

# Press Release

27 May 2010

## MAN GROUP PLC RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010

### KEY POINTS - FINANCIAL

- Profit before tax of \$541 million (2009: \$743 million)
- Diluted earnings per share of 24.8 cents (2009: 28.4 cents)
- Regulatory capital surplus of \$1.5 billion; net cash balances of \$1.7 billion
- Board confirms that it will recommend a final dividend of 24.8 cents per share for the year ended 31 March 2010, giving a total dividend of 44 cents per share for the year
- As announced on 17 May 2010, Board intends to rebase the dividend to a sustainable level, and to adopt a progressive dividend policy henceforward. Board intends to recommend a total dividend of at least 22 cents per share for FY 2011.

	Year ended 31 March 2010 \$m	Year ended 31 March 2009 \$m
Net management fee income	463	885
Net performance fee income	97	358
Profit before tax and adjusting items	560	1,243
Adjusting items*	(19)	(500)
Profit before tax	541	743

\* Adjusting items relate primarily to the gains arising from the sale of Man's residual interest in MF Global, a one-off property cost, plus redundancy and other structuring costs

### KEY POINTS – OPERATING

- Funds under management at 31 March of \$39.4 billion (31 December 2009: \$42.4 billion; 31 March 2009: \$46.8 billion)
- Funds under management at 27 May 2010 broadly unchanged from 31 March, with the FX impact of the weak Euro counterbalancing the effects of positive AHL performance
- Trading conditions for the managed futures style have improved, giving positive AHL performance for the calendar year to date
- Announcement on 17 May 2010 of proposed acquisition of GLG Partners, Inc. to create a diversified alternative investment manager, with approximately \$63 billion of funds under management and a world-leading position in liquid, transparent strategies.



**Peter Clarke, Chief Executive of Man, said:**

“The last two years have seen significant change in the hedge fund industry, with continued investor focus on transparency and liquidity of investment strategies and on the stability and governance of investment managers. Man has long been focussed through AHL and the Multi-Manager business on providing liquid investment strategies offering diversifying returns for investors. During the year we have taken decisive action to address the changes in our industry, as well as the impacts on our own business of redemptions from institutions seeking liquidity within their portfolios and a period of negative performance at AHL. We have restructured our Multi-Manager business around the transparency and security offered by managed accounts; reduced our run-rate cost base materially during the year; grown our global business in onshore regulated offerings to reflect increasing demand for these products; and continued our investment in AHL to generate a strong research pipeline and enhanced trading benefits.

“Against this backdrop we have seen a fall in both assets under management and profits in the year. We start the current year at this lower level of assets under management and with AHL still some distance away from performance fee high water marks. However, recent AHL performance has been positive despite the volatility and uncertainty of markets, and we have won new institutional mandates in our Multi-Manager business of \$1.5 billion which will be funded over the coming months and are not yet reflected in our assets.

“On 17 May, we announced the proposed acquisition of GLG. This transaction comprehensively addresses our stated ambition of acquiring high quality discretionary investment strategies which are liquid, transparent and have a low correlation to AHL performance. The two firms are very complementary in terms of the location and type of their investors, and the transaction will combine the strength of Man's distribution franchise with GLG's wide range of liquid strategies, either in stand-alone format or in conjunction with Man's existing investment capabilities. The combination will create one of the largest investment managers in liquid alternative strategies and offer access to a comprehensive set of investment opportunities across a global investor base.”

**Outlook**

Man has entered a period of significant opportunity in its industry and believes that its business continues to benefit from a strong competitive position, founded on performance over the mid to long-term, powerful global distribution and structuring capability, financial strength and effective business management. Man's proposed acquisition of GLG will further strengthen the company's competitive positioning and Man will continue to build upon these foundations, with a strong expectation over the coming years that it will grow assets and market share.

**Dividend**

The Board confirms that it will recommend a final dividend of 24.8 cents per share for the year ended 31 March 2010, giving an unchanged total dividend for the year of 44 cents per share as previously announced on 24 March and 17 May 2010. This dividend will be paid at the rate of 17.20 pence per existing share.

In parallel to the proposed acquisition of GLG, Man has reviewed its dividend policy, the guiding principle being that its dividend should be rebased at a sustainable level. Man has brought forward its decision regarding the level of the full year dividend for 2010/11 and has announced its intention to recommend a total dividend of at least 22 cents per share for that year. Man's intention is to adopt a progressive dividend policy from here forward.



## **Dates for the 2010 Final Dividend**

Ex dividend date	30 June 2010
Record date	2 July 2010
Payment date	20 July 2010

## **Results presentation, video interviews and audio webcast**

There will be a presentation for investors and analysts at 8.45am (UK time) in The Auditorium, Merrill Lynch Financial Centre, 2 King Edward Street, London EC1A 1HQ. A live audio webcast will be available on [www.mangrouplc.com](http://www.mangrouplc.com) and [www.cantos.com](http://www.cantos.com) and will also be available on demand from later in the day.

### ***Live Conference Call Dial in Numbers:***

Rest of World Access Number: + 44 (0)20 7906 8567

UK Toll Free: 0808 238 7387

US Toll Free: 1866 978 9973

### ***7 Day Replay Dial in Numbers:***

Rest of World Access Number: +44 (0)20 3364 5943

UK Toll Free Access Number: 0808 238 9699

US Toll Free Access Number: 1 866 286 6997

Conference Reference: 268423#

Interviews with Peter Clarke, Chief Executive, and Kevin Hayes, Finance Director, in video, audio and text are available on [www.mangrouplc.com](http://www.mangrouplc.com) and [www.cantos.com](http://www.cantos.com).

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### **About Man**

Man is a world-leading alternative investment management business. With a broad range of funds for institutional and private investors globally, it is known for its performance, innovative product design and investor service. Man manages around \$39 billion.

The original business was founded in 1783. Today, Man Group plc is listed on the London Stock Exchange and is a member of the FTSE 100 Index with a market capitalisation of around £4 billion.

Man Group is a member of the Dow Jones Sustainability World Index and the FTSE4Good Index. Man also supports many awards, charities and initiatives around the world, including sponsorship of the Man Booker literary prizes. Further information can be found at [www.mangroupplc.com](http://www.mangroupplc.com).

### **Forward looking statements**

This press release contains forward-looking statements with respect to the financial condition, results and business of Man Group plc. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Man Group plc's actual future results may differ materially from the results expressed or implied in these forward-looking statements. Undue reliance should not be placed on forward looking statements, which speak only at the date of this press release. Man Group plc is under no obligation (except as required by law or regulation) to revise, update or keep current any information contained in this press release. All written and forward looking statements attributable to Man Group plc or persons acting on their behalf are qualified in their entirety by these cautionary statements.



## CHIEF EXECUTIVE'S REVIEW

The last two years have seen a permanent change in the hedge fund landscape, with investors focused more than ever on transparency, governance and liquidity as well as performance. Man has taken decisive action to reflect these changes in our business – actions which were given added impetus by redemptions from institutions seeking liquidity and a period of negative performance at AHL. These factors led to a reduction in assets under management and a sizeable fall in profits in 2010, and mean that our expectations for 2011 remain measured.

We have restructured our Multi-Manager business around the transparency offered by managed accounts, built our global business in onshore regulated products and continued to invest in AHL. The result is a reshaped and rejuvenated Man. We have plenty still to do, but our position at the vanguard of industry change has deepened our competitive advantage. In May 2010, we announced the proposed acquisition of GLG Partners, Inc. in a transaction which gives Man high quality discretionary investment management capability in strategies with a low correlation to AHL. Broadening our range of diversified, liquid strategies for the benefit of our investors, the new business also provides a platform for the build out of further discretionary investment management styles. The hedge fund industry is primed for a new wave of allocations, and we are well placed to strengthen our position as an industry leader.

Following the liquidity and performance challenges of 2008 and early 2009, the last 12 months have been a time of consolidation and rebuilding for many hedge fund styles. While the overall trajectory was upward across a range of markets (in particular equities), the day-to-day picture was more complex. Markets rallied and reversed, with many oscillating in a narrow range, as confidence in the recovery was repeatedly tested.

At Man, assets stabilised at around \$39 billion in March 2010. In the first half of the financial year, strong sales reflected very positive managed futures performance in 2008. These were more than offset by institutional redemptions, as Man worked hard to maintain liquidity for institutional investors – a commitment which enhanced our reputation. In the second half of the financial year, weaker AHL performance adversely affected funds under management, with muted sales and reductions in product investment exposures.

Lower average assets over the period, \$42.6 billion compared to prior year \$65.1 billion, translated into lower net management fee income of \$463 million. Performance fees were modest at \$97 million, 27% of the prior year. The combined effect saw profits before tax and adjusting items of \$560 million, down from \$1.2 billion the previous year.

As we entered the new financial year, funds under management began to recover, AHL performance improved and we announced \$1.5 billion of new institutional mandates, which will be included in FUM over the coming months. Funds under management at 25 May are estimated at \$39 billion, broadly unchanged from \$39.4 billion at financial year end.

A sense of caution remains evident among institutional and private investors. The recovery in the hedge fund industry's assets under management was driven by performance rather than flows. Nevertheless, my frequent conversations with our investors, partners and peers lead me to believe that investor appetite for hedge fund investment is rebuilding, with high-end institutional investors in particular looking to reallocate to hedge funds. The two seminal investment management years of 2008 and 2009 have emphatically underscored the long term investment proposition of hedge funds: attractive diversifying returns, actively managed downside risk and lower levels of volatility.

In order for the rationale of hedge fund investing to translate into allocations, new standards need to be achieved across the industry. Prerequisites are enhanced transparency, control of assets and flexibility in portfolios that translates into performance, along with demonstrable financial strength and business sustainability. There is also a genuine requirement for transparent, locally regulated product formats. Much of the activity this year at Man has been geared to meeting these expectations. I pay tribute to the significant effort from our employees across the firm to ensure we have adapted to address these evolving requirements, without losing focus on performance and client service.

### **AHL: challenging trading conditions; increased confidence**

The process of markets finding their feet through 2009 was a challenging one for managed futures managers such as AHL. Difficult trading conditions were driven by an unusual combination of factors, including central bank intervention and record government bond issuance, changing views on inflation and deflation, fluctuating risk appetite and conflicting commodity-related supply and demand signals. There were some more stable price trends from which AHL was able to profit over the period, notably in equities. The net effect however was negative, with AHL ending the financial year down 7.7%, with around three quarters of that loss the result of extreme moves in currencies, bonds and interest rates in the month of December.

Trading conditions for managed futures improved notably in the run up to the end of the financial year, with AHL up around 3.5% in the calendar year to 17 May 2010. If sustained, we would expect positive AHL performance to be a significant catalyst for improved sales, with the potential to open up a broad range of opportunities across the geographic spectrum.

AHL's impressive 20-year track record is interspersed with reversals and retrenchments, that managed futures strategies typically experience periods of drawdown. We have always encouraged investors to look at AHL as a medium-term investment, with an average holding period for AHL-based products of at least three to five years. Over the medium and longer term, AHL provides attractive rates of return with a low correlation to other asset classes. For example, the three year annualised return to 31 March 2010 for Man AHL Diversified Plc, our largest fund, is up 12.0%, while world stocks (represented by MSCI World Stock Index) were down 7.7% over the same period.

Our long-term investors continue to see real value in the diversification benefits that managed futures provide, and we are investing significantly in AHL's people and systems to ensure that we realise the full potential of this unique asset. AHL's research headcount has more than doubled in the last two years, and in March 2009 we opened a new trading desk in Hong Kong. In August 2009, both AHL's Oxford research laboratory and the co-located academic research institute moved to new premises to accommodate significantly enlarged teams. Partially as a result of our collaboration with Oxford University, we entered 2010 with a very rich research pipeline, applying AHL's trading methodology to a wider range of systematic strategies.

### **Multi-manager: reconfigured proposition validated by new mandate wins**

Outside managed futures, other styles – notably credit, event driven and equity long/short – enjoyed positive rebounds from their 2008 lows. Our multi-manager business, with its emphasis on active management, generated good positive risk-adjusted returns. Our award-winning thematic offerings saw strong performance, most notably our Emerging Market Opportunities Fund (up 34% in calendar year 2009) and Energy Fund (up 9.5% in the same period).

Across our more diversified multi-manager offerings, we maintained a conservative stance in our overall positioning, seeking to protect investors from the many downside risks which persisted through 2009, with Man Four Seasons Strategies ending the financial year up 8.8%. In broad terms, our multi-manager portfolios underperformed the beta-driven markets of 2009, having outperformed in 2008, giving an annualised three year performance broadly in line with peer group, but with lower levels of volatility.

Having announced the planned re-configuration of our multi-manager business at the end of the previous financial year, we implemented this swiftly in the first quarter. By July, we had consolidated our broad multi-manager capabilities into a single business, enshrined risk management at the same organisational level as investment management and revalidated our investment process, testing our new business proposition with investors and advisers through the summer. In October the Fitch rating agency validated the new business by conferring on us an M2+ rating, the highest given any multi-manager business. In our last financial quarter we secured around \$1.5 billion of new institutional investor mandate wins, including a notable cornerstone investment programme of up to \$1 billion with the Universities Superannuation Scheme, the UK's second



largest private sector fund. These new mandates are expected to register as increased FUM over the coming months as the relevant investment management set ups are put in place.

The successful attraction of new mandates to the multi-manager business reflects significant use of managed accounts as a mechanism for efficiently accessing hedge fund alpha. Managed accounts have been high on the industry agenda throughout the last financial year and are a key component of our multi-manager offering. The multi-manager business currently has over \$7 billion in managed account format, making Man one of the largest providers in the world. Man's unique managed account proposition is built upon our experience, independence and portfolio construction and structuring capabilities. Our multi-disciplinary teams engage closely with investors and their advisers to understand their specific investment needs and are able to design relevant investment solutions for them. These core skills have been instrumental in securing our new mandates and in delivering our strategic objective of creating attractive investment solutions for new and existing investors, worldwide.

There is a strong forward pipeline of prospects across geographies, typically from sophisticated institutions with developed views on underlying hedge fund strategies who have moved beyond conventional diversified fund-of-fund or style fund based offerings. We believe that these institutions represent an important market segment. Investors in the earlier stages of bringing hedge funds into their portfolios or with fewer dedicated internal hedge fund resources will continue to value a more packaged approach. By addressing the needs of both segments, we will rebuild the scale and profitability of our Multi-Manager business.

### **Onshore momentum from investors and regulators**

Over the year, we continued to expand our onshore product range to serve the strong investor demand for liquid, regulated investment products (mainly from private investors, but with some institutional interest, notably in Europe) and to access new markets worldwide. Onshore regulated products form the vast bulk of our open-ended offering, which dominated private investor sales over the last financial year.

Man is part of a small group of alternative asset managers who have cultivated strong partnerships with investors, intermediaries, regulators and others over many years. These partnerships enable us to raise assets onshore, as well as internationally. Over the period we launched two new AHL UCITS funds in Europe, one designed specifically for the UK market. Other initiatives include a Europe-wide equity long/short fund; further onshore Australian and Canadian products; a pioneering onshore Brazilian product; and a ground-breaking fund of futures fund in Taiwan. In practice, Man has been significantly ahead of the industry in onshore markets for some time – providing portfolios to meet exacting local regulatory standards and investor requirements without compromising the value of the underlying investment proposition. Examples include Man AHL Diversified Futures Limited – our \$1.4 billion regulated onshore Hong Kong futures fund which was first approved for public distribution in 1998. The launch of new onshore, regulated products brings access to diversified, risk adjusted hedge fund returns to a broader market, and presents opportunities to expand our investor base.

### **Regulatory expertise and capital strength**

The real momentum for onshore, regulated solutions is a combination of investor 'pull' and regulatory 'push'. The need for our industry to be well regulated, transparent and investor friendly is one we have consistently championed. Our experience, scale and resources enable us to secure our position as a leader in risk management and governance. The significant international debate around regulatory policy which has characterised much of the year is, of course, ongoing. After a flurry of initial consultations and in some cases relatively hurried draft legislation, the process of refining the proposed measures into directives which are practical, competitive and above all in the best interests of investors has been arduous. Maintaining global consensus has proved challenging with a consequent risk of emerging regionalised approaches which are fragmented and inconsistent. What is evident is that the overwhelming regulatory momentum at market, manager and product level is for an industry which is robust, open and with a maturity in approach and stature consistent with its important role in global markets. Man has for a long time been both transparent



and regulated – as befits our UK-listed status –and we have the expertise, relationships and infrastructure to adapt and operate successfully in virtually any likely policy outcome.

Our financial strength gives confidence to our regulators as well as to investors and counterparties. We ended the period with a regulatory capital surplus of \$1.5 billion and net cash balances of \$1.7 billion and we have continued to exercise financial discipline in cost management and in the targeted use of our balance sheet to support key business lines. Our capital resources positioned us strongly to address opportunities in our industry and invest further in our business.

Demand for greater access to hedge fund exposure which is liquid, onshore and transparent has been a significant driver in our strategy to broaden the sources of return we offer our investors. I commented throughout the year on our appetite in particular for the equity long/short styles and related discretionary investment management adjacencies. Besides the complementary characteristics of equity and equity long/short with AHL (in terms of low correlation), these are clearly styles which are well suited to existing onshore formats and an effective bridge to wider mass affluent audiences.

On 17 May 2010 we announced the proposed acquisition of GLG, a leading global multi-strategy investment manager with approximately \$24 billion in funds under management and a low style correlation to managed futures. In putting our capital to work in this powerful transaction, we are squarely delivering on our strategy and GLG is an excellent fit.

## INVESTMENT PERFORMANCE

	Total return		Annualised return	
	Calendar year to 31 March 2010	Financial year to 31 March 2010	3 years to 31 March 2010	5 years to 31 March
<b>Fund of funds</b>				
Man Four Seasons Strategies <sup>1</sup>	0.9%	8.8%	(1.2)%	2.8%
Man Dynamic Selection <sup>2</sup>	1.6%	6.5%	3.8%	n/a
Man Commodities Strategies <sup>3</sup>	(0.5)%	4.6%	2.2%	9.2%
<b>Structured – principal protected</b>				
Man-IP 220 <sup>4</sup>	4.7%	(4.6)%	5.6%	7.7%
<b>Single managers</b>				
Man AHL Diversified plc <sup>5</sup>	2.2%	(7.7)%	12.0%	11.8%
Ore Hill <sup>6</sup>	17.5%	67.6%	(2.7)%	3.8%
World Stocks <sup>7</sup>	4.1.%	43.3%	(7.7)%	1.0%
HFRI Fund Weighted Composite Index <sup>8</sup>	2.5%	22.5%	2.1%	6.0%
HFRI Fund of Funds Composite Index <sup>8</sup>	1.5%	12.7%	(1.7)%	2.9%
Corporate bonds <sup>9</sup>	1.8%	19.8%	5.4%	5.0%

<sup>1</sup> Represented Man Four Seasons Strategies USD I.

<sup>2</sup> Represented Man Dynamic Selection USD I.

<sup>3</sup> Represented by Man Commodities Strategies USD I.

<sup>4</sup> Represented by Man-IP 220 Ltd from 18 December 1996 to 31 December 2005 and Man IP 220 Ltd - USD class bonds from 1 January 2006.

<sup>5</sup> Man AHL Diversified plc is valued weekly, but for comparative purposes the last weekly valuation of the month has been used.

<sup>6</sup> Represented by Ore Hill International II Ltd.

<sup>7</sup> Represented by MSCI World Index price return hedged to USD (price return).

<sup>8</sup> HFRI index performance over the past 4 months is subject to change.

<sup>9</sup> Represented by Citigroup High Grade Corporate Bond index (total return).



## **FUNDS UNDER MANAGEMENT**

We have set out below a review of funds under management, including margins, which is unaudited.

### **Funds under management (FUM)**

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

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

FUM grow through new investor subscriptions, increased leverage, positive investment performance and foreign currency movement and are reduced by redemptions, reduced leverage, negative investment performance and foreign currency movements.

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

Growth in FUM is therefore an indication of our performance as an investment manager and our ability to grow assets and remain competitive.

FUM are a key driver of the Group's results and prospects, as FUM forms the basis on which the Group's revenue is generated. Our strategy is to grow FUM while maintaining our revenue margin.

Movements in FUM during the period are shown below:

	Private Investor			Institutional \$bn	Total \$bn
	Guaranteed \$bn	Open-ended \$bn	Total \$bn		
<b>Opening FUM – 1 April 2009</b>	<b>16.4</b>	<b>11.4</b>	<b>27.8</b>	<b>19.0</b>	<b>46.8</b>
Sales	1.3	3.7	5.0	0.7	5.7
Redemptions	(0.9)	(1.4)	(2.3)	(5.3)	(7.6)
Net sales	0.4	2.3	2.7	(4.6)	(1.9)
Investment movement	(0.7)	(0.6)	(1.3)	0.7	(0.6)
Foreign currency movement	0.9	0.5	1.4	0.7	2.1
Other	(1.5)	0.2	(1.3)	(1.1)	(2.4)
<b>30 September 2009</b>	<b>15.5</b>	<b>13.8</b>	<b>29.3</b>	<b>14.7</b>	<b>44.0</b>
Sales	0.1	1.6	1.7	0.9	2.6
Redemptions	(0.7)	(1.7)	(2.4)	(2.8)	(5.2)
Net sales	(0.6)	(0.1)	(0.7)	(1.9)	(2.6)
Investment movement	(0.4)	(0.2)	(0.6)	0.1	(0.5)
Foreign exchange movement	-	(0.1)	(0.1)	(0.7)	(0.8)
Other	(0.5)	(0.6)	(1.1)	0.4	(0.7)
<b>Closing FUM – 31 March 2010</b>	<b>14.0</b>	<b>12.8</b>	<b>26.8</b>	<b>12.6</b>	<b>39.4</b>
<b>Growth in FUM in the year</b>	<b>-15%</b>	<b>+12%</b>	<b>-4%</b>	<b>-34%</b>	<b>-16%</b>

Private investor FUM decreased by 4% during the period primarily as a result of positive net sales being offset by negative fund product performance and the resulting routine re-balancing of investment exposure in the guaranteed product range. Institutional FUM reduced by 34% as a result of muted sales and significant redemptions, all be it at a reducing run rate.

Analysis of FUM at 31 March 2010	Private Investor		Institutional
	Guaranteed \$bn	Open-ended \$bn	\$bn
IP 220 products	6.6		
OM-IP products	4.1		
Other guaranteed - AHL	2.1		
Other guaranteed – Multi-Manager	1.2		
Open-ended - AHL		10.8	
Open-ended - Multi-Manager		1.8	
Open-ended - UCITS		0.2	
Institutional – AHL			0.8
Institutional – Multi-Manager			8.4
Institutional – Pemba/Ore Hill			3.4
	14.0	12.8	12.6

### Sales and redemptions

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

Private investor – half yearly fund flows	H2 2010	H1 2010	H2 2009	H1 2009
Sales (\$bn):				
• Guaranteed	0.1	1.3	2.4	3.7
• Open-ended	1.6	3.7	1.8	3.4
	1.7	5.0	4.2	7.1
Redemptions (\$bn):				
• Guaranteed	0.7	0.9	2.6	2.0
• Open-ended	1.7	1.4	3.5	1.0
	2.4	2.3	6.1	3.0
Annualised redemptions/average FUM:				
• Guaranteed	9.5%	11.4%	24.2%	13.9%
• Open-ended	25.6%	22.2%	54.7%	15.0%

Private investor – quarterly fund flows for 2010	FY 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Sales (\$bn):					
• Guaranteed	1.4	-	0.1	0.4	0.9
• Open-ended	5.3	0.6	1.0	1.2	2.5
	6.7	0.6	1.1	1.6	3.4
Redemptions (\$bn):					
• Guaranteed	1.6	0.3	0.4	0.3	0.6
• Open-ended	3.1	0.9	0.8	0.5	0.9
	4.7	1.2	1.2	0.8	1.5
Annualised redemptions/average FUM:					
• Guaranteed	10.3%	8.0%	10.2%	7.9%	15.4%
• Open-ended	25.2%	28.1%	24.1%	15.2%	30.1%

Private investor sales were \$6.7 billion for the year. The majority of the flows came from open-ended AHL formats, where investors have seen buying opportunities at attractive entry levels. In the first half we launched a guaranteed product in Australia, alongside guaranteed AHL formats, but guaranteed product sales in aggregate were lower than comparable periods.

Private investor redemptions for the guaranteed products have reduced and the annualised redemption percentage has returned to the previous historical levels. Redemptions in 2010 have reduced significantly from H2 2009, which included redemptions and product switches from the Man Global Strategies products. Redemptions in the open-ended products will generally be higher than guaranteed products as they are influenced more by investors' performance expectations. Open-ended redemptions in H2 2009 were high as a result of strong sales in previous periods followed by strong performance from AHL in the quarter to December 2008. Since that period redemptions have moderated.

<b>Institutional – half yearly fund flows</b>	<b>H2 2010</b>	<b>H1 2010</b>	<b>H2 2009</b>	<b>H1 2009</b>
Sales (\$bn)	0.9	0.7	0.5	3.1
Redemptions (\$bn)	2.8	5.3	4.9	3.0
Annualised redemptions/ average FUM	41.0%	63.0%	42.8%	20.7%

<b>Institutional – quarterly fund flows for 2010</b>	<b>FY 2010</b>	<b>Q4 2010</b>	<b>Q3 2010</b>	<b>Q2 2010</b>	<b>Q1 2010</b>
Sales (\$bn)	1.6	0.5	0.4	0.4	0.3
Redemptions (\$bn)	8.1	1.4	1.4	1.7	3.6
Annualised redemptions/ average FUM	54.7%	42.6%	39.4%	44.3%	82.3%

We saw significant redemptions in the institutional business, but these flows have moderated in the course of the year.

Institutional sales have remained muted as institutional allocators, particularly in Europe, have remained out of the market. Redemptions have continued to show a significant quarter on quarter decline, with the level of notified quarterly redemptions for the June 2010 quarter at around \$350 million.

#### **Investment movement**

The aggregate investment movement was a negative \$1.1 billion for the year. The majority of this investment movement resulted from negative performance in AHL, partly offset by positive performance in the Multi-Manager. The investment performance of our investment managers is described in the investment performance section of the press release.

#### **Foreign exchange impact of funds under management**

Investors choose the underlying currency of their fund products to match their investment strategy. Man's functional currency is US dollars and therefore FUM and revenue are reported in US dollars. Changes in FUM as a result of foreign currency are not relevant to the investor, however, as FUM is a measure of our earning base, changes in FUM denominated in foreign currencies affect the revenue that Man earns and this creates a foreign currency exposure. This exposure is not hedged.

FUM denominated in foreign currencies increased in the first half as a result of a weaker US dollar, but this trend partially reversed in the second half of the year, driven by the euro weakening against the US dollar.

<b>FUM by currency</b>	<b>2010</b>		<b>2009</b>	
	<b>FUM \$bn</b>	<b>FX gain/(loss) \$bn</b>	<b>FUM \$bn</b>	<b>FX gain/(loss) \$bn</b>
US dollar	21.0	-	24.1	-
Euro	10.6	0.2	14.7	(2.8)
Australian dollar	3.5	0.9	3.6	(0.9)
Swiss franc	1.2	-	1.2	(0.1)
Japanese yen	2.1	0.1	2.1	(0.3)
Other	1.0	0.1	1.1	(0.1)
	39.4	1.3	46.8	(4.2)

### Other movements

Other movements reflect the change in leverage as a result of the routine re-balancing of investment exposure in the guaranteed product range. Negative performance in AHL was the primary cause of the \$2.4 billion reduction in private investor FUM as a result of this rebalancing. This effect can reverse following periods of positive performance. Institutional investor redemptions from products with structural leverage (for example, Four Seasons 2XL) resulted in a reduction of FUM of \$0.7 billion during the year.

### Margins

Gross management and other fees represent management fees earned on FUM, fees from associates and joint ventures, interest on loans to funds and other fees. In the table below we have shown gross margins both including and excluding interest income earned on loans to funds, as the level of loans to funds can change based on the requirements of the product to re-balance. Gross margins are also shown to indicate the margin after deducting sales commission costs.

The gross management and other fees margin (before interest income) for private investors was 424 bp, compared to 420 bp for 2009. The primary reason for the small increase is the relative increase in FUM relating to high margin products, for example IP 220 and AHL products, as a proportion of the total private investor FUM. The impact of associates adds 14 bp to the overall private investor gross margin.

The gross margin (excluding interest income) on guaranteed products is approximately 463 bp and approximately 356 bp on open-ended products. The margins net of sales commission costs are 325 bp and 278 bp for guaranteed and open-ended products respectively. The difference between the two margins primarily relates to a structuring fee earned on guaranteed products. The private investor margin after sales commission costs has been impacted in H2 2010 by the incurrence of around \$30 million of non-recurring sales commission items, as detailed in Note 7 to the financial information below.

	Guaranteed	Open-ended	Associates	Private Investor Total
Average FUM (\$bn)	15.5	12.3		27.8
Gross management and other fees (\$m)	718	438	38	1,194
Sales commission costs (\$m)	(214)	(96)		(310)
Gross management fee margin (%)	4.63	3.56		4.30
Gross margin after sales commission costs (%)	3.25	2.78		3.18

The gross management and other fees margin for institutional investors was 93 bp, in line with the 94 bp for 2009.

During 2010 we merged the three fund of funds businesses, RMF (previously the institutional business) and Glenwood and MGS (previously the private investor business) into one Multi-Manager business. As a result the investment management infrastructure was merged into one covering both private and institutional assets. This resulted in both process and cost synergies. While the FUM remains identifiable between private and institutional investors, it is not practicable to specifically allocate the investment management infrastructure costs across the two investor types. We have therefore shown the gross margins net of commissions and the aggregate net management fee margins at the Group level.

At the Group level, the net management and other fees margin is after deducting all costs but excludes net finance expense/income, and also the adjusting items, which are deemed to be non-recurring. The net management fee margin for the Group has declined to 112 bp from 133 bp in the prior year. The primary reason relates to fixed compensation costs and other costs decreasing to a lesser extent than the fall in FUM. However, it is expected that as FUM and revenues increase the cost base is likely to rise to a lesser extent resulting in an increase in the net margin.

	H2 2010	H1 2010	FY 2010	2009	2008	2007
<b>Average FUM in period (\$bn)</b>						
Private investor	27.8	27.8	27.8	38.4	39.6	33.5
Institutional	14.2	15.4	14.8	26.7	29.7	23.7
	42.0	43.2	42.6	65.1	69.3	57.2
<b>Private investor</b>						
Gross management and other fees† (\$m)	601	593	1,194	1,662	1,771	1,525
Interest income earned from funds (\$m)	8	8	16	50	74	78
Sales commission costs (\$m)	(171)	(139)	(310)	(398)	(374)	(322)
Gross management fee margin (%)	4.32	4.27	4.30	4.33	4.47	4.55
Gross management fee margin before interest income from funds (%)	4.27	4.21	4.24	4.20	4.29	4.31
Gross margin after sales commission (%)	3.10	3.27	3.18	3.29	3.53	3.59
<b>Institutional</b>						
Gross management and other fees† (\$m)	67	70	137	252	297	269
Sales commission costs (\$m)	(8)	(7)	(15)	(12)	(18)	(13)
Gross management fee margin (%)	0.94	0.91	0.93	0.94	1.00	1.14
Gross margin after sales commission (%)	0.83	0.82	0.83	0.90	0.94	1.08
<b>Group Total</b>						
Net management fee margin after deducting all expenses* (%)			1.12	1.33	1.52	1.63

†Includes management and other fee income from associates.

\*Net management fee income is before net finance income and excludes adjusting items.

**Group Balance Sheet**  
At 31 March

	Note	2010 \$m	2009 \$m
<b>ASSETS</b>			
Cash and cash equivalents	10	3,229	2,361
Trade and other receivables		320	413
Investments in fund products	2	784	1,091
Other investments		72	184
Investments in associates and joint ventures		351	317
Property, plant and equipment		72	64
Pension asset		69	-
Other intangible assets		337	366
Goodwill		798	774
<b>Total assets</b>		<b>6,032</b>	<b>5,570</b>
<b>LIABILITIES</b>			
Trade and other payables		376	489
Current tax liabilities		180	246
Borrowings	11	1,489	643
<b>Total liabilities</b>		<b>2,045</b>	<b>1,378</b>
<b>NET ASSETS</b>		<b>3,987</b>	<b>4,192</b>
<b>EQUITY</b>			
Capital and reserves attributable to owners of the parent		3,987	4,192
<b>Total equity</b>		<b>3,987</b>	<b>4,192</b>

**Group Income Statement**  
For the year ended 31 March

	Note	2010 \$m	2009 \$m
Revenue:			
Performance fees	3	52	627
Management and other fees	3	1,293	1,861
		1,345	2,488
Gains/(losses) on investments and other financial instruments		39	(260)
Sales commissions	7	(325)	(411)
Accelerated amortisation of MGS sales commissions	4	-	(107)
Total sales commissions		(325)	(518)
Compensation	5	(330)	(463)
Restructuring costs - compensation	4	(19)	(37)
Total compensation costs		(349)	(500)
Other costs	6	(232)	(275)
Restructuring costs – other	4	(34)	-
Total other costs		(266)	(275)
Share of after tax profit of associates and joint ventures		70	144
Gain on disposal of 50% of subsidiary	4	-	48
Impairment of Ore Hill investments and goodwill	4	-	(299)
Gain/(loss) arising from residual interest in brokerage assets	4	34	(105)
Finance income		29	58
Finance expense		(36)	(38)
<b>Profit before tax</b>		<b>541</b>	<b>743</b>
Taxation		(96)	(240)
Profit for the year		445	503
<b>Attributable to:</b>			
Owners of the parent		445	503
<b>Earnings per share</b>	8		
Basic (cents)		25.1	28.7
Diluted (cents)		24.8	28.4
		2010 \$m	2009 \$m
<b>Reconciliation of adjusted profit before tax</b>			
<b>Profit before tax</b>		<b>541</b>	<b>743</b>
Adjusting items:			
Accelerated amortisation of MGS sales commissions	4(a)	-	107
Restructuring costs – compensation	4(b)	19	37
Restructuring costs – other	4(b)	34	-
Impairment of Ore Hill investments and goodwill	4(c)	-	299
Gain on disposal of 50% of subsidiary	4(c)	-	(48)
(Gain)/loss arising from residual interest in brokerage assets	4(d)	(34)	105
		19	500
<b>Adjusted profit before tax</b>		<b>560</b>	<b>1,243</b>
<b>Adjusted earnings per share</b>	8		
Adjusted Basic (cents)		25.8	57.6
Adjusted Diluted (cents)		25.5	57.0

## Group Statement of Comprehensive Income

For the year ended 31 March

	2010	2009
	\$m	\$m
<b>Profit for the year</b>	<b>445</b>	<b>503</b>
<b>Other comprehensive income/(expense)</b>		
Available for sale investments:		
Valuation gains/(losses) taken to equity	62	(250)
Transfer (to)/from income statement on sale	(66)	172
Foreign currency translation adjustments	100	(261)
Tax credited/(charged) through other comprehensive income	5	(6)
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<b>101</b>	<b>(345)</b>
<b>Total comprehensive income for the year</b>	<b>546</b>	<b>158</b>
<b>Attributable to:</b>		
Owners of the parent	546	158

## Group Statement of Changes in Equity

At 31 March

	Equity attributable to shareholders of the Company				
	Share capital and capital reserves	Revaluation reserves and retained earnings	Total	Minority interest	Total
	\$m	\$m	\$m	\$m	\$m
<b>At 1 April 2009</b>	<b>2,608</b>	<b>1,584</b>	<b>4,192</b>	-	<b>4,192</b>
Profit for the year	-	445	445	-	445
Other comprehensive income	-	101	101	-	101
Perpetual capital securities coupon	-	(24)	(24)	-	(24)
Share-based payments	18	(5)	13	-	13
Disposal of business	-	5	5	-	5
Dividends	-	(745)	(745)	-	(745)
<b>At 31 March 2010</b>	<b>2,626</b>	<b>1,361</b>	<b>3,987</b>	-	<b>3,987</b>
At 1 April 2008	2,125	2,585	4,710	1	4,711
Profit for the year	-	503	503	-	503
Other comprehensive expense	-	(345)	(345)	-	(345)
Purchase and cancellation of own shares	-	(277)	(277)	-	(277)
Close period share buy-back programme	-	(3)	(3)	-	(3)
Perpetual capital securities issued	300	(23)	277	-	277
Share-based payments	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

## Group Cash Flow Statement

For the year ended 31 March

	Note	2010 \$m	2009 \$m
<b>Cash flows from operating activities</b>			
Cash generated from operations		921	1,968
Interest paid		(26)	(40)
Income tax paid		(141)	(312)
<b>Cash flows from operating activities</b>		<b>754</b>	<b>1,616</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries and joint ventures, net of cash acquired		-	(245)
Purchase of property, plant and equipment		(44)	(38)
Purchase of intangible assets		(155)	(250)
Purchase of other investments		(43)	(172)
Purchase of additional interests in joint ventures and associates		-	(17)
Proceeds from sale of other investments		253	41
Interest received		26	60
Dividends received from associates and other investments		48	141
Proceeds from sale of associate		-	25
<b>Cash flows from investing activities</b>		<b>85</b>	<b>(455)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		18	53
Proceeds from issue of capital securities, net of issue costs		-	293
Purchase of treasury shares		-	(280)
Purchase of own shares by ESOP trust		(61)	(218)
Disposal of own shares by ESOP trust		-	47
Proceeds from borrowings net of issue costs		813	242
Repayment of borrowings		(17)	-
Return of net proceeds from sale of Brokerage		-	(67)
Dividends paid to Company shareholders		(745)	(718)
Dividend payments in respect of capital securities		(33)	(25)
Dividends paid to minority interests		-	(1)
<b>Cash flows from financing activities</b>		<b>(25)</b>	<b>(674)</b>
<b>Net increase in cash and cash equivalents</b>		<b>814</b>	<b>487</b>
Cash and cash equivalents at the beginning of the year		2,360	1,873
<b>Cash and cash equivalents at the end of the year</b>		<b>3,174</b>	<b>2,360</b>

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.

## Notes to the Group financial statements

In preparing the financial information in this statement the Group has applied policies which are in accordance with International Financial Reporting Standards as adopted by the European Union at 31 March 2010. Details of the Group's accounting policies can be found in the Group 2009 Annual Report.

The financial information included in this statement does not constitute the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2010, upon which the auditors have issued an unqualified report, will shortly be delivered to the Registrar of Companies.

The annual report will be posted to shareholders on 7 June 2010. The Company's Annual General Meeting will be held on Thursday 8 July 2010 at 11am at Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE.

### 1. Goodwill

	2010 \$m	2009 \$m
<b>Cost:</b>		
<b>At beginning of year</b>	<b>785</b>	813
Currency translation difference	24	(29)
Acquisition of subsidiary or business	-	1
Disposals	(11)	-
<b>At 31 March</b>	<b>798</b>	785
<b>Aggregate impairment:</b>		
<b>At beginning of year</b>	<b>(11)</b>	-
Currency translation difference	-	(1)
Disposals	11	-
Impairment	-	(10)
<b>At 31 March</b>	<b>-</b>	(11)
<b>Net book value at 31 March</b>	<b>798</b>	774
Made up as follows:		
AHL	74	55
Multi-Manager Business	724	719

The most significant amount of goodwill relates to the Multi-Manager Business ("MMB"). The increase in the goodwill balance relates solely to the retranslation of the Man Investments Australia goodwill, which is denominated in Australian dollars.

The Group identified two cash generating units for impairment review purposes: AHL and the MMB. The MMB cash generating unit includes the goodwill relating to the RMF and Glenwood acquisitions and an allocation of the goodwill relating to the Man Investments Australia acquisition. The remaining Man Investments Australia goodwill is allocated to the AHL cash generating unit.

The MMB cash generating unit exhibited objective evidence that the goodwill may have been impaired as the funds under management (FUM) had declined from \$23.0 billion at 31 March 2009 to \$14.8 billion at 31 March 2010.

The value in use of the MMB goodwill was assessed at 31 March 2010 by applying a discounted future cash flow model, which used as a basis the detailed budget for the financial year ending March 2011 and the

three year strategic plan to 31 March 2013, which were approved by the Board of Directors and which factored in expected sales, redemptions, fee margins, performance and cost estimates. Cash flows for a further two years were generated assuming modest growth assumptions, which management considered appropriate for the purposes of the impairment review exercise. A perpetuity growth rate of 2% has been assumed, being a prudent approximation of historic US long-term growth rates. For modelling purposes the future cash flows have been split into net management fee income and net performance fee income and have been risk adjusted for each financial year to take account of the risk attached to estimating future income streams. Accordingly, net management fee income cash flows have been adjusted down by 5-10% and net performance fee income cash flows by 30-40%. A pre-tax discount rate of 10% has been applied to these risk-adjusted cash flows.

The result of the value in use calculation suggests that there is approximately \$110 million of headroom over the goodwill balance and therefore no impairment is considered appropriate. A sensitivity analysis around the key assumptions applied in the discounted cash flow analysis has been performed. The sensitivity analysis highlighted that the value in use calculation used to support the level of goodwill relating to the MMB is largely dependent on the timing of sales being realised and the 2011 sales budget being achieved. The time over which the MMB is expected to realise the full benefits from the new business platform is likely to extend beyond the current financial year, and an impairment may therefore be triggered prior to the full benefits being achieved. The results of the sensitivity analysis are outlined below:

- If sales were \$0.5 billion lower than the 2011 budget, the headroom of discounted fee income over the goodwill balance would reduce to be approximately \$25 million;
- If the discount rate was increased by 1% to 11%, there would be a shortfall of discounted fee income over the goodwill balance of approximately \$25 million; and
- If fund performance was flat in the financial year ending 31 March 2011, instead of the assumed 8% return, there would be a shortfall of discounted fee income over the goodwill balance of approximately \$100 million.

## 2. Investments in fund products and other investments

<b>31 March 2010</b>	<b>Financial assets at fair value through profit or loss \$m</b>	<b>Available-for- sale financial assets \$m</b>	<b>Loans and receivables \$m</b>	<b>Total \$m</b>
Investments in fund products comprise:				
Amounts owed by fund products	-	-	373	373
Other investments in fund products	409	2	-	411
	<b>409</b>	<b>2</b>	<b>373</b>	<b>784</b>
Other investments comprise:				
Investment in Ore Hill DI portfolio	-	67	-	67
Exchange shares	-	4	-	4
Other equity investments	-	1	-	1
	-	<b>72</b>	-	<b>72</b>

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

### Other investments in fund products

	At 31 March 2010 \$m	At 31 March 2009 \$m	Gain/(loss) in 2010 \$m
MMB	224	494	28
AHL seeding	43	52	10
Other seeding	65	75	(2)
	332	621	36
Secondary market	10	46	-
Sales support	14	19	(3)
Other investments	55	32	19
	411	718	52

The decrease in other investments in fund products from the prior year reflects the Board's strategy to reduce balance sheet exposure in the current volatile market conditions.

In addition, the Group makes available both committed and uncommitted short-term loans to fund products, with the intention of providing temporary funding until more permanent financing structures are put in place with external providers. The average month-end balance of amounts owed by fund products during the financial year ended 31 March 2010 was \$559 million (2009: \$778 million).

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.

### 3. Revenue

Gross performance fee income for the year ended 31 March 2010 was \$52 million (2009: \$627 million) of which \$48 million (2009: \$609 million) was contributed by AHL.

Management fee revenue for the year was \$1,293 million, compared to \$1,861 million in the prior year. Gross management and other fees have decreased 31% as a result of the average FUM for the year declining. An unaudited analysis of the movements in FUM in the year and margin analysis can be found in

the 'Funds under management' section above. Interest income from amounts owed by fund products for the year ended 31 March 2010 of \$16 million (2009: \$35 million).

The Group is subject to business cycles that are aligned to the risk appetite and confidence of investors. To maintain margins the Group has a financial strategy to utilise flexibility in its cost base such that as FUM decreases the cost base can be quickly adjusted to reflect reduced revenue expectations. The reduction in the cost base to a certain extent reduces automatically with reduced FUM or sales and in other cases the reduction takes place as a result of direct management action.

The three significant costs associated with the business are: commissions, compensation and headcount related costs. Details of cost management are outlined in Notes 7, 5 and 6 respectively.

#### 4. Income statement presentation

	Note	2010 \$m	2009 \$m
Accelerated amortisation of MGS sales commissions	(a)	-	(107)
Restructuring costs – compensation	(b)	(19)	(37)
Restructuring costs – other	(b)	(34)	-
Gain on disposal of 50% of subsidiary	(c)	-	48
Impairment of Ore Hill investments and goodwill	(c)	-	(299)
Gain/(loss) arising from residual interest in brokerage assets	(d)	34	(105)
		<b>(19)</b>	<b>(500)</b>

##### (a) Accelerated amortisation of MGS sales commissions

In the prior year as a result of the MGS de-gearing process, the useful economic life of these products was reviewed and reduced, resulting in an accelerated amortisation charge of \$107 million being recognised in the income statement. There was no further material charge in the year ended 31 March 2010.

##### (b) Restructuring costs

In March 2009 the Group announced that it had implemented a plan to reduce the cost base of the business. During the year ended 31 March 2010, a further \$19 million (2009: \$37 million) of one-off compensation costs have arisen associated with this restructuring, comprising \$13 million in wages and salaries (2009: \$22 million) and \$6 million in accelerated share-based payment charges (2009: \$15 million).

An additional \$34 million of other costs associated with this restructuring have arisen, mainly onerous contract provisions in respect of leasehold properties. In respect of the excess leasehold space where the Group has an ongoing contractual arrangement from which it does not expect to receive any economic benefit, a provision of \$18 million for the onerous or non-productive element of the contract has been recognised within Trade and Other Payables in the balance sheet. An impairment charge of \$11 million has also been recognised in relation to capitalised fixed assets associated with the unused floor space, consisting predominantly of leasehold improvements and office fixtures and fittings.

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

In the prior year, the Group acquired a 50% interest in Ore Hill, and simultaneously disposed of 50% in Pemba Credit Advisors (Pemba). The disposal of Pemba resulted in a gain of \$48 million being recognised. As a result of the subsequent deterioration in market conditions, the investment in Ore Hill was reviewed for impairment and the Group recognised an impairment charge of \$214 million against the carrying value of the investment in Ore Hill. In addition, the carrying value of the Group's interest in the Ore Hill Designated Investments (DI) Portfolio was reviewed for impairment as at 31 March 2009 and an impairment charge of \$75 million against this investment was recognised in the income statement. Subsequently, 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. There was a further \$10 million charge relating to the impairment of MTM Capital goodwill. There is no further gain or loss in respect of these items in the year ended 31 March 2010.

**(d) Gain/(loss) arising from residual interest in brokerage assets**

In August 2009 the Group sold its remaining stake in MF Global under a Variable Forward Sale ('VFS') Agreement at a sale price of \$5.95 per share. The VFS Agreement guarantees that the Group will achieve a minimum of \$5.35 per share, while retaining a capped participation in future share price appreciation over a three to four year period. The VFS provided the Group with gross initial disposal proceeds of \$112 million, resulting in a net gain of \$34 million.

In the prior year the MF Global shares, which were classified as available-for-sale financial assets, had been reviewed for impairment, following a significant decrease in the underlying share price, resulting in an impairment charge of \$126m being taken through the income statement. Other net gains of \$21 million arose from the Group's residual interest in brokerage assets in 2009.

**5. Compensation**

	<b>2010</b>	2009
	<b>\$m</b>	\$m
Wages and salaries – fixed	<b>145</b>	173
– variable	<b>92</b>	180
Share-based payment charge	<b>50</b>	71
Social security costs	<b>26</b>	20
Pension costs	<b>17</b>	19
	<b>330</b>	463

The Group continues to maintain tight controls and cost flexibility in the total expense base and in particular compensation expense. Management's aim is to pay competitive total compensation based on market levels, with the bonus element being a more significant component. The bonus component is directly linked to the overall performance of the business and is established by the Remuneration Committee of the Board. Historically the total compensation has been set within a range of between 20 and 25% of revenue. Compensation is therefore variable to the overall economics of the business.

Compensation costs amounted to \$330 million, compared to \$463 million last year, reflecting the decrease in discretionary employee bonus compensation and the impact of a lower headcount. In addition to the amounts shown above, \$42 million (2009: \$62 million) of sales commissions relating to employees are included in the Group income statement charge for upfront sales commissions (Note 7).

## 6. Other costs

	2010	2009
	\$m	\$m
Occupancy	40	42
Travel and entertainment	14	21
Technology	28	31
Communication	13	16
Consulting and professional services	36	46
Depreciation and amortisation	45	39
Charitable donations	3	10
Other	53	70
<b>Total other costs</b>	<b>232</b>	<b>275</b>

Other costs have decreased to \$232 million from \$275 million in 2009. The Group has reduced its discretionary costs, in particular around consultancy and professional fees. The decrease in the other category primarily relates to staff recruitment, relocation and other personnel related costs. The Group continues to invest in its technology platforms and in AHL research.

The business is people driven and therefore the number of employees drives expenses including occupancy, communications and computer equipment and travel and entertainment. As the level of headcount is not directly proportional to the level of FUM it is possible to maintain a level of scalability within a range of FUM. Outside that range the size of the employee base would need to be actively managed.

Total fixed compensation costs and other costs were \$410 million in the year, compared to \$487 million in the prior year. The decrease of \$77 million comprises: a positive FX impact of \$10 million (as the sterling weakened against the US dollar in the year), savings in fixed compensation costs of \$24 million and saving in other costs of \$43 million.

Included in depreciation and amortisation above is \$22 million (2009: \$17 million) of amortisation of other intangible assets and \$23 million (2009: \$22 million) of depreciation of property, plant and equipment.

## 7. Sales commissions

Sales commission expense during the year comprised the following:

	2010	2009
	\$m	\$m
Upfront sales commissions	171	240
Trail commissions	154	171
	<b>325</b>	<b>411</b>

The decrease in the upfront sales commissions charge is the result of a decrease in private investor sales in 2010. The prior year also included \$107 million of accelerated amortisation related to the legacy MGS products, as outlined in Note 4(a). Trail commission costs have declined as a result of lower FUM. The impact of these factors has been partially offset by the incurrence of around \$30 million of non-recurring sales commission items. These come from two main sources. Firstly, some "catch-up" trail commission paid to a large distributor following the settlement of an outstanding liability; and secondly, the accelerated amortisation of commission payments on some legacy products, where negative AHL performance over the last year has made their intended re-gear less likely in the near term.

Flexibility in the cost base relating to commissions is maintained through the automatic decline in placement fees as new sales decline, likewise as the FUM balance declines servicing commissions also reduces in line with FUM movements.

## 8. Earnings per ordinary share (“EPS”)

The calculation of basic EPS is based on a basic post tax earnings (+) for the year of \$421 million (2009: \$485 million) and ordinary shares of 1,678,121,503 (2009: 1,687,787,700), 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.

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 \$421 million (2009: \$485 million) and ordinary shares of 1,700,089,060 (2009: 1,707,878,896), calculated as shown in the following table:

	2010		2009	
	Total Number (millions)	Weighted average (millions)	Total Number (millions)	Weighted average (millions)
Number of shares at beginning of year	1,707.9	1,707.9	1,715.3	1,715.3
Issues of shares	4.4	2.8	23.2	7.9
Repurchase and cancellation of own shares	-	-	(30.6)	(17.9)
Number of shares at 31 March	1,712.3	1,710.7	1,707.9	1,705.3
Shares owned by employee trusts	(26.8)	(32.6)	(28.9)	(17.5)
<b>Basic number of shares</b>	<b>1,685.5</b>	<b>1,678.1</b>	<b>1,679.0</b>	<b>1,687.8</b>
Share awards under incentive schemes		21.9		19.5
Employee share options		-		0.6
<b>Dilutive number of shares</b>		<b>1,700.0</b>		<b>1,707.9</b>

Adjusted diluted earnings per share for the year decreased 55% to 25.5 cents, compared to 57.0 cents last year. Adjusting items in the year include the gain arising on the residual interest in brokerage assets and costs arising from the restructuring programme announced in March 2009, as discussed in Note 4. Statutory diluted earnings per share were 24.8 cents, compared to 28.4 cents last year.

The reconciliation from EPS to an adjusted EPS is given below:

Year to 31 March 2010				
	Basic post-tax earnings \$m	Diluted post-tax earnings \$m	Basic earnings per share cents	Diluted earnings per share cents
Earnings per share +	421	421	25.1	24.8
Items for which EPS has been adjusted (Note 4)	19	19	1.1	1.1
Tax on the above items	(8)	(8)	(0.4)	(0.4)
<b>Adjusted Earnings per share</b>	<b>432</b>	<b>432</b>	<b>25.8</b>	<b>25.5</b>

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 +	485	485	28.7	28.4
Items for which EPS has been adjusted (Note 4)	500	500	29.6	29.3
Tax on the above items	(13)	(13)	(0.7)	(0.7)
<b>Adjusted Earnings per share</b>	<b>972</b>	<b>972</b>	<b>57.6</b>	<b>57.0</b>

+ The difference between profit after tax and basic and diluted post-tax earnings is the adding back of the expense in the year relating to the Fixed Rate Perpetual Capital Securities, totalling \$24 million post-tax at 28% (2009: \$18 million).

## 9. Dividends

	2010 \$m	2009 \$m
<b>Ordinary shares</b>		
Final dividend paid for 2009 – 24.8 cents (2008: 24.8 cents)	419	423
Interim dividend paid for 2010 – 19.2 cents (2009: 19.2 cents)	326	295
<b>Dividends paid during the year</b>	<b>745</b>	<b>718</b>
<b>Proposed final dividend for 2010 – 24.8 cents (2009: 24.8 cents)</b>	<b>425</b>	<b>416</b>

The proposed final dividend recommended by the Board is payable on 20 July 2010, subject to shareholder approval, to shareholders who are on the register of members on 2 July 2010. Dividends on ordinary shares are declared in US dollars but paid in sterling.

	2010 \$m	2009 \$m
<b>Fixed rate perpetual subordinated capital securities</b>		
<b>Dividends paid during the year</b>	<b>33</b>	<b>25</b>

The \$33 million (2009: \$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.

## 10. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks as follows:

	2010			2009		
	Overnight \$m	2-90 days \$m	Total \$m	Overnight \$m	2-90 days \$m	Total \$m
Cash at bank and in hand	178	36	214	261	19	280
Short-term deposits	2	3,013	3,015	10	2,071	2,081
	<b>180</b>	<b>3,049</b>	<b>3,229</b>	271	2,090	2,361

Cash balances increased \$868 million in the year to \$3,229 million. Net of borrowings and issued debt the net cash position at year-end was \$1,740 million, up from \$1,718 million at the end of the prior year.

Cash generated from operations was as follows:

	2010 \$m	2009 \$m
Profit for the year	445	503
Adjustments for:		
- Income tax	96	240
- Loss/(gain) on sale of subsidiary	6	(48)
- Finance income	(29)	(58)
- Finance expense	36	38
- Share of results of associates and joint ventures	(70)	(144)
- Loss on disposal of an associate	-	11
- Depreciation and impairment of property, plant and equipment	34	22
- Amortisation of intangible fixed assets	132	257
- Share-based payments expense	56	86
- Fair value gains on available-for-sale financial assets	(31)	(29)
- Impairment of Ore Hill investments and goodwill	-	299
- (Gain)/loss arising from residual interest in brokerage assets	(34)	143
- Net (gains)/losses on financial instruments	(23)	96
- Increase/(decrease) in provisions	12	(2)
- Other non-cash movements	73	92
	<b>703</b>	<b>1,506</b>
Changes in working capital:		
- Decrease in receivables	115	297
- Decrease in other financial assets	201	465
- Decrease in payables	(98)	(300)
<b>Cash generated from operations</b>	<b>921</b>	<b>1,968</b>

## 11. Borrowings

	2010 \$m	2009 \$m
Bank overdrafts	55	1
Fixed rate notes	1,034	243
Floating rate notes – subordinated debt	400	399
	<b>1,489</b>	<b>643</b>

On 18 February 2010 the Group issued €600 million Fixed Rate Notes due 18 February 2015 (2015 Fixed Rate Notes) under the Group's \$3 billion Euro Medium Term Note Programme dated 21 December 2007 (EMTN Programme). The 2015 Fixed Rate Notes have a coupon of 6.0% per annum payable annually in arrears up to and including the maturity date.

On 1 August 2008 the Group issued \$250 million Fixed Rate Notes due 1 August 2013 (2013 Fixed Rate Notes) under the EMTN Programme. The 2013 Fixed Rate Notes have a coupon of 6.5% per annum payable semi-annually in arrears up to and including the maturity date. On 18 February 2010 \$17 million of the 2013 Fixed Rate Notes were repurchased leaving \$233 million outstanding as at 31 March 2010.

The subordinated Floating Rate Notes consist of \$400 million Eurobonds issued 21 September 2005 and due 22 September 2015. The notes may be redeemed in whole at the option of the Group on any interest payment date falling on or after 22 September 2010, subject to FSA approval. The interest rate is 3-month US dollar LIBOR plus 1.15% until 22 September 2010 and thereafter is 3-month US dollar LIBOR plus 1.65%.

Except for the 2015 Fixed Rates Notes and 2013 Fixed Rate Notes above, all of the Group's other borrowings are subject to floating interest rates.

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

	2010		2009	
	Fair value	Carrying amounts	Fair value	Carrying amounts
	\$m	\$m	\$m	\$m
Bank overdrafts	55	55	1	1
Fixed rate notes	1,083	1,034	225	243
Floating rate notes - subordinated debt	366	400	208	399
	<b>1,504</b>	<b>1,489</b>	434	643

## 12. Exchange rates

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>
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

## 13. Post balance sheet events

On 17 May 2010, the Board announced that it had reached an agreement on the terms of the recommended acquisition of GLG Partners, Inc. (GLG) (the Acquisition). On the basis stated in the announcement of 17 May 2010, the Acquisition values the fully diluted share capital of GLG at approximately \$1.6 billion and creates a diversified, world-leading alternative investment manager with approximately \$63 billion of funds under management.

At 31 March 2010, GLG had funds under management of approximately \$23.7 billion. GLG generated non-GAAP adjusted net income of approximately \$81 million for the year ended 31 December 2009.

The Acquisition is structured as a cash merger transaction with respect to the GLG Public Stockholders and a share exchange transaction in respect of the GLG Principals. The Acquisition is expected to close by the end of September 2010. On the closing date, GLG will become a wholly owned subsidiary of the Group. Closing is conditional upon approval of GLG stockholders, the Man Group plc's shareholders and regulatory approvals, including the FSA.

The cash consideration payable will be funded by existing cash resources and the Group will continue to have a significant level of available liquidity. The consideration is likely to be almost entirely allocated to goodwill and other identifiable assets (for example, investment management contracts) and will therefore result in the Group's regulatory capital headroom being reduced to approximately \$300 million at the closing date.