

# Notes to the Company Financial Statements

## 1. Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom issued by the Accounting Standards Board and with the requirements of the Companies Act 2006 (the Act).

The Company reviews and updates its accounting policies, 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.

The loss for the financial year dealt with in the Company was \$122 million (2009: profit \$511 million). In accordance with Section 408 of the Companies Act 2006, 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 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.

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

### 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).

### 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 2 and Note 22 to the consolidated financial statements of the Annual Report 2010. 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 24 to the consolidated financial statements of the Annual Report 2010. 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. Investments

	2010 \$m	2009 \$m
<b>Investments in subsidiaries</b>		
At beginning of year	1,545	2,292
Disposals	–	(833)
Share-based payments	56	86
<b>At 31 March</b>	<b>1,601</b>	<b>1,545</b>

The Company's shares in subsidiary undertakings are stated in the balance sheet of the Company at cost less provision for any impairment incurred.

Details of the principal Group subsidiaries and associates are given on page 76. The prior year disposal represents the transfer of the Company's total holding in EDFM Investment Ltd, to a subsidiary at book value.

## Notes to the Company Financial Statements continued

### 3. Debtors

	2010 \$m	2009 \$m
<b>Amounts falling due within one year</b>		
Amounts owed by subsidiaries	4,024	4,008
Current tax assets	18	–
	<b>4,042</b>	4,008
<b>Amounts falling due after one year</b>		
Deferred taxation	–	2
<b>Total debtors</b>	<b>4,042</b>	4,010

### 4. Other creditors and accruals

	2010 \$m	2009 \$m
<b>Amounts falling due within one year</b>		
Taxation	–	–
Other creditors	206	101
Accruals	10	12
	<b>216</b>	113

Details of the redeemable preference B shares are provided in Note 19 of the 2009 Annual Report.

Other creditors include a liability of \$100 million (2009: \$100 million) in relation to share buy-backs contractually undertaken with a third-party investment bank on behalf of the Company, as detailed in Note 16 of the consolidated financial statements of the Annual Report 2010, together with a further \$104 million (2009: nil) which relates to the Company establishing indemnities to the benefit of some subsidiaries.

### 5. Borrowings

	2010 \$m	2009 \$m
<b>Amounts falling due after more than one year</b>		
Fixed rate notes	1,034	243
Floating rate notes	400	399
	<b>1,434</b>	642

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.

Refer to Note 12 of the consolidated financial statements of the Annual Report 2010.

### 6. Equity shareholders funds

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.

## 6. Equity shareholders funds continued

	Share capital \$m	Share premium account \$m	Capital reserve \$m	Capital Securities \$m	Profit and loss account \$m	Total \$m
<b>At 1 April 2009</b>	<b>59</b>	<b>957</b>	<b>1,292</b>	<b>300</b>	<b>2,202</b>	<b>4,810</b>
Issue of ordinary share capital	–	18	–	–	–	18
Taxation taken to equity with respect to capital security	–	–	–	–	9	9
Share-based payments charge	–	–	–	–	56	56
Retained loss	–	–	–	–	(122)	(122)
Dividends	–	–	–	–	(745)	(745)
Dividends with respect to capital securities	–	–	–	–	(33)	(33)
<b>At 31 March 2010</b>	<b>59</b>	<b>975</b>	<b>1,292</b>	<b>300</b>	<b>1,367</b>	<b>3,993</b>
At 1 April 2008	59	841	1,225	–	2,693	4,818
Issue of ordinary share capital	1	116	–	–	–	117
Purchase and cancellation of own shares	(1)	–	1	–	(277)	(277)
Perpetual subordinated capital securities	–	–	–	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 20 of the consolidated financial statements in the Annual Report 2010. The issue of the perpetual subordinated capital securities (Capital securities) is discussed in Note 20 of the consolidated financial statements in the Annual Report 2010.

As at 31 March 2010, the capital reserve comprises a capital redemption reserve of \$1,292 million (2009: \$1,292 million). For further explanation, see Note 20 of the consolidated financial statements in the Annual Report 2010.

## 7. Directors' remuneration

Details of the directors' remuneration are given in Note 5 of the consolidated financial statements in the Annual Report 2010 and in the Remuneration Report on pages 86 to 101 of the Annual Report 2010.

## 8. Statutory and other information

There are no employees of the Company (2009: nil). The directors of the Company were paid by another Group company in 2009 and 2010.

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 26 of the 2010 Annual Report and in the Remuneration Report on pages 86 to 101.

## 9. Guarantees

The Company has entered into a number of guarantees and commitments, as follows:

### Year ended 31 March 2010

	Note	Total \$m	Less than 1 year \$m	1–5 years \$m	Over 5 years \$m
Guarantees and commitments					
Financial guarantees and commitments:					
MF Global brokerage account		(50)	(50)	–	–
Intra-day credit facilities	(i)	(925)	(925)	–	–
FX trading guarantees	(ii)	(4,600)	(4,600)	–	–
Operating lease guarantees	(iii)	(520)	(3)	(48)	(469)
Other Group facilities	(iv)	(2,430)	–	(2,430)	–
		<b>(8,525)</b>	<b>(5,578)</b>	<b>(2,478)</b>	<b>(469)</b>

## Notes to the Company Financial Statements continued

### 9. Guarantees continued Year ended 31 March 2009

Guarantees and commitments	Note	Total \$m	Less than 1 year \$m	1–5 years \$m	Over 5 years \$m
Financial guarantees and commitments:					
MF Global brokerage account		(50)	(50)	–	–
Intra-day credit facility	(i)	(925)	(925)	–	–
Empyrean Re guarantee	(v)	(238)	(238)	–	–
FX trading guarantees	(ii)	(4,224)	(4,224)	–	–
Operating lease guarantees	(iii)	(424)	(1)	(49)	(374)
Other Group facilities	(iv)	(2,400)	–	(2,400)	–
		(8,261)	(5,438)	(2,449)	(374)

The commitments and guarantees disclosures included in Note 13(b)(ii), (iii) and (vi) of the consolidated financial statements in the Annual Report 2010 all relate to the Company. In addition to the amounts outlined in these notes, the following additional facilities also relate to the Company:

#### (i) Intra day and overnight credit facilities

In addition to the Intra-day credit facilities disclosed in Note 13(b) (iii) of the consolidated financial statements in the Annual Report 2010, the Company guarantees the obligations of a subsidiary under a \$500 million (2009: \$500 million) intra-day and \$25 million overnight credit facilities, used to settle the majority of the Group's banking arrangements. As at 31 March 2010 the exposure under the intra-day facility was nil (2009: nil) and the overnight exposure was \$25 million (2009: nil). The fair value of these commitments has been determined to be nil (2009: nil).

#### (ii) FX trading guarantees

In addition to the FX trading guarantee disclosed in Note 13(b)(vi) of the consolidated financial statements in the Annual Report 2010, the Company also guarantees the FX lines of a subsidiary in relation to the Group's banking arrangements. The aggregate total commitment of the subsidiary under these agreements is \$4.6 billion. The fair value of these commitments have been determined to be nil (2009: nil).

#### (iii) Operating lease commitments

The Company has guaranteed the performance of a subsidiary in relation to a number of property lease contracts, including the new headquarters at Riverbank House (RBH), London (25 years). The fair value of these commitments has been determined to be nil (2009: nil).

#### (iv) Other Group facilities

Man Group plc acts as the guarantor of a Group company which is the borrower under the subordinated committed syndicated loan facility of \$2.4 billion entered into in June 2007 with various financial institutions, pursuant to which the lending banks agreed to make available to the borrowers a multicurrency revolving facility and a dollar swing line advance facility for the repayment of an earlier facility and general corporate purposes. The facility was undrawn as at 31 March 2010 and 31 March 2009. Refer to Note 13 consolidated financial statements in the Annual Report 2010 for further details. The fair value of these commitments has been determined to be nil (2009: nil).

In the event of a change of control of the Group, any lending bank may propose such revised terms, if any, that it requires to continue participating in the facility. To the extent that the Group cannot agree such revised terms with the relevant bank, such bank may cancel the whole of its commitments and require the repayment of its outstanding advances under the facility.

#### (v) Empyrean Re guarantee

The Company has guaranteed the trade credit insurance and reinsurance activities of Empyrean Re above a limit of \$100 million. As noted in Note 3 of the consolidated financial statements in the Annual Report 2010, the subsidiary ceased to write new business from August 2008 and during the year ended 31 March 2010 all existing policies have been ceded to other reinsurers. The net exposure under the Company's guarantee has been reduced to minimal levels. The fair value of the commitment has been determined to be nil (2009: nil).

### 10. Post balance sheet events

Refer to Note 28 to the consolidated financial statements in the Annual Report 2010 for further details.