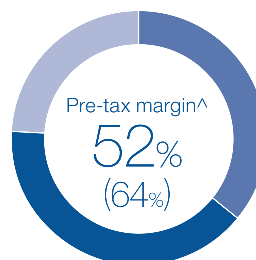
	Note	2009 $m	2008 $m
Revenue:			
Performance fees		**627**	1,192
Management and other fees		**1,861**	2,030
		2,488	3,222
Gains/(losses) on investments at fair value		**(260)**	(51)
Sales commissions	1	**(411)**	(391)
Accelerated amortisation of MGS sales commissions	2	**(107)**	–
Total sales commissions		**(518)**	(391)
Compensation	3	**(463)**	(639)
Restructuring	2	**(37)**	–
Total compensation costs		**(500)**	(639)
Other costs	4	**(275)**	(238)
Share of after tax profit of associates and joint ventures	14	**144**	86
Gain on disposal of 50% of subsidiary	2	**48**	–
Impairment of Ore Hill investments and goodwill	2	**(299)**	–
Loss arising from residual interest in brokerage assets	2	**(105)**	–
Finance income		**58**	145
Finance expense		**(38)**	(55)
Net finance income	5	**20**	90
Profit before tax from continuing operations		**743**	2,079
Taxation	6	**(240)**	(362)
Profit after tax from continuing operations		**503**	1,717
Discontinued operations – brokerage	25	**–**	1,753
Profit for the year		**503**	3,470
Attributable to:			
Equity holders of the Company		**503**	3,471
Equity minority interests		**–**	(1)
		503	3,470
Earnings per share	7		
From continuing operations			
Basic (cents)		**28.7**	92.8
Diluted (cents)		**28.4**	90.2
From continuing and discontinued operations			
Basic (cents)		**28.7**	187.7
Diluted (cents)		**28.4**	182.0

Income* and profit before tax from continuing operations
$bn



* Income = Revenue plus gains/losses on investments at fair value plus share of associates' and joint ventures' profit

Cost analysis and pre-tax margin^
2009 (2008)



Sales commissions**	36% (31%)
Compensation**	40% (50%)
Other costs	24% (19%)

^ Pre-tax margin = Profit before tax† / Income*

* Income = Revenue plus gains/losses on investments at fair value plus share of associates' and joint ventures' profit

** Excluding accelerated amortisation of MGS sales commissions and restructuring costs which are presented separately on the face of the income statement (as detailed in Note 2)

† Profit before tax is the profit before tax from continuing operations before those material items presented separately on the face of the income statement (as detailed in Note 2)

Group Balance Sheet

At 31 March

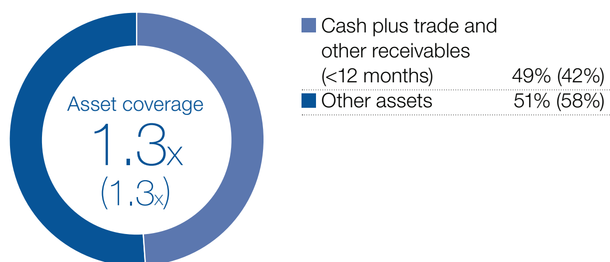
	Note	2009 $m	2008 $m
ASSETS			
Cash and cash equivalents	10	**2,361**	1,876
Trade and other receivables	11	**413**	773
Investments in fund products	12	**1,091**	1,648
Other investments	12	**184**	322
Deferred tax	13	**–**	22
Investments in associates and joint ventures	14	**317**	267
Other intangible assets	15	**366**	463
Goodwill	15	**774**	813
Property, plant and equipment	16	**64**	52
Total Assets		**5,570**	6,236
LIABILITIES			
Trade and other payables	17	**462**	746
Current tax liabilities		**246**	353
Borrowings	18	**643**	402
Pension obligations	3	**13**	24
Deferred tax	13	**14**	–
Total Liabilities		**1,378**	1,525
NET ASSETS		**4,192**	4,711
EQUITY			
Capital and reserves attributable to shareholders	19–22	**4,191**	4,710
Equity minority interests	20	**1**	1
Total Equity		**4,192**	4,711

Approved by the Board of Directors on 28 May 2009

Peter Clarke
Chief Executive

Kevin Hayes
Finance Director

Liquidity of assets 2009 (2008)



Cash = Cash and cash equivalents
Asset coverage = Total assets / Total equity

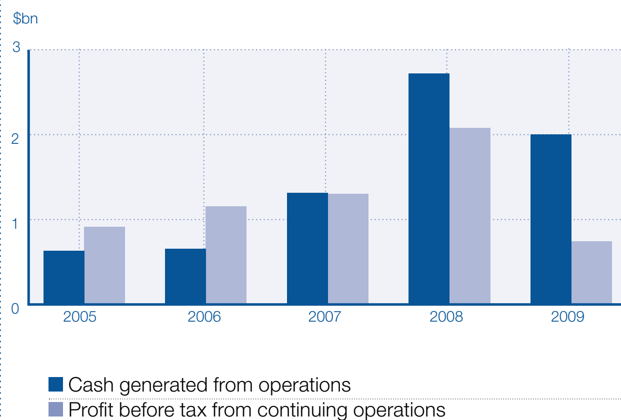
Group Cash Flow Statement

For the year ended 31 March

	Note	2009 $m	2008 $m
Cash flows from operating activities – continuing operations			
Cash generated from operations	23	**1,968**	2,725
Interest paid		**(40)**	(32)
Income tax paid		**(312)**	(324)
		1,616	2,369
Cash flows from operating activities – discontinued operations		**–**	(522)
Cash flows from operating activities – total Group		**1,616**	1,847
Cash flows from investing activities – continuing operations			
Acquisition of subsidiaries and joint ventures, net of cash acquired	24	**(245)**	(18)
Purchase of property, plant and equipment		**(38)**	(21)
Purchase of intangible assets		**(250)**	(243)
Purchase of other investments		**(172)**	(221)
Purchase of additional interests in joint ventures and associates		**(17)**	–
Proceeds from sale of other investments		**41**	25
Proceeds less costs from sale of Brokerage	25	**–**	2,734
Cash disposed on the IPO of Brokerage	25	**–**	(1,373)
Net proceeds from sale of Brokerage, net of cash disposed		**–**	1,361
Interest received		**60**	146
Dividends received from associates and other investments		**141**	78
Proceeds from sale of associate		**25**	–
		(455)	1,107
Cash flows from investing activities – discontinued operations		**–**	44
Cash flows from investing activities – total Group		**(455)**	1,151
Cash flows from financing activities – continuing operations			
Proceeds from issue of ordinary shares		**53**	75
Proceeds from issue of capital securities, net of issue costs		**293**	–
Purchase of treasury shares		**(280)**	(520)
Purchase of own shares by ESOP trust		**(218)**	(145)
Disposal of own shares by ESOP trust		**47**	48
Proceeds from borrowings net of issue costs		**242**	–
Repayment of borrowings		**–**	(758)
Return of net proceeds from sale of Brokerage		**(67)**	(2,667)
Dividends paid to Company shareholders		**(718)**	(578)
Dividend payments in respect of capital securities		**(25)**	–
Dividends paid to minority interests		**(1)**	–
Cash flows from financing activities – total Group		**(674)**	(4,545)
Net increase/(decrease) in cash and bank overdrafts		**487**	(1,547)
Cash and bank overdrafts at the beginning of the year		**1,873**	3,420
Cash and bank overdrafts at the end of the year – total Group		**2,360**	1,873

For the purposes of the cash flow statement, cash and cash equivalents are net of overdrafts repayable on demand. These overdrafts are included in borrowings disclosed on the balance sheet. Overdrafts repayable on demand amounted to $1 million (2008: $3 million).

Cash generated from operations vs profit before tax from continuing operations



Group Statement of Recognised Income and Expense

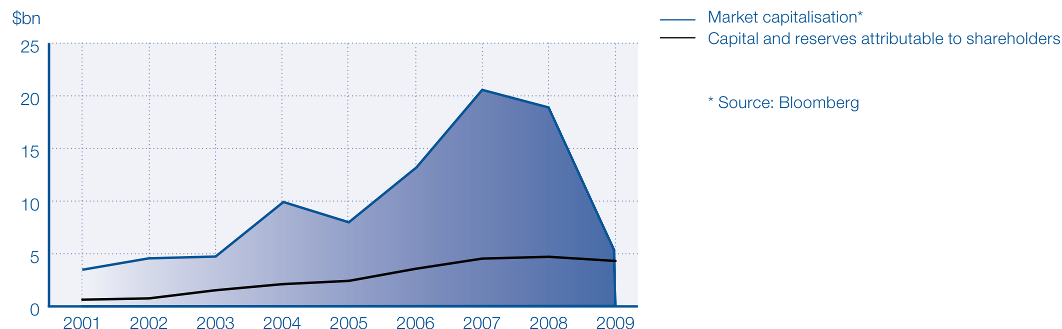
For the year ended 31 March 2009

	Note	Shareholders of the Company $m	Minority interest $m	Total $m
Available-for-sale investments:				
Valuation losses taken to equity		(250)	–	(250)
Transfer to income statement on sale or impairment		172	–	172
Cash flow hedge:				
Valuation gains taken to equity		–	–	–
Transfer to income statement in the year		–	–	–
Foreign currency translation adjustments	22	(261)	–	(261)
Tax on items taken directly to or transferred from equity		(6)	–	(6)
Net expense recognised directly in equity		**(345)**	**–**	**(345)**
Profit for the year		503	–	503
Total recognised income and expense for the year	20	**158**	**–**	**158**

For the year ended 31 March 2008

	Note	Shareholders of the Company $m	Minority interest $m	Total $m
Available-for-sale investments:				
Valuation gains taken to equity		1	–	1
Transfer to income statement on sale		(81)	–	(81)
Cash flow hedge:				
Valuation gains taken to equity		3	–	3
Transfer to income statement in the year		(6)	–	(6)
Foreign currency translation adjustments	22	76	1	77
Tax on items taken directly to or transferred from equity		30	–	30
Net income recognised directly in equity		**23**	**1**	**24**
Profit for the year		3,471	(1)	3,470
Total recognised income and expense for the year	20	**3,494**	**–**	**3,494**

Market capitalisation and shareholders' funds



* Source: Bloomberg

Principal Accounting Policies

Basis of preparation

The investment products we sell are issued by independent fund entities for which we act as the investment manager. The fund entities have independent boards of directors with independent governance and decision making powers. The fund entities' results, assets and liabilities are therefore separate from the Group and are not consolidated into the Group's financial statements.

The results of investment management activities are reflected in the Group's financial statements as performance fees and management and other fees, and associated receivables.

The investment performance of the fund products managed by the Group is detailed in the Business Review and Core Investment Manager sections of the Annual Report, and represents a key indicator of the Group's overall performance and future sustainability of results.

The objective of these consolidated financial statements is to explain the results for the year ended 31 March 2009 and the financial position of the Group on that date, together with comparative information.

The Group's principal activity is investment management and its Balance Sheet is presented using a liquidity format, as permitted by IAS 1 paragraph 51. The directors believe that this presentation is more relevant as the majority of the Group's assets are marked to current market values or will be realised within the next financial year.

The summary of significant accounting policies describes the accounting policies that are material in the preparation of the primary financial statements. Other accounting policies that relate to specific items in the financial statements have been incorporated within the relevant financial statement notes that provide details of the particular item.

Financial statement line items that are not material to the overall results or financial position have been aggregated with similar items and presented as one amount. A description of the types of items has been added where this is considered necessary to understand the aggregate line item.

Where appropriate, graphic presentations have been used to convey financial information. These are not part of the audited IFRS financial statements.

The financial statements should be read in the context of the overall Annual Report and cross references have been added to make navigation through the report easier.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations issued by either the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC) or their predecessors, as adopted by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of derivative financial instruments and certain financial assets that are available-for-sale or held at fair value through profit or loss. The consolidated financial statements have been prepared on a going concern basis, as discussed in the Corporate Governance report on page 51.

Summary of significant accounting policies

The Group's principal accounting policies have been consistently applied to all the years presented in these financial statements.

Impact of new accounting standards

A number of new standards, amendments to existing standards and interpretations have been issued, some of which are mandatory for the financial year beginning 1 April 2008, with the remaining becoming effective in future years.

The following amendments to existing standards and interpretations are effective for the financial year ended 31 March 2009:

- IFRS 7 – 'Financial instruments: Disclosure' amendment and IAS 39 – 'Financial instruments: Recognition and measurement' amendments on reclassification of financial assets;
- IFRIC 11 – 'IFRS 2 Group Treasury share transactions';
- IFRIC 12 – 'Service concession arrangements'; and
- IFRIC 14 – 'IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction'.

The impact of these amended standards and interpretations on these financial statements has not been significant. New standards issued that become effective in future years are considered in Note 31.

Changes in presentation

In the financial statements for the year-ended 31 March 2008 gains/losses on investments at fair value of $51 million (charge) were reported within Revenue, as part of performance fees. In the financial statements for the year-ended 31 March 2009 gains/losses on investments at fair value of $260 million (charge) have been reclassified out of Revenue, and shown as a separate category on the face of the income statement. The comparatives have been restated accordingly.

In Note 4 (a), a detailed analysis of Other costs is included in the financial statements for the year-ended 31 March 2009, and a further breakdown of the 2008 comparatives has been provided.

Income statement presentation

The Group presents separately on the face of the income statement in accordance with IAS 1 paragraph 86 those items which the directors consider material by virtue of their size or nature, in order to aid comparability from period to period. These items for the year ended 31 March 2009 are explained in Note 2 to the financial statements.

Consolidation

Subsidiaries are all entities (including employee share ownership trusts) over which the Group has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are removed from consolidation from the date that control ceases. Inter-company transactions and balances between Group companies are eliminated.

Principal Accounting Policies
continued

Associates and joint ventures

Associates are all entities in which the Group holds an interest and over which it has significant influence but not control. Investments in associates are generally accounted for by the equity method of accounting and are initially recognised at cost, except for investments in certain fund entities (see below). Under the equity method, the Group's share of its associates' post-acquisition profits or losses after tax is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Where the Group has investments in certain fund entities over which it is able to exert significant influence but not control, these are classified as associates. The Group has applied the scope exclusion within IAS 28 'Investments in Associates' for mutual funds, unit trusts and similar entities and has classified such holdings as investments and measured them at fair value through the income statement in accordance with IAS 39.

Joint ventures are all entities in which the Group has joint control through a contractual arrangement. Investments in joint ventures through which the Group carries on its business are classified as jointly controlled entities and accounted for using the equity method, as described above.

Share of after tax profit of associates and joint ventures is shown before finance income and expense in the Group income statement as the directors consider that the associates and joint ventures form an important component of the Group's activities, rather than an investing activity.

Acquisitions

The cost of an acquisition of a subsidiary or business is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as acquisition goodwill.

Goodwill is reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Foreign currency translation

(1) Functional and presentation currency

The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency and the currency in which the majority of the Group's revenue streams, assets, liabilities and funding is denominated. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(2) Transactions and balances

Foreign currency transactions are translated into the relevant Group entity's functional currency using the exchange rate prevailing at the date of the transactions or, where it is more practical, an average rate over the relevant accounting period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(3) Translation of foreign operations

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets (including goodwill and fair value adjustments on the acquisition of a foreign entity) and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates for the relevant accounting periods;

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

Investments

(1) Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates, where permitted, this designation at each reporting date.

(a) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivative contracts are also categorised as held for trading unless they are designated as hedges.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative equity investments that are either designated in this category or not classified in any of the other categories.

(2) Measurement

Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method. Fair value gains and losses arising from changes in the fair value of available-for-sale investments are recognised as a separate component of equity until the investment is sold or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The 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. The valuation of the underlying assets within each fund of fund product is determined by external valuation service providers (VSP) based on an agreed valuation policy and methodology. Whilst these valuations are performed independently of the Group, the Group has established oversight procedures and due diligence processes to ensure that the net asset values reported by the VSP are reliable and appropriate. The Group makes adjustments to NAVs where events or circumstances indicate that the NAVs are not reflective of fair value.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using appropriate valuation techniques. In these situations the valuation techniques used to calculate fair values include comparisons with similar financial instruments for which observable prices exist and discounted cash flow analysis. Further details of the methods used to obtain fair values for investments are included in Note 12.

(3) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale financial assets, a significant or prolonged decline in the fair value of the asset below its cost is considered in determining whether the asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on available-for-sale equity instruments are not reversed through the income statement.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Borrowings

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

Income recognition

(1) Revenue

Revenue is recognised as follows:

(a) Performance fees

Performance fees are calculated as a percentage of the net appreciation of the relevant fund products' net asset value at the end of a given contractual period (referred to as the performance period). In accordance with IAS 18, performance fees are only recognised once they can be measured reliably. The Group can only reliably measure performance fees at the end of the performance period as the net asset value of the fund products could move significantly, as a result of market movements, between the Group's balance sheet date and the end of the performance period.

(b) Management and other fees

Management fees, which include all non-performance related fees and interest income from loans to fund products, are recognised in the period in which the services are rendered. Interest income from loans to fund products of $35 million (2008: $44 million) has been included in management and other fees on the basis that it is akin to management fees earned from fund products.

(2) Gains/losses on investments at fair value

Gains/losses on investments at fair value include fair value movements on seeding and liquidity investments, which are fair valued through the income statement.

(3) Dividend and non-fund product related income

Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time-apportioned basis using the effective interest method.

Sales commissions

Upfront commissions (also known as placement fees) are payable to distributors and to employees when a fund product is first launched. The majority of commissions paid are capitalised and amortised over the period in which income from the fund product is expected to be earned in future periods. Trail commissions (also known as servicing fees) are payments made to distributors for ongoing services and are charged to the income statement in the period in which they are incurred.

Compensation

Salaries and wages, including bonuses, are charged to the income statement in the period in which they are incurred. Bonuses are based on a formula that takes into consideration the profit attributable to the Company's shareholders. The fair value of equity-based compensation, including share awards and options granted, is recognised as an expense over the vesting period. Compensation costs incurred as part of the restructuring cost discussed in Note 2 (b) to the financial statements are accounted for in full at the time the obligation arises, following the communication of the formal plan in March 2009, and include payments in lieu of notice and enhanced termination costs, and charges arising from the acceleration of share-based payments.

Current and deferred tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Deferred tax liabilities are provided, using the liability method, on 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, except to the extent that deferred tax arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction affects neither accounting profit nor tax loss.

Critical accounting estimates and judgements

In the preparation of the consolidated financial statements management is required to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances

Principal Accounting Policies
continued

change. The areas where a higher degree of judgement or complexity arise, or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed below.

(1) Use of fair values (Note 12)

The Group uses fair values to measure its investments in fund products and other investments on the balance sheet.

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. The valuation of the underlying assets within each fund product is determined by external valuation service providers (VSP) based on an agreed valuation policy and methodology. Whilst these valuations are performed independently of the Group, the Group has established oversight procedures and due diligence processes to ensure that the net asset values reported by the VSP are reliable and appropriate. The Group makes adjustments to NAVs where events or circumstances indicate that the NAVs are not reflective of fair value.

There are certain other assets, for example the Ore Hill DI portfolio, where the Group establishes the fair value by using appropriate valuation techniques. In these situations the valuation techniques used to calculate fair values include comparisons with similar financial instruments for which observable prices exist and discounted cash flow analysis.

Given the uncertainty and subjective nature of valuing assets at fair value, it is possible that the outcomes within the next financial year could be different from the assumptions used and this could therefore result in a significant adjustment to the carrying amount of assets and liabilities measured using fair values. This is particularly the case where the Group establishes the fair value of assets by using appropriate valuation techniques.

(2) Treatment of fund entities of which the Group is the investment manager

Certain subsidiaries of the Group act as the investment manager to a number of fund entities and in addition provide a number of other administrative services. Having considered all significant aspects of the Group's relationships with the fund entities, the directors are of the opinion that, although the Group may have significant influence over fund entities, the existence of the investment management contract and provision of other administrative services do not give the Group control over the fund entities. The key considerations taken into account in reaching this judgement include: the existence of independent, empowered boards of directors; the influence of investors; the investment management contract termination provisions; and, the arm's length nature of the Group's contracts with the fund entities.

(3) Goodwill and other intangible assets (Note 15)

Goodwill is reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, based on value in use calculations prepared on the basis of management's assumptions and estimates of future cash flows and discount rates. An impairment review of the RMF goodwill suggested that there was a limited amount of headroom of discounted future net cash inflows over the goodwill balance and hence a sensitivity analysis in relation to the key assumptions used in the calculations is given in Note 15. The joint venture investment in Ore Hill was impaired, based on value in use calculations, using the key assumptions set out in Note 14.

The amortisation period of sales commissions, representing the Group's contractual right to benefit from future income from providing investment management services, is based on management's estimate of the weighted average period over which the Group expects to earn economic benefit from the investor being invested in each fund product. Management estimate that this period is five years in both the current and the comparative year.

(4) Taxation (Note 6)

The Group is subject to income taxes in many jurisdictions. Judgement is required in determining estimates in relation to the worldwide provision for income taxes. There are transactions for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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Notes to the Group Financial Statements

1. Sales commissions

	2009 $m	2008 $m
Upfront sales commissions	**240**	216
Trail commissions	**171**	175
	411	391

2. Income statement presentation

The material items which the directors consider should be presented separately on the face of the income statement by virtue of their size or nature, in order to aid comparability from period to period, are as follows:

	2009 $m
Accelerated amortisation of MGS sales commissions	**(107)**
Restructuring costs	**(37)**
Gain on disposal of 50% of subsidiary	**48**
Impairment of Ore Hill investments and goodwill	**(299)**
Loss arising from residual interest in brokerage assets	**(105)**
	(500)

(a) Accelerated amortisation of MGS sales commissions

As a result of the MGS de-risking process, an accelerated amortisation charge of $107 million ($86 million after adjusting for variable compensation) has been recognised in respect of upfront sales commissions associated with MGS products. Following the decision to de-risk many of the MGS products, the useful economic life of these products was reviewed and reduced. Therefore the amortisation has been accelerated.

(b) Restructuring costs

In March 2009 the Group announced that it has implemented a plan to reduce the cost base of the business. The one-off compensation costs associated with this restructuring are reported as Restructuring costs.

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

On 8 May 2008, the Group acquired a 50% interest in Ore Hill, a major US-based credit specialist fund manager. Simultaneously the Ore Hill principals acquired a 50% interest in Pemba Credit Advisers (Pemba), the European credit manager subsidiary of the Group. A gain of $48 million arose on the disposal of 50% of Pemba, which is included in the income statement. Since this disposal, the credit markets have continued to deteriorate, which has severely affected the Pemba business. Accordingly, Pemba has been restructured and as part of this exercise, in February 2009, the Group took back its 50% shareholding from the Ore Hill principals at nil cost, with no further profit or loss arising.

As a result of the deterioration in market conditions since the date of the acquisition of Ore Hill and the decrease in assets under management arising from significant redemptions during the period, the Group has recognised an impairment charge of $214 million against the carrying value of the Ore Hill investment. The assumptions used in the impairment review are discussed in Note 14. The discount rates used to perform the impairment exercise are higher than the rates used at the time of the acquisition as the discount rates applied are determined based on the current market conditions and reflect the deterioration in the financial markets and debt rates and the higher risk of returns as at 31 March 2009.

The carrying value of the Group's interest in Ore Hill's Designated Investment (DI) portfolio was reviewed for impairment as at 31 March 2009. The impairment charge booked as a result of this review was $75 million, which is included with the impairment against the Ore Hill investment within Impairment of Ore Hill investments and goodwill, together with a further $10 million charge relating to the impairment of MTM Capital goodwill.

(d) Loss arising from residual interest in brokerage assets

As discussed in Note 12, following the disposal of its brokerage business the Group retained a residual investment in MF Global. These shares, which are classified as available-for-sale financial assets, have been reviewed for impairment as at 31 March 2009, following a significant decrease in the underlying share price, resulting in an impairment charge of $126 million being taken through the income statement. Other net gains of $21 million arose from the Group's residual interest in brokerage assets during the year.

Notes to the Group Financial Statements
continued

3. Employees and compensation

	2009 $m	2008 $m
Wages and salaries – fixed	**173**	161
– variable	**180**	343
Share-based payment charge	**71**	71
Social security costs	**19**	46
Pension costs	**20**	18
	463	639

Further compensation costs of $37m were incurred in respect of the restructuring discussed in Note 2 (b) above, comprising $22 million in wages and salaries, and $15 million in accelerated share-based payment charges.

In addition to the amounts shown above, $62 million (2008: $39 million) of sales commissions relating to employees are included in the Group income statement charge for upfront sales commissions (Note 1).

(a) Wages and salaries
Wages and salaries include the following:

(i) Bonus plans
The Group recognises a liability and an expense for cash bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders.

(ii) Share-based payments
These are detailed in section (b) of this Note.

(iii) Phantom equity-based compensation
The Group also operates 'phantom' cash-settled, equity-based compensation plans. The equity base is typically some of the fund products of which the Group is the investment manager. The fair value of the employee services received in exchange for the phantom equity awards is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards, remeasured at each reporting date until the settlement date is reached. The fair value of the awards equates to the fair value of the underlying fund products at the settlement date.

Average number of employees in continuing operations comprise:

	2009 Number	2008 Number
UK	**720**	743
Switzerland	**643**	597
Other countries	**413**	391
Average number of employees – continuing operations	**1,776**	1,731

(b) Share-based payments
The Group operates equity-settled, share-based compensation schemes. The fair value of the employee services received in exchange for the share awards and options granted is recognised as an expense, with the corresponding credit being recognised in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and options awarded/granted, excluding the impact of any non-market vesting conditions (for example, earnings per share and return on equity targets). Non-market vesting conditions are included in assumptions made on the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

All of the employee share awards and share option awards were made within the Group's share-based remuneration schemes. Details of these schemes may be found in the Remuneration Report on pages 55 to 60.

During the year, $86 million was charged to the income statement for equity-settled, share-based payment transactions (2008: $71 million) in respect of continuing operations.

3. Employees and compensation continued

The fair value of share options and awards at grant date is calculated using a 'binomial lattice' model that takes into account the effect of both financial and demographic assumptions. Financial assumptions include the future share price volatility, dividend yield, risk-free interest rate, and the best estimate outcome of non-market based performance conditions. Demographic assumptions include forfeiture and early vesting behaviours that are based upon historic observable data. The fair values per option and award granted during the year to employees, and the assumptions used in the calculations, are as follows:

	Executive share option scheme	Other employee share option schemes	Performance share plan	Deferred share plan
Grant dates	12/6/2008	1/7/2008–1/8/2008	12/6/2008	29/5/2008–8/12/2008
Weighted average share price at grant date ($)	12.19	12.29	12.19	7.84
Weighted average exercise price at grant date ($)	12.19	9.86	–	–
Share options/awards made in the year	263,594	424,126	1,585,372	15,851,785
Vesting period (years)	3	2–5	4	4
Expected share price volatility	30%	30%	–	–
Dividend yield	4%	4%	4%	4–14%
Risk-free rate	5.3%	5.2%	–	–
Expected option life (years)	7.7	3.3	–	–
Number of shares/options assumed to vest	263,594	322,180	1,585,372	14,404,677
Average fair value per option/share granted ($)	3.44	2.47	10.42	6.43

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

It is assumed that the performance conditions applicable to the executive share option scheme and performance share plan will be met in full. For the executive share option scheme, it is assumed that 5% of options per year are subject to early exercise, and in addition, provided there is a gain of 50% on the exercise price, it is assumed that 50% of remaining option holders will exercise per year.

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

	2009		2008	
	Number	**Weighted average exercise price ($ per share)**	Number	Weighted average exercise price ($ per share)
Share options outstanding at 1 April	**6,268,005**	**5.26**	11,915,571	4.24
Granted	**687,720**	**10.60**	1,561,677	10.53
Forfeited	**(488,444)**	**9.06**	(1,123,824)	6.31
Exercised	**(1,868,032)**	**4.17**	(6,085,419)	3.46
Share options outstanding at 31 March	**4,599,249**	**7.09**	6,268,005	5.26
Share options exercisable at 31 March	**1,625,046**	**3.18**	1,450,788	4.10

The weighted average share price during the financial year ended 31 March 2009 was $6.89 (2008: $11.04).

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

	2009			2008		
Range of exercise prices ($ per share)	**Number of share options**	**Weighted average exercise price ($ per share)**	**Weighted average expected remaining life (years)**	Number of share options	Weighted average exercise price ($ per share)	Weighted average expected remaining life (years)
2.00–5.00	**1,981,266**	**3.29**	**2.5**	2,849,988	3.98	3.2
5.01–7.00	**1,346,962**	**5.93**	**5.1**	803,256	5.62	3.0
7.01–9.00	**1,271,021**	**8.10**	**5.9**	1,392,708	7.94	6.6
9.01–11.00	**–**	**–**	**–**	405,221	9.43	2.8
11.01+	**–**	**–**	**–**	816,832	11.48	7.7
	4,599,249			6,268,005		

Notes to the Group Financial Statements
continued

3. Employees and compensation continued
Movements in the number of share awards outstanding are as follows:

	2009 Number	2008 Number
Share awards outstanding at 1 April	**32,425,283**	32,990,637
Granted	**17,437,157**	8,167,442
Transferred	**–**	(21,312)
Forfeited	**(483,949)**	(526,789)
Vested	**(11,407,487)**	(8,184,695)
Share awards outstanding at 31 March	**37,971,004**	32,425,283
Share awards exercisable at 31 March	**2,055,199**	1,282,890

Share options and awards attributable to employees subject to the restructuring plan (see Note 2 (b)) are shown as outstanding in the tables above, as the majority will vest in the next financial year.

(c) Pension benefits
The Group operates various pension plans throughout the world, including a number of defined contribution plans and two funded defined benefit plans. The Group's pension plans are funded through payments to trustee-administered funds, determined by periodic actuarial calculations. Other than pensions, the Group does not operate any other form of post-retirement benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. A defined benefit plan is a pension plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

(i) Defined contribution plans
For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contributions have been paid. The contributions are recognised as compensation when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Defined contribution pension costs for continued operations totalled $11 million (2008: $9 million).

(ii) Defined benefit plans
The two defined benefit plans operated by the Group are the Man Group plc Pension Fund in the UK (the UK plan) and the Man Group Pension Plan in Switzerland (the Swiss plan). The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The present values of the defined benefit obligations are determined using the projected unit credit method by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The defined benefit obligation for the UK plan is based on a funding valuation performed as at 31 December 2005, with results projected forward by independent qualified actuaries. The latest regular triennial valuation of the UK plan is being conducted as at 31 December 2008. The level of contributions paid by the Group to the UK plan will be reviewed once the results of this valuation are known and this may result in a revised level of contributions being agreed between the Group and the UK plan trustees is due effective 31 December 2008. Once the results of this valuation are known the funding of the plan will be reviewed by the Group and UK plan Trustees and contribution rates adjusted in accordance with recommendations made by the independent actuaries. The obligation for the Swiss plan was calculated as at 31 March 2009 by independent qualified actuaries. At 31 March 2009, the UK plan comprised 76% (2008: 83%) of the Group's total defined benefit pension obligations.

In accordance with the transitional provisions set out in IFRS 1 'First time adoption of international financial reporting standards', all cumulative actuarial gains and losses at the date of the Group's IFRS transition (1 April 2004) were recognised in full. Since 1 April 2004, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are not recognised in the current period unless the cumulative unrecognised gain or loss at the end of the previous reporting period exceeds the greater of 10% of the plan assets or liabilities. In these circumstances the excess is charged or credited to the income statement over the employees' expected average remaining working lives.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

3. Employees and compensation continued

The principal actuarial assumptions used in the valuations of the two plans as at 31 March 2009 were:

	UK plan		Swiss plan	
	2009 % p.a.	2008 % p.a.	**2009 % p.a.**	2008 % p.a.
Discount rate	**6.8**	6.9	**3.3**	3.8
Price inflation	**3.3**	3.8	**1.5**	1.5
Expected return on plan assets	**7.0**	7.2	**4.5**	3.3
Future salary increases	**3.3**	6.4	**2.5**	5.0
Social security increases	**–**	–	**3.0**	1.8
Pension in payment increases	**3.6**	4.0	**–**	–
Deferred pensions increases	**5.0**	5.0	**–**	–

The expected return on plan assets is based on the market expectation at the beginning of the period for returns over the entire life of the benefit obligation. In the UK, investment market conditions suggest an expected return on equities of around 8.0% (2008: 8.3%), expected bond returns of around 5.3% (2008: 5.4%), expected return on hedge funds of around 8.0% (2008: 8.3%) and expected average return on other plan assets of around 4.2% (2008: 5.1%). In 2008, the Swiss plan was invested in an insurance contract, on which the expected return was 3.25%. This year, the Swiss plan investments were moved to a pension foundation, and Swiss investment market conditions suggest an expected return on equities of around 7.2%, expected bond returns of around 3.4%, expected returns on property of 4.4%, expected hedge fund returns of around 5.8% and expected average return on other plan assets of around 2.0%.

Mortality rates in the UK plan are assumed to be in line with the PNA00 tables projected by year of birth with allowance for future improvements in mortality rates in line with the medium cohort projections with a minimum rate of improvement each year of 1.0% for males and 0.5% for females. The table below sets out the implied life expectancy at age 60 for members currently aged 60 and for members reaching age 60 in 20 years' time.

	Current life expectancy (years)	Life expectancy in 20 years' time (years)
Male aged 60	27.1	29.3
Female aged 60	29.1	30.3

Mortality rates in the Swiss plan are assumed to be in line with the Swiss BVG 2005 standard table plus a 0.5% per annum allowance for increase in life expectancy from the date of the census underlying the table to the valuation date.

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

	2009 $m	2008 $m
Present value of funded obligations	**296**	350
Fair value of plan assets	**(248)**	(341)
Deficit	**48**	9
Unrecognised actuarial (losses)/gains	**(33)**	19
Unrecognised past service cost	**(2)**	(4)
Liability in the balance sheet	**13**	24

The major categories of plan assets are:

	2009 $m	2008 $m
Equities	**77**	115
Bonds	**88**	109
Insurance policies	**–**	48
Hedge funds	**63**	66
Property	**9**	–
Other	**11**	3
	248	341

The actual return on plan assets was:

	2009 $m	2008 $m
Return on plan assets	**(15)**	10

Notes to the Group Financial Statements
continued

3. Employees and compensation continued

The movement in the liability recognised in the balance sheet is as follows:

	2009 $m	2008 $m
Pension liability at beginning of year	**24**	21
Currency translation differences taken through income statement	**(6)**	1
Other expenses charged to the income statement	**8**	9
Contributions paid	**(13)**	(7)
Pension liability at end of year	**13**	24

The contributions expected to be paid during the financial year ending 31 March 2010 amount to $9 million, although this is subject to change when the regular triennial valuation of the UK plan currently being conducted as at 31 December 2008 is finalised.

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

	2009 $m	2008 $m
Current service cost (employer portion)	**6**	8
Interest cost	**20**	20
Expected return on plan assets	**(20)**	(22)
Amortisation of unrecognised past service cost	**1**	2
Past service costs	**4**	–
Settlement/curtailment	**(3)**	1
Total charge	**8**	9

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

	2009 $m	2008 $m
Present value of funded obligations, 1 April	**350**	409
Currency translation difference	**(92)**	13
Current service cost (employer portion)	**6**	8
Interest cost	**20**	20
Employee contributions	**4**	3
Actuarial loss/(gain)	**18**	(57)
Actual benefit payments	**(10)**	(16)
Past service costs	**4**	–
Settlement/curtailment on disposal of brokerage business	**(4)**	(30)
Present value of funded obligations, 31 March	**296**	350

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

	2009 $m	2008 $m
Fair value of plan assets, 1 April	**341**	359
Currency translation difference	**(85)**	12
Expected return on plan assets	**20**	22
Actuarial (losses) on plan assets	**(35)**	(19)
Employer contributions	**13**	7
Employee contributions	**4**	3
Benefits paid	**(10)**	(16)
Assets distributed on settlements	**–**	(27)
Fair value of plan assets, 31 March	**248**	341

History of experience gains and losses:

	2009		2008		2007		2006		2005	
	$m	**%**	$m	%	$m	%	$m	%	$m	%
Experience gain/(loss) arising on plan assets (% of plan assets)	**(35)**	**14.1**	(19)	5.3	11	3.3	31	10.9	1	1.3
Experience gain/(loss) arising on plan liabilities (% of the present value of plan liabilities)	**(11)**	**3.7**	–	0.7	(3)	0.1	(10)	3.3	–	0.5
Present value of plan liabilities	**296**		350		409		396		335	
Fair value of plan assets	**(248)**		(341)		(359)		(324)		(274)	
Plan deficit	**48**		9		50		72		61	

3. Employees and compensation continued

(d) Directors' remuneration

	2009 $000	2008 $000
Emoluments	**13,872**	21,780
Gains made on transfer of share awards and exercise of share options in the year	**32,889**	60,627
Contributions to money purchase pension schemes (2009: one director; 2008: one director)	**53**	60

One director is accruing retirement benefits under a defined benefit scheme (2008: one director).

Further information on individual directors' emoluments, options, share awards and loans is given in the Remuneration Report on pages 62 to 65, and included in the key management compensation disclosures on related parties (Note 27).

4. Other income statement disclosures

(a) Analysis of other costs

	2009 $m	2008 $m
Occupancy	**42**	35
Travel and entertainment	**21**	19
Technology	**31**	16
Communication	**16**	12
Consulting and professional services	**46**	29
Depreciation and amortisation	**39**	27
Charitable donations	**10**	26
Other	**70**	74
Total other costs	**275**	238

Included in depreciation and amortisation above is $22 million (2008: $15 million) of depreciation of property, plant and equipment (see Note 16) and $17 million (2008: $12 million) of amortisation of other intangible assets (see Note 15).

(b) Other disclosures

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

	2009 $m	2008 $m
Foreign currency gains	**26**	6
Amortisation of sales commissions	**133**	141
Auditors' remuneration	**5**	6
Operating lease rentals	**19**	25

Analysis of items included in discontinued operations is included in Note 25.

The details of remuneration received by the auditors' are analysed in section (c) below.

(c) Auditors' remuneration

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

	2009 $000	2008 $000
Fees payable to the Company's auditors for the audit of the Company's financial statements	**941**	894
Other services:		
The audit of the Company's subsidiaries pursuant to legislation	**2,430**	2,681
Other services pursuant to legislation	**696**	570
Other services relating to taxation	**696**	337
Services relating to corporate finance transactions	**19**	742
All other services	**493**	710
Total auditors' remuneration for continuing operations	**5,275**	5,934
Auditors' remuneration for discontinued operations	**–**	7,887
Total auditors' remuneration	**5,275**	13,821

Notes to the Group Financial Statements
continued

4. Other income statement disclosures continued

Fees payable for the audit of the Company's subsidiaries pursuant to legislation comprise the fees for the statutory audits of the subsidiaries. Other services pursuant to legislation largely related to services in relation to statutory and regulatory filings. These include the review of the Group's interim financial information under the Listing Rules of the FSA. Taxation services include compliance services and advisory services such as tax advice relating to transactions. Other services include work in connection with the management of the Group's pension liability and corporate restructuring. Within discontinued operations in the prior year, other services pursuant to legislation largely related to the MF Global F-1 registration document, and other services included advice in relation to the return of cash to shareholders.

5. Net finance income

Net finance income from continuing operations comprises:

	2009 $m	2008 $m
Finance income:		
Interest on cash deposits	**42**	128
Finance fees	**6**	5
Other	**10**	12
	58	145
Finance expense:		
Interest payable on borrowings	**(36)**	(33)
Amortisation of discount on issue of exchangeable bonds	**–**	(3)
Amortisation of issue costs on borrowings	**(2)**	–
Foreign exchange costs arising from the financing of sterling dividend payments	**–**	(15)
Fair value loss on interest rate swaps	**–**	(3)
Other	**–**	(1)
	(38)	(55)
Net finance income	**20**	90

6. Taxation

Analysis of tax charge on continuing operations in the year:

	2009 $m	2008 $m
Current tax:		
UK Corporation tax on profits of the year	**178**	299
Foreign tax	**58**	73
Adjustments to tax charge in respect of previous periods	**(15)**	(5)
Total current tax	**221**	367
Deferred tax (Note 13):		
Origination and reversal of temporary differences	**15**	(6)
Adjustments to tax charge in respect of previous periods	**4**	1
Total tax charge	**240**	362

Tax on items (credited)/charged to equity:

	2009 $m	2008 $m
Current tax:	**(15)**	(23)
Deferred tax	**12**	4
	(3)	(19)

Effective tax rate	**32.3%**	17.4%
UK nominal corporation tax rate	**28.0%**	30.0%

6. Taxation continued

The tax on the Group's total profit before tax is higher (2008: lower) than the amount that would arise using the theoretical effective UK tax rate applicable to profits of the consolidated companies, as follows:

	2009 $m	2008 $m
Profit before tax from continuing operations	**743**	2,079
Theoretical tax charge at UK rate – 28% (2008: 30%)	**208**	624
Effect of:		
Overseas rates compared to UK	**(69)**	(215)
Share-based payments	**18**	3
Currency translation differences	**3**	(64)
Adjustments to tax charge in respect of previous periods	**(11)**	(4)
Impairment of Ore Hill investments and goodwill	**84**	–
Loss arising from residual interest in brokerage assets	**29**	–
Capital gains not subject to tax	**(10)**	–
Change in UK tax rate	**–**	2
Other	**(12)**	16
	32	(262)
Total tax charge	**240**	362

7. Earnings per ordinary share (EPS)

The calculation of basic EPS is based on a profit for the year of $485 million (2008: $1,717 million) for continuing operations, and a profit for the year of $485 million (2008: $3,471 million) for continuing and discontinued operations. The calculation of basic EPS is based on 1,687,787,700 (2008: 1,848,517,328) ordinary shares, being the weighted average number of ordinary shares in issue during the year after excluding the shares owned by the Man Group plc employee trusts. During the year to 31 March 2008 each ordinary share of 3 US cents was consolidated on a 7 shares for 8 share basis following the return of capital to shareholders by means of a 'B' and 'C' share issue. The effect of the change in the number of shares was recorded prospectively.

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The diluted EPS is based on a profit for the year of $485 million (2008: $1,722 million) for continuing operations, and a profit for the year of $485 million (2008: $3,476 million) for continuing and discontinued operations. The calculation of diluted EPS for continuing and discontinued operations is based on 1,707,878,896 (2008: 1,909,455,999) ordinary shares, calculated as shown in the following table:

	2009		2008	
	Total number (millions)	Weighted average (millions)	Total number (millions)	Weighted average (millions)
Number of shares at 1 April	**1,715.3**	**1,715.3**	1,880.0	1,880.0
Issues of shares	**23.2**	**7.9**	126.2	96.3
Share consolidation	**–**	**–**	(245.0)	(84.3)
Repurchase and cancellation of own shares	**(30.6)**	**(17.9)**	(45.9)	(31.2)
Number of shares at 31 March	**1,707.9**	**1,705.3**	1,715.3	1,860.8
Shares owned by employee trusts	**(28.9)**	**(17.5)**	(7.7)	(12.3)
Basic number of shares	**1,679.0**	**1,687.8**	1,707.6	1,848.5
Share awards under incentive schemes	**29.2**	**19.5**	20.3	29.6
Employee share options	**4.6**	**0.6**	6.3	4.2
Exchangeable bonds	**–**	**–**	–	27.2
Dilutive number of shares	**1,712.8**	**1,707.9**	1,734.2	1,909.5

The reconciliation of EPS from continuing and discontinued operations, to EPS from continuing operations, is given in the table below:

	Year to 31 March 2009				Year to 31 March 2008			
	Basic post-tax earnings $m	Diluted post-tax earnings $m	Basic earnings per share cents	Diluted earnings per share cents	Basic post-tax earnings $m	Diluted post-tax earnings $m	Basic earnings per share cents	Diluted earnings per share cents
Earnings per share on continuing and discontinued operations[1]	**485**	**485**	**28.7**	**28.4**	3,471	3,476	187.7	182.0
Discontinued operations	**–**	**–**	**–**	**–**	(1,754)	(1,754)	(94.9)	(91.8)
Earnings per share on continuing operations[1]	**485**	**485**	**28.7**	**28.4**	1,717	1,722	92.8	90.2

The reconciliation from EPS on continuing operations to an adjusted EPS on continuing operations is given below for the current period.

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continued

7. Earnings per ordinary share (EPS) continued

	Year to 31 March 2009			
	Basic post-tax earnings $m	Diluted post-tax earnings $m	Basic earnings per share cents	Diluted earnings per share cents
Earnings per share on continuing operations[1]	485	485	28.7	28.4
Items for which EPS has been adjusted (see Note 2)	500	500	29.6	29.3
Tax on the above items	(13)	(13)	(0.7)	(0.7)
Adjusted Earnings per share on continuing operations	972	972	57.6	57.0

1 The difference between profit after tax from continuing operations and basic and diluted post-tax earnings for the year-ended 31 March 2009 is the adding back of the finance expense in the period relating to the Fixed Rate Perpetual Capital Securities totalling $18 million post-tax at 28% (see Note 22). The difference between basic and diluted post-tax earnings on total and continuing operations for the year-ended 31 March 2008 is the adding back of the finance expense in the period relating to the exchangeable bonds ($5 million post-tax).

8. Dividends

	2009 $m	2008 $m
Ordinary shares		
Final dividend paid for 2008 – 24.8 cents (2007: 12.7 cents)	**423**	250
Interim dividend paid for 2009 – 19.2 cents (2008: 19.2 cents)	**295**	328
Dividends paid during the year	**718**	578
Proposed final dividend for 2009 – 24.8 cents (2008: 24.8 cents)	**416**	423

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

The proposed final dividend recommended by the Board is payable on 21 July 2009, subject to shareholder approval, to shareholders who are on the register of members on 3 July 2009. Dividends on ordinary shares are declared in US dollars but paid in sterling.

	2009 $m	2008 $m
Fixed rate perpetual subordinated capital securities		
Dividends paid during the year	**25**	–

The $25 million of dividends paid during the year on fixed rate perpetual subordinated capital securities relate to the $300 million US$ RegS Fixed Rate Perpetual Subordinated Capital Securities issued in May 2008 (see Note 21).

9. Financial risk and capital management

Financial risk management

A qualitative analysis of the financial risks arising from the Group's activities is included in the Risk Management section on pages 41 to 43 of this Annual Report.

(a) Liquidity risk management

The Group's strategy is to maintain sufficient liquidity to give it the flexibility to support the business through different market conditions and business cycles. The amount of the potential requirement for liquidity is modelled based on scenarios that assume stressed market conditions, including reduced bank advance rates, de-risking of FUM, investor redemption bridging requirements, gating by underlying managers and the risk of a substantial adverse move in AHL and the consequential request to fund margin calls in those structured products that include an AHL allocation. Although the majority of these liquidity requirements are discretionary, the Board believes it has sufficient liquidity to meet these stressed modelled scenarios.

The Group finances its operations using the cash flow generated by its operations, a committed syndicated bank facility and finance raised in the capital markets.

At 31 March 2009 the Group had a committed bank facility of $2.43 billion (2008: $2.83 billion), which was undrawn, and total debt of $650 million (2008: $400 million).

9. Financial risk and capital management continued

The table below analyses the Group's financial assets, liabilities and commitments. The amounts disclosed in respect of trade and other receivables, financial liabilities and guarantees and commitments are the contractual undiscounted cash flows.

Year ended 31 March 2009:

Financial assets	Less than 1 year $m	1–5 years $m	Over 5 years $m
Cash and equivalents	**2,361**	**–**	**–**
Investments in fund products	**958**	**133**	**–**
Other investments	**132**	**52**	**–**
Trade and other receivables	**307**	**47**	**69**
Derivative financial investments	**10**	**–**	**–**
	3,768	**232**	**69**

Financial liabilities	Less than 1 year $m	1–5 years $m	Over 5 years $m
Borrowings, including interest	**(32)**	**(354)**	**(434)**
Trade and other payables	**(450)**	**(12)**	**–**
Derivative financial instruments	**(7)**	**–**	**–**
	(489)	**(366)**	**(434)**

Guarantees and commitments	Less than 1 year $m	1–5 years $m	Over 5 years $m
Financial guarantees and commitments:			
Committed purchase agreements	**(954)**	**–**	**–**
MF Global brokerage account	**(50)**	**–**	**–**
Intra-day credit facility	**(400)**	**–**	**–**
Loan facilities provided to the funds	**(177)**	**–**	**–**
AHL FX Trading guarantee	**(24)**	**–**	**–**
Empyrean Re guarantee	**(238)**	**–**	**–**
Operating lease commitments	**(20)**	**(77)**	**(478)**
	(1,863)	**(77)**	**(478)**

Year ended 31 March 2008:

Financial assets	Less than 1 year $m	1–5 years $m	Over 5 years $m
Cash and equivalents	1,876	–	–
Investments in fund products	1,648	–	–
Other investments	322	–	–
Trade and other receivables	722	51	76
	4,568	51	76

Financial liabilities	Less than 1 year $m	1–5 years $m	Over 5 years $m
Borrowings, including interest	(18)	(62)	(448)
Trade and other payables	(738)	(8)	–
Net settled derivative financial instruments	(1)	–	–
	(757)	(70)	(448)

Guarantees and commitments	Less than 1 year $m	1–5 years $m	Over 5 years $m
Financial commitments:			
Committed purchase agreements	(2,654)	–	–
MF Global brokerage account	(400)	–	–
Loan facilities provided to the funds	(214)	–	–
Empyream Re guarantee	(548)	–	–
Operating lease commitments	(28)	(64)	(32)
Other contracted expenditure not provided for	(8)	(17)	–
	(3,852)	(81)	(32)

The maturity of the floating rate notes ($400 million) has been reclassified in the comparative period, for consistency with 31 March 2009, to reflect the contractual maturity date of 22 September 2015.

The operating lease commitments as at 31 March 2009 above include the agreements for lease contracts for the new headquarters at Riverbank House, London (25 years) and the UK Data Centre, Woking (10 years).

Notes to the Group Financial Statements
continued

9. Financial risk and capital management continued

Further explanation of financial guarantees and commitments are included in section (d) below, including separate disclosure of the commitments arising from Empyrean Re.

During the year there were $15 million net realised and unrealised gains arising from derivative financial instruments (2008: $42 million net gains). The notional value of forward foreign exchange contracts is $73 million (2008: $287 million). The notional value of the foreign exchange swaps is $881 million (2008: $1,182 million). Details of the Empyrean Re credit default swap are disclosed separately below. All contracts mature within one year.

(b) Market risk management

(i) Investment in fund products

The Company invests in early stage managers as part of its ongoing business to build investment capacity. These investments are generally held for less than one year, at which point the investment is redeemed and either investor funds allocated, or the account closed.

The Group calculates the market risk on these investments using a value at risk (VaR) methodology using a one month time horizon, at a 95% confidence interval. The increase in the VaR in 2009 compared with 2008 reflects the higher average level of seed investments and the increase in historical volatilities.

2009					2008				
	VaR					VaR			
Other investments in fund products $m	**Close $m**	**Average $m**	**Maximum $m**	**Minimum $m**	Other investments in fund products $m	Close $m	Average $m	Maximum $m	Minimum $m
718	**53**	**90**	**120**	**53**	1,279	70	59	72	51

(ii) Residual investment in MF Global and other assets

The Group's residual investment in MF Global ($94 million) and exchange shares ($28 million) are held as available-for-sale financial assets, where gains and losses arising from movements in the share price are recorded in the available-for-sale reserve within equity. An impairment charge of $126 million was recorded through the income statement for the year, in respect of the Group's residual investment in MF Global (see Note 2).

The market risk on the holdings in MF Global and exchange shares, using a VaR methodology with a one month time horizon and at a 95% confidence interval is $30 million and $9 million respectively (2008: MF Global $51 million, exchange shares $20 million).

The Group owns an investment in Ore Hill's DI portfolio, which holds long-term interests of a less liquid nature in a number of underlying entities. This investment is classified as available-for-sale, based on the fair value of the interests in the underlying companies. The carrying value at year-end of $52 million is stated after the impairment charge of $75 million, discussed in Note 2 (c).

The market risk on the holdings in the Ore Hill DI portfolio, using a VaR methodology with a one month time horizon and at a 95% confidence interval is $23 million (2008: not held).

(iii) Foreign exchange and interest rate risk

The Group's net assets are exposed to the effect of movements in the exchange rate on financial assets and liabilities where balances are not denominated in the functional currency of the subsidiary. The main foreign exchange sensitivity is to fluctuations in the US dollar exchange rate against sterling, euro and Swiss franc balances. The Group, from time to time, puts in place short-term foreign currency contracts to hedge these costs. At 31 March 2009, 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 $12 million, with a corresponding impact on equity.

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

(c) Credit risk management

Financial assets subject to credit risk are as follows:

	Note	**2009 $m**	2008 $m
Cash and cash equivalents	10	**2,361**	1,876
Included in trade and other receivables:	11		
Derivative financial instruments		**10**	1
Other receivables		**345**	754
Amounts owed by fund products	12	**373**	369
		3,089	3,000

The average month-end balance of amounts owed by fund products during the financial year ended 31 March 2009 was $778 million (2008: $691 million).

The maximum credit risk exposure is equivalent to the carrying value of the balances shown. The MF Global facility and Empyrean Re commitments are disclosed separately in section (d) below.

9. Financial risk and capital management continued

(i) Counterparty credit rating

The Group's counterparties are externally rated and amounts owed by fund products are rated using an internal rating methodology.

At 31 March 2009 the counterparty rating of the Group's financial assets subject to counterparty risk and neither past due nor impaired was as follows:

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

31 March 2008	AA- or better %	A+ to A- %	BBB+ to speculative %	Not rated %
Amounts owed by fund products	66	34	–	–
Trade and other receivables	32	12	2	54
Derivative financial instruments < 1 year	–	–	–	100
Cash and cash equivalents	92	7	–	1
Weighted average	74	11	–	15

(ii) Ageing and impairment of financial assets

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

	Neither past due nor impaired	Past due but not impaired			
31 March 2008	$m	0-6months $m	6-12 months $m	> 1 year $m	Impaired $m
Amounts owed by fund products	369	–	–	–	–
Trade and other receivables	697	44	6	7	–
Derivative financial instruments < 1 year	1	–	–	–	–
Cash and cash equivalents	1,876	–	–	–	–
	2,943	44	6	7	–

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

(iii) Concentration of credit risk

At 31 March 2009, the Group's single largest counterparty exposure is $608 million held with an 'A' rated bank (2008: $450 million). The largest loan to a fund product was $39 million (2008: $44 million). The amount of these exposures can change significantly each month.

(d) Financial guarantees and commitments

(i) Committed purchase agreements

In respect of some of its structured products, the Group has made a commitment to provide monthly liquidity for some of their underlying investments in fund products, which otherwise have only quarterly liquidity, by purchasing these shares. This commitment allows these structured products to rebalance their portfolios and offer monthly redemption terms to investors.

Notes to the Group Financial Statements
continued

9. Financial risk and capital management continued

The Group's commitment at 31 March 2009 covers investments in existing fund products totalling $954 million (2008: $2.65 billion). The decrease during the year is principally because of the de-risking of MGS fund products and the consequent reduction in underlying funds under management subject to CPAs. At 31 March 2009, the aggregate risk of loss to which the Group was exposed in relation to committed purchase agreements amounted to $96 million (2008: $87 million) at a one year 99.9% confidence level, taking into account the contingent nature of these exposures and the probability of a loss being incurred on any resulting holding.

(ii) MF Global brokerage account

MF Global has put in place a $50 million daylight overdraft facility for certain funds which is guaranteed by the Group. This guarantee has a 364 day term and can be cancelled on any day by giving notice prior to 10am. Under normal circumstances, the Group has no exposure to the guarantee at the end of any given day.

(iii) Intra-day credit facility

The Group guarantees an external $400 million intra-day credit facility, used to settle the majority of the funds' payments. Under normal circumstances, the Group has no exposure to the guarantee at the end of any given day. In prior years this facility was supported within the MF Global brokerage account which has been reduced from $400 million to $50 million accordingly.

(iv) Loan facilities provided to fund products

The Group provides committed loan facilities to the MAST structures. These are collateralised fund obligations (CFOs) providing financing support to a range of Man structured products. The facilities exist to provide liquidity and bridging facilities rather than to provide permanent leverage. The Group manages the CFO portfolios to ensure that sufficient underlying investments are liquidated to meet ongoing fee and coupon payments. As a result, drawings are infrequent and small in relation to the facilities available. Utilisation under these facilities at the financial year end was as follows:

	2009		2008	
	Commitment $m	**Utilisation $m**	Commitment $m	Utilisation $m
MAST 2	**25**	**–**	25	–
Man Glenwood Asset Holdings (MAST 2/3)	**152**	**–**	189	–
	177	**–**	214	–

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

(v) AHL FX trading guarantee

The Group guarantees all unfilled margin requirements with respect to AHL FX trading. Margins are filled daily, two days in arrears. At any time the Group is exposed to the unfilled margin over the previous two days. As at 31 March 2009 the Group's exposure under this guarantee was $24 million and the average month-end balance was $28 million.

(vi) Commitments made by Empyrean Re

Empyrean Re used to write short-term trade credit insurance and reinsurance on a global basis. Although it ceased to write new business in August 2008 it remains exposed to credit risk during the 'run off' period in the event that losses resulting from defaults by the underlying obligors in each reinsurance contract exceed the deductible under that contract.

Empyrean Re manages credit default risk by actively monitoring the creditworthiness of the underlying obligors and maintaining exposures within limits. The portfolio risk is modelled taking into account each reinsurance contract (including deductibles, limits, coinsurance and reinstatements) using a proprietary quantitative model. Capital market transactions are undertaken to maintain the portfolio within a risk-based limit. Empyrean Re primarily employs Moody's KMV Expected Default Frequency (EDF) to determine the probability of default (PD) and the rating.

Credit exposures at 31 March 2009 are $238 million (2008: $548 million). Approximately 14% of Empyrean Re's credit exposures have a rating equivalent to 'A–' or better. No single exposure is greater than $80 million. The expected loss is nil, although the economic capital requirement at a 99.9% confidence interval is $52 million. Empyrean Re has in place a credit default swap held with an 'A+' rated bank. The fair value as at 31 March 2009 was $3.6 million.

(e) Capital management

The Group monitors its capital requirements through continuous review of its regulatory capital and economic capital, including monthly reporting to Finance Committee and the Group Board. The Group has been in compliance with the Regulatory Capital requirements at all times during the year.

The Group's Financial Resources at 31 March 2009 are $2,743 million (2008: $2,619 million), as set out in the table in the Financial Review on page 72.

(f) Fair value of financial assets and liabilities

Fair value is equivalent to book value for all financial assets and liabilities, except for borrowings where the fair value represents the effects of changes in underlying market interest rates and credit spreads. The comparison of fair value to book value for borrowings is shown in Note 18. All other significant classes of financial assets and liabilities are held at fair value, or are held on a short-term basis, such as amounts owed by fund products.

10. Cash and cash equivalents

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

			2009			2008
	Overnight $m	**1–90 days $m**	**Total $m**	Overnight $m	1–90 days $m	Total $m
Cash at bank and in hand	**261**	**19**	**280**	332	21	353
Short-term deposits	**10**	**2,071**	**2,081**	1,358	165	1,523
	271	**2,090**	**2,361**	1,690	186	1,876

11. Trade and other receivables

	2009 $m	2008 $m
Trade receivables	**99**	209
Current tax assets	**16**	10
Prepayments and accrued income	**172**	287
Amounts owed by employees	**26**	34
Other receivables	**100**	233
	413	773

Amounts owed by employees are provided under the Assisted Purchase Scheme as described in the Remuneration Report on page 55. The carrying values of loans to employees are based on cash flows discounted using an effective interest rate of 6.1% (2008: 5.3%). Included in other receivables are fair value gains arising from derivative financial instruments of $10 million (2008: $1 million), and a $10 million premium for the option to acquire the residual 75% in Nephila Capital Ltd. (see Note 24).

At 31 March 2009, $15 million (2008: $22 million) of amounts owed by employees are expected to be settled after more than 12 months. Included in other receivables are $35 million (2008: $34 million) that are expected to be settled after more than 12 months.

Included in other receivables, and prepayments and accrued income, are balances of $17 million (2008: $22 million), and $42 million (2008: $115 million) respectively, that relate to fee income receivable from fund products, that meet the definition of an associate entity (see Note 14) and are included in the disclosures on related parties (see Note 27).

A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in other expenses in the income statement.

The Group has not used allowance accounts to record individual impairments.

Financial risk disclosures with respect to trade and other receivables may be found in Note 9.

12. Investments in fund products and other investments

Investments in fund products:

Amounts owed by fund products

The Group makes available both committed and uncommitted short-term loans to fund products, immediately following their launch, with the intention of providing temporary funding until more permanent financing structures are put in place with external providers. Accordingly, the amount of loans to fund products will vary from one period to the next as a consequence of the net effect of the level of sales in the period less the quantum of the external re-financing initiative in the period.

Loans to funds are classified as loans and receivables and are carried at amortised cost using the effective interest method. Floating rate interest is received on loans to funds.

Other investments in fund products

Investments in fund products are 'seeding' investments, 'liquidity' investments to aid investors wishing to buy and sell investments in the fund products, or investments in the equity and debt tranches of collateralised products which are the result of contractual obligations to facilitate external investment in fund products and external fund financing. The majority of these investments are not held for the long-term and there are frequent changes in the aggregate amount of the Group's ownership of investments. The majority of other investments in fund products are held at fair value through the income statement.

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. The valuation of the underlying assets within each fund product is determined by external valuation service providers (VSP) based on an agreed valuation policy and methodology. Whilst these valuations are performed independently of the Group, the Group has established oversight procedures and due diligence processes to ensure that the net asset values reported by the VSP are reliable and appropriate. The Group makes adjustments to NAVs where events or circumstances indicate that the NAVs are not reflective of fair value.

Notes to the Group Financial Statements
continued

12. Investments in fund products and other investments continued

Other investments:

Residual stake in MF Global

Following the disposal of its brokerage business in July 2008 (see Note 25) the Group retained a residual investment in MF Global. These shares are classified as available-for-sale financial assets.

MF Global is listed on the NYSE and the fair value of the investment in MF Global is determined by the quoted bid price at the balance sheet date. The cumulative decrease of $126 million in fair value below cost has been treated as an impairment as at 31 March 2009 and therefore taken through the income statement for the year (see Note 2 (d)).

Investment in Ore Hill DI portfolio

The Group owns an investment in Ore Hill's DI portfolio, which holds long-term interests of a less liquid nature in a number of underlying entities. This investment is classified as available-for-sale, and fair value is determined by reference to the value of the interests in the underlying companies. The carrying value at year-end of $52 million is stated after the impairment charge of $75 million (see Note 2 (c)).

Exchange shares

Exchange shares are equity instruments that provide the holder the same rights to an exchange as a market seat membership. Exchange shares are classified as available-for-sale financial assets.

The fair values of listed exchange shares are determined by the quoted bid price at the balance sheet date. The fair values of unlisted exchange shares and memberships are determined using the exchange's internal auction process, where the last traded price is used to establish the fair value.

31 March 2009	**Financial assets at fair value through profit or loss $m**	**Available-for-sale financial assets $m**	**Loans and receivables $m**	**Total $m**
Investments in fund products comprise:				
Amounts owed by fund products	**–**	**–**	**373**	**373**
Other investments in fund products	**715**	**3**	**–**	**718**
	715	**3**	**373**	**1,091**
Other investments comprise:				
Residual stake in MF Global	**–**	**94**	**–**	**94**
Investment in Ore Hill DI portfolio	**–**	**52**	**–**	**52**
Exchange shares	**–**	**28**	**–**	**28**
Other equity investments	**–**	**10**	**–**	**10**
	–	**184**	**–**	**184**

31 March 2008	Financial assets at fair value through profit or loss $m	Available-for-sale financial assets $m	Loans and receivables $m	Total $m
Investments in fund products comprise:				
Amounts owed by fund products	–	–	369	369
Other investments in fund products	1,275	4	–	1,279
	1,275	4	369	1,648
Other investments comprise:				
Residual stake in MF Global	–	221	–	221
Exchange shares	–	85	–	85
Other equity investments	–	16	–	16
	–	322	–	322

Investments in fund products are generally held for less than 12 months: of the $1,091 million balance as at 31 March 2009, $131 million are considered less liquid, and are expected to be realised after more than one year. Included in amounts owed by fund products are balances totalling $40 million (2008: $99 million) that relate to fund products that meet the definition of an associate entity (see Note 14) and are thus included in the disclosure on related parties (Note 27).

Financial risk disclosures with respect to these investments are given in Note 9.

12. Investments in fund products and other investments continued

Income statement classification

Gains/(losses) on investments of $260 million for the financial year include losses of $287 million on investments held at fair value through the income statement (2008: $51 million), and a gain of $27 million on available-for-sale financial assets, relating to the sale of exchange shares (2008: $nil).

Total impairment on available-for-sale financial assets taken through the income statement for the year totalled $201 million (2008: $nil), arising from the impairments of MF Global and Ore Hill's DI portfolio.

13. Deferred tax

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets have been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets where it is probable that these amounts will be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the balances related to tax levied by the same taxation authority, and there is an intention to settle the balances net.

The movement on the deferred tax account is as follows:

	2009 $m	2008 $m
At 1 April	**22**	54
Currency translation differences	**(5)**	3
Income statement (charge)/credit	**(19)**	5
Equity:		
Available-for-sale investments	**2**	8
Cash flow hedges	**–**	1
Share-based payments	**(14)**	(11)
Other revenue reserves	**–**	(2)
Transfers to discontinued operations	**–**	(36)
At 31 March	**(14)**	22
Comprised of:		
Deferred tax assets	**5**	52
Deferred tax liabilities	**(19)**	(30)
At 31 March	**(14)**	22

The asset ($5 million) and liability ($19 million) balances above have been presented net on the balance sheet on the grounds of materiality, giving a net deferred tax liability of $14 million (2008: net deferred tax asset of $22 million).

No provision has been made for withholding tax and UK corporation tax which may arise in the event of overseas subsidiaries and associates distributing their remaining reserves, where there is no current intention to remit these reserves to the UK. The amount of unrecognised deferred tax relating to losses is an asset of $12 million (2008: $13 million). In addition, a deferred tax asset of $92 million ($2008: $nil) has not been recognised in respect of temporary differences, principally arising from the impairment of the Group's investment in Ore Hill, detailed in Note 2, as it is not considered probable that taxable profits will be available against which the deductible temporary differences can be utilised.

An analysis of the gross deferred tax asset and liability balances is as follows:

Deferred tax assets:	**2009 $m**	2008 $m
Pension and other employee entitlements	**6**	7
Share-based payments	**10**	45
Fair value losses	**4**	7
Other	**6**	16
	26	75

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13. Deferred tax continued

Deferred tax liabilities:	**2009 $m**	2008 $m
Fair value gains	**(7)**	(16)
Share-based payments	**(16)**	(10)
Goodwill and other intangibles	**(10)**	(22)
Other	**(7)**	(5)
	(40)	(53)

The amount of deferred tax asset expected to be recovered after more than one year is $15 million (2008: $59 million). The amount of deferred tax liabilities expected to be settled after more than one year is $29 million (2008: $49 million).

The deferred tax credit/(charge) in the income statement comprises the following temporary differences:

	2009 $m	2008 $m
Pension benefits	**(2)**	(2)
Share-based payments	**(19)**	(2)
Fair value gains/losses	**(2)**	–
Goodwill and other intangibles	**8**	(5)
Other	**(4)**	14
	(19)	5

14. Investments in associates and joint ventures

Associates are all entities in which the Group holds an interest and over which it has significant influence but not control.

Gains and losses on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest in the entities. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

	2009 $m	2008 $m
At 1 April	**267**	258
Currency translation differences	**(74)**	9
Acquisitions	**314**	23
Additions	**56**	–
Share of post-tax profit	**144**	86
Dividends received	**(140)**	(71)
Impairment of Ore Hill (see Note 2 (c))	**(214)**	–
Disposals	**(28)**	(35)
Conversion from subsidiary	**3**	(3)
Conversion to subsidiary	**(2)**	–
Reclassifications to available-for-sale investments	**(9)**	–
At 31 March	**317**	267

The Group has one principal investment in an associate, BlueCrest Capital Management. The directors consider that to give full particulars of all associate undertakings would result in a statement of excessive length, and have taken advantage of the s.231(5) exemption. Details of all associates will be annexed in the Company's annual return. Further details are given in Principal Group Investments on page 117.

The disposal in the year ended 31 March 2008 was in relation to the restructuring of the Group's investment in BlueCrest, which resulted in the Group's holding reducing from 25% to 23%. The Group's holding in BlueCrest increased back to 25% following the acquisition of additional equity in February 2009.

The investment in BlueCrest is carried at $217million (2008: $226 million). The movement in the year relates to currency movements and the purchase of the additional equity shareholding in February 2009. This is tested for impairment by comparing the carrying value of the investment with its recoverable amount on an annual basis at the balance sheet date. A value in use basis is used to calculate the recoverable amount by estimating the future cash flows for net management fee income only and discounting them at an appropriate risk-adjusted pre-tax discount rate. The discount rate applied is 15% and net management fee income is assumed to grow at 10% per annum for five years, with no growth in perpetuity. As a result of these calculations, no impairment was identified.

BlueCrest Capital Management has a statutory accounting reference date of 30 November. In respect of the year ended 31 March 2009, this company has been included based on audited statutory accounts drawn up to 30 November 2008 and taking into consideration the management accounts in the subsequent period from 1 December 2008 to 31 March 2009.

14. Investments in associates and joint ventures continued

On 8 May 2008, the Group acquired a 50% interest in Ore Hill, a major US-based credit specialist fund manager, for $272 million. Simultaneously the Ore Hill principals acquired a 50% interest in Pemba Credit Advisers (Pemba), the European credit manager subsidiary of the Group. In February 2009, the Group's equity interest in Pemba increased back to 100%, through a deemed re-acquisition of its original 50% shareholding, at nil cost, with no further profit or loss arising.

The recoverable amount of the Ore Hill investment as at 31 March 2009 was considered to be the value-in-use, which was assessed using a discounted cash flow approach, based on a five year forecast by management factoring in modest sales, and expected outflows, fee margins, cost estimates and target fund performances of between 12% and 15% per annum. Cash flows for future years were estimated using growth assumptions which are significantly below targeted performance in perpetuity, which management considered appropriate for the purposes of the impairment review exercise. Pre-tax discount rates of 18% for management fees and 29% for performance fees, were used, reflecting current market conditions and the single-manager nature of the business.

As a result of this review at 31 March 2009 an impairment of $164 million was booked against the carrying value of the Ore Hill investment, which is in addition to a $50 million impairment booked in September 2008 (see Note 2 (c)). Reducing assumed fund performance to 10% per annum would increase the impairment charge by $15 million.

On 6 June 2008 the Group acquired a 25% interest in Nephila Capital Ltd. for $40 million in cash, funded from the Group's existing resources. The Group also paid $10 million for the option to buy the residual 75% of Nephila Capital Ltd. no earlier than 15 April 2010 at a fixed multiple of earnings. Nephila is an alternative investment manager specialising in the management of funds which underwrite natural catastrophe reinsurance and investing in insurance-linked securities and weather derivatives.

The investments in Ore Hill and Nephila have been treated as joint venture investments as the Group has joint control through a contractual arrangement.

Additions relate to investments made in previously acquired joint ventures and associates and include $50 million of additional investment in BlueCrest, and $6 million of initial investment in Ore Hill. Management have completed an exercise to determine the fair values of the assets and liabilities acquired, the difference between these and the consideration represents goodwill. The amounts are included in the overall carrying values as tested for impairment.

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

Joint ventures – year ended 31 March 2009	Current assets $m	Non-current assets $m	Current liabilities $m	Non-current liabilities $m	Income $m	Expenses $m	Weighted average interest held %
Ore Hill	4	2	(3)	–	15	(16)	50
Nephila Capital Ltd	8	5	(2)	–	44	(30)	25
Other joint ventures where equity accounting is applied	3	–	–	–	3	(2)	29
	15	7	(5)	–	62	(48)	

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

In the case of Ore Hill, Nephila Capital Ltd and BlueCrest Capital Management, arrangements exist which mean that Man does not necessarily receive a share of the assets, liabilities, income and expenses of the entities exactly in line with its percentage equity interest or partnership share held.

As detailed in the accounting policy note for associates and joint ventures, the Group has investments in certain fund entities over which it is able to exert significant influence but not control, which are classified as associates. The Group has not provided summary financial information for these associates because the information would be of excessive length and is not considered meaningful for the user of the accounts.

Year ended 31 March 2008	Assets $m	Liabilities $m	Revenues $m	Pre-tax profit/(loss) $m	Weighted average interest held %
BlueCrest Capital Management	465	(118)	918	782	23
Other associates and joint ventures where equity accounting is applied	324	(148)	235	110	21
	789	(266)	1,153	892	

Notes to the Group Financial Statements
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15. Intangible assets
Intangible assets include the following items:

(i) Goodwill
Goodwill represents the excess cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or business at the date of acquisition. Goodwill on acquisitions of subsidiaries and businesses is included in intangible assets. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to equity prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

(ii) Sales commissions
Sales commissions are paid to distributors and to employees. In many instances, upfront sales commission is paid to distributors and to employees when a fund product is first launched, and is based on the amount of investors' monies introduced. This upfront commission is an incremental cost that is directly attributable to securing investors in fund products from which the Group earns income based on an investment management contract with the relevant fund. Accordingly an intangible asset is recognised in accordance with IFRS, representing the Group's contractual right to benefit from future income from providing investment management services. The carrying value of this intangible asset is based on the value of the initial upfront commission payments made to distributors and employees less an amortisation charge.

The amortisation period of upfront sales commissions is based on management's estimate of the weighted average period over which the Group is expected to earn economic benefit from the investor being invested in each fund product. Management estimates that this period is five years in both the current and the comparative year.

All unamortised upfront sales commission is subject to impairment testing each period to ensure that the future economic benefit arising from each fund product is in excess of the remaining unamortised commission. Where it is not, the unamortised portion is written down as a charge to the income statement.

(iii) Other intangible assets
Other intangible assets principally include computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (three to five years).

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development and associated employee costs. Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives (not exceeding three years).

For all intangible assets:

- The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
- Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

Amortisation of sales commissions is included in the sales commissions line in the income statement and amortisation of other intangibles is included in other expenses. Impairment losses, if any, relating to sales commissions are included in sales commissions in the income statement and impairment losses, if any, relating to other intangibles are included in other expenses.

15. Intangible assets continued

		Other intangible assets		
	Goodwill $m	Sales commissions $m	Other Intangible assets $m	Total $m
Cost:				
At 1 April 2008	**813**	**858**	**66**	**924**
Currency translation difference	(29)	–	–	–
Acquisition of subsidiary or business	1	–	–	–
Additions	–	217	33	250
Disposals/redemptions	–	(147)	(9)	(156)
At 31 March 2009	**785**	**928**	**90**	**1,018**
Amortisation and impairment:				
At 1 April 2008	**–**	**(431)**	**(30)**	**(461)**
Currency translation difference	(1)	–	–	–
Disposals	–	60	6	66
Accelerated amortisation on MGS (see Note 2 (a))	–	(107)	–	(107)
Amortisation	–	(133)	(17)	(150)
Impairment	(10)	–	–	–
At 31 March 2009	**(11)**	**(611)**	**(41)**	**(652)**
Net book value at 31 March 2009	**774**	**317**	**49**	**366**
Cost:				
At 1 April 2007	785	763	40	803
Currency translation difference	12	–	1	1
Acquisition of subsidiary or business	16	–	–	–
Additions	–	217	26	243
Disposals/redemptions	–	(122)	(1)	(123)
At 31 March 2008	813	858	66	924
Amortisation:				
At 1 April 2007	–	(358)	(16)	(374)
Currency translation difference	–	–	(2)	(2)
Disposals	–	68	–	68
Amortisation	–	(141)	(12)	(153)
At 31 March 2008	–	(431)	(30)	(461)
Net book value at 31 March 2008	813	427	36	463

Goodwill has an indefinite useful life, is not subject to amortisation and is tested annually for impairment. Other intangible assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement in the period in which it occurs at the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(a) Impairment tests for goodwill

Goodwill is allocated to cash-generating units equivalent to each of the Group's acquisitions. The carrying amounts are presented below:

	2009 $m	2008 $m
Glenwood	**76**	76
RMF	**621**	621
Man Investment Nederland	**1**	–
Man Investments Australia	**76**	100
MTM Capital	**–**	16
	774	813

Notes to the Group Financial Statements
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15. Intangible assets continued

The most significant amount of goodwill relates to RMF. This cash generating unit is also the one where there is most objective evidence that the goodwill may be impaired as RMF's funds under management (FUM) have declined from $28.7 billion at 31 March 2008 to $16.1 billion at 31 March 2009 and further significant redemptions are expected in the first half of the year ending 31 March 2010. At the date of acquisition RMF's FUM was $8.7 billion. The 'value in use' of the RMF goodwill was assessed at the year-end by applying a discounted future cash flow model, which used as a basis the detailed budget for the financial year ending March 2010, which factored in expected sales, redemptions, fee margins, performance and cost estimates. Cash flows for future years were generated assuming modest growth assumptions (below those we would normally target), which management considered appropriate for the purposes of the impairment review exercise. A pre-tax discount rate of 12% was used for net performance fee income, higher than last year to reflect that current market conditions are more challenging than those assumed a year ago but also given that a reasonable amount of conservatism has already been built into the underlying cash flows. A pre-tax discount rate of 20% was used for net performance fee income. The result of the 'value in use' calculation suggests that there is a small amount of headroom over the goodwill balance and therefore no impairment charge was considered appropriate.

Sensitivity analysis has been performed on the assumptions for this discounted cash flow analysis, with the following results:

> If the performance return was 5% in the financial year ending 31 March 2010, instead of the assumed 7% return, there would be a shortfall of discounted fee income over the goodwill balance of approximately $5 million;
> If redemptions were $500 million higher in the 2009/10 financial year, there would be a shortfall of discounted fee income over the goodwill balance of approximately $15 million; and
> If the discount rates were increased by 1% for net management fee income there would be a shortfall of discounted fee income over the goodwill balance of approximately $25 million.

The discounted future cash flows used to generate the 'value in use' for Glenwood and Man Investments Australia are based on the budget for the financial year ending March 2010 and management's best estimates for future periods. Pre-tax discount rates for net management fee income of 12% and 15% are applied to Glenwood and Man Investments Australia respectively. The result of the 'value in use' calculations suggests there is a significant amount of headroom over the respective goodwill balances.

As a result of these calculations, no impairment was identified.

(b) Intangible assets with finite useful lives

No indications of impairment were evidenced during the year, other than the charge taken in the first half of the year relating to the accelerated amortisation of MGS sales commission (see Note 2 (a)).

16. Property, plant and equipment

All property, plant and equipment is shown at cost, less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenditures are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

> Buildings life of the lease
> Equipment 3–10 years

Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

16. Property, plant and equipment continued

	Leasehold land and buildings $m	Equipment $m	Total $m
Cost:			
At 1 April 2008	**17**	**123**	**140**
Additions	2	36	38
Disposals	–	(11)	(11)
At 31 March 2009	**19**	**148**	**167**
Aggregate depreciation:			
At 1 April 2008	**(8)**	**(80)**	**(88)**
Charge for year	(3)	(19)	(22)
Disposals	–	7	7
At 31 March 2009	**(11)**	**(92)**	**(103)**
Net book value at 31 March 2009	**8**	**56**	**64**
Cost:			
At 1 April 2007	16	103	119
Additions	1	20	21
At 31 March 2008	17	123	140
Aggregate depreciation:			
At 1 April 2007	(6)	(67)	(73)
Charge for year	(2)	(13)	(15)
At 31 March 2008	(8)	(80)	(88)
Net book value at 31 March 2008	9	43	52

17. Trade and other payables

	2009 $m	2008 $m
Trade payables	**17**	10
Amounts owed to associates	**–**	2
Other taxation and social security costs	**6**	30
Accrued expenses	**219**	374
Redeemable preference B shares (Note 19)	**–**	67
Other categories of payables	**220**	263
	462	746

At 31 March 2009, fair value losses arising from derivative financial instruments of $7 million (2008: $2 million) are included in other payables. Included in trade and other payables at 31 March 2009 are balances of $12 million (2008: $1 million) that are expected to be settled after more than 12 months.

Accrued expenses largely relate to staff bonuses. Included in other categories of payables is $100 million (2008: $100 million) in relation to share buy-backs contractually undertaken with a third-party investment bank on behalf of the Group. A $7 million accrual has been made in the current financial year with respect to dilapidation costs of the London offices. The move to new London premises is expected to occur in 2011 (see Note 9 (a) for operating lease commitments in respect of these premises).

18. Borrowings

In July 2007, the Group's $2.275 billion committed syndicated revolving loan facility was replaced with a similar five year facility of $2.43 billion. The existing facilities may only be withdrawn in the event of specified events of default. The Group's facilities are outlined in the 'Liquidity' section of the Financial Review on page 73.

The subordinated floating rate notes consist of $400 million Eurobonds issued 21 September 2005 and due 22 September 2015. The interest rate is US dollar LIBOR plus 1.15% until 22 September 2010 and thereafter is US dollar LIBOR plus 1.65%.

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18. Borrowings continued

On 1 August 2008 the Group issued $250 million Fixed Rate Notes under the $3 billion Euro Medium Term Note (EMTN) Programme of Man Group plc dated 21 December 2007. The Fixed Rate Notes mature on 1 August 2013 and the interest rate is 6.5% per annum payable semi-annually in arrears up to and including the maturity date.

	2009 $m	2008 $m
Bank loans and overdrafts	**1**	3
Fixed rate notes	**243**	–
Floating rate notes – subordinated debt	**399**	399
	643	402

The maturities of borrowings at their contractual maturity dates are as follows:

	2009 $m	2008 $m
Amounts falling due:		
Less than one year	**1**	3
Between one and two years	**–**	–
Between two and five years	**243**	–
More than five years	**399**	399
	643	402

The maturity of the floating rate notes has been reclassified in the comparative period, for consistency with 31 March 2009, to reflect the contractual maturity date of 22 September 2015.

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

	2009		2008	
	Fair value $m	**Carrying amounts $m**	Fair value $m	Carrying amounts $m
Bank loans and overdrafts	**1**	**1**	3	3
Fixed rate notes	**225**	**243**	–	–
Floating rate notes – subordinated debt	**208**	**399**	385	399
	434	**643**	388	402

The effective interest rates at the balance sheet dates were as follows:

	2009 %	2008 %
Bank loans and overdrafts	**1.8**	6.5
Fixed rate notes	**7.3**	–
Floating rate notes – subordinated debt	**2.5**	3.9

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

Except for the $250 million Fixed Rate Notes shown above, all of the Group's borrowings are subject to floating rate charges.

The undrawn committed facilities available are:

	2009 $m	2008 $m
Expiring in one year or less	**–**	330
Expiring beyond one year	**2,430**	2,500
	2,430	2,830

19. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Own shares held through an ESOP trust are recorded at cost, including any directly attributable incremental costs (net of income taxes), and are deducted from equity attributable to the Company's equity holders until the shares are transferred to employees or sold. Where such shares are subsequently sold, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

Contracts entered into with a third party to buy back the Company's shares during a close period give rise to an obligation for the Group. This obligation is included in trade and other 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. If the number of shares repurchased by the third party is not the maximum then there is a reversal through equity for that amount. Any changes in the share price from the date of the contract are taken through the income statement.

	2009		2008	
	Number	**$m**	Number	$m
Authorised	**2,362,500,000**	**81**	2,362,500,000	81
Allotted and fully paid	**Number**	**$m**	Number	$m
As at 1 April	**1,715,269,486**	**59**	1,880,067,290	57
Issue of shares:				
Employee share awards/options	**5,650,788**	**–**	9,664,534	–
Exchangeable bonds	**–**	**–**	116,366,171	3
Shares issued in business combinations	**17,523,209**	**1**	–	–
Share consolidation	**–**	**–**	(244,968,490)	–
Purchase and cancellation of own shares	**(30,546,992)**	**(1)**	(45,860,019)	(1)
As at 31 March	**1,707,896,491**	**59**	1,715,269,486	59

Ordinary shares have a par value of $3\frac{3}{7}$ US cents per share (2008: $3\frac{3}{7}$ US cents per share). All issued shares are fully paid.

There remain outstanding at 31 March 2009, options to acquire 3,704,307 (2008: 4,773,520) ordinary shares granted under the Executive Share Option Scheme 2001, options to acquire 839,522 (2008: 1,430,229) ordinary shares granted under the Inland Revenue approved sharesave scheme and options to acquire 55,420 (2008: 64,256) ordinary shares granted under the US Internal Revenue Code qualifying Employee Stock Purchase Plan, enabling certain directors and members of staff to acquire ordinary shares between 2008 and 2017, at prices ranging from $2.65 to $8.85.

During the year, the Company repurchased 30,546,992 (2008: 45,860,019) ordinary shares at a total cost of $280 million (2008: $520 million). These repurchased ordinary shares were treated as cancelled upon delivery to the Company.

During the year ended 31 March 2008, the remaining 247,860 of the Group's exchangeable bonds were converted into 116,366,171 ordinary shares.

In addition to the ordinary shares, as part of the return of cash to shareholders following the sale of the brokerage business, on 26 November 2007, the Company issued 916,298,711 B shares and 1,043,449,209 C shares out of equity. The B shares were created by reducing the merger reserve by $722 million and share premium by $561 million. The B shares are classified for accounting purposes as a liability instrument and are included in trade and other payables (see Note 17). The C shares were created out of share premium. Of the issued B shares, 868,609,694 were cancelled upon payment of cash to shareholders and $1,216 million was transferred from revenue reserves to capital reserves to maintain the share capital. During the year ended 31 March 2009 the remaining 47,689,017 B shares were cancelled on payment of cash to shareholders and $67 million was transferred from revenue reserves to capital reserves to maintain the share capital. Subsequent to the payments to shareholders from the C shares, all the outstanding C shares were deferred and have no further rights, and are expected to be repurchased for 1 US cent and cancelled in December 2009.

Following shareholder approval at an EGM held on 23 November 2007 and the fulfilment of all conditions, each ordinary share of 3 US cents was consolidated on a seven for eight basis, effective on 26 November 2007. Following this share consolidation, shareholders maintained the same percentage interest in the issued share capital as before and rights attaching to the ordinary shares remain unaffected.

On 29 July 2004, 50,000 unlisted deferred sterling shares with a par value of £1 per share were issued. These shares are necessary to continue to comply with Section 118 of the Companies Act 1985, following the redenomination of the ordinary share capital into ordinary shares of 18 US cents each on that date. The deferred sterling shares have no rights to participate in the profits of the Company, no rights to attend, speak or vote at any general meeting and no right to participate in any distribution in a winding up except for a return of the nominal value of the shares after the return on the nominal amount paid up on every other class of share and the distribution of £100,000,000,000 to every other holder of every other class of share. It is intended that these shares will always be held by a director of the Company.

Notes to the Group Financial Statements
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20. Movement in capital and reserves

	Equity attributable to shareholders of the Company				
	Share capital and capital reserves $m	Revaluation reserves and retained earnings $m	Total $m	Minority interest $m	Total $m
At 1 April 2008	**2,125**	**2,585**	**4,710**	**1**	**4,711**
Total recognised income and expense	–	158	158	–	158
Purchase and cancellation of own shares	–	(277)	(277)	–	(277)
Close period share buy-back programme	–	(3)	(3)	–	(3)
Conversion of exchangeable bonds	–	–	–	–	–
Perpetual capital securities issued	300	(23)	277	–	277
Share-based payment	53	(73)	(20)	–	(20)
Cancellation of B shares	67	(67)	–	–	–
Business combinations	64	1	65	–	65
Transfer	(1)	1	–	–	–
Dividends	–	(718)	(718)	(1)	(719)
At 31 March 2009	**2,608**	**1,584**	**4,192**	**–**	**4,192**
At 1 April 2007	1,883	2,656	4,539	24	4,563
Total recognised income and expense	–	3,494	3,494	–	3,494
Purchase and cancellation of own shares	–	(516)	(516)	–	(516)
Close period share buy-back programme	–	(4)	(4)	–	(4)
Conversion of exchangeable bonds	233	218	451	–	451
Share-based payment	75	(6)	69	–	69
Issue and cancellation of B shares	(67)	(2,667)	(2,734)	–	(2,734)
Business combinations	–	(11)	(11)	(23)	(34)
Transfer	1	(1)	–	–	–
Dividends	–	(578)	(578)	–	(578)
At 31 March 2008	2,125	2,585	4,710	1	4,711

21. Share capital and capital reserves

	Share capital $m	Perpetual subordinated capital securities $m	Share premium account $m	Merger reserve $m	Capital redemption reserve $m	Equity component of exchangeable bonds $m	Total $m
At 1 April 2008	**59**	**–**	**841**	**–**	**1,225**	**–**	**2,125**
Issue of ordinary share capital	–	–	53	–	–	–	53
Ordinary shares issued in business combinations	1	–	63	–	–	–	64
Perpetual subordinated capital securities	–	300	–	–	–	–	300
Purchase and cancellation of own shares	(1)	–	–	–	1	–	–
Cancellation of B shares	–	–	–	–	67	–	67
Transfer between reserves	–	–	–	–	(1)	–	(1)
At 31 March 2009	**59**	**300**	**957**	**–**	**1,292**	**–**	**2,608**
At 1 April 2007	57	–	962	722	7	135	1,883
Issue of ordinary share capital	–	–	75	–	–	–	75
Purchase and cancellation of own shares	(1)	–	–	–	1	–	–
Issue and cancellation of B shares	–	–	(561)	(722)	1,216	–	(67)
Conversion of exchangeable bonds	3	–	365	–	–	(135)	233
Transfer between reserves	–	–	–	–	1	–	1
At 31 March 2008	59	–	841	–	1,225	–	2,125

On 7 May 2008 the Group issued $300 million US$ RegS Fixed Rate Perpetual Subordinated Capital Securities ('Capital Securities'). The Capital Securities consist of $300 million principal with a perpetual maturity date with optional par redemption at the Group's discretion on 7 May 2013 and any coupon date thereafter, subject to FSA consent. On any coupon date the Group may exchange or vary the Capital Securities for Qualifying non-innovative Tier 1 Securities (e.g. perpetual non-cumulative preference shares). The interest rate is 11% per annum quarterly in arrears and is deferrable at the discretion of the Group. The Capital Securities have been classified as equity on the basis that the securities are irredeemable except at the option of the Group, and coupon payments and principal repayments can be deferred indefinitely at the option of the Group.

21. Share capital and capital reserves continued

The increase in the capital redemption reserve during the year arose from the transfer of $67 million from revenue reserves to capital reserves to maintain the share capital, following the cancellation of B shares and return to shareholders, as discussed in Note 19 above.

The merger reserve related to the acquisition of the RMF Investment Group in May 2002.

22. Revaluation reserves and retained earnings

The available-for-sale reserve represents the unrealised change in the fair value of available-for-sale investments. The cash flow hedge reserve represents the net gains on effective cash flow hedging instruments that will be recycled to the income statement when the hedge transaction affects profit or loss. These reserves are not distributable.

The cumulative translation adjustment reserve comprises cumulative foreign exchange adjustments arising on the consolidation of subsidiaries with non-US dollar functional currencies. These adjustments, which were set to zero as at the Group's transition date for IFRS (1 April 2004), will be recycled through the income statement on disposal of foreign currency subsidiaries. The amount recycled to the income statement for the year ended 31 March 2009 was a debit of $3 million (2008: $11 million credit).

In addition, the $126 million cumulative decrease in the value of MF Global, and the $75 million decrease in the value of the Ore Hill DI portfolio since its acquisition during the financial year, which had been recorded through the available-for-sale reserve, have been treated as impairments and recycled through the income statement during the year (see Note 2 (c) and (d)).

	Available-for-sale reserve $m	Cash flow hedge reserve $m	Own shares held by ESOP trust $m	Cumulative translation adjustment $m	Profit and loss account $m	Total $m
At 1 April 2008	**74**	**–**	**(58)**	**129**	**2,440**	**2,585**
Currency translation difference	–	–	16	(277)	–	(261)
Purchase and cancellation of own shares	–	–	–	–	(277)	(277)
Movement in close period share buy-back obligations	–	–	–	–	(3)	(3)
Hybrid issue costs	–	–	–	–	(7)	(7)
Share-based payments charge for the period	–	–	–	–	86	86
Purchase of own shares by ESOP trusts	–	–	(186)	–	(32)	(218)
Disposal of own shares by ESOP trusts	–	–	67	–	(8)	59
Fair value gains taken to equity	(250)	–	–	–	–	(250)
Current credit taken to reserves	–	–	–	–	6	6
Deferred tax credit/(charge) taken to reserves	2	–	–	–	(14)	(12)
Taxation taken to equity with respect to capital securities	–	–	–	–	9	9
Transfer to income statement on impairment	201	–	–	–	–	201
Transfer to income statement on sale	(29)	–	–	–	–	(29)
Transfer between reserves	–	–	–	–	1	1
Acquisition of business	–	–	(2)	–	–	(2)
Disposal of business	–	–	–	3	–	3
Dividends	–	–	–	–	(718)	(718)
Dividends with respect to capital securities	–	–	–	–	(25)	(25)
Return of cash	–	–	–	–	(67)	(67)
Profit for the year	–	–	–	–	503	503
At 31 March 2009	**(2)**	**–**	**(163)**	**(145)**	**1,894**	**1,584**

Notes to the Group Financial Statements
continued

22. Revaluation reserves and retained earnings continued

	Available-for-sale reserve $m	Cash flow hedge reserve $m	Own shares held by ESOP trust $m	Cumulative translation adjustment $m	Profit and loss account $m	Total $m
At 1 April 2007	120	2	(117)	81	2,570	2,656
Currency translation difference	–	–	(1)	59	18	76
Purchase and cancellation of own shares	–	–	–	–	(516)	(516)
Close period share buy-back programme	–	–	–	–	(4)	(4)
Conversion of exchangeable bonds	–	–	–	–	218	218
Share-based payments charge for the period:						
– continuing operations	–	–	–	–	71	71
– discontinued operations	–	–	–	–	20	20
Purchase of own shares by ESOP trusts	–	–	(86)	–	(59)	(145)
Disposal of own shares by ESOP trusts	–	–	146	–	(98)	48
Fair value gains/(losses) taken to equity:						
– continuing operations	(23)	3	–	–	–	(20)
– discontinued operations	24	–	–	–	–	24
Current tax (charge)/credit taken to reserves:						
– continuing operations	–	–	–	–	23	23
– discontinued operations	–	–	–	–	(1)	(1)
Deferred tax (charge)/credit taken to reserves:						
– continuing operations	8	1	–	–	(13)	(4)
– discontinued operations	26	–	–	–	(14)	12
Transfer to income statement on sale:						
– continuing operations	(1)	(6)	–	–	–	(7)
– discontinued operations	(80)	–	–	–	–	(80)
Transfer between reserves	–	–	–	–	(1)	(1)
Disposal of business	–	–	–	(11)	–	(11)
Dividends	–	–	–	–	(578)	(578)
Return of cash	–	–	–	–	(2,667)	(2,667)
Profit for the year:						
– continuing operations	–	–	–	–	1,717	1,717
– discontinued operations	–	–	–	–	1,754	1,754
At 31 March 2008	74	–	(58)	129	2,440	2,585

23. Cash generated from continuing operations

	2009 $m	2008 $m
Profit for the year	**503**	1,717
Adjustments for:		
– Income tax	**240**	362
– Gain on sale of subsidiary	**(48)**	–
– Finance income	**(58)**	(145)
– Finance expense	**38**	55
– Share of results of associates and joint ventures	**(144)**	(86)
– Loss/(gain) on disposal of an associate	**11**	(16)
– Depreciation of tangible fixed assets	**22**	15
– Amortisation of intangible fixed assets	**257**	153
– Share-based payments expense	**86**	71
– Fair value gains on available-for-sale financial assets	**(29)**	(1)
– Impairment of Ore Hill investments and goodwill	**299**	–
– Loss arising from residual interest in brokerage assets	**143**	–
– Net losses on financial instruments	**96**	18
– (Increase)/decrease in provisions	**(2)**	9
– Other non-cash movements	**92**	52
	1,506	2,204
Changes in working capital:		
– Decrease in receivables	**297**	493
– Decrease/(increase) in other financial assets	**465**	(226)
– Increase/(decrease) in payables	**(300)**	254
Cash generated from operations	**1,968**	2,725

Changes in working capital include the repayment of inter-company balances owed by the discontinued operation to the continuing Group at the time of the IPO.

24. Acquisitions

Year ended 31 March 2009

On 8 May 2008, the Group acquired a 50% interest in Ore Hill, a major US-based credit specialist fund manager. Simultaneously, the Group sold a 50% holding in Pemba Credit Advisers, the European credit manager subsidiary of the Group, to Ore Hill's principals to bring together the businesses of the two credit managers. Since this disposal, the credit markets have continued to deteriorate, which has severely affected the Pemba business. Accordingly, Pemba has been restructured and as part of this exercise, in February 2009, the Group took back its 50% shareholding from the Ore Hill principals at nil cost, with no further profit or loss arising.

On 6 June 2008 the Group acquired a 25% interest in Nephila Capital Ltd. for $40 million in cash, funded from the Group's existing resources. The Group also paid $10 million for the option to buy the residual 75% of Nephila Capital Ltd. no earlier than 15 April 2010 at a fixed multiple of earnings. Nephila is an alternative investment manager specialising in underwriting natural catastrophe reinsurance and investing in insurance-linked securities and weather derivatives.

The assets and liabilities arising from the acquisitions in the period are as follows:

	Ore Hill		Other	
	Book value $m	Provisional fair value $m	Book value $m	Provisional fair value $m
Assets				
Cash and cash equivalents	6	6	3	3
Trade and other receivables	1	1	21	14
Management contracts	–	120	–	–
Other intangible assets	–	10	–	–
Property, plant and equipment	2	2	–	–
Total assets	9	139	24	17
Liabilities				
Trade and other payables	(7)	(7)	(15)	(15)
Total liabilities	(7)	(7)	(15)	(15)
Net assets	2	132	9	2
Net assets – apportionment at 25%		–		1
Net assets – apportionment at 50%		66		–
Share of net assets acquired		66		1
Goodwill on acquisition		206		41
Total net assets		**272**		**42**

	Ore Hill $m	Other $m
Purchase consideration		
Cash paid	198	41
Shares in Pemba Credit Advisers	45	–
2,166,448 ordinary Man Group shares issued	24	–
Acquisition costs	5	1
Net consideration	**272**	**42**

Net consideration for Ore Hill and other acquisitions above	314
Less: Consideration paid in shares in Pemba Credit Advisers	(45)
Less: Consideration paid in Man Group shares	(24)
Total cash consideration	**245**

The fair value of the ordinary Man Group shares issued and to be issued is based on the share price as at the date of the transaction.

In the interim accounts as at 30 September 2008, net consideration for the acquisition of Ore Hill was stated at a provisional value of $288 million, including contingent consideration of 1,444,309 ordinary Man Group shares at a fair value of $16 million. As at 31 March 2009, this contingent consideration is no longer considered payable, and net consideration and goodwill have been reduced accordingly.

The management contracts and other intangible assets of Ore Hill were independently valued by a third party using a value-in-use approach. The key assumptions used included post-tax discount rates of 15% for management fees and 24% for incentive fees, and a useful economic life of management contracts of 11–13 years.

The investments in Ore Hill and Nephila Capital Ltd have been treated as joint venture investments as the Group has joint control through contractual arrangements.

Year ended 31 March 2008

On 27 April 2007 the Group acquired 100% of MTM Corporate Finance Limited and 80% of MTM Capital Partners Limited, a fund management business, for $15 million. The Group also acquired the option to buy the residual 20% of MTM Capital Partners Limited on the third anniversary of the transaction at fair market value. On 13 March 2008 the Group acquired the remaining 50% shareholding in Man-Drake Capital Management Limited, a trading adviser, for $3 million. This business is now in liquidation.

Notes to the Group Financial Statements
continued

24. Acquisitions continued

The assets and liabilities arising from the acquisitions are as follows:

	Book value $m	Fair value $m
Other intangible assets	1	1
Trade and other receivables	7	7
Trade and other payables	(3)	(3)
Net assets acquired	5	5
Conversion of joint venture		(3)
Goodwill on acquisition		16
		18
Purchase consideration:		
Cash paid		18

25. Disposals

As part of the Ore Hill Pemba transaction set out in Note 24, on 8 May 2008 the Group sold a 50% holding in Pemba Credit Advisers, the European credit manager subsidiary of the Group, to Ore Hill's principals. In February 2009, the Group took back its 50% shareholding from the Ore Hill principals at nil cost, with no further profit or loss arising.

As a result of the above transactions, the Group did not control Pemba between 8 May 2008 and 27 February 2009.

The sale of 50% of shares in Pemba Credit Advisers at a value of $45 million in May 2008 led to the disposal of $5 million of cash held on the Group's balance sheet which related to Pemba Credit Advisers. The profit of $48 million on the disposal of Pemba was based on net book value at the time of sale of $2 million and $5 million of foreign exchange differences previously taken to reserves.

Discontinued operations

On 19 July 2007 the Group disposed of its brokerage business, renamed 'MF Global', through an IPO on the New York Stock Exchange. Its results, up to the date of separation, are presented in these financial statements as a discontinued operation.

The IPO resulted in the disposal of 81.4% of the share capital of MF Global, giving rise to a gain on sale of $1.7 billion. The residual shareholding held by the Group has been reclassified as an available-for-sale investment and carried at fair value, with fair value movements taken to the available-for-sale reserve within equity. The fair value of the residual holding was $94 million at 31 March 2009 (see Note 12).

The net proceeds of $2.7 billion received from the separation of MF Global were returned to shareholders through a B and C share scheme, undertaken on 26 November 2007.

In April 2009, MF Global claimed $30 million relating to certain financial adjustments arising from the MF Global IPO in July 2007. At that time, Man Group and MF Global agreed a process for concluding a final and binding settlement of all financial adjustments relating to the IPO. That process was concluded in March 2008 and, based on legal advice, we do not consider that Man Group has any further liability. Man is committed to resolving any dispute in accordance with the arbitration mechanism agreed by both parties, and has therefore referred the matter to arbitration.

The post-tax result of the discontinued operation for the year ended 31 March 2008 was shown as a single amount on the face of the Group income statement. In determining the post-tax result of the discontinued operation only those central costs eliminated on disposal were allocated to the discontinued operation.

The net assets of the brokerage business at the date of disposal were as follows:

	18 July 2007 $m
Property, plant and equipment	51
Intangible assets	317
Other non-current investments	317
Investments in associates	13
Trade and other receivables	46,755
Short-term investments	18,247
Cash and cash equivalents	1,429
Trade and other payables	(65,818)
Taxation	(23)
Short-term borrowings and overdrafts	(56)
Deferred taxation liabilities	(7)
Equity minority interests	(23)
Net assets	1,202

25. Disposals continued

Results for the discontinued operation for the period 1 April–18 July 2007 comprised:

	18 July 2007 $m
Revenue	750
Cost of sales	(421)
Net operating income (a)	2
Administrative expenses (b)	(260)
Operating profit from discontinued operations	71
Net finance income (c)	8
Profit before tax from discontinued operations	79
Taxation	(35)
Profit on disposal (d)	1,709
Profit after tax from discontinued operations	1,753

	18 July 2007 $m
(a) Included in other operating income are exceptional items relating to:	
Gain on sale of NYMEX seats	–
Income received from a legal settlement	–
(b) Included in administrative expenses are the following staff costs:	
Wages and salaries	(248)
Share-based payments	(20)
Pensions	(6)
(c) Net finance income:	
Finance income	70
Finance expense	(62)
	8
(d) Profit on disposal:	
Consideration	2,921
Net assets disposed	(938)
Disposal costs, including underwriting fees and termination costs	(274)
	1,709

Included in share-based payments in 2008 were $13 million of accelerated costs arising from the disposal of the brokerage business.

Earnings per share from discontinued operations comprise:

	2008
Basic	94.9c
Diluted	91.8c

26. Contingent liabilities

On 28 February 2008, MF Global announced that it had incurred a significant credit loss. Following this disclosure a number of plaintiffs filed class action law suits in the US Federal Court against the Group, MF Global, certain of its officers and directors, and certain underwriters asserting various causes of action arising out of the US initial public offering. The consolidated class action complaint alleges claims under certain sections of the US Securities Act of 1933 and alleges, among other things, that the public disclosure documents for the offering contained false and misleading statements concerning risk management and trading risk controls at MF Global. The plaintiffs seek compensatory damages, rescission and attorneys' fees and expenses. On 12 January 2009 the Group, along with all of the other defendants, filed Motions to Dismiss the consolidated complaint. Briefing on the motions was completed on 13 April 2009. No hearing date has been set. The directors believe that the Group has substantial defences to the action and intend to defend the case vigorously.

Notes to the Group Financial Statements
continued

27. Related party transactions
The following transactions were carried out with related parties:

(a) Transactions and balances with related entities
During the year the following categories of related entity relationships occurred:

Entity type	Description of relationship	Description of transactions
Associates and joint ventures	Investor and trading adviser	Seeding and liquidity investments, loans to fund products, external re-financing guarantees, asset management performance, management and other fees, brokerage commissions, and interest and dividend income.

Sales/(purchases) of services with related parties during the financial year, excluding key management compensation:

	2009 $m	2008 $m
Asset Management:		
Performance fee income	**122**	480
Management and other fee income	**336**	668
Interest income	**–**	1
Dividend income	**–**	–
	458	1,149

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

Year-end balances arising from sales/purchases of services with related parties during the financial year, excluding key management compensation:

	2009 $m	2008 $m
Receivable from related entities	**99**	236
Payable to related entities	**–**	(21)

(b) Key management compensation
The total compensation and other benefits to those directors and employees classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Group, are as follows:

	2009 $000	2008 $000
Salaries and other short-term employee benefits	**17,983**	47,173
Post-employment benefits	**906**	365
Share-based payments	**10,800**	22,563
	29,689	70,101

Information concerning individual directors' compensation and other benefits is given in the audited part of the Remuneration Report on pages 62 to 65.

28. Employee trusts
The accounts of the employee trusts have been consolidated in these financial statements. The employee trusts are controlled by independent trustees and their assets are held separately from those of the Group.

Contributions to the employee trusts are determined by the Board annually. The contribution made in respect of the current year was $64 million (2008: $125 million).

At 31 March 2009 the net assets of the employee trusts amounted to $108 million (2008: $273 million). These assets include 28,887,776 (2008:7,684,546) ordinary shares in the Company. These shares are recorded at cost and shown as a deduction from shareholders' funds. Other assets were primarily cash and receivables from employees in connection with the purchase of shares in the Company. The trustees of one of the employee trusts waived all but 0.01p of the interim dividend for the year ended 31 March 2009 on each of 22,192,216 of the ordinary shares registered in its name at the relevant date for eligibility for the interim dividend (2008 interim: 6,456,153 shares) and all but 0.01p of the final dividend for the year ended 31 March 2008 on each of 15,332,879 of the ordinary shares registered in its name at the relevant date for eligibility for the final dividend (2007 final: 8,240,155 shares).

29. Exchange rates

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

	Year-end rates		Average rates	
	2009	2008	**2009**	2008
Euro	**0.7528**	0.6336	**0.7023**	0.7053
Sterling	**0.6970**	0.5043	**0.5817**	0.4981
Swiss Franc	**1.1396**	0.9935	**1.1017**	1.1591

30. Segmental analysis

(a) Primary format – business segments

The Group's continuing operations are in one business segment, Investment Management. There are no other significant classes of business, either individually or in aggregate.

(b) Secondary format – geographical segments

Although the Group's principal offices are located in London, Pfäffikon (Switzerland) and Chicago, investment management income is generated from where the fund product entities, on which fees are earned, are registered. The analysis of revenue, assets and capital expenditure by geographic region, for continuing operations, is given below:

Revenues

	2009 $m	2008 $m
Europe	**323**	657
The Americas	**1,693**	2,190
Asia-Pacific	**472**	375
Continuing operations	**2,488**	3,222
Discontinued operations	**–**	750
	2,488	3,972

Assets

	Assets		Capital expenditure	
	2009 $m	2008 $m	**2009 $m**	2008 $m
UK	**1,315**	1,604	**52**	32
Switzerland	**3,415**	3,524	**225**	224
Other countries	**840**	1,108	**11**	8
Continuing operations	**5,570**	6,236	**288**	264
Discontinued operations	**–**	–	**–**	18
	5,570	6,236	**288**	282

Total assets and capital expenditure (purchase of property, plant and equipment and intangible assets) are allocated based on where the assets are located.

31. New accounting standards

The following accounting standards and amendments to standards have been issued by the IASB but are not effective for the year ended 31 March 2009 and have not been applied in preparing these financial statements. The directors do not expect that the adoption of the following standards and amendments to standards in future periods will have a material impact on the results or financial position of the Group.

IFRS 8 'Operating segments' was issued in November 2006 and is required to be adopted by the Group for reporting in its financial year ending 31 March 2010. The new standard adopts a 'management approach' under which segmental information is to be disclosed on the same basis as that used for internal reporting purposes.

IAS 23 (Revised) 'Borrowing costs' was issued by the IASB in March 2007 and is required to be adopted by the Group for reporting in its financial year ending 31 March 2010. The amendment to the standard requires the compulsory capitalisation of borrowing costs directly attributable to the acquisition, construction or production costs of a qualifying asset.

IAS 1 (Revised) 'Presentation of financial statements' was issued by the IASB in September 2007 and is required to be adopted by the Group for reporting in its financial year ending 31 March 2010. The amendment to the standard requires the preparation of a statement of comprehensive income either to replace or to complement the current income statement. In addition, restatements or reclassifications of comparative balance sheet information will include a restatement of the opening balance sheet of the comparative period.

Notes to the Group Financial Statements
continued

31. New accounting standards continued
IFRS 3 (Revised) 'Business combinations' and IAS 27 (Revised) 'Consolidated and separate financial statements' on acquisition accounting were issued by the IASB in January 2008 and, subject to approval from the EU, are required to be adopted by the Group for reporting in its financial year ending 31 March 2011. The revisions to IFRS 3 and IAS 27 are applied prospectively and will result in changes to the accounting policies in relation to future acquisitions.

The IASB issued an amendment to IFRS 2 'Share-based Payment' in January 2008. The amendment, which is required to be adopted by the Group for reporting in its financial year ending 31 March 2010, clarifies that vesting conditions comprise only service conditions and performance conditions, and specifies the accounting treatment for a failure to meet a non-vesting condition.

The IASB issued amendments to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation', in February 2008. The amendments are required to be adopted by the Group for reporting in its financial year ending 31 March 2010.

The IASB issued amendments to IFRS 7, Improving Disclosures about Financial Instruments, in March 2009 introducing a three-level hierarchy for fair value measurement disclosure, as well as enhanced disclosure of liquidity risk. These amendments are effective for accounting periods starting on or after 1 January 2009, and will be implemented in the Group's disclosure on financial instruments in its financial year ending 31 March 2010.

The IASB issued various Improvements to IFRSs in April 2009. These comprise twelve amendments to existing standards, on issues which the IASB considers not of an urgent nature, but necessary, with required implementation dates for Group reporting purposes through to its financial year ending 31 March 2011.

The following IFRIC interpretations issued recently will first apply to the Group in its financial year ending 31 March 2010 and future periods:

- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers (for transfers received on or after 1 July 2009).

The directors do not expect that the adoption of these interpretations will have a material impact on the results or financial position of the Group.

Principal Group Investments

The names of the principal investments of Man Group plc, together with the Group's interests in the equity shares, are given below. The country of operation is the same as the country of incorporation and the year-end is 31 March (unless otherwise stated).

In accordance with s.231 (5) of the Companies Act (1985) the information below is provided solely in relation to principal operating subsidiaries. Details of all subsidiaries, associates and joint ventures will be annexed to the Company's Annual Return.

	Country of incorporation	Effective Group interest %
Principal operating subsidiaries		
Asset Management		
Man Investments Limited	England	100
Man Investments AG	Switzerland	100
Glenwood Capital Investments LLC	US	100
RMF Investment Management	Switzerland	100
Group holding companies		
Man Group UK Limited[1]	England	100
E D & F Man Limited	England	100
Man Investments Holdings Limited	England	100
Man Group Holdings Limited	England	100
Man Ultraviolet Limited	England	100
Group treasury company		
Man Investments Finance Limited	England	100
Principal associates		
BlueCrest Capital Management Limited[2] (hedge fund manager)	England	25

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

Auditors’ Report on the Parent Company Financial Statements

Independent auditors’ report to the members of Man Group plc
We have audited the parent company financial statements of Man Group plc for the year ended 31 March 2009 which comprise the Balance Sheet and the notes to the Company financial statements. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Man Group plc for the year ended 31 March 2009 on page 74.

Respective responsibilities of directors and auditors
The directors’ responsibilities for preparing the Annual Report, the Directors’ Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors’ Responsibilities on page 52.

Our responsibility is to audit the parent company financial statements and the part of the Directors’ Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company’s members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the parent company financial statements. The information given in the Directors’ Report includes that information presented in the Business Review and Financial Review, which is cross referred from the principal activities, business review and results section of the Directors’ Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Business Overview, the Corporate Governance Report and the unaudited part of the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Remuneration Report to be audited.

Opinion
In our opinion:

> the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company’s affairs as at 31 March 2009;
> the parent company financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
> the information given in the Directors’ Report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
28 May 2009

Company Balance Sheet

At 31 March

	Note	**2009 $m**	2008 $m
Fixed assets			
Investments	2	**1,545**	2,292
Current assets			
Debtors	3	**4,010**	3,121
Cash and cash equivalents		**10**	–
Creditors – due within one year			
Other creditors and accruals	4	**(113)**	(196)
Net current assets		**3,907**	2,925
Creditors – due after one year			
Borrowings	5	**(642)**	(399)
Net assets		**4,810**	4,818
Equity shareholders' funds	7	**4,810**	4,818

Approved by the Board of Directors on 28 May 2009

Peter Clarke
Chief Executive

Kevin Hayes
Finance Director

Notes to the Company Financial Statements

1. Accounting policies

Basis of preparation
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the UK issued by the Accounting Standards Board and with the requirements of the Companies Act 1985 (the Act).

The Company reviews and updates its accounting policies, in accordance with the requirements of Financial Reporting Standard (FRS) 18 'Accounting Policies' on a regular basis. The Company has adopted FRS 29 and has taken advantage of the exemption from providing further financial risk disclosures.

Profits of the Company
The profit for the financial year dealt with in the Company was $511 million (2008: $4,260 million). In accordance with Section 230 of the Companies Act 1985, a separate profit and loss account has not been presented for the Company.

There are no recognised gains and losses other than the result for the year and hence no statement of recognised gains and losses for the Company has been presented.

Foreign currencies
Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction, or, where it is more practical, an average rate for the week or month for all transactions in each foreign currency occurring during that week or month (as long as the relevant exchange rates do not fluctuate significantly). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in other operating income and losses in the profit and loss account.

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.

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Share-based payments
Although the Company does not incur a charge, the issuance by the Company to its subsidiaries of an award over the Company's shares represents additional capital contributions by the Company in its subsidiaries. An additional investment in subsidiaries results with a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the awards issued spread over the underlying awards' vesting periods.

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

Cash flow statement
The Company need not present a cash flow statement in accordance with FRS 1 (revised) as it has taken the exemption from publishing its profit and loss account and related notes under Section 230 of the Companies Act 1985.

Deferred taxation
Deferred tax is recognised on all timing differences where the transactions or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. A deferred tax asset is only recognised to the extent that it is more likely than not that it can be recovered. The Company does not discount its deferred tax position as the effect would not be material.

Segmental reporting
The Company, being an investment holding company, only has one segment.

Share capital
Contracts entered into with a third party to buy back the Company's shares during a close period gives rise to an obligation for the Company. This obligation is included in other creditors and deducted from equity on the balance sheet for the value of the maximum number of shares that may be purchased under the contract with the third party. If the number of shares repurchased by the third party is not the maximum then there is a reversal through equity for that amount. Any changes in the share price from the date of the contract are taken through the profit and loss account.

1. Accounting policies continued

Financial instruments

The Company provides full financial instruments disclosures in accordance with IFRS 7 in its consolidated financial statements. Details can be found in Note 9 to the consolidated financial statements. Consequently the Company has taken advantage of the exemption in FRS 29 from providing further financial instruments disclosures.

Related party transactions

The Company provides full related party disclosures in its consolidated financial statements. Details can be found in Note 27 to the consolidated financial statements. Consequently the Company has taken advantage of the exemption in FRS 8 not to disclose related party transactions with other members of Man Group plc.

2. Fixed asset investments

	2009 $m	2008 $m
Investments in subsidiaries		
At 1 April	**2,292**	1,686
Additions	**–**	535
Disposals	**(833)**	–
Share-based payment charge	**86**	71
At 31 March	**1,545**	2,292

Details of the principal Group subsidiaries and associates are given on page 117. The disposal represents the transfer of the Company's total holding in EDFM Investment Ltd, to another Group subsidiary at book value.

3. Debtors

	2009 $m	2008 $m
Amounts falling due within one year		
Amounts owed by subsidiaries	**4,008**	3,115
	4,008	3,115
Amounts falling due after one year		
Deferred taxation (Note 6)	**2**	6
	2	6
Total debtors	**4,010**	3,121

4. Other creditors and accruals

	2009 $m	2008 $m
Amounts falling due within one year		
Taxation	**–**	7
Other creditors	**101**	100
Redeemable preference B shares	**–**	67
Accruals	**12**	22
	113	196

Details of the redeemable preference B shares are provided in Note 19 to the consolidated financial statements.

5. Borrowings

	2009 $m	2008 $m
Amounts falling due after more than one year		
Fixed rate notes	**243**	–
Floating rate notes	**399**	399
	642	399

The floating rate notes consist of $400 million Eurobonds issued 21 September 2005 and due 22 September 2015. The interest rate is US dollar three-month LIBOR plus 1.15% until 22 September 2010 and thereafter is US dollar three-month LIBOR plus 1.65%.

On 1 August 2008 the Group issued $250 million Fixed Rate Notes under the $3 billion Euro Medium Term Note (EMTN) Programme of Man Group plc dated 21 December 2007. The Fixed Rate Notes mature on 1 August 2013, and the interest rate is 6.5% per annum payable semi-annually in arrears up to and including the maturity date.

Notes to the Company Financial Statements
continued

6. Deferred taxation

	2009 $m	2008 $m
Deferred taxation arising during the year in respect of other timing differences	**2**	6

7. Equity shareholders funds

	Share capital $m	Share premium account $m	Capital reserve $m	Merger reserve $m	Capital securities $m	Profit and loss account $m	Total $m
At 1 April 2007	**57**	**962**	**142**	**722**	**–**	**1,904**	**3,787**
Currency translation difference	–	–	–	–	–	16	16
Issue of ordinary share capital	–	75	–	–	–	–	75
Purchase and cancellation of own shares	(1)	–	1	–	–	(516)	(516)
Conversion of exchangeable bonds	3	365	(135)	–	–	218	451
Share-based payments charge	–	–	–	–	–	71	71
Close period share buyback programme	–	–	–	–	–	(4)	(4)
Transfer between reserves	–	–	1	–	–	(1)	–
Issue and cancellation of B shares	–	(561)	1,216	(722)	–	(2,677)	(2,744)
Retained profit	–	–	–	–	–	4,260	4,260
Dividends	–	–	–	–	–	(578)	(578)
At 31 March 2008	**59**	**841**	**1,225**	**–**	**–**	**2,693**	**4,818**
Currency translation difference	–	–	–	–	–	–	–
Issue of ordinary share capital	1	116	–	–	–	–	117
Purchase and cancellation of own shares	(1)	–	1	–	–	(277)	(277)
Perpetual subordinated capital	–	–	–	–	300	(7)	293
Taxation taken to equity with respect to capital security	–	–	–	–	–	8	8
Share-based payments charge	–	–	–	–	–	86	86
Close period share buyback programme	–	–	–	–	–	(3)	(3)
Transfer between reserves	–	–	(1)	–	–	1	–
Issue and cancellation of B shares	–	–	67	–	–	(67)	–
Retained profit	–	–	–	–	–	511	511
Dividends	–	–	–	–	–	(718)	(718)
Dividends with respect to capital securities	–	–	–	–	–	(25)	(25)
At 31 March 2009	**59**	**957**	**1,292**	**–**	**300**	**2,202**	**4,810**

The authorised, allotted and fully paid share capital of the Company is detailed in Note 19 to the consolidated financial statements.

The issue of the perpetual subordinated capital securities is discussed in Note 21 of the consolidated financial statements.

At 31 March 2009, the capital reserve comprises a capital redemption reserve of $1,292 million. For further explanation, see Note 21 in the consolidated financial statements.

8. Directors' remuneration

Details of the directors' remuneration are given in Note 3 (d) to the consolidated financial statements, and in the Remuneration Report on pages 62 to 65 of the Annual Report.

9. Statutory and other information

There are no employees of the Company (2008: nil). The directors of the Company were paid by another Group company in 2009 and 2008.

Shares in the Company are awarded/granted to directors and employees through the Group's share schemes. Details relating to these share awards/grants are given in Note 3 (b) to the consolidated financial statements and in the Remuneration Report on pages 55 to 60.

10. Guarantees

The Company has entered into a number of guarantees on behalf of certain funds. Further details are available in Note 9 (d) of the Group's consolidated financial statements.

Shareholder and Company Information

Annual shareholder calendar

Company reporting

Interim results announced	November
Final results announced	May
Annual Report published	June
Annual General Meeting	July

Dividends paid

Interim	December
Final	July

Shareholder enquiries

The Group's Registrar, Equiniti, maintains Man Group's share register. For enquiries about your shareholding please write to them at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, or telephone 0871 384 2112*, Text tel: 0871 384 2255*, quoting Ref No 874. Callers from outside the UK should telephone +44 121 415 7592.

Alternatively, you can check your shareholding and dividend payments and update your details by logging on to Equiniti's website www.shareview.co.uk/shareholders/. To do this, you will need your shareholder reference number shown on your dividend tax voucher or share certificate.

Corporate website

Man has redesigned its corporate website to improve communication with a range of stakeholders, including institutional and private shareholders. The website www.mangroupplc.com now includes information about the industry in which we operate, our strategy and business performance, corporate responsibility initiatives, careers opportunities at Man and key information for shareholders such as dividend payment schedules. You can also download current and past Annual and Interim Reports under the 'Investor Relations' section of the website.

Electronic communications

The Company now offers shareholders the opportunity to receive documents via e-communications. To sign up for e-communications, rather than receive hard copy documents in the post, please log on to www.shareview.co.uk/shareholders/; all you need is your shareholder reference number. We will then notify you by email when shareholder communications are available on the Group's website www.mangroupplc.com.

Interim Report

As part of our e-communications programme, we have decided not to produce a printed copy of our Interim Report. Instead the Interim Report will be published on our website and will be available from early November each year. If at that time you would like us to send you a hard copy, please email shareholder@mangroupplc.com, telephone 020 7144 1000 or write to us at the address mentioned on the following page giving your full name and address.

Dividend payments made direct to your bank account

If you currently have your dividends paid by cheque, you can, if you wish, request that they be paid direct to your bank account or building society account on the day that the dividend is paid. This is convenient and helps reduce the risk of cheques becoming lost in the post. The associated tax voucher is still sent direct to your registered, or other previously designated, address.

If you live overseas, an Overseas Payment Service is available via Equiniti www.shareview.co.uk/shareholders/ for certain countries. This may make it possible to receive dividends direct into your bank account in your local currency.†

Dividend Reinvestment Plan (DRIP)

The Group offers a DRIP for shareholders wishing to buy shares with their cash dividend. The final date for joining or leaving the DRIP in relation to the 2009 final dividend is 3.00pm on 3 July 2009. Instructions received after this date will be applied to the next dividend. Any queries on the DRIP, including requests for the DRIP terms and conditions and DRIP Mandate, should be addressed in the first instance to the dedicated Equiniti helpline on 0871 384 2268*. Alternatively, copies of these documents may be downloaded from the Man Group website under the 'Dividends' section of 'Shareholder Information'.

2009 final dividend dates

Ex dividend date	1 July 2009
Record date	3 July 2009
AGM	9 July 2009
Payment date	21 July 2009
DRIP Certificates received/CREST accounts credited	27 July 2009

Historical dividend information is available on the Man Group website under 'Shareholder Information'.

Multiple accounts on the share register

If you have received multiple copies of shareholder documents, this means that there is more than one account in your name on our share register. This may be because your name or address appear slightly differently on each account. As our Registrars are not allowed to amalgamate the accounts without your written consent, please write to them at the above address quoting full details of the accounts you wish to consolidate.

Share dealing service

The Group has arranged the following service for use in the UK to buy or sell Man Group plc shares:

Equiniti Financial Services Limited www.shareview.co.uk/dealing/
For telephone dealing call 08456 037 037 between 8.00am and 4.30pm Monday to Friday.

Corporate ISA

For details of the Man Group plc corporate ISA managed by Equiniti, please contact the Equiniti ISA helpline on 0871 384 2244*.

† Please note that a payment charge would be deducted from each individual payment made before conversion into your local currency.
* Calls made to 0871 numbers are charged at 8p per minute from a BT landline, other telephone providers' costs may vary.

Shareholder and Company Information
continued

Unsolicited investment advice
Shareholders may receive unsolicited phone calls or correspondence concerning investment matters which imply a connection to the Company. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk investments. Shareholders are advised to be very wary of any such approach, including offers to buy shares at a discount or offers of free reports on the Company.

If you receive unsolicited investment advice, make sure you get the correct name of the person and organisation and check that they are properly authorised by the FSA before getting involved. You can do this at www.fsa.gov.uk/pages/register/.

Unsolicited mail
You may also receive unsolicited mail from a variety of commercial organisations who have obtained your address from our publicly available share register. If this is the case, please contact The Mailing Preference Service (MPS) at FREEPOST 29 LON20771, London W1E 0ZT, England.

Tel: 0845 703 4599 email: mps@dma.org.uk or register on-line at www.mpsonline.org.uk.

Registering with the MPS will stop most unsolicited consumer advertising material.

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Fax: 020 7144 1923

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