

## Basis of preparation

The objective of these consolidated financial statements is to explain the results for the year ended 31 March 2010 and the financial position of the Group on that date, together with comparative information.

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 2006 applicable to companies reporting under IFRS.

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. Notes 1 and 2 describe the areas where a higher degree of judgement or complexity arises and where assumptions and estimates are significant to the consolidated financial statements together with the relevant accounting policy. These relate to the impairment assessment of the Goodwill attaching to the Multi Manager Business and the use of fair values in the valuation of investments in fund products and other investments.

The order of the notes to the financial statements on the following pages has been changed to put them in order of significance, primarily based around aiding an understanding of the key drivers of the financial position of the Group, whilst maintaining the grouping of notes between income statement and balance sheet where appropriate.

For each note relating to a specific financial statement line item all information relating to that item has been brought together. As a result there is not a separate principal accounting policies note but the significant accounting policies are included in the relevant note and have been highlighted with taupe background shading.

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.

The Group's principal activity is investment management, and its Balance Sheet is presented using a liquidity format, as permitted by IAS 1 (Revised) paragraph 60. 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.

Except as explained below, the Group's principal accounting policies have been consistently applied to each of the years presented in these financial statements.

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 81.

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.

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

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.

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

	Year end rates		Average rates	
	2010	2009	2010	2009
Euro	<b>0.7403</b>	0.7528	<b>0.7073</b>	0.7023
Sterling	<b>0.6588</b>	0.6970	<b>0.6261</b>	0.5817
Swiss franc	<b>1.0541</b>	1.1396	<b>1.0631</b>	1.1017

### Impact of new accounting standards

A number of new standards and amendments to existing standards and interpretations have been issued, some of which are mandatory for the financial year beginning 1 April 2009, with the remaining becoming effective in future periods. The new standards and amendments to existing standards effective for the financial year ended 31 March 2010 that have had an impact, and have been adopted by the Group, are as follows:

- IAS 1 (Revised) – 'Presentation of financial statements';
- IFRS 8 – 'Operating Segments';
- Amendments to IFRS 7, 'Improving Disclosures about Financial Instruments'; and
- IFRS 2 – 'Share-based Payment' amendment (relating to vesting conditions).

As a result of the adoption of IAS 1 (Revised), the Group Statement of Recognised Income and Expense has been replaced with the Group Statement of Comprehensive Income, and the Group Statement of Changes in Equity is now presented separately as a primary statement.

The impact of these new standards and amendments to existing standards and interpretations on these financial statements has not been significant.

The following accounting standards and amendments to standards have been issued by the IASB but are not effective for the year ended 31 March 2010 and have not been applied in preparing these financial statements.

IFRS 3 (Amended) 'Business combinations'. The main impact on the Group of the amendments to IFRS 3 will be the requirement for costs relating to business combinations to be expensed, where previously they were capitalised and for adjustments to contingent consideration to be recognised within the income statement. The Group's accounting policy in respect of business combinations will be amended accordingly.

IFRS 9 'Financial instruments'. IFRS 9 has not yet been endorsed by the European Union. As it currently stands, the new standard replaces the classification and measurement models for financial assets in IAS 39 with two classification categories: amortised cost and fair value. The appropriate classification is driven by the Group's business model for managing the financial assets and the contractual characteristics of those assets. The Group's decision as to how it wishes to reclassify such instruments will determine the impact of the new standard.

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

- An amendment to IAS 27 to specify that a change in a parent's ownership interest that does not result in a loss of control must be accounted for as an equity transaction;
- Embedded directives: amendments to IFRIC 9 and IAS 39;
- Group cash settled share-based payment transactions: amendments to IFRS 2;
- IAS 24: related party transactions;
- IAS 32: amendments relating to classification of rights issues;
- IFRIC 17: distribution of non-cash assets to owners;
- IFRIC 18: transfers of assets from customers;
- IFRIC 19: extinguishing financial liabilities with equity instruments; and
- Improvements to IFRS 2008 and 2009.

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.