



# ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

**Man Group plc**



Innovating to perform



# Welcome

# Man Group Annual Report 2013

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## Links

**Throughout this report there are links to pages, other sections and web addresses for additional information.**

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**Man is one of the world's leading investment management companies, offering a wide range of investment products accessible through a variety of formats to meet client needs and regulatory requirements globally.**

- Performance-driven investment culture
- \$54.1<sup>1</sup> billion funds under management (FUM) across a full range of investment styles
- Based in London with offices in every major region and approximately 1,115<sup>1</sup> employees
- A powerful distribution network that serves a highly diversified client base
- Constituent of the FTSE 250 Index (UK:EMG)

**Note:**

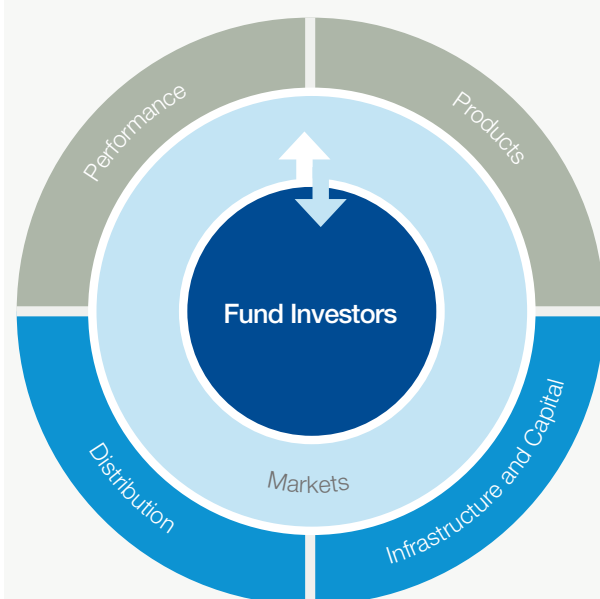
<sup>1</sup> As at 31 December 2013

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# Highlights

- Funds under management (FUM) down 5% to \$54.1 billion at 31 December 2013.
- Adjusted profit before tax up 8% on 2012 with an increase in performance fee profits and cost savings being partially offset by a decrease in management fees.
- Adjusted EBITDA of \$434 million, with a margin of 40%. Cash inflows from operating activities for the year of \$448 million.
- Statutory pre-tax profit of \$56 million (2012: \$748 million loss).
- Mixed investment performance in the year to 31 December 2013: AHL Diversified Programme -3.1%; GLG alternatives weighted average composite +5.6%; FRM Diversified II strategy +6.0%; Japan CoreAlpha strategy +64.6%.
- Continued progress made in reshaping the business.
- On track to deliver total cost savings of \$270 million by the end of 2015.
- Regulatory capital surplus of \$760 million at 31 December 2013.
- Dividend for the year of 7.9 cents per share in line with our stated dividend policy. Proposed final dividend of 5.3 cents per share. Payable at a rate of 3.19 pence per share. Intention to repurchase \$115 million of shares.

## Funds under management (FUM)

\$54.1bn

Down 5% from \$57.0bn at 31 December 2012 and up 1% excluding guaranteed products. The decrease comprises: net outflows of \$3.6bn, de-gearing and other movements of \$2.1bn, negative FX of \$1.5bn, partly offset by positive investment performance of \$4.3bn.

## Sales

\$16.1bn

Split \$10.2bn alternatives and \$5.9bn long only. The \$3.3bn or 26% increase compared to the year ended 31 December 2012 was split \$1.2bn in alternatives and \$2.1bn in long only. 71% of the total gross sales were from GLG, 15% from AHL/MSS and 14% from FRM.

## Net flows

\$(3.6)bn

Compared to net outflows of \$7.3bn in the year ended 31 December 2012. Excluding guaranteed products net outflows were \$2.4bn with a \$2.9bn net outflow from alternatives partially offset by a \$0.5bn inflow into long only.

## Revenue

\$1,160m

Gross revenue comprised \$967m of management fees and \$193m of performance fees. Revenue was impacted by: the decrease in FUM, a decline in the aggregate gross management fee margin from 209bps in the prior period to 179bps in 2013 (as a result of the continuing product mix shift) partially offset by an increase in performance fees, the majority of which were from GLG. Revenue was \$1,299m for the prior period.

## Adjusted profit before tax

\$297m

Comprises adjusted net management fee income of \$175m and net performance fee income of \$122m. Adjusted profit before tax for year ended 31 December 2012 was \$275m comprising adjusted net management fee income of \$220m and net performance fee income of \$55m.

## Statutory profit before tax

\$56m

Reflects adjusting items including the impairment of FRM goodwill (\$69m), redundancy costs (\$36m), onerous lease provisions and accelerated depreciation (\$71m) and amortisation of acquired intangibles (\$66m). A full reconciliation between the statutory profit and adjusted profit for the year is given in [Note 2](#) of the financial statements. The loss before tax for the year ended 31 December 2012 was \$748m.

## Adjusted diluted management fee earnings per share

7.9 cents

Adjusted management fee earnings per share for the year ended 31 December 2012 were 9.2 cents. The decrease reflects the decline in our management fee revenue streams due to the reduction in FUM and aggregate gross management fee margin partially offset by cost savings and tax credits. A reconciliation to the statutory earnings per share is given in [Note 10](#) to the financial statements.

## Adjusted diluted earnings per share

14.1 cents

Up 20% compared to the year ended 31 December 2012. The increase reflects higher net performance fees and tax credits partially offset by lower net management fee earnings. A reconciliation to the statutory earnings per share is given in [Note 10](#) to the financial statements.

## Statutory diluted earnings per share

2.9 cents

Reflects goodwill impairment, amortisation of acquired intangibles and restructuring charges incurred in the year. Diluted loss per share for the year ended 31 December 2012 was 45.8 cents.

# Chairman's statement



**Jon Aisbitt**  
Chairman

## Chairman's review

2013 proved to be another tough year for our business. While the first quarter saw a return to a more stable environment, the rest of the year was impacted by uncertainty regarding the cessation of the US Federal Reserve's asset purchase programme which led to the de-risking and sell off of bond and equity portfolios. As a result, the performance of Man's funds in these later quarters was mixed; certain GLG discretionary strategies performed well while AHL and FRM returns were negative or flat. The negative AHL performance resulted in a further reduction in our high margin guaranteed product and the renewed volatility and uncertainty subdued investor appetite overall and resulted in a net outflow for the year.

The headline results on the opposite page show the negative impacts of this degear and net outflow on FUM and management fee revenues. Cost savings and higher performance fees from GLG resulted in increased adjusted profits for the year. The Board focuses on adjusted profit as this reflects the recurring revenue and costs that drive our future cashflows. Statutory profit was \$56 million compared to a statutory loss of \$748 million in 2012. Against this trading background, the Board has continued to focus on the core business priorities of driving strong investment performance, creating opportunities for growth, ensuring effective distribution and delivering cost and balance sheet efficiency.

## Investment performance

The performance of the individual investment managers is key to Man's success and is closely monitored in both absolute and relative terms. The Board receives regular data on the performance of the main competitor funds and examines our fund's relative performance in some detail. It explores with AHL the impacts of the enhancements they have made to Man's core momentum product and the comparison with the models used by other trend followers. It seeks explanations of the performance of individual GLG discretionary strategies and teams. The progress of the fund of funds business since the FRM acquisition is regularly reviewed.

## Growth opportunities

The Board keeps abreast of expert intelligence on projected hedge fund industry growth and explores future asset raising potential. It has discussed with AHL the marketing of the Evolution strategy, diversification into broader based quant products and the launch of new investment vehicles. It has been kept updated on progress on the new GLG Multi-Asset Total Return and Fixed Income strategies and has recognised the opportunities for FRM offered by its managed account platform. In addition, we continue to review possible bolt-on and asset consolidation acquisitions which could diversify the Group's investment management offering.

## Effective distribution

The Board has overseen the rationalisation of the retail structured product distribution structure and the reorientation of the sales team to match the increasing business focus on institutional flows. It continues to monitor the impact of the new sales compensation structure introduced last year to incentivise both the raising and retention of assets and create closer alignment with shareholder interests. It is intent on achieving progress on fund raising in the key US market and is kept updated on significant hires to support this.

## Balance sheet efficiency and cost reduction

In April 2013 Man announced the change in its regulatory status from being a Full Scope to a Limited Licence group and the associated increase in surplus regulatory capital. The Board elected to use some of this capital to repay all of the Group's debt and hybrid instruments. It reviews at every meeting progress on management's implementation of the ongoing cost reduction programme which is on track to deliver the total \$270 million announced savings by the end of 2015.

## Dividend

In line with our previously stated policy, the Board has announced a recommended final dividend of 5.3 cents per share, subject to approval by shareholders at the 2014 AGM. In addition, it is our intention to launch a \$115 million share repurchase programme to return surplus capital to shareholders, which will be conducted over the remainder of the year.

## Board changes

2013 saw substantial change to our Board. At the end of February, as previously reported, Emmanuel (Manny) Roman was appointed as Chief Executive Officer in succession to Peter Clarke, and Alison Carnwath, a long serving non-executive director, retired at our 2013 AGM. Later in the year our Senior Independent Director, Patrick O'Sullivan, stood down from the Board and was succeeded in that role by Phillip Colebatch, Chairman of the Remuneration Committee. We have been joined by two new non-executive directors, Andrew Horton, Chief Executive Officer of Beazley, and Dev Sanyal, Executive Vice-President and Group Chief of Staff of BP, who bring valuable strategy development, risk management and operational expertise from their executive roles. Fred Jolly, who has served as a non-executive director for five years, will be retiring at our 2014 AGM. We wish Fred and those directors who have left the Board the very best for the future and extend a warm welcome to Andrew and Dev.

## Outlook

The Board is confident in the executive team it has put in place and is pleased with the progress made in improving Man's capital and cost efficiency. In 2014 we shall continue to work together to drive investment performance, diversify Man's product offering and grow the business in pursuit of improved long-term returns for our shareholders.



# Strategic framework

## Objective

**Our objective is to be a leading provider of liquid, high-alpha investment strategies across a diversified range of asset classes and geographies.**

### Business model

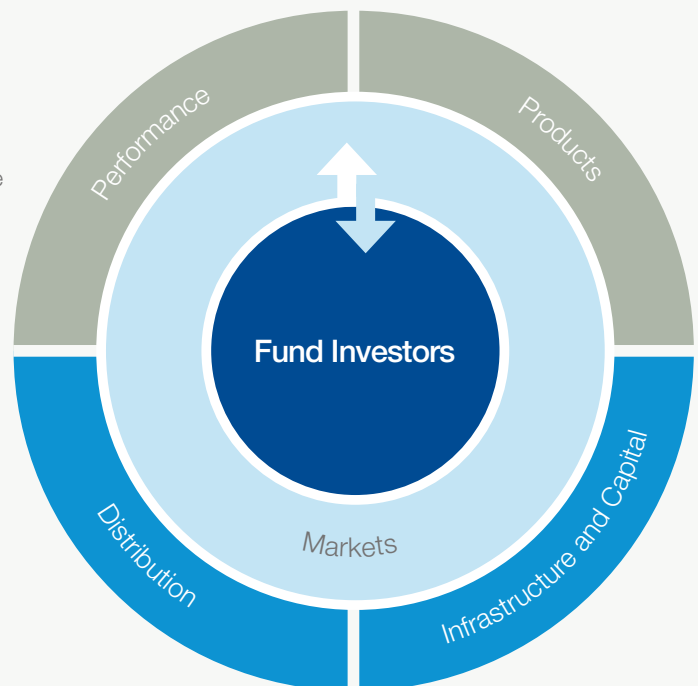
Man's business model begins and ends with investment performance, and the ability of our investment managers to deliver strong long-term performance for our investors across a broad spectrum of investment strategies. Our expertise in investment management, combined with local client and regulatory knowledge, longstanding relationships and operational scale enables us to build investor solutions for private investors and institutions, worldwide. Our marketing, sales and client support deliver highly professional client service to investors and local partners.

### Revenue generation

Investment performance and fund flows drive the economics of our business. Management fees are charged for providing investment management services at a percentage of each fund entity's gross investment exposure or NAV. Performance fees are charged as a percentage of investment performance above a benchmark return or previous higher valuation 'high water mark'.

### Costs

Man is fundamentally a people business and the majority of our costs comprise payments to individuals whether they are third-party intermediaries or internal sales staff who distribute our products, our investment managers who manage investor assets or the teams that manage our operations and infrastructure. To achieve superior performance for our clients and shareholders we need to have the right people in the right roles, fully motivated and competitively paid.






See [pages 6 to 7](#) for more detail



## Market context

Markets remain sensitive to the influence of political as much as economic decisions and we continue to see spikes in volatility. This creates a difficult environment for trend following strategies and the risk on/risk off environment means that investor sentiment remains fragile. In light of this challenging backdrop we are focusing on the things we can control as set out in our strategic priorities.

Strategic priorities	Performance	Growth	Distribution	Efficiency	
 See <a href="#">pages 9 to 13</a> for more detail	<b>Deliver strong risk adjusted long term investment performance</b>  Achieve industry-leading risk-adjusted performance across a wide range of liquid investment strategies.	<b>Focus on generating high-alpha investment opportunities</b>  Develop high-alpha investment products and restructure existing products to appeal to a broader client base.	<b>Ensure distribution effectiveness</b>  Reorienting the distribution effort to reflect the increasing demand from institutional channels and away, in particular, from guaranteed products.	<b>Cost reduction</b>  Our key focus is implementing our cost saving programmes and running the business as efficiently as possible.	<b>Maintain balance sheet efficiency</b>  As the mix of our business changes away from guaranteed products we will continue to focus on maximising the efficiency of our balance sheet.
<b>Key performance indicators</b>   See <a href="#">page 15</a> for more detail	Our four financial KPIs as listed below illustrate and measure the relationship between the investment experience of our fund investors, our financial performance and the creation of shareholder value over time. These KPIs are used on a regular basis to evaluate progress against our strategic priorities: investment performance; creating options for growth; distribution effectiveness; and efficiency. <ul style="list-style-type: none"> <li>• Investment performance</li> <li>• Net flows</li> <li>• Adjusted management fee EBITDA margin</li> <li>• Adjusted management fee EPS growth</li> </ul> The executive directors' long-term remuneration is linked to performance against KPIs, as detailed on <a href="#">page 50</a> .				
<b>Risks</b>   See <a href="#">page 20</a> for more detail	Man identifies its principal risks across the firm and assesses their likely impact. We measure and monitor the size of our risks, and implement controls and transactions to reduce and hedge exposures in order to ensure that they stay within our firm-wide risk appetite framework.		Man's principal risks are: <ul style="list-style-type: none"> <li>• Investment underperformance risks</li> <li>• Legal risks</li> <li>• Regulatory risks</li> <li>• Operational risks</li> <li>• Credit/counterparty risks</li> <li>• Discretionary trading risk</li> <li>• Key staff retention</li> <li>• Reputational risks</li> </ul>		

The strategic report is set out on [pages 4 to 25](#)

By order of the board

**Emmanuel Roman**  
 Chief Executive Officer



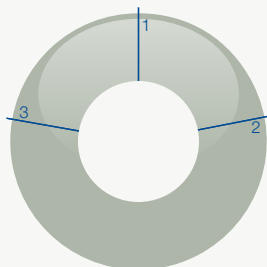


# Business model

## Performance

Man's investment managers have expertise in a diverse range of strategies, which offer investment returns matched to investor appetite for risk and reward.

FUM by manager



1. AHL/MSS	\$11.9bn	22%
2. GLG	\$30.2bn	56%
3. FRM	\$12.0bn	22%

### AHL

AHL/MSS is Man's systematic investment specialist that focuses on delivering a range of absolute return, long only and momentum-based quantitative funds. As a pioneer in the systematic trading of global markets, and with a 25-year track record, AHL/MSS has established itself at the forefront of its field. Backed by extensive research capabilities and a singular collaborative culture, AHL/MSS apply innovative quantitative methods, informed by market understanding, to locate potential opportunities in more than 300 markets worldwide.

### GLG

GLG is a leading discretionary, multi-strategy global investment management business that offers a range of absolute return and long only strategies across asset classes, sectors and geographies. Founded in 1995, GLG has built up a team of investment professionals covering equity, macro, emerging markets, credit, fixed income, convertible bond and thematic strategies.

### FRM

FRM is the largest, independent alternatives specialist based in Europe and employs an extensive research and investment team located in London, New York, Tokyo, Guernsey and Pfaffikon (Switzerland). It specialises in open architecture hedge fund and alpha strategy solutions for institutional investors, including fund of hedge funds, client advisory solutions, outsourced research and consulting. Their extensive managed accounts platform offers institutional investors control, transparency and sophisticated risk management.

## Fund Investors

Man's investor base is broadly split one third/two thirds between private investors and institutional investors. Man's private investor base is focused on the mass affluent market and high net worth individuals and our institutional clients are predominantly pension funds, insurance companies, banks, asset managers, sovereign wealth funds and endowments.

These investors invest in independent fund entities for which Man acts as the investment manager. The independent fund entities pay Man management fees and performance fees.

Management fees are charged for providing investment management services at a percentage of each entity's gross investment exposure. Gross investment exposure in this report is referred as FUM.

Performance fees are charged as a percentage of the investment performance earned above a benchmark return or a previous higher valuation 'high water mark'.

The fund entities are independently governed. Their investment performance, assets and liabilities are separate from Man and are not consolidated into Man's financial statements.

## Distribution

Our extensive global distribution network, long established local relationships and high quality technology-enabled investor reporting gives us competitive advantage.

We distribute our products and solutions to private investors via a unique global network of intermediaries, and directly to institutions. Intermediaries are rewarded through sales commission. Client service is an essential part of our growth strategy and we focus equally on expanding our investor base and serving existing investors.

### EMEA

London, Pfaffikon, Rotterdam, Dubai

### FUM

73%

### The Americas

New York, Toronto, Montevideo

### FUM

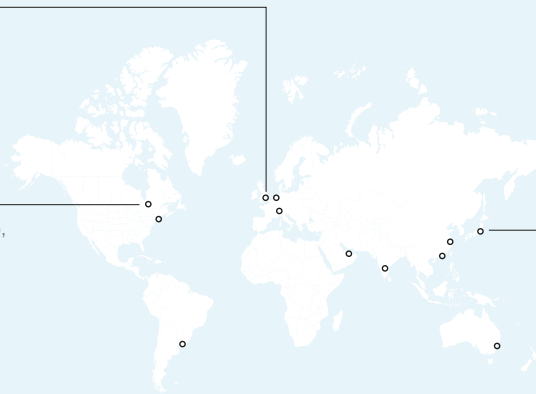
7%

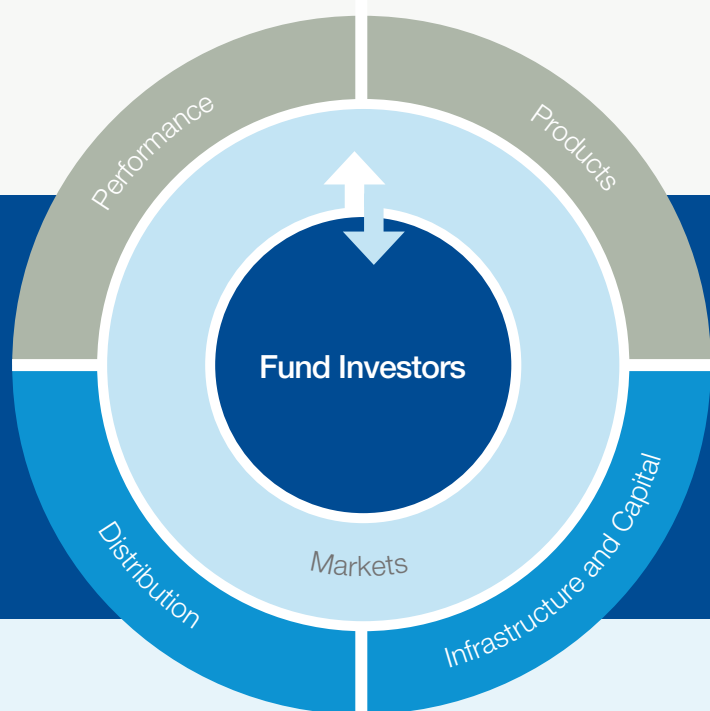
### Asia Pacific

Tokyo, Hong Kong, Beijing, Sydney

### FUM

20%



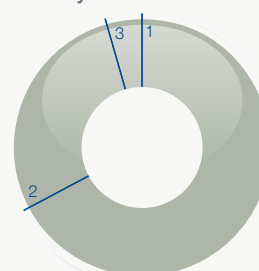


## Products

Man is able to offer a wide range of liquid investment strategies and formats across geographies to meet the needs of the investor. These include quantitative and discretionary, long only and long short, single and multi-manager.

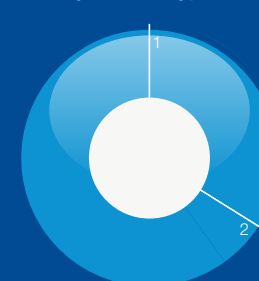
Investor priorities and regulatory regimes vary significantly between jurisdictions, meaning that investor solutions need to be carefully tailored to the needs of local markets. Having the scale and expertise to be able to package investment returns appropriately to meet investor and regulatory requirements is a key source of competitive advantage.

FUM by format



1. Alternative	\$36.5bn	67%
2. Long only	\$15.3bn	29%
3. Guaranteed	\$2.3bn	4%

FUM by investor type



1. Private	34%
2. Institutional	66%

## Infrastructure and capital

Surrounding our investment management and distribution is strong operational infrastructure, risk management, people management and governance which ensures the sustainability of our business model and enables us to take advantage of new business opportunities.

**Risk management and governance** Man's comprehensive risk management framework forms an essential part of our business model and enables us to protect the interests of both investors and shareholders.

**People** Man employs 1,115 people. In addition to the 332 investment professionals and 200 people in sales and marketing we have 370 people in operations and technology and 213 people in management and support.

**Capital** Our surplus capital of \$760 million and liquidity resources of \$2.5 billion give us flexibility to support and grow our business across market cycles.



# CEO's performance review



**Emmanuel Roman**  
Chief Executive Officer

## In 2013 we largely completed the restructuring of our cost base and balance sheet and made progress in developing and building in new business areas, although results will only be seen in the long term.

Notwithstanding this progress, conditions for the business in 2013 remained challenging. Performance, whilst reasonable on a relative basis, was mixed on an absolute basis. Flows were weak in the first half but showed modest signs of improvement towards the end of the year. The result was a 5% reduction in funds under management during the year.

### Market overview

The first four months of 2013 saw reduced correlation between asset classes and the reassertion of trends, off the back of the risk rally triggered by the US 'fiscal cliff' being averted, some positive key data points in the US and China and a significant shift of investors from bonds to equities.

By contrast the period from mid-May to the end of June proved to be a very volatile and difficult one for most markets, as news that the Fed's assets purchase programme could be reduced as early as mid-2013 dominated sentiment. Markets viewed the announcement as a signal that the climate of historically low rates and Federal support was likely to end earlier than was previously expected. Investors reacted negatively and the bond market sold-off as investors de-levered and de-risked fixed income portfolios.

Market volatility continued over the summer and into September, driven by the perceived likelihood of a premature end to US economic stimulus. As a result developed market equities pushed higher, whilst developed market spreads continued to tighten, US treasury yields increased marginally and emerging equity markets suffered. These themes continued into the fourth quarter however volatility reduced significantly. As a consequence risk assets in developed markets performed well overall in 2013, the TOPIX was up 56%, the S&P 500 was up 29.6% and the FTSE 100 was up 14%. Fixed income markets had a difficult year with bonds and corporate bonds ending the year up 0.2% and down 7.1% respectively.

Hedge funds rose an average of 9.3% surpassing returns from 2012 and 2011 (7.4% and -3.1% respectively) and just shy of 2010's 10.5% gain. There were a range of returns across strategies with equity exposure providing the industry's best return in 2013, mirroring trends in the broader equity market. Credit strategies faced a difficult 2013 posting their third lowest annual return since 1998. Performance was dragged down by directional credit strategies underperforming in the second half of the year, however within this universe there were a few segments that provided solid returns. Macro hedge funds ended the year slightly positive and while managed futures funds had positive returns in the first and fourth quarters this was not sufficient to overcome heavy losses suffered in May and June 2013.

### 2013 results

Against this backdrop performance in 2013 was mixed amongst Man's range of strategies. Discretionary GLG strategies performed well, FRM fund of funds strategies performed in line with relevant benchmarks and despite some quant strategies doing broadly well, our flagship AHL trend following strategies had a more difficult year.

FUM decreased to \$54.1 billion, mainly as a result of net outflows and further de-gearing in our guaranteed products linked to AHL performance. Excluding guaranteed products, FUM increased by \$0.5 billion with an increase in GLG FUM being partially offset by a decrease in FRM and AHL/MSS FUM. Adjusted profit before tax for the year was up 8% compared to 2012 with higher performance fees and cost savings being partially offset by a decline in management fees reflecting the continued shift in the business towards lower margin product.

### Update on progress against strategic priorities

During the year we have made progress against the strategic priorities set out in last year's annual report aimed at positioning the firm for future growth, whilst controlling costs and maximising the efficiency of our balance sheet.



## Performance

Deliver strong risk adjusted long-term investment performance

- AHL and MSS combined creating one centralised investment function for quantitative strategies
- Mixed absolute performance in quant strategies – AHL Evolution strategy up 16.9%, AHL Diversified strategy down 3.1%
- Reasonable relative performance with AHL beating 2 out of its 3 key peers
- Strong performance across the majority of GLG strategies on a risk adjusted basis
- Top quartile performance from our Japan equities strategy which was up 64.6% in 2013
- Improved relative performance in the diversified FRM portfolios

Investment performance remains the most important factor in our success. We aim to generate superior risk-adjusted returns for our fund investors through the quality of our research, the talent of our investment managers and the strength of our operations and risk infrastructures. During 2013 performance increased FUM by \$4.3 billion, a blended return across the business of 7.9%, with particularly strong performance being generated by our discretionary strategies.

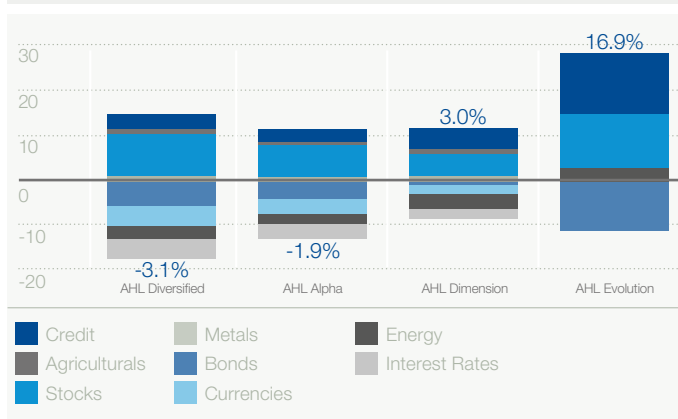
### AHL/MSS

At the beginning of 2013, Man strengthened its quantitative capabilities by combining AHL with MSS to form one centralised investment function for quantitative strategies. By uniting AHL's deep experience in the managed futures space and MSS's breadth of quantitative investment knowledge, Man aims to enhance the quantitative research process with the goal of improving products and performance. Led by Executive Chairman Tim Wong and CEO Sandy Rattray, AHL/MSS now manages several systematic portfolios, including managed futures, quantitative multi-strategy, equity alpha-capture, tail protection and sector-focused funds. Our aim is to create a broad based quant business and have already made progress in this regard, with 34% of AHL/MSS FUM now away from the historical core trend following strategies.

Performance during 2013 was strong for several AHL/MSS strategies. The AHL Evolution strategy was up 16.9%. Our MSS TailProtect strategy performed well ahead of its relevant benchmark and most other MSS strategies outperformed their benchmarks in 2013: the newly-launched Asia and Continental Europe ETFs performed particularly well. In contrast performance was once again difficult for flagship managed futures funds with trends in risk assets (e.g. equities, credit and precious metals) being offset by reversals in fixed income and currencies, particularly during the second quarter (as can be seen in the chart opposite). The result was that performance for the AHL Diversified Programme was down 3.1% to 31 December 2013 and AHL Alpha, the lower-volatility strategy, was down 1.9%. The performance KPI for AHL is the AHL Diversified strategy versus three key peer asset managers (the target being to beat two of the three peers) and as such AHL met the target for 2013.

Over the course of the year, our research effort bore fruit. As an example, our fixed income team refined its models in the second half to deal better with a future rate environment, which is unlikely to echo the steady yield declines observed over the past few decades. In addition, research into new markets continued apace; they remain a key differentiator for managed futures strategies and over 70 markets were added to the Evolution strategy portfolio in 2013.

### Performance across AHL/MSS funds



Source: Man database and Bloomberg.

Sector attribution shown net of fees; 2013 net performance shown in figures above/below bars. AHL Diversified: Represented by Man AHL Diversified (Guernsey) USD Shares – Class A which is valued weekly; however, for comparative purposes, statistics have been calculated using the best quality price that is available at each calendar year end, using estimates where a final price is unavailable. AHL Alpha: Represented by AHL Strategies PCC Limited: Class Y AHL Alpha USD Shares which is valued weekly; however, for comparative purposes, statistics have been calculated using the best quality price that is available at each calendar year end, using estimates where a final price is unavailable. AHL Dimension: Represented by AHL Strategies PCC Limited: Class B AHL Dimension USD Shares. AHL Evolution: Represented by AHL (Cayman) SPC: Class A1 Evolution USD Shares. There is no guarantee of trading performance and past or projected performance is not a reliable indicator of future performance. Returns may increase or decrease as a result of currency fluctuations. Assumptions have been applied to the calculation of sector contribution to show contribution net of fees. The sector contribution is only intended to be indicative.

### GLG

2013 has been a positive year for GLG with good absolute performance across a broad range of our Alternative and Long only strategies. This strong absolute performance resulted in GLG recording \$155 million of gross performance fees in 2013.

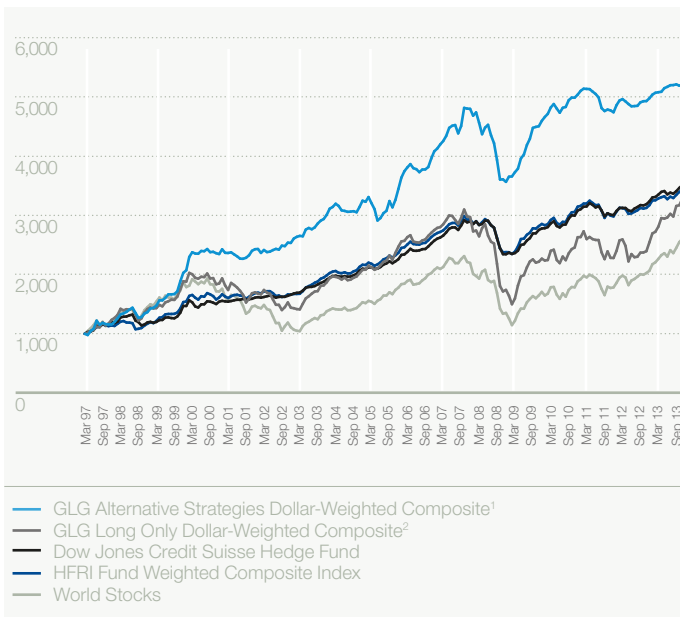
Amongst our alternative funds our credit strategies delivered another year of double digit net returns. Our equity strategies have delivered solid single digit returns with low volatility and the European Long-Short and European Alpha strategies in particular have seen significant client interest throughout the year. Some of the stronger performers included the Euro Distressed strategy (+12.4%), the European Long-Short strategy (+7.1%), the Asian equities strategy (+7.2%) and the Market Neutral strategy (+10.3%).



## CEO's performance review continued

# Strategic update

GLG track record 1 April 1997 to 31 December 2013



Source: Man database, Bloomberg and MSCI. There is no guarantee of trading performance and past or projected performance is not a reliable indicator of future performance. Returns may increase or decrease as a result of currency fluctuations.

Please note that the HFRI index performance over the past four months is subject to change. World stocks: MSCI World Net Total Return Index hedged to USD.

- 1 Represented by the GLG Alternative Strategies Dollar-Weighted Composite. GLG alternative strategy dollar-weighted average returns are calculated as the composite performance of the alternative strategy funds and funds that have closed, in addition to managed accounts managed in accordance with alternative strategies, weighted by the sum of the prior month-end AUM.
- 2 Represented by the GLG Long Only Dollar-Weighted Composite. GLG long only dollar-weighted average returns are calculated as the composite performance of the long only strategy funds and funds that have closed, in addition to managed accounts managed in accordance with long only strategies, weighted by the sum of the prior month-end AUM.

The majority of equity and credit strategies performed in line with or exceeded the relevant benchmarks but the atlas macro and emerging markets strategies performed below benchmarks. The performance KPI for GLG is the GLG alternative dollar-weighted composite versus the HFRX, this KPI was not met in 2013, mainly due to the fact that a number of GLG's largest and strongest performing strategies are market neutral by design in contrast to much of the hedge fund industry.

We are pleased with the breadth of performance across our long only strategies during the year with almost all strategies outperforming their peers. Our Japan equities strategy continued its long track record of excellent performance and was up 64.6% in Yen terms, more than 10% ahead of the TOPIX benchmark. Our Global, European and UK equity strategies also performed strongly up between 24% and 30% and our convertible credit strategies also delivered strong returns. We continue to build track records in other long only strategies and as a result we are seeing client interest across a broad range of long only strategies.

### FRM

FRM had a broadly positive first six months of the year as market conditions improved from 2012; dispersion between assets rose, and investor inflows resulted in more fundamentally driven pricing, particularly in equities. Both Credit Long/Short and Equity Long/Short managers were among the top performing styles. Q3 was a weaker period for performance. The adjustment of the world to higher bond yields resulted in a pause in the return generation of many systematic strategies; managed futures were hit particularly hard, but Statistical Arbitrage also struggled as a result of the shift in the correlation structure. With the stabilisation of rates in Q4, stronger performance returned across the majority of strategies. Over the year as a whole, the strongest performing strategies were Equity Long-Short and Credit Long-Short, closely followed by Statistical Arbitrage. Global Macro, both discretionary and systematic, was the weakest strategy.

Assets under management declined due to a combination of adverse FX movements, structured product deleveraging and client redemptions. The performance in the diversified portfolios improved, FRM Diversified II was up 7.0%, with some client specific portfolios also above 7%. Thematic portfolio performance was more mixed, with managed futures performing in line with the industry, however our Statistical Arbitrage portfolio generated positive returns and was up 6.7%. The KPI for FRM is FRM Diversified II versus the HFRI conservative fund of fund index, which was not met in 2013 as this strategy carries less equity market beta than other fund of fund strategies.

	31/12/2008–31/12/2013			
	Annualised return over cash	Annualised volatility	Sharpe	Beta
FRM Diversified II Fund SPC – USD Class B <sup>1</sup>	6.00%	2.78%	2.15	0.08
HFRX Global Hedge Fund Index	3.46%	4.34%	0.80	0.19
HFRI FOF Conservative Index	3.96%	3.01%	1.31	0.12
HFRI FOF Diversified Index	4.73%	3.80%	1.24	0.16

Source: Bloomberg, HFR Reports, FRM database.

- 1 Represented by FRM Diversified II Fund SPC – Class B USD.

### Objectives for 2014

- Build out quantitative platform to provide a wider range of trend and non-trend following products
- Continued focus on research at AHL/MSS to build new markets and asset classes
- At GLG we continue to look for high-calibre investment talent to support the growth of our existing products as well as to support the expansion of our product offering
- Revamp managed accounts platform within FRM



## Growth

### Focus on generating high-alpha investment opportunities

- \$1 billion raised in the AHL Evolution strategy in 2013
- Asia and Continental Europe ETFs launched
- Launch of Total Return, US CLO and Global equity strategies at GLG
- Significant hires at GLG into the Multi-strategy, UK Equity, Financials, Macro and Relative Value teams
- Launched a number of managed account only diversified portfolios at FRM as well as increasing opportunities in managed account infrastructure services

Early in 2013, we identified a clear set of growth initiatives on the investment management and product side. These initiatives were:

1. Building a diversified quant business in AHL
2. Adding new investment teams in GLG alternatives
3. Building our long only franchise
4. Developing our managed accounts platform at FRM

We have made good progress against these initiatives in 2013 and during 2014 we will continue to build on these as well as identifying further opportunities for growth.

On the quantitative side the marketing of the AHL Evolution strategy has gone well and we reached our target of raising \$1 billion in this product with the asset raising coming from institutional investors in all regions of the world. Further capacity has been created in this strategy and as such we will be marketing an additional \$750 million of the AHL Evolution strategy in 2014. In September we launched Asia and Continental Europe ETFs, a series of long only products similar to the Europe ETFs strategy which has \$1.4 billion of assets.

Looking forward into 2014, we will start marketing the AHL Dimension strategy, a multi-strategy quant product which will be targeted at institutional investors, and are looking to launch a global version of the Europe ETF product.

On the discretionary side at GLG we launched a number of new, scalable investment strategies during the year. All of these funds saw allocations from clients following their launch and we will seek to build on that momentum into 2014.

On the equity side we have added additional teams to the European Long-Short strategy to create further capacity. A Global Long-Short strategy which operates a similar investment process to the European Long-Short strategy was launched at the beginning of October 2013 and we have raised over \$300 million in this strategy since launch. Asset raising in the Asia equity strategy launched in 2012 has been slow, however the strategy had strong performance in 2013 and with the launch of a UCITS vehicle linked to the strategy in December 2013 we expect demand to pick up.

A global rates strategy was launched in October and it pursues a Fixed Income Absolute Return strategy and is managed by the Macro and Relative Value Team. In August we closed a \$400 million CLO in the US, our first one since the crisis and we are looking to grow our CLO business during 2014.

The growth of the long only business continues to be a key objective for us. In September we hired Henry Dixon from Charles Stanley to run a UK Undervalued Asset strategy and to take over management of the UK equities income strategy. James Ind joined during the year to lead the portfolio management of a value-driven total return strategy which was launched at the end of July 2013. Our flexible bond strategy is also seeing client interest into 2014.

2013 has seen a number of positive developments at FRM; the successful integration of two legacy technology systems following the merger last year; the launch of the second phase of our risk and transparency reporting software for the managed account platform, which materially improves the value of the platform to investors; and the launch of a number of managed account only diversified portfolios, initially focused on clients in the Japanese market.

Looking ahead to 2014 the main focus will be on offering the resources of FRM as a service. Our goal is to work closely with clients in each region on the services that best fit their needs. We are seeing increasing interest from US institutions who are looking for control and transparency, as well as financial institutions with the need to fulfil regulatory reporting requirements. By contrast, we see increasing client interest in Asia for direct co-investment into our existing platform and will focus on direct access in this region as a result.

In addition to these initiatives, we continue to look for opportunities to grow the business through selective acquisitions. In assessing these opportunities, we will remain disciplined on price, structure and cultural fit to ensure that any proposed transaction represents a sound use of capital.

#### Objectives for 2014

- Start marketing the AHL Dimension strategy and market an additional \$750 million of the AHL Evolution strategy
- Focus on building assets in GLG products launched in 2014 and on developing long only offering
- Look to offer the resources of FRM as a service to investors who need help with either building or maintaining open architecture alternative investment programmes
- Continue to look at other possible bolt-on acquisitions ensuring that we remain disciplined on price, structure and cultural fit



## CEO's performance review continued

# Strategic update

### Distribution Ensure distribution effectiveness

- Net outflows of \$3.6 billion in 2013 compared to \$7.3 billion in 2012
- 26% increase in sales during the year, 13% increase in institutional sales and 42% increase in retail sales
- Continued restructuring of the sales team and focused hiring of talent
- Under the QDLP programme selected as one of six hedge funds allowed to market international products to onshore investors in China
- Continued focus on the US but significant progress may not be seen for some time

Net outflows for the year were \$3.6 billion compared to \$7.3 billion in 2012 and excluding guaranteed products net outflows for the year were \$2.4 billion. Gross sales were \$16.1 billion with 40% of the sales achieved in the first half and 60% in the second half, driven in particular by strong sales at GLG. Institutional sales in 2013 were \$8.6 billion, 13% higher than in 2012. We saw a pick up in demand in the retail space with a 44% increase in year on year sales from \$5.2 billion in 2012 to \$7.5 billion in 2013, the main driver of the increase being sales of the Japan Equities strategy to UK retail investors. Redemptions were \$19.7 billion, (\$18.5 billion excluding guaranteed products) reflecting fragile investor sentiment and mixed levels of absolute investment performance across the product range.

Following Christoph Möller's retirement in June, we split the role of Head of Sales: Tim Rainsford (previously Head of European Sales) is now in charge of all regions outside the US; whilst Tim Gullickson has assumed the function of Head of Sales in the US, with a focus on institutional clients. Eric Burl (COO of the US business) is looking after US retail channels. A number of other changes have also been made throughout the sales team, with the overall objective of making it leaner and increasingly focused on institutional clients without losing meaningful optionality from a retail perspective.

Europe and the Middle East remains a key market for us with over two-thirds of our assets coming from this region and again we have refocused the sales effort in countries where we believe there to be the most asset raising potential. We have hired a new person to run the sales effort in Italy and have restructured the sales team in the Middle East.

In the Asia Pacific region, a region which historically served a number of retail investors in guaranteed products, we have consolidated offices and refocused the sales effort. While we still see significant potential for asset raising in the region, particularly in Japan and Australia, servicing existing clients and managing future growth can be served from three offices as opposed to five. We have therefore shut down our office in Singapore with people relocating to Hong Kong or London and have integrated the two sales offices we had in Japan following the FRM acquisition. In Australia, an office which grew around our guaranteed product business, we are re-focusing the operations to target institutional business, and we have hired Jamie Douglas, previously with JPM and Moore Capital, to head up that office.

Progress has also been made in China, where under the QDLP programme we were officially selected as one of six hedge funds allowed to market international products to onshore investors for the first time.

The Americas, and the US in particular, remains a key geographical focus for future growth. Further hires have been made during the year and we achieved sales of \$1.1 billion in 2013 with sales of the European Long-Short strategy and the US CLO making up the majority of the sales. The potential in this huge market is very significant and the team continues to make good progress however we expect it will take time before we see significant traction. We are assessing our capabilities in the mutual fund space and aim to bring a selective number of liquid alternatives strategies to the mutual fund market in 2014.

Globally we continue to work hard on our consultant relationships and since the beginning of the year we have received an additional four strong buy ratings and positive momentum on seven additional strategies. Consultant coverage of Man has increased from 35 products in January 2010 to 116 today and we have maintained 25 strong buy ratings. From a retail perspective we are still represented on over 10 global private banking platforms covering 60 funds.

The new marketing incentive programme is now in place, providing improved alignment with shareholders by rewarding our sales people based on annual management fees earned, net of expenses, rather than gross sales.

#### Objectives for 2014

- Focus on making the sales team leaner and increasingly focused on institutional clients without losing optionality from a retail perspective
- Develop further consultant relationships and expand the number of funds represented on private banking platforms
- Improve coverage and traction in the US by selectively adding quality to the institutional sales team



## Efficiency

### Cost reduction and maintaining balance sheet efficiency

- Cost savings announced during 2012 and 2013 total \$270 million
- On track to deliver all of these savings by the end of 2015
- Change in regulatory status from Full Scope to Limited Licence agreed with the FCA reducing the Group's capital requirement by around \$550 million
- Repayment of all outstanding debt completed in August 2013
- Reductions in loans to funds in the balance sheet
- Surplus capital of \$760 million at 31 December 2013

#### Cost reduction

We continue to be on track to meet the 2015 cost targets on a constant currency basis. We were ahead of schedule in 2013 with fixed compensation costs of \$188 million for the year versus the \$211 million target for 2013. Other cash costs were \$191 million versus the \$219 million target. Non-compensation expenses have been reduced materially and significant attention is being given to running the business as efficiently as possible. We reduced the space we occupy in our head office in Riverbank House during the year to match our requirements and consolidated offices in other regions which accounted for 15% of the additional savings announced in August this year. Headcount has been reduced from 1,876 at 30 June 2011 to 1,115 at 31 December 2013, 532 in front office functions and 583 in group business functions.

#### Balance sheet efficiency

Our balance sheet remains strong and liquid and in 2013 we made significant progress to improve our capital position and balance sheet efficiency. At 31 December 2013, the Group had tangible net assets of \$1.1 billion or 58 cents per share, cash of \$1.0 billion and over \$2.5 billion of liquidity.

In April 2013 we announced a change in regulatory status from being a Full Scope group to a Limited Licence group. This increased our surplus capital by up to \$550 million subject to the FCA's review of a revised ICAAP submitted as part of the change in status. This review was completed at the end of December and their review did not materially change the Group's capital requirement. As such the Group's surplus capital at 31 December 2013 was \$760 million.

In May we announced that we were using some of our surplus capital to repay all of our debt and hybrid instruments resulting in annualised interest and coupon savings of \$78 million. This repayment programme was completed on 7 August when the perpetual Tier 1 hybrid was repaid.

The remaining surplus capital we have will be used for a suitable buffer against the core capital requirement, organic growth requirements and acquisition opportunities. After assessing these requirements and opportunities, distributions to shareholders, whether through dividends or buybacks, will be considered. At present we consider that there are potential opportunities to deploy surplus capital and so do not intend to make a determination regarding distributions in excess of our stated dividend policy. We seek to remain disciplined, however, in the use of capital whether organically or for acquisitions.

#### Objectives for 2014

- Ensure cost reduction programmes remain on track
- Completion of outsourcing programme
- Maintain focus on cost and balance sheet efficiency

## Outlook

In comparison to the 'risk on' environment we saw for most of 2013, asset price movements at the start of 2014 have clearly represented a swing towards 'risk off' with emerging market assets being hit particularly hard. In this context, our trend following strategies lost money as gains in bonds and agriculturals couldn't offset losses in equities. Most of our long only strategies are down, however they are still outperforming their benchmarks. The market neutral stance of our GLG alternative strategies has proved beneficial, with most of the equity and credit funds having positive performance year to date – unlike our Macro, Emerging Markets and Rates funds. The conservative nature of FRM's funds has also proved advantageous with performance amongst the majority of funds either flat or slightly positive in January.

Looking forward, the overall operating environment continues to be challenging: whilst flows are better in places, performance – the single most important driver of our success – remains mixed. After a very strong year in equity markets in 2013, it is difficult to have high levels of conviction in many asset classes and geographies. Accordingly we remain cautious in our outlook, endeavouring to generate superior risk-adjusted returns for our clients whilst maintaining our focus on building and developing options for growth and running our business efficiently.





# CFO's financial review



**Jonathan Sorrell**  
Chief Financial Officer

## Overview

Our financial results in 2013 reflect the continued mixed market environment, and in particular challenging operating conditions for trend following strategies. Our funds under management (FUM) decreased by 5% from \$57.0 billion at the beginning of the year to \$54.1 billion at 31 December 2013. Net outflows in AHL and FRM were the primary drivers behind the decrease, which was partly offset by positive investment performance, and net inflows in the second half, with strong contributions from across the GLG product range.

As previously highlighted, our guaranteed product book has further reduced, to \$2.3 billion at 31 December 2013, and we have restructured our business accordingly. Excluding the guaranteed products, our FUM increased in the year from \$51.3 billion to \$51.8 billion.

Net management fee margins for our quant and fund of funds (FoF) products have declined slightly during the year, and coupled with the continuing mix shift away from the high margin guaranteed products, have resulted in the average net management fee margin decreasing by 19 basis points from the prior year. As a result, net management fee revenue was down 20% for the year, which was partially offset by a more than twofold increase in performance fees, over 80% of which were generated by GLG.

Total costs were down 12%, and within this total fixed costs were down 22% due to the implementation of the \$270 million cost saving programme which we remain on track to deliver by the end of 2015.

As a result of these revenue and cost drivers, our adjusted profit before tax is \$297 million (2012: \$275 million), and adjusted diluted earnings per share 14.1 cents (2012: 11.6 cents).

Our statutory profit before tax is \$56 million, reflecting net adjusting items of \$241 million, which primarily relate to restructuring costs, impairment of the FRM goodwill, and amortisation of purchased intangible assets. The FRM goodwill was impaired by \$69 million at 31 December 2013, which was primarily a result of the guaranteed product FUM reducing at a faster rate than anticipated, and redemptions from a small number of institutional investors, primarily in our legacy Multi-Manager Business.

There continues to be a significant difference between our cash earnings and statutory earnings as evidenced by cash inflows from operating activities amounting to \$448 million (2012: \$408 million).

Our balance sheet remains strong and liquid and during 2013 we continued to improve our capital position and balance sheet efficiency. In April we announced a change in our regulatory capital status from being a Full Scope group to a Limited Licence group. This increased our surplus capital by approximately \$550 million. During the year we used some of our surplus capital to repay all of our debt and hybrid instruments, resulting in annualised interest and coupon saving of \$78 million. Surplus capital at 31 December 2013 was \$760 million.

## Key performance indicators (KPIs)

Our financial KPIs illustrate and measure the relationship between the investment experience of our fund investors, our financial performance and the creation of shareholder value over time. Our KPIs are used on a regular basis to evaluate progress against our four key priorities: performance; growth; distribution; and efficiency.

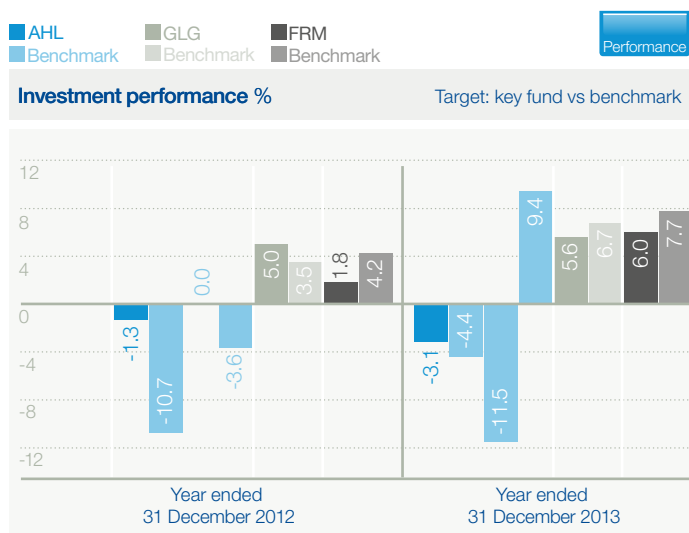
The results of our KPIs this year reflect the mixed operating environment in 2013, with negative investment performance for AHL, which resulted in further de-gearing of the higher margin guaranteed products and had an adverse impact on net flows. This has resulted in a decline in FUM and revenues, which has impacted our profitability and EPS growth.

This year we have revised the performance metric used for GLG in our investment performance KPI. Previously, we used the investment performance of GLG's Multi Strategy portfolio against the HFRX benchmark to represent the investment performance for GLG, however this is no longer deemed to be an appropriate representative for the GLG business as it has an increased allocation to AHL. To provide a meaningful measure for the investment performance for GLG, a composite investment performance metric for GLG alternative funds is now used, against the HFRX benchmark. We have also revised the performance benchmark used for FRM from the HRFI FoF index to the HFRF FoF: Conservative Index as this index is more representative of FRM's investment strategy.

The comparative information in relation to the investment performance KPI has been restated to reflect the changes for GLG and FRM as explained above. The comparative information for the adjusted management fee EBITDA margin and the adjusted management fee EPS growth KPIs have been restated to reflect the impact of the adoption of IAS 19 (Revised), as explained in [Note 1](#) to the Group financial statements.



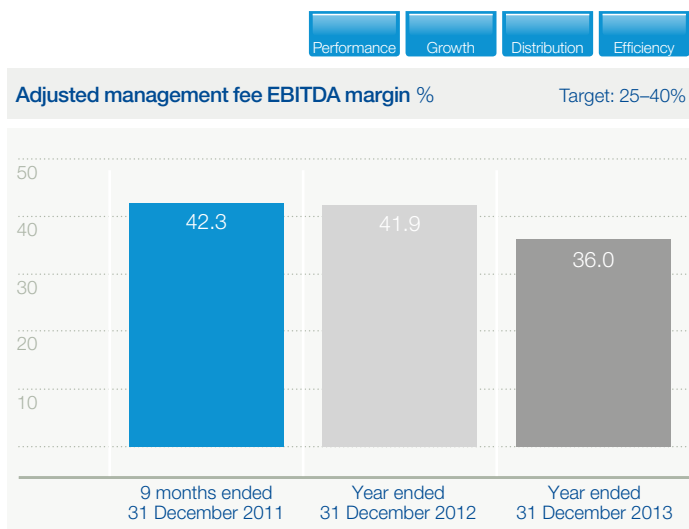
## Key performance indicators



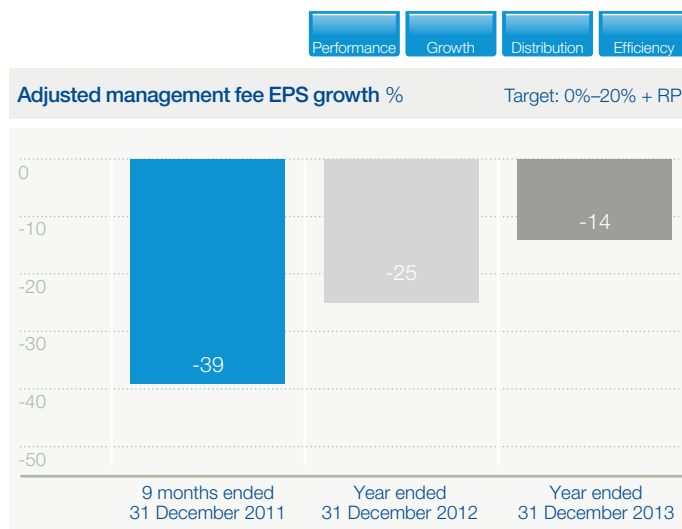
The investment performance KPI measures the net investment performance for our three managers (AHL, GLG, and FRM), represented by key funds, against relevant benchmarks. The target for this KPI is to exceed the relevant benchmarks. The key funds and the relevant benchmarks are AHL Diversified versus three key peer asset managers for AHL (the target being to beat two of the three peers), the GLG Alternative Strategies Dollar-Weighted Composite versus HFRX for GLG and FRM Diversified II versus HFRI Fund of Funds Conservative Index for FRM. The performance of the key funds compared to the benchmarks gives an indication of the competitiveness of our investment performance against similar alternative investment styles offered by other investment managers. This measures our ability to deliver superior long-term performance to investors. We achieved one out of the three performance targets. AHL met the target for 2013 as the performance of their key fund exceeded the relevant benchmark. GLG and FRM, whilst recording positive performance, were both below the benchmark in 2013. Further investment performance information is provided on [pages 9 to 10](#).



This KPI measures net FUM flows for the period as a percentage of opening FUM, with net flows defined as gross sales less gross redemptions. Net flows are the measure of our ability to attract and retain investor capital. FUM drives our financial performance in terms of our ability to earn management fees. Net flows were below target in 2013 with a net outflow of 6.3%, compared to a net outflow of 11.1% for the year to 31 December 2012, reflecting the difficult trading environment, in particular for AHL, partly offset by inflows for GLG in the second half of the year.



This KPI measures adjusted management fee EBITDA as a percentage of net revenues (gross management fee revenue and income from associates less external cash distribution costs). Our adjusted management fee EBITDA margin is a measure of our underlying profitability. The adjusted management fee EBITDA margin of 36.0% was within the target range for the year ended 31 December 2013. This margin is likely to continue to decline with the rolling off of higher margin guaranteed product FUM.



This KPI measures our adjusted management fee EPS growth, where adjusted management fee EPS is calculated using post-tax profits excluding net performance fees and including the cost of the dividend on the Perpetual Subordinated Capital Securities, divided by the diluted number of shares. Adjusted management fee EPS growth measures the overall effectiveness of our business model, and drives both our dividend policy and the value generated for shareholders. The adjusted management fee EPS growth was below target for 2013 primarily as a result of the decline in management fee revenue and the overall gross margin, partly offset by reduced costs.



## CFO's financial review continued

### Funds Under Management (FUM)

\$bn	Alternative			Long only		Total excluding Guaranteed	Guaranteed	Total
	Quant (AHL/MSS)	Discretionary (GLG)	Fund of funds (FRM)	Quant (AHL/MSS)	Discretionary (GLG)			
<b>FUM at 31 December 2012</b>	<b>11.2</b>	<b>14.6</b>	<b>14.1</b>	<b>1.7</b>	<b>9.7</b>	<b>51.3</b>	<b>5.7</b>	<b>57.0</b>
Sales	2.2	5.8	2.2	0.2	5.7	16.1	–	16.1
Redemptions	(3.8)	(4.9)	(4.4)	(0.6)	(4.8)	(18.5)	(1.2)	(19.7)
<b>Net (outflows)/inflows</b>	<b>(1.6)</b>	<b>0.9</b>	<b>(2.2)</b>	<b>(0.4)</b>	<b>0.9</b>	<b>(2.4)</b>	<b>(1.2)</b>	<b>(3.6)</b>
Investment movement	(0.4)	1.2	–	0.1	3.7	4.6	(0.3)	4.3
Foreign currency movement	(0.2)	0.1	(0.6)	0.1	(0.5)	(1.1)	(0.4)	(1.5)
De-gearing and other movements	(0.1)	(0.5)	–	–	–	(0.6)	(1.5)	(2.1)
<b>FUM at 31 December 2013</b>	<b>8.9</b>	<b>16.3</b>	<b>11.3</b>	<b>1.5</b>	<b>13.8</b>	<b>51.8</b>	<b>2.3</b>	<b>54.1</b>
<b>Gross management fee margin for year ended 31 December 2013</b>	<b>2.8%</b>	<b>1.4%</b>	<b>1.0%</b>	<b>0.3%</b>	<b>1.0%</b>	<b>1.5%</b>	<b>5.2%</b>	<b>1.8%</b>
Gross management fee margin for year ended 31 December 2012	3.2%	1.3%	1.2%	0.4%	0.9%	1.6%	5.0%	2.1%
<b>Net management fee margin for year ended 31 December 2013</b>	<b>2.3%</b>	<b>1.2%</b>	<b>0.9%</b>	<b>0.3%</b>	<b>0.7%</b>	<b>1.2%</b>	<b>4.4%</b>	<b>1.5%</b>
Net management fee margin for year ended 31 December 2012	2.5%	1.2%	1.1%	0.3%	0.6%	1.3%	3.8%	1.7%

Total FUM decreased by \$2.9 billion during the year, including a decrease of \$3.4 billion attributable to guaranteed products. Total FUM excluding guaranteed products increased by \$500 million. The decrease in total FUM of \$2.9 billion is as a result of net outflows of \$3.6 billion and negative FX and other movements of \$3.6 billion, being offset by positive investment movement of \$4.3 billion. The other movements of negative \$3.6 billion includes \$1.5 billion of adverse FX movement, \$1.5 billion of guaranteed product degears and maturities, and \$600 million of roll-offs of Pemba assets.

#### Quant alternative products (AHL/MSS)

Quant alternative FUM decreased by 21% to \$8.9 billion during the year to 31 December 2013, which primarily related to net outflows of \$1.6 billion and negative investment performance of \$400 million. Sales were \$2.2 billion, which included \$1 billion of the AHL Evolution strategy. The majority of the redemptions of \$3.8 billion were from retail investors in the Asia Pacific region. The AHL Diversified programme was down 3.1% for the year, which was the main driver of the negative investment performance of \$400 million. Negative FX movements reduced FUM by \$200 million, primarily in relation to the Japanese Yen and Australian Dollar.

#### Discretionary alternative products (GLG)

Discretionary alternatives FUM increased by \$1.7 billion during the year as a result of net inflows of \$900 million and positive investment performance of \$1.2 billion. Sales of \$5.8 billion were mainly into European equity, distressed and convertibles strategies. Redemptions of \$4.9 billion were from a range of strategies. Total FX and other movements decreased FUM by \$400 million. The positive investment performance of \$1.2 billion related to good absolute performance across the majority of the discretionary alternative products during the year, as described in more detail on [pages 9 to 10](#).

#### Fund of funds products (FRM)

Fund of funds FUM decreased by 20% to \$11.3 billion this year, as a result of net outflows of \$2.2 billion and negative FX movements of \$600 million. Sales were \$2.2 billion with a significant portion coming from Japanese clients. Redemptions of \$4.4 billion were from a range of products. Investment performance was flat for the year with no impact on FUM. Negative FX movements reduced FUM by \$600 million, primarily in relation to the Japanese Yen.

#### Long only products (AHL/MSS and GLG)

Total long-only FUM increased by \$3.9 billion during the year. Discretionary long only products had net inflows of \$900 million during the year, with sales of \$5.7 billion and redemptions of \$4.8 billion. The majority of the sales and redemptions came from the Japan equities strategy, the majority of which were from UK retail clients. Positive investment performance increased FUM by \$3.7 billion, primarily as a result of strong investment performance for the Japan equities strategy. Negative FX movements decreased FUM by \$500 million.

#### Guaranteed products (all managers)

Guaranteed product FUM, our highest margin product grouping, declined from \$5.7 billion at 31 December 2012 to \$2.3 billion in 2013, which continued to have a negative impact on revenues. Redemptions totalled \$1.2 billion running at a steady rate of around \$300 million per quarter. The weighted average life to maturity of the guaranteed product range is five years. Investment performance for guaranteed products was negative during the year, resulting in a \$300 million reduction in FUM. The other movements of \$1.5 billion primarily related to guaranteed product de-gears as a result of negative investment performance. Negative FX movements reduced FUM by \$400 million, primarily in relation to the movements in the Australian Dollar.



## Summary income statement

\$m	Year ended 31 December 2013	Year ended 31 December 2012
Management and other fees	967	1,209
Performance fees (including investment gains/losses)	223	113
Share of after tax profit of associates	12	10
Distribution costs	(145)	(203)
<b>Net revenue</b>	<b>1,057</b>	1,129
Asset servicing	(32)	(31)
Compensation	(445)	(475)
Other costs	(238)	(307)
<b>Total costs</b>	<b>(715)</b>	(813)
Net finance expense	(45)	(41)
<b>Adjusted profit before tax</b>	<b>297</b>	275
Adjusting items	(241)	(1,023)
<b>Statutory profit/(loss) before tax</b>	<b>56</b>	(748)
Net management fees	175	220
Net performance fees	122	55
Diluted EPS (statutory)	<b>2.9 cents</b>	(45.8) cents
Adjusted net management fee EPS	<b>7.9 cents</b>	9.2 cents
Adjusted diluted EPS (excluding the adjusting items above)	<b>14.1 cents</b>	11.6 cents

### Gross management fees and management fee margins

Average FUM for the year was \$54.1 billion compared to \$57.7 billion for the prior year. The average gross management fee margin was down 32 basis points from the prior year, largely reflecting the continuing product mix shift primarily caused by the reduced proportion of guaranteed products compared to open-ended products. Gross management fees were \$967 million for the year ended 31 December 2013 in comparison to the management fees for the previous year of \$1,209 million.

Our total net management fee margin (defined as gross management fees less external distribution costs) has decreased from 169 basis points to 150 basis points during the year. The reduction is a result of the reduced guaranteed product FUM as well as a mix shift towards institutional money and is likely to continue as a greater proportion of our sales, particularly in the alternatives quant space, are to institutional clients.

The alternatives quant net management fee margin has reduced by 21 basis points compared to the year ended 31 December 2012. This is due to the majority of the redemptions in 2013 being from higher margin retail products, whereas the majority of the sales have been into lower margin institutional products. While we saw this flow trend occurring during 2012, the impact on the margin was less pronounced due to the fact that a significant proportion of the retail redemptions were from Nomura Global Trend where the margin was around 1.8%. Looking forward, we would expect this mix shift towards institutional money to continue and hence we would expect the margin to decline further.

Net management fee margins in the alternative discretionary category remained broadly stable compared to 2012.

The net management fee margin in the alternatives fund of fund category reduced by 14 basis points due to the impact of including FRM assets for the full year, as they were only included for half of the year in 2012.

The long only discretionary net management fee margin has increased slightly due to the redemptions in some lower margin institutional mandates.

The guaranteed product net management fee margin has increased by 58 basis points compared to the year ended 31 December 2012. More than a third of the increase is at a gross level and is due to the impact of some fees which are based on net asset value as opposed to FUM. As the margin calculation is based on FUM, and FUM is currently lower than the total net asset value of the product set, this has pushed the margin up 21 basis points compared to last year. The lower level of placement fee amortisation compared to 2012, due to placement fee write offs at 31 December 2012, has pushed the net margin up by an additional 37 basis points.

### Performance fees (including investment gains/losses)

Gross performance fees for the year were \$193 million, \$155 million from GLG, \$30 million from AHL and \$8 million from FRM. At 31 December 2013, around 75% of eligible GLG assets (\$10.3 billion) were above high water mark and around a further 18% (\$2.5 billion) within 5% of earning performance fees. AHL and MSS open ended products were approximately 13% on a weighted average basis from the performance fee high water mark, and FRM products were approximately 5% below.

Investment gains were \$30 million, which is consistent with 2012. This gain mainly relates to a profit on disposal of certain Ore Hill assets.

### Distribution costs

Distribution costs comprised \$128 million of investor servicing fees and \$17 million of placement fees.

Investor servicing fees are paid to intermediaries for ongoing investor servicing. Servicing fees have decreased from \$156 million in 2012 to \$128 million in 2013 as a result of lower average FUM, particularly for guaranteed products and AHL.

Placement fees are paid for product launches or sales and are capitalised and amortised over two to five years, unless the FUM is redeemed or is deemed to be impaired as a result of negative investment performance and de-gearing. The capitalised placement fees at 31 December 2013 were \$20 million with a weighted average remaining amortisation period of 1.5 years.

Distribution costs relating to employees (internal commissions) are now presented as compensation costs and the prior period has been restated accordingly. This reflects the way the business is now managed, providing more relevant information to users of the financial statements, and brings the treatment in line with industry practice.

### Asset servicing

Asset servicing costs (including custodial, valuation, fund accounting and registrar functions which are now across our total FUM) were \$32 million (2012: \$31 million). Asset servicing costs equate to around 5 basis points on FUM and vary depending on transaction volumes, the number of funds, and fund NAVs.

### Compensation costs

Compensation costs comprise fixed base salaries, benefits and variable bonus compensation (cash and amortisation of deferred compensation arrangements). Compensation costs in total, excluding adjusting items and including internal commission costs, were 42% of net revenue, which is the same as the previous year. This ratio will tend to be higher in years where there is a larger proportion of GLG revenues, in particular GLG performance fee revenues.

Fixed compensation and benefits were \$188 million for the year compared to \$236 million for year to 31 December 2012, a reduction of 20%. Variable compensation costs were \$257 million for the year, including \$30 million of internal commission costs, compared to \$239 million for the previous year including \$45 million of internal commission costs. The overall decrease of \$30 million in total compensation costs is a result of the fixed compensation cost saving initiatives and lower internal commission costs, partially offset by higher performance fee related compensation and a full year of FRM costs (FRM being acquired in July 2012).



## CFO's financial review continued

### Other costs

Other costs, excluding adjusting items, were \$238 million for the year compared to \$307 million for the year to 31 December 2012, a reduction of 22%. These comprise cash costs of \$191 million (year to 31 December 2012: \$244 million) and depreciation and amortisation of \$47 million (2012: \$63 million).

### Cost savings

We have made good progress on the cost saving programmes we announced in 2011 and 2012. We are ahead of schedule with our targets, with 2013 fixed compensation costs of \$188 million for the year versus the \$211 million target for 2013, and other cash costs of \$191 million for the year versus the \$219 million target for 2013. Our targets for the cost savings programme as a whole have not changed, however we have been able to implement the savings more quickly than originally planned.

We announced a further \$75 million of cost savings in August 2013, bringing the total targeted savings to \$270 million by the end of 2015.

### Net finance expense

Net finance expense was \$45 million for the year, excluding adjusting items. This included a \$28 million charge relating to debt buybacks during the year. Interest payable on borrowings decreased in the year as a result of the debt buybacks, although this was offset by lower finance income as cash balances were lower and the prior year included a \$15 million gain on the sale of loan notes. The recurring elements of both finance expense and finance income are expected to decrease in 2014 as a result of the debt buybacks, and net finance expense is expected to be around \$4 million in 2014, relating to the costs of the revolving credit facility (if undrawn), partly offset by interest income earned on cash deposits.

### Adjusted profit before taxes

Adjusted profit before tax is \$297 million compared to \$275 million for the previous year. The adjusting items in the year of \$241 million, as shown in the table below and detailed in [Note 2](#) of the financial statements, primarily relate to restructuring costs (\$107 million), amortisation of acquired intangible assets (\$66 million), and the impairment of FRM goodwill (\$69 million). The directors consider that the Group's profit is most meaningful when considered on a basis which excludes restructuring costs, amortisation and impairment of intangible assets and certain non-recurring gains or losses, which therefore reflect the recurring revenues and costs that drive the Group's cash flow.

### Adjusting items

\$m	Year ended 31 December 2013
Restructuring costs – compensation	36
Restructuring costs – other costs	71
Amortisation of acquired intangible assets	66
Impairment of FRM goodwill	69
Gain on disposal of Lehman claims, Nephila, and other interests	(16)
Other adjusting items	15
<b>Total adjusting items</b>	<b>241</b>

### Net management fees and net performance fees

Net management fees of \$175 million reflect the decline in average FUM and the overall gross margin, partly offset by reduced costs driven by the cost saving initiatives. Net performance fees of \$122 million for the year reflects the strong contribution from across the GLG product range.

\$m	Year ended 31 December 2013	Year ended 31 December 2012
Gross management and other fees	967	1,209
Share of after tax profit of associates	12	10
Less:		
Distribution costs	(145)	(203)
Asset services	(32)	(31)
Compensation	(344)	(417)
Other costs	(238)	(307)
Net finance expense	(45)	(41)
<b>Net management fees</b>	<b>175</b>	<b>220</b>
Performance fees	193	90
Gains on investments and other financial instruments	30	23
Less:		
Compensation		
– variable	(95)	(45)
– deferral amortisation	(6)	(13)
<b>Net performance fees</b>	<b>122</b>	<b>55</b>

### Taxation

The average tax rate for the year of 7.1% before adjusting items, compared to the previous year's rate of 14.4%, has decreased as a result of prior year credits including those for further settled tax returns across a number of countries and periods. The tax rate before adjusting for prior year credits and other reconciling items is 18% (31 December 2012: 18%). The amount of company income tax paid in the year was \$64 million (31 December 2012: \$55 million).

### Cash earnings (EBITDA)

As the Group has a number of non-cash items in the income statement it is important to focus on cash earnings to measure the true earnings potential of our business. The table below gives a reconciliation of adjusted profit before tax to adjusted EBITDA. The main differences are net finance expense, depreciation, amortisation of placement fees and the share-based amortisation charge in relation to compensation deferrals. Our EBITDA/net revenue margin was 40%, which can be analysed between EBITDA margin on management fees of 36% and performance fees of 57%.

### Reconciliation of adjusted PBT to adjusted EBITDA

\$m	Year ended 31 December 2013	Year ended 31 December 2012
Adjusted PBT	297	275
Add back:		
Net finance expense	45	41
Depreciation	39	43
Amortisation of capitalised computer software	8	20
Placement fee amortisation	10	56
Accelerated amortisation related to early redemptions	5	10
Deferred compensation amortisation	30	68
<b>Adjusted EBITDA</b>	<b>434</b>	<b>513</b>



	Date of repurchase/ redemption	Carrying value \$m	Pre-tax upfront costs \$m	Pre-tax finance cost savings \$m	Regulatory capital impact \$m
<b>Debt buybacks in 2013</b>					
Senior 6.5% fixed rate bonds due 2013	1 August 2013	173	–	13	–
Senior 6.0% fixed rate € bonds due 2015	7 May 2013	285	(25)	17	–
Tier 2 subordinated floating rate notes due 2015	24 June 2013	170	2	3	(80)
Tier 2 subordinated 5.0% fixed rate bonds due 2017	14 June 2013	231	(5)	12	(200)
Tier 1 perpetual subordinated capital securities	7 August 2013	300	–	33	(300)
<b>Total</b>		<b>1,159</b>	<b>(28)</b>	<b>78</b>	<b>(580)</b>

## Balance sheet

The Group's balance sheet remains strong and liquid. At 31 December 2013, total shareholders' equity was \$2.4 billion and net tangible assets were \$1.1 billion. Cash and cash equivalents have decreased during the year, primarily as a result of the buyback of the Group's debt of \$1,159 million, as shown in the table above.

The buyback of the Group's debt will result in annualised pre-tax interest and coupon savings of up to \$78 million from 2014, and has reduced the Group's surplus capital by around \$580 million. Costs of \$28 million were incurred with the debt buybacks, of which nearly all relates to cash costs.

The carrying value of goodwill and intangible assets was tested for impairment at 31 December 2013, using a discounted cash flow valuation. As a result of guaranteed product FUM reducing at a faster rate than anticipated, and unexpected larger redemptions from a small number of institutional investors for FRM, the FRM goodwill was impaired by \$69 million at 31 December 2013. The impairment relates to the legacy RMF and Glenwood businesses, which were acquired in 2002 and 2000 respectively. The valuation and assumptions are explained in more detail in [Note 12](#) of the financial statements.

## Balance sheet information

\$m	31 December 2013	31 December 2012
Cash and cash equivalents	992	2,000
Fee and other receivables	388	382
Total liquid assets	1,380	2,382
Payables	(762)	(751)
Net liquid assets	618	1,631
Investments in fund products and other investments	323	496
Pension asset/(liability)	71	(4)
Investments in associates	31	38
Leasehold improvements and equipment	68	150
Total tangible assets	1,111	2,311
Borrowings	–	(859)
Deferred tax liability	(58)	(71)
Net tangible assets	1,053	1,381
Goodwill and other intangibles	1,354	1,529
<b>Shareholders' equity</b>	<b>2,407</b>	<b>2,910</b>

## Liquidity

Operating cash flows were \$448 million during the year with cash and cash equivalents of \$992 million.

\$m	Year ended 31 December 2013
Net cash at 31 December 2012	1,141
Operating cash inflows	448
Payment of dividends	(277)
Repurchase of perpetual capital securities and coupon payments	(325)
Other movements	5
<b>Net cash at 31 December 2013</b>	<b>992</b>

The committed revolving credit facility of \$1,525 million is available and undrawn, with \$70 million maturing on 22 July 2016, \$120 million maturing on 22 July 2017, with the remainder maturing on 22 July 2018. The management of liquidity and capital is explained on [pages 82 and 89](#) respectively.

## Regulatory capital

Man is fully compliant with the FCA's capital standards and has maintained significant surplus regulatory capital throughout the year. At 31 December 2013, surplus regulatory capital over the regulatory capital requirements was \$760 million.

The small overall net decrease in the surplus regulatory capital of \$40 million during 2013 primarily relates to two events:

- (1) in April 2013, Man confirmed with the FCA the change of its regulatory status from being a Full Scope group to a Limited Licence group. The impact of this was the removal of the Capital Planning Buffer of approximately \$300 million and a further \$250 million decrease in the financial resources requirement; and
- (2) the repurchase of our qualifying debt and hybrid instruments, amounting to approximately \$580 million.

## Group's regulatory capital position

\$m	31 December 2013	31 December 2012
Permitted share capital and reserves	2,311	2,541
Innovative Tier 1 Perpetual Subordinated Capital Securities	–	193
Less deductions (primarily goodwill and other intangibles)	(1,273)	(1,449)
<b>Available Tier 1 Group Capital</b>	<b>1,038</b>	<b>1,285</b>
Tier 2 capital – subordinated debt	–	309
Other Tier 2 capital	3	90
<b>Group financial resources</b>	<b>1,041</b>	<b>1,684</b>
Less financial resources requirement, including a capital buffer in 2012	(281)	(889)
<b>Surplus capital</b>	<b>760</b>	<b>795</b>

Jonathan Sorrell  
Chief Financial Officer



# Risk management

## Man's business model is strengthened by an integrated approach to risk management.

### Man's risk management framework

The responsibility for risk management rests with Man's Board, however, accountability is embedded throughout all layers of the business. The risk management framework aims to ensure that the business operates within the Board's acceptable risk tolerances, as defined by the risk appetite statements. Our governance structure provides a solid foundation for ongoing oversight in a dynamic environment.

### Developments in 2013

Our risk profile has not changed significantly during the year; investment underperformance continues to be the biggest risk facing the Group. A diverse product range gives Group shareholders protection against concentrated underperformance from any one sector. The Group has continued to add to our wide range of investment styles and products. We have recruited several proven investment professionals to enhance our offering and attract funds.

Last year we highlighted business transformation risks as one of the Group's principal risks, following the announcement of two rounds of significant cost reduction plans. These plans are largely complete and our business has managed to successfully absorb these cost reductions and emerge as a more operationally efficient organisation.

In the 'Principal risks and mitigants' section on [page 22](#) we have noted a number of recent regulatory developments. This dynamic regulatory environment together with the Group's global presence and wide range of products means compliance is increasingly demanding. The Group has remained focused on ensuring that our operational and risk management frameworks keep pace with the evolving regulatory landscape in the jurisdictions in which we do business.

We have taken significant steps to improve the efficiency of the Group's capital and liquidity structure. Following the Group's move in regulatory status from Full Scope to Limited Licence in April 2013, we implemented a plan at that time to use our strong capital and cash position to buy all outstanding debt and hybrid securities.

We have continued to reduce our legacy positions in funds whilst the further de-gearing of structured products has resulted in reduced loans to funds. This together with the improved capital and liquidity structure has allowed the Group greater flexibility to selectively seed new funds.

The risk to the Group's balance sheet from counterparty defaults remains low. We continue to keep a close eye on counterparty and average credit spreads which have been tight throughout 2013.

### Risk Management Categories

#### The risk of reduced funds under management due to:

- poor fund performance
- fund underperformance relative to a benchmark or peer group

**Note:**  
 This is a risk Man must adopt as part of its business model.

#### The risk of a loss to Man owing to:

- adverse market movements
- counterparty failure to deliver investor or shareholder assets when due
- insufficient liquidity resources available for Man to meet its obligations



#### The risk that Man (or its business units) will:

- make inappropriate strategic choices
- be unable to successfully implement selected strategies
- be subject to changes which invalidate strategies and undermine the existing business model

#### The risk resulting from:

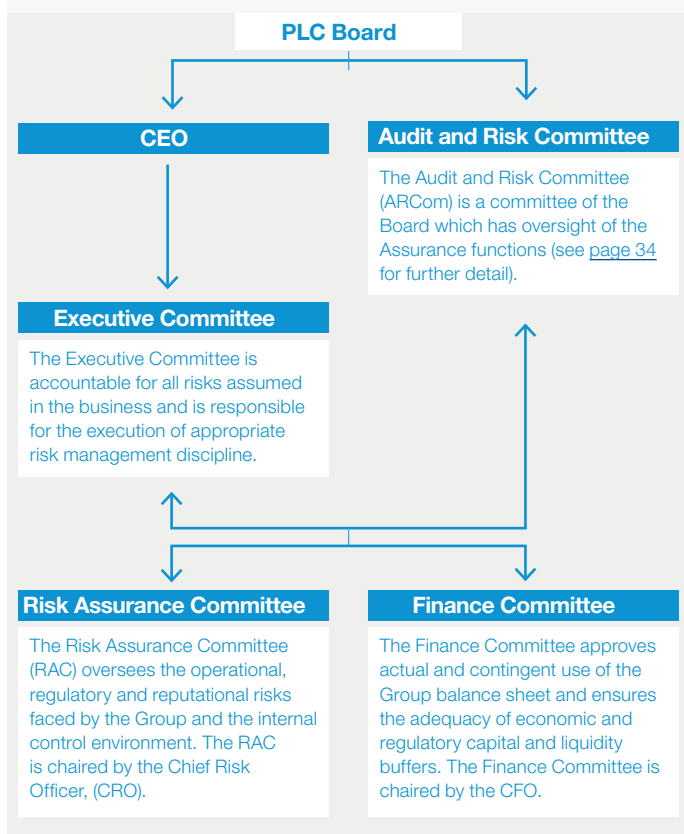
- inadequate or failed internal processes, people or systems
- external events

**Note:**  
 This includes legal and regulatory risks.



### Man's governance

The below committees have been given a mandate by the Board and the CEO to oversee the risk management framework. These committees provide assurance to the Board that risk has been managed according to the risk appetite statements:



### Man's risk appetite statements

The risk appetite statements are set by the Board and cover all significant risk categories. They apply to both the investment management functions and Man Group itself. The statements express the Board's appetite for risk, promote a risk aware culture and set out objectives and boundaries for Man's business.

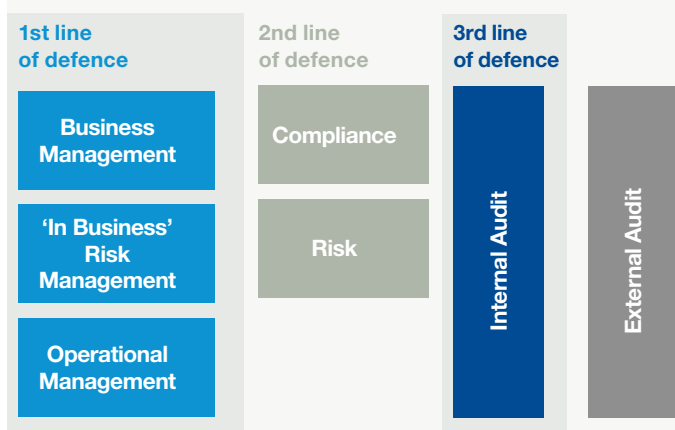
The primary goal of risk management is to support the achievement of company objectives by encouraging an appropriate balance between risk-seeking and risk-averse activities, in a controlled and regulatory compliant context.

The governance framework and control environment within the Group have been designed to manage risks in accordance with these statements. The Board and ARCom receive regular reporting on the Group's risk profile and adherence with risk appetite. In the event that breaches to risk appetite occur, these will be resolved in line with the firm's procedures and processes. The statements are reviewed at least annually by the Board.

A summary of the risk appetite statements is available at [www.man.com](http://www.man.com).

### Three lines of defence

The overall risk management framework at Man is based on the three lines of defence, and is overseen by the Audit and Risk Committee as delegated by the Board:



The framework instils the principles of direct responsibility for risk management in each business unit. Embedding accountability at the business level is the 'first line of defence'.

The business units are monitored by a number of risk control functions (i.e. Risk, Compliance), which form the 'second line of defence'.

The independent review and oversight provided by Internal Audit is the 'third line of defence', which independently evaluates the adequacy and effectiveness of the Group's risk management, control and governance processes.

Although Man and the investors in its products are susceptible to losses, we believe our risk management framework supports long-term value through the process of risk-aware decision making.





# Principal risks and mitigants

## Risk

### 1. Investment underperformance risks

Fund underperformance on an absolute basis, relative to a benchmark or relative to peer groups would reduce funds under management (FUM) and may result in lower subscriptions and higher redemptions. This may also result in dissatisfied clients, negative press and reputational damage.

Lower FUM results in lower management fee revenue and underperformance results in lower performance fees, if any.

The breakdown of Man's FUM and revenue margins by product line is shown on [page 16](#).

### 2. Regulatory risks

Man offers a wide range of investment products from a global network of offices in 19 jurisdictions. This results in Man being subject to a matrix of regulations both at a supra national and individual jurisdiction level, coupled with a rapidly changing regulatory environment.

Man is regulated by 20 regulators and lead regulated by the UK Financial Conduct Authority.

Notable recent regulatory developments include the implementation of the EU Alternative Investment Fund Managers Directive, the implementation of CRD IV, preparations for EMIR and Dodd Frank Chapter VII and the emergence of detail on UCITS V, MiFID/MiFIR, Market Abuse Directive II and Financial Transaction Tax.

### 3. Operational risks

Operational risk is defined by Man as the risk resulting from inadequate or failed internal processes, people, systems or from external events.

Man continues to outsource a number of functions that were previously performed internally. The risks are that the outsourced service providers do not perform as required, resulting in knock-on implications for our business as a whole.

## Mitigant

This is the key risk Man has to accept if it is to undertake its business. Man's investment businesses each have clearly defined investment processes designed to target and deliver on the investment mandate of each product.

Fund and manager performance is closely monitored, and we focus on hiring and retaining highly skilled professionals who are incentivised to perform within the parameters of their mandate.

Man's diversified range of products and strategies across the alternatives marketplace mitigates the risk to the business from underperformance of any particular strategy.

Man supports proportionate and thoughtful global regulation and initiatives that develop the regulatory environment.

Man continuously assesses whether the products it markets comply with new regulations as they emerge and change. In this respect, the company conducts an independent review process for all products.

Man continues to liaise directly with competent authorities e.g. IOSCO, ESMA, NFA, HMT, FCA, DFSA and CSRC through its Compliance department which consists of approximately 28 FTE (or equivalents) specialists functionally split between Corporate, Investment Management, Sales and Marketing and Financial Crime. Compliance is located across eight jurisdictions.

Man's Operational Risk Policy provides an overview of the responsibilities that all staff have to identify, assess, monitor and manage operational risk within the Group.

The aim is to ensure that operational risks are identified, understood, assessed and mitigated in such a way that their financial impact is managed in accordance with a defined risk appetite.

Risk and Control Self-Assessment (RCSA) is at the core of our assessment of operational risks. Key risk indicators and operational risk events are also analysed to ensure that our assessment of operational risks in RCSA is up-to-date and correctly reflects the Group's operational risk profile.

Man's operations team have extensive experience of running an outsourcing process, and have implemented a robust methodology (including extensive KPI monitoring) to ensure that service providers are able to deliver as required – this is in turn monitored by Risk Assurance Committee (RAC) and ARCom.



## Risk

### 4. Credit/counterparty risks

The risk that a counterparty with which the funds or Man have financial transactions fails to deliver back investor or shareholder assets.

Shareholders and investors in Man funds and products are exposed to credit risk of prime brokers, clearing houses, futures clearers, depository banks and guarantee providers, if any.

Man also provides loans to guaranteed products, and so is subject to counterparty risk to certain investor funds.

### 5. Discretionary trading risk

The risk that fund managers place inappropriate trades outside of mandate and regulatory boundaries. Man may need to compensate for any losses arising for such trades, as well as face the possibility of fines, lawsuits and reputational damage.

Such risks include insider dealing, valuation, mis-allocation between funds and market abuse.

### 6. Key staff retention

The risk that a key person to the business leaves or is unable to perform their role.

### 7. Legal risks

The global nature of Man's business, with corporate and fund entities collectively located in 19 jurisdictions, makes it subject to a wide range of laws.

Failure to comply with these laws may put Man at risk of fines, lawsuits or reputational damage.

### 8. Reputational risks

The risk that an incident or negative publicity undermines our reputation as a leading alternative investment manager. Reputational damage could result in significant redemptions from our funds, and could lead to issues with external financing, credit ratings and relations with our outsourcing providers.

## Mitigant

Man diversifies its deposits across a number of the strongest financial counterparties, each of which are approved by the Finance Committee and have maximum exposure limits set, in line with Man's risk appetite.

Man monitors credit spreads and ratings of our main trading counterparties and banks as forward indicators of their credit quality. During 2013 the average CDS spreads for banks have remained tight as central banks have maintained strong liquidity provision policies.

Guaranteed products are closely monitored, and leverage is actively adjusted such that the risk of default related to balance sheet loans to funds is small.

Front office systems provide automated checks and controls at portfolio and trade level. Each investment management business has dedicated risk management personnel who monitor portfolio profiles and provide independent challenge.

In addition all fund managers are required to undertake regular mandatory training to ensure they are aware of due processes and their responsibilities related to the placing of trades.

Man has been able to attract and retain an array of talented individuals across the Group. Business and investment processes are designed with a view to continue this trend and minimise the impact of losing any particular key individuals. In addition, there is an established succession planning process at senior levels of the business.

Man operates a robust legal framework which underpins all aspects of its business and is resourced by experienced legal teams.

These teams are physically located in Man's key jurisdictions helping them to understand the context and impact of any legal requirements.

Our reputation is dependent on both our operational performance and fund performance. Integrity is fundamental to ensuring Man is able to attract investment in funds. Our strong governance and control structure outlined above helps mitigate operational concerns, and our attention to people and robust investment processes aim to ensure we comply with very high standards of investment management practice. The Board regularly reviews evidence of whether the right tone from the top is being maintained.



# People and corporate responsibility

**To achieve superior performance for our clients and shareholders we need to have the right people in the right roles, fully motivated and competitively paid. We are very conscious of the need to provide appropriate development for our talented and increasingly international workforce. Encouraging effective collaboration and teamwork across the Company, within the bounds of regulation and good governance, is a key part of our strategy.**

## Human resources strategy

Our human resources objectives are aligned with the strategic priorities for Man. We achieve this by hiring the most able people and developing and motivating them in an environment which stimulates innovation and profitable growth.

## Talent

Despite the challenging market conditions, we believe it is important to develop and retain talented individuals for the future of the business. To increase our talent pipeline we have launched a new investment management graduate programme and a structured summer internship programme, both of which start in 2014. Five high calibre graduates have been hired and will participate in a two year programme, rotating through placements in AHL, FRM, GLG and Sales which will equip them with a broad knowledge of our products and overall business. Four interns will spend 10 weeks with us in the summer, working on key projects with a view to successful interns being offered a place on the following year's graduate programme.

In 2013, we hired apprentices for the first time in the UK through participation in the Ladder for London initiative – a scheme launched by the Evening Standard to help tackle youth unemployment in London through apprenticeships. Our apprentices were offered a 12-month full-time position, and have attended college for one day per week during their first six months. To ensure the apprentices get maximum benefit from their work placement, they are supported by supervisors, assigned buddies and HR. They also have exposure to management through discussion sessions at which they provide progress updates to members of the senior leadership team.

We focus on retention through our annual performance evaluation and succession planning processes. This annual review is a valuable opportunity for managers to give individuals feedback on their performance and how their careers can progress with the Company, particularly during difficult times. Our ongoing succession planning process is designed to mitigate continuity risks by identifying key individuals for retention and further development.

## Efficiencies

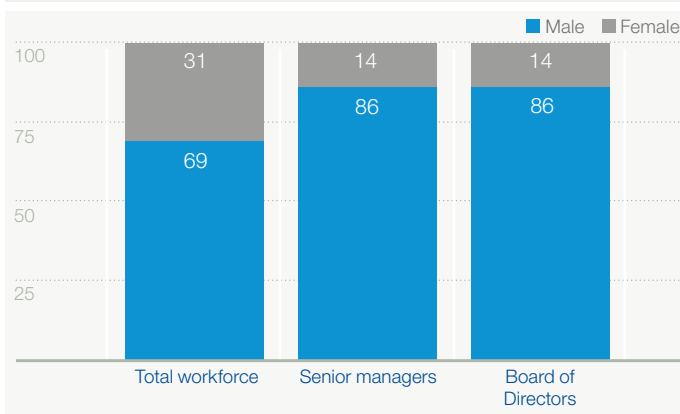
A significant part of the \$270 million cost saving programme has come from a reduction in headcount phased over 2012, 2013 and 2014. The result of these initiatives will mean that Group headcount including contractors and consultants has been reduced from 1,876 in June 2011 to 1,115 at 31 December 2013 and by the time all the cost savings are fully implemented the ratio of support function employees to front office will be approximately 1 to 1, which we believe to be in line with industry best practice.

Man treats those impacted by redundancy fairly and respectfully whilst protecting the Company from potential litigation. We provide outplacement assistance to individuals who are made redundant including career advice, interview preparation and guidance on developing their networks to help them transition to a new role.

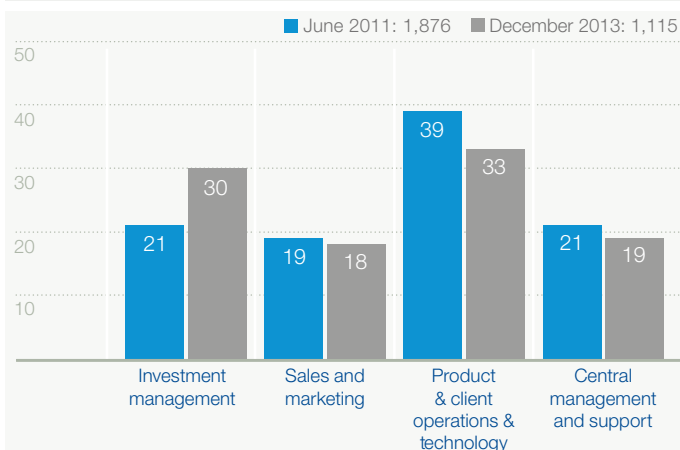
## Remuneration

Our remuneration policies and practices are designed to enable us to remain competitive in the increasingly global markets in which we operate. More information on how we set compensation packages is given in the Directors' remuneration report on [page 40](#). Set out opposite is the key compensation information for the year ended 31 December 2013 and the prior year. The compensation ratio for 2013 (defined as total compensation as a percentage of net revenues) was in line with 2012.

Breakdown of staff by gender %



People by function %





## Key compensation information

	Year ended 31 December 2013 \$m	Year ended 31 December 2012 <sup>c</sup> \$m	Year over Year change
1 Net revenue	<b>1,057</b>	1,129	-6%
2 Salaries and related personnel costs (fixed costs)	<b>188</b>	236	-20%
3 Cash performance bonus costs	<b>178</b>	121	47%
4 Amortisation of share and fund awards	<b>49</b>	73	-33%
5 Variable compensation (3+4)	<b>227</b>	194	17%
6 Internal commissions	<b>30</b>	45	-33%
7 Total compensation costs <sup>a,b</sup> (2+5+6)	<b>445</b>	475	-6%
8 Ratio of compensation cost/ Net revenue (7/1)	<b>42%</b>	42%	-
9 Adjusted Diluted Earnings per share (EPS) (cents per share)	<b>14.1¢</b>	11.6¢	22%

### Notes:

- a Profit allocation to partners is included in compensation as required by accounting standards.  
b Compensation excludes FRM costs prior to acquisition in July 2012 including \$7 million accrual at acquisition for year end bonus.  
c Restated.

## Equality and diversity

Man's culture is based on mutual respect for others and discrimination by any individual on the grounds of age, disability, gender, race, religion, sexual orientation or educational background is not acceptable. Full and fair consideration is given by Man to applications for employment made by disabled persons, having regard to their aptitudes and abilities. Man's Global Inclusion Policy outlines our commitment to ensuring a diverse workforce and our opposition to discrimination of any form, including on the basis of disability. The company ensures that disabled persons are fairly treated in respect of training and career development. For those who become disabled during their employment, reasonable adjustments are made and ongoing support is provided as required to enable the individual to continue working.

Man remains committed to promoting gender diversity at senior management and Executive Committee level, as well as across the organisation. Our recruitment policy has the objective of securing meaningful female representation on long lists of candidates (internal and external) for senior roles and wherever possible we engage executive search firms who have signed up to the Voluntary Code of Conduct on gender diversity and best practice. Our Executive Committee was refreshed at the beginning of this year and we have two women in key senior roles who sit on that committee. The improved diversity of the refreshed Executive Committee as listed below is welcome.

### Man Group Executive Committee

Manny Roman	CEO, Man Group
Jonathan Eliot	Chief Risk Officer
Luke Ellis	President, Man Group
Robyn Grew	Global Head, Compliance & Regulatory
Keith Haydon	CIO, FRM
Rene Herren	Deputy Head of Sales
Teun Johnston	Co-CEO, GLG
Mark Jones	Co-CEO, GLG
Pierre Lagrange	Chairman, Man Asia & Senior Managing Director, GLG
Michelle McCloskey	Senior Managing Director, FRM
Tim Rainsford	Global Head, Sales & Marketing
Sandy Rattray	CEO, AHL & MSS
Jasveer Singh	General Counsel
Jonathan Sorrell	Chief Financial Officer
Simon White	Global Head, Technology & Operations
Tim Wong	Chairman, AHL & MSS

## Employee engagement and support

Employees receive regular updates and presentations on Company results and major decisions which affect them through face to face meetings or, if necessary, via video link. The Man intranet is used to provide supplementary updates from senior management on all aspects of our business and is a critical part of the dissemination of knowledge and information.

Our Global Mobility Programme enables us to meet specific business needs within given markets or business areas. Assigning people overseas assists us in attracting, retaining and developing our people in order to meet our business goals and strengthen our geographic footprint. This creates a diverse talent pool with varied perspectives and enhanced sharing of our knowledge base.

## Corporate responsibility

Our corporate responsibility strategy is to pursue and evidence where possible the high standards of behaviour, both corporate and individual, which underpin our ethos and maintain the trust and loyalty of our key stakeholders. We focus on five key areas of corporate responsibility:

### 1. World-class governance and risk management

Man strives to deliver the highest standards of governance and risk management. We have long recognised the importance of corporate governance practices that help ensure effective oversight and strong accountability. With our scale, we are well-positioned to implement and manage these practices effectively across our platform, as we strive to deliver industry leading governance and risk management.

### 2. Responsibilities to our market place

Man is committed to the highest standards of ethical conduct and actively supports collaboration of the alternative asset management industry in developing and committing to standards of responsible investment.

The Hedge Fund Standards were drawn up in 2007 to address key issues relating to the hedge fund industry and best practice, covering the areas of disclosure, valuation, risk management, fund governance and shareholder conduct. Man is a founding signatory of the Hedge Fund Standards Board (HFSB) which was fully established in 2008 as a guardian to the Standards with the goal of creating a framework for promoting integrity, transparency and good governance in the industry.

### 3. Managing our people

Man aims to create an environment which enables our staff to reach their full potential. We encourage our teams to work together to help each other develop and succeed professionally and personally by providing a workplace which is healthy, safe, and offers guarantees of fairness and equal opportunities. As a responsible business, we constantly review our procedures which support the development and retention of talent including performance management programmes, flexible working policies, health and well-being initiatives, and our comprehensive benefits scheme.

### 4. Contributing to our communities

Man Group is actively involved in charitable initiatives and volunteering opportunities local to the firm's offices through its ManKind programme. Furthermore, we have a worldwide commitment to promoting literacy in children, underscored through our sponsorship of the Man Booker Prize. We are very conscious of the impact of our organisation on our community and have taken steps to ensure we are contributing positively to those around us.

### 5. Protecting the environment

Whilst our environmental impact is relatively limited, we strive to deliver clear and transparent reporting that makes sense of the measurable elements within our control and respond to external risks and expectations. We look to take all practicable and economic measures to conserve and reduce energy consumption at our offices around the world. We monitor our impacts using Credit 360, a system that measures relevant data and generates reports which provide practical guidance in identifying our impacts and managing their reduction.



# Board of directors



**Jon Aisbitt**  
 Chairman of the Board and  
 Chairman of the Nomination  
 Committee



**Phillip Colebatch**  
 Senior Independent Director and  
 Chairman of the Remuneration  
 Committee



**Andrew Horton**  
 Independent non-executive  
 director



**Frédéric Jolly**  
 Independent non-executive  
 director

	Jon Aisbitt	Phillip Colebatch	Andrew Horton	Frédéric Jolly
<b>Background and experience</b>	Jon Aisbitt has 20 years' experience in international corporate finance and was previously a Partner and Managing Director in the Investment Banking Division of Goldman Sachs.	Prior to joining the Board, Phillip Colebatch was a member of the Executive Boards of Swiss Reinsurance Company and Credit Suisse Group. He has substantial financial, operational and markets experience.	Andrew Horton has over 25 years of broad financial services, risk management and operational experience. He held various finance positions within ING, NatWest and Lloyds Bank prior to his appointment as Group Finance Director of Beazley plc in 2003. He was appointed Chief Executive Officer of Beazley in September 2008.	Frédéric (Fred) Jolly was Chief Executive Officer of Russell Investments (Europe, Middle East and Africa) until the summer of 2008. Prior to this, he was Head of Investment Consulting at The Wyatt Company, Paris (now Watson Wyatt). Fred has extensive knowledge of asset management and broad international experience.
<b>Date of appointment</b>	Jon was appointed to the Board as a non-executive director in August 2003 and was appointed non-executive Chairman in September 2007.	Phillip was appointed to the Board as a non-executive director in September 2007.	Andrew was appointed to the Board as a non-executive director in August 2013.	Fred was appointed to the Board as a non-executive director in August 2009. He will not be seeking reappointment at the 2014 AGM.
<b>External appointments</b>	Jon is an Advisory Board Director of Celtic Pharma I and Celtic Pharma II (biotechnology) and a Director of New Forests Company Holdings Limited (African forestry).	Phillip is a non-executive director of Lend Lease Corporation and is on the Boards of Trustees of the LGT Group Foundation and the Prince of Liechtenstein Foundation.	Andrew is Chief Executive Officer of Beazley plc.	Fred is Senior Advisor for Europe, Investec Asset Management.
<b>Committee membership</b>	Jon is Chairman of the Nomination Committee and a member of the Remuneration Committee. He attends Audit and Risk Committee meetings by invitation.	Phillip is Chairman of the Remuneration Committee and a member of the Audit and Risk Committee and Nomination Committee.	Andrew is a member of the Audit and Risk Committee and the Nomination Committee.	Fred is a member of the Remuneration Committee and Nomination Committee.



**Matthew Lester**

Independent non-executive director and Chairman of the Audit and Risk Committee



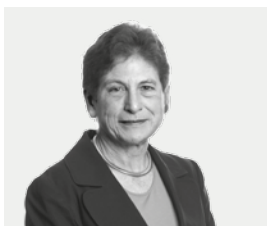
**Emmanuel Roman**

Chief Executive Officer



**Dev Sanyal**

Independent non-executive director



**Nina Shapiro**

Independent non-executive director



**Jonathan Sorrell**

Chief Financial Officer

Matthew Lester is Chief Finance Officer of Royal Mail plc. He was Group Finance Director of ICAP from 2006 to 2010 and prior to that worked at Diageo plc in a number of senior finance roles, including Group Financial Controller, Treasurer and Divisional Finance Director. He has substantial financial management and regulatory expertise.

Emmanuel (Manny) Roman joined Man as Chief Operating Officer in October 2010 following the acquisition of GLG. He joined GLG in 2005 as Co-Chief Executive Officer after 18 years with Goldman Sachs where he was Co-Head of Worldwide Global Securities and Co-Head of the European Securities Division. He has extensive trading, investment management, operational and business management experience.

Dev Sanyal has held a number of senior financial and line management positions within BP in a career of more than 20 years. As Group Treasurer, he gained in-depth experience of capital markets, asset management, trading and foreign exchange. He is currently Executive Vice President and Group Chief of Staff and a member of BP's Group Executive Committee.

Nina Shapiro has had a long career of senior roles within the World Bank and was Vice President, Finance and Treasurer of the International Finance Corporation from 2000 to 2011. She has in-depth knowledge of global capital markets and emerging economies.

Jonathan Sorrell joined Man in August 2011 as Head of Strategy and Corporate Finance. Before this he spent 13 years at Goldman Sachs in the Investment Management, Securities and Investment Banking Divisions, latterly leading investments in a broad range of hedge fund firms. He has broad strategy development, financial and commercial expertise.

Matthew was appointed to the Board as a non-executive director in May 2011.

Manny was appointed to the Board in May 2011. He was appointed President of Man in August 2012 and Chief Executive Officer in February 2013.

Dev was appointed to the Board as a non-executive director on 1 December 2013.

Nina was appointed to the Board as a non-executive director in October 2011.

Jonathan was appointed to the Board as Chief Financial Officer in June 2012.

Matthew is Chief Finance Officer of Royal Mail plc. He is on the main Committee of the Hundred Group of Finance Directors.

Manny is a trustee of the Hedge Fund Standards Board Limited and a non-executive director of Grupo Prisa SA (education, media and entertainment).

Dev is Executive Vice President and Group Chief of Staff of BP p.l.c. He is a member of the Accenture Global Energy Board, a member of the International Business Leaders Group of The Duke of Edinburgh's International Award Foundation and a Trustee of the Career Academy Foundation.

Nina is a director of African Minerals Limited and holds a number of Senior Advisor and Advisory Board roles in the financial and other sectors.

None.

Matthew is Chairman of the Audit and Risk Committee and a member of the Nomination Committee.

Manny regularly attends Audit and Risk Committee, Remuneration Committee and Nomination Committee meetings by invitation. He is Chairman of the Executive Committee.

Dev is a member of the Audit and Risk Committee and the Nomination Committee.

Nina is a member of the Remuneration Committee and the Nomination Committee.

Jonathan regularly attends Audit and Risk Committee meetings by invitation. He attends Remuneration Committee meetings for certain items of business. He is a member of the Executive Committee.



# Corporate governance report



**Jon Aisbitt**  
Chairman

**In this report, which follows on from my Chairman's statement, I am pleased to discuss how the Board sought to provide effective leadership and governance for the development of the business during 2013. In discharging these responsibilities, both the Board and its Committees had a full and active year.**

At the end of February, Manny Roman succeeded to the role of CEO, completing the change in the executive team which the Board had put in place the previous year. In Manny's year end results presentation, in response to investors' wish for a better understanding of our investment proposition, he outlined the Board's view of Man's core strengths and the key priorities on which the business would be focussing during 2013. Progress on these priorities has been discussed elsewhere in the Annual Report and details of the Board's contribution to their achievement are provided below.

Later in the year, the Nomination Committee conducted a search for and recommended the appointment of two new non-executive directors to provide a substantial refresh of our non-executive membership.

The Remuneration Committee has engaged in further consultation with shareholders on our remuneration policy and responded to their requested change in our deferred executive compensation arrangements.

In line with new UK Corporate Governance Code requirements, the Audit and Risk Committee conducted an audit tender which has led to the Board proposing the appointment of Deloitte LLP as the Company's auditors for the 2014 financial year, subject to approval by shareholders at the Annual General Meeting. Fuller details of all these actions are given in the respective Committee reports which follow.

## Board composition

As Chairman of the Board, one of my main responsibilities is to ensure that its members collectively have the right balance of skills and experience required to drive the direction of the business, manage risk and monitor performance. 2013 was the first full year for our new executive director team, Manny Roman, CEO, and Jonathan Sorrell, CFO, and we are pleased with the progress they have made in securing a more appropriate and favourable regulatory status for the firm and delivering against an ambitious cost reduction programme.

2013 was also a year of significant change in our non-executive membership. With the departure of two long serving non-executives, Alison Carnwath and Patrick O'Sullivan, and in response to the need identified in our 2012 Board evaluation for a greater focus on non-executive succession planning and, in particular, for further strengthening of the Audit and Risk Committee, we have appointed two new non-executive directors, Andrew Horton, Chief Executive Officer of Beazley, and Dev Sanyal, Executive Vice-President and Group Chief of Staff of BP. With their broad knowledge of financial markets and wide ranging international and operational expertise, both are well placed to contribute to the development and execution of Man's strategy and risk management.

The Board overall benefits from a broad mix of wholly independent non-executive directors who bring a range of perspectives and experiences drawn from different business and cultural backgrounds. Three bring valuable hands-on current experience from their external executive roles. Details of our Board appointment and succession planning activities, including our policy on building diversity, are given in my Nomination Committee report on [page 38](#). You will find full biographical details of all our directors on [pages 26 and 27](#).

## Board remit and processes

### Matters reserved for Board decision

To ensure that it retains control of key decisions and actions impacting the business, the Board has put in place a Schedule of matters which are reserved for its decision and approval alone. These include matters such as strategy development, annual budgets, major acquisitions and disposals, risk appetite and risk management, borrowing and credit exposure limits, executive remuneration, capital structure, dividends, Board appointments and financial results and statements. The full Schedule is available on our website [www.man.com/GB/board-governance](http://www.man.com/GB/board-governance). The Board delegates all other matters to the CEO who has established a detailed framework of delegated authorities for material issues and decisions across the firm in accordance with the risk appetites set by the Board.



## Board Committee structure

Certain of the Board's governance functions are delegated to and supported by three dedicated Board Committees with the mandates summarised below. The communication and coordination of the work of these Committees is achieved through regular reporting to the Board by the Committee Chairmen and the circulation of minutes and papers.

### Audit and Risk Committee

Review the integrity of the Company's financial reports and statements prior to approval by the Board.

Review and report to the Board on the effectiveness of Man's risk management and internal controls framework.

Recommend to the Board the appointment of the external auditors, review the scope of their work and their effectiveness.

Approve the internal audit plan; review the effectiveness of internal audit; and management response to their findings.



#### Audit and Risk Committee report

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### Remuneration Committee

Recommend to the Board for approval the principles and structure of the Company's executive remuneration policy.

Recommend to the Board for approval the quantum of the Company's variable compensation pool.

Recommend to the Board for approval the annual objectives and compensation for individual executive directors.

Approve the compensation for Executive Committee members and FCA Code staff.

Determine the contractual termination terms for executive directors and any severance payments.



#### Directors' remuneration report

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### Nomination Committee

Keep the Board's skill and experience base under regular review in the light of business changes and agree with the Board the role specification for any proposed new appointments.

Conduct the search and selection process for new directors and recommend proposed appointees to the Board.

Review senior executive development and succession plans to ensure continuity of resource at, and just below, Board level.

Review and recommend the renewal of non-executive director appointments.



#### Nomination Committee report

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Full Committee terms of reference, which are approved by the Board, can be found on our website [www.man.com/GB/corporate-governance](http://www.man.com/GB/corporate-governance). Details of the work of the Committees during the year are given in the separate Committee reports highlighted above.

## Board agenda

The Board met formally eight times during 2013. At every Board meeting the Board receives an update from the CEO on the performance of Man's main funds and progress on fund flows, often supplemented by presentations from investment management and sales teams. Detailed financial reporting is provided by the CFO, including analysis of results against budget, updated full year forecasts and projected run rate costs for future years based on ongoing cost reduction. The Board receives a regular Treasury update on its economic and regulatory capital position and reviews movements in the Group Risk Dashboard which is updated on a monthly basis. Significant people issues and developments in acquisition opportunities are discussed in detail by the CEO.

## Strategy review

In the first half of the year the Board held a one and a half day strategy review which commenced with a broad overview from external industry experts on current trends and future outlook for the asset management and hedge fund industry. Input on developing regulatory impacts was provided by Man's in house risk, legal and regulatory teams. This created a backdrop for a detailed Board review of the performance and prospects of each of Man's main investment engines, progress on distribution and acquisition opportunities followed by discussion and confirmation of the business strategy for the year ahead.

## Priorities and actions in 2013

The table on [page 30](#) highlights specific areas of Board review and decision during the year. These include actions taken to progress our strategic business priorities and other key matters falling within the Board's remit.

## Board engagement

### Key relationships

Of key importance for the effective working of the Board is the division of responsibility between my role as Chairman and that of the CEO as leader

of the business. Details of our separate but complementary responsibilities are given on our website [www.man.com/GB/board-governance](http://www.man.com/GB/board-governance). Manny keeps me closely advised of progress and key developments in the business and we jointly discuss and agree our approach to bringing forward issues for discussion by the Board.

I maintain regular contact with our Senior Independent Director (SID) and test with him my thinking on Board issues and areas of focus or proposed change. Details of the SID's particular role and responsibilities in relation to Board and shareholder communications and relationships are given on our website [www.man.com/GB/board-governance](http://www.man.com/GB/board-governance). I also seek and encourage frequent dialogue with my other non-executive colleagues in order to keep abreast of and respond to their thinking, interests and any areas of concern. Regular discussions with the Company Secretary on agenda planning and the impacts of external regulatory developments help promote appropriate and timely consideration of business and governance issues.

## Time commitment

The table on [page 31](#) shows directors' attendance at the main formal Board meetings held during the year. Where a director is unable to participate in a meeting, I will solicit their views on key issues to be considered and ensure that their feedback is taken into account in the subsequent meeting discussions. Board members may also be called upon at short notice between scheduled meetings to consider and respond to any urgent issues or proposals which may arise. In addition, I like to arrange occasional separate meetings or dinners with non-executives only to provide a more informal opportunity for an exchange of views on Board matters. We may be joined on such occasions by key executives just below Board level to further those individuals' exposure to the Board and develop non-executives' insight into the business and spread of management talent.





## Corporate governance report continued

### Board priorities and actions during 2013

#### Fund performance

- Undertook in-depth reviews of AHL performance and research activity, including the impacts of enhancements to the core momentum model. Reviewed the product pipeline, team development and challenges. Explored and analysed competitor strategies and performance including a peer case study.
- Reviewed and discussed new GLG Macro, Fixed Income and Currency teams' capability, product launches and priorities for 2013.
- Monitored and discussed the progress of the fund of funds business following the FRM acquisition.

#### Growth opportunities

- Maintained a firm focus on asset raising and discussed potential sources of future flows. Reinforced the strategic focus on the key US market.
- Examined a range of acquisition opportunities proposed by management against agreed business diversification and asset raising objectives.

#### Effective distribution

- Reviewed and endorsed the rationalisation of the retail distribution structure, including the closure of regional offices, in line with the decline of the structured product and the shrinking market outside the US.
- Reviewed and endorsed the reorientation of the sales team to match the increasing business focus on institutional flows.

#### Balance sheet efficiency and cost reduction

- Established and obtained FCA approval of a reduced regulatory capital requirement for Man in line with its change in status from a Full Scope to Limited Licence group.
- Applied some of Man's surplus regulatory capital to buy back all its outstanding debt and deliver \$78 million annualised interest and coupon payment savings while maintaining an adequate margin of liquidity and surplus capital to pursue acquisitions.
- Challenged management on the delivery and scope of the cost reduction programme and sought assurance on its impacts on performance, the control environment and staff engagement and retention.

#### Risk

- Reviewed Man's risk appetite statements, including its operational risk capital tolerance, and approved the use of a common risk assessment grid for all operational risks within the business.
- Reviewed Man's vulnerability to, and protections against, the specific risks of cyber crime.
- Reviewed the effectiveness of the whole of the Group's risk management and internal control systems (see separate Risk management and internal controls section on [page 32](#)).

#### Regulatory compliance

- Noted the new reporting requirements relating to the structure and content of the Annual Report and agreed proposed enhancements to Man's existing review and approval processes.
- Noted the FCA's supervision priorities and work programme for 2014. Received a presentation on FCA expectations in respect of the conduct of the UK retail business and considered Man's response in terms of product provision, marketing activities and regulatory responsibilities.
- Reviewed the mapping of Man's procedures to manage conflicts of interest within the investment managers and confirmed the Board's view of their adequacy.

#### Planning and resources

- Reviewed and approved the 2014 Budget and three-year 2014–16 Medium Term Plan assumptions, scenarios and projections.
- Reviewed the new HR business model, internal service levels, outsourced provision and risks related to the reduction of HR headcount. Discussed the ownership and promotion of the talent agenda within the business.



## Directors' attendance at main Board meetings

	Attendance record
Jon Aisbitt, Chairman	8/8
Alison Carnwath <sup>1</sup>	3/3
Peter Clarke <sup>2</sup>	1/1
Phillip Colebatch	8/8
Andrew Horton <sup>3</sup>	2/3
Frédéric Jolly	7/8
Matthew Lester	7/8
Patrick O'Sullivan <sup>4</sup>	5/5
Emmanuel Roman	8/8
Dev Sanyal <sup>5</sup>	1/1
Nina Shapiro	8/8
Jonathan Sorrell	8/8

### Notes:

- 1 Alison Carnwath retired from the Board on 3 May 2013.
- 2 Peter Clarke retired from the Board on 28 February 2013.
- 3 Andrew Horton joined the Board on 3 August 2013.
- 4 Patrick O'Sullivan retired from the Board on 3 August 2013.
- 5 Dev Sanyal joined the Board on 1 December 2013.

## External appointments

I always discuss Man's Board schedule and their other business commitments with non-executive directors prior to their appointment to ensure that they have sufficient time to give to Man. A minimum time expectation is set out in their letter of appointment. However, owing to prior fixed engagements, an occasional conflict with a Man Board meeting in a director's first year of service may be unavoidable. Non-executives also seek my advice and endorsement before taking on any additional external business commitments which might conflict with their responsibilities to and time available for Man. Any external interests which are perceived to represent a potential conflict are reviewed by the executive directors and appropriate guidance given. A complete schedule of all directors' external interests is circulated to the Board for information and approval on an annual basis.

## Induction and education

To provide an initial introduction to the business and its executive management, new non-executive directors are provided with a comprehensive induction programme, details of which are given on our website [www.man.com/GB/board-governance](http://www.man.com/GB/board-governance), supported by pre-meeting briefing materials and follow up sessions where requested. I regularly seek feedback from our newly appointed directors on the quality and scope of this programme to keep it refreshed and effective.

My non-executive colleagues are always keen to develop and update their knowledge of Man's investment managers and distribution activities, which we achieve through presentations at Board and strategy review meetings and in one to one ad hoc sessions with relevant executives. In addition, to support the particular needs of directors serving on our Audit and Risk and Remuneration Committees, we regularly circulate details of external programmes on topical legal, accounting and regulatory developments which I encourage non-executives to join wherever this would be useful. I was pleased to attend a number of discussion forums and seminars on governance developments during the year in order to keep updated on changes in the regulatory framework within which Man operates.

## Board evaluation

In 2013, following two successive in-depth annual Board evaluations carried out by an external third party, we chose to conduct an internal exercise facilitated by the Company Secretary. Board members were asked, through a written questionnaire, for their views on selected topics and were invited to give comments and suggestions for improvement in each case. The topics surveyed included areas which had been identified as priorities for future focus in the 2012 evaluation, key issues handled during 2013 and ongoing Board communication and governance processes. The evaluation findings were submitted to, and discussed by, the Board and priority areas of focus for 2014 agreed.

### 2013 evaluation findings

Against a significant year of change encompassing a new executive team, the departure of long serving non-executives, the reshaping of the business and ongoing cost reduction, the evaluation revealed positive views and progress in many areas. There was a high degree of confidence in the new executive directors, their ability to work together and their communication of business developments to non-executive colleagues. Significant progress was recognised in the area of non-executive succession planning and the discussion of the skills and experience required for future Board roles. The quality of reports to the Board by Committee chairmen was highly commended and provided assurance on the governance framework which had been put in place. Positive responses on the conduct of Board debate and the handling of areas of potential dissension provided evidence of an open culture which encouraged the surfacing of difficult issues and facilitated their resolution.

### Areas of focus for 2014

Arising from the evaluation findings and subsequent Board discussion, the Board has identified the following areas for particular focus during 2014:

1. Knowledge of competitors – gain further insight into competitor strategies and Man's market positioning.
2. Business knowledge – continue building directors' knowledge of Man's investment managers and other key business areas.
3. Board experience and skills – add more investment management expertise through future non-executive director recruitment.
4. Employee talent and engagement – review recruitment, motivation and retention in key risk areas and more broadly.

### Individual director evaluation

To provide feedback on individual directors' contributions to the Board, I had one to one private meetings with all Board members and identified potential areas of development with them. The Senior Independent Director led a review of my own contribution as Chairman, taking on board the views of all the directors, and communicated their feedback to me.



## Corporate governance report continued

### Risk management and internal controls

**The Board is required to maintain sound risk management and internal control systems, to review their effectiveness and to report on this review to shareholders. Information on Man's risk management and internal control systems, which have been in place throughout the period and up to the date of this report, can be found in the Risk management section on pages 20 to 23. Details of Man's risk management and internal control systems in relation to the financial reporting process, and of the Board's ongoing review of all Man's risk management and internal control systems, are given below.**

#### Financial reporting controls

The Group operates a financial controls framework which is designed to provide assurance that proper accounting records are adequately maintained and that financial information used within the business and for publication is reliable and free from material misstatement, thereby safeguarding the Company's assets.

This framework is managed by the Financial Controls Group through a process whereby the control owners certify that key preventative and detective controls, financial statement preparation processes, material balance sheet reconciliations and entity level analytical reviews have been performed and are operating effectively. During the year a formal check and review of a sample of these certifications were performed by the Financial Controls Manager to verify the accuracy of the reporting.

#### Board review of risk management and internal control systems

The Company's systems of internal control aim to safeguard assets, maintain proper accounting records and provide confidence that the financial information used in the business and published externally is robust and reliable. The systems are designed to manage key risks, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The systems comply with the guidance given in 'Internal Control: Revised Guidance for Directors' (the 2005 Turnbull guidance).

Man's risk management and internal control systems are regularly reviewed by the Board. The Board receives reports from line management and Group Risk on the risks to the achievement of the Group's operational and financial objectives, together with assurance that the level of risk sustained is consistent with and being managed in accordance with the Board's risk appetite. These reports include current and forward looking assessments of capital and liquidity adequacy and a summary 'risk dashboard'.

The Board has delegated oversight of risk management and systems of internal control to the Audit and Risk Committee (ARCom). At each meeting the ARCom reviews summary dashboards for each of risk, internal controls, the financial controls framework and compliance. It also receives reports from the Risk Assurance Committee which considers the effectiveness of risk controls through regular review of Risk and Control Self-Assessments, risk scenarios, key risk indicators and operational risk incident reports. Objective assurance on the operation and effectiveness of internal controls is provided by Internal Audit whose audit programme is targeted on the business areas and processes that are most significant in terms of the Group's risk profile and where there are key controls on which the Group relies. The report from the Chairman of the ARCom on pages 34 to 37 provides further information on how the Committee has discharged its risk oversight responsibilities during the year.

As part of its risk oversight responsibilities, a number of operational and regulatory matters which had occurred during the year were reported to the ARCom during the normal course of business. Whilst Man sought to improve its processes as a result, these matters were not sufficiently material in number or nature either to require separate disclosure or to indicate that the control environment had not been working effectively.

#### Year end review of risk management and internal controls

In addition to its ongoing monitoring of risk controls, the Board has conducted a specific period end review of the effectiveness of the Group's risk management and internal control systems during the 12 months and for the period up to the date of this Annual Report. This review covered all material risks and included a review of all significant operational risk events and Internal Audit findings raised during the period. The Board also considered the outcome of the firm-wide Risk and Control Self-Assessment process, the potential impact of certain risks identified by the business and the quality of the controls in place to mitigate them. Following this review the Board concluded that the Group's risk management processes were appropriate and that there were no significant weaknesses or failings in the systems of internal controls.



## Shareholder engagement

### Institutional investors

The Board receives regular updates from our investor relations team regarding changes in the share register, feedback from institutional investors (covering both top shareholders and non-holders) and key commentary from the sell-side analyst community. Our executive directors met with around half of our institutional shareholder base during 2013 and are in regular contact with analysts and other market commentators.

As Chairman, I attend results presentations to analysts and investors and at the end of last year undertook a programme of meetings with key institutional investors to supplement contact between investors and the executive team. This gave me the opportunity to hear at first hand from investors on their perception and concerns about the business and to report back to my Board colleagues on their views. The Board very much values direct feedback of this kind and, as indicated earlier in this report, responds to such feedback wherever possible.

The Chairman of the Remuneration Committee has continued our specific dialogue with shareholders on our executive remuneration arrangements and responded to their suggestions for change. As Senior Independent Director, he is also available to meet shareholders to discuss any matters of concern.

### Private investors

We are keen to hear the views of our private shareholders and encourage them to use our website to access the Company's interim and annual reports and results presentations. The website also provides a wealth of other information about the business and gives direct access to our Registrars' Shareview website ([www.shareview.co.uk](http://www.shareview.co.uk)) which enables shareholders to manage their shareholding account online. For specific enquiries about Man's business, we provide a dedicated shareholder mailbox ([shareholder@man.com](mailto:shareholder@man.com)).

In March 2013, we held a meeting with members of the UK Shareholders Association (UKSA) in London at which Jonathan Sorrell, our CFO, reported on the progress of the business and our areas of strategic focus and responded to UKSA members' questions. At our AGM in May, Manny Roman as our new CEO gave an update to shareholders on the positioning of, and outlook for, the business. This was followed by a shareholder question and answer session covering many aspects of the Company's business as well as the resolutions to be considered at the meeting.

I look forward to welcoming shareholders to our 2014 AGM in May this year and updating them on the latest business developments.

**Jon Aisbitt**  
Chairman

## Statement of compliance

The Company has, throughout the year ended 31 December 2013, applied the principles of and complied with the provisions of the UK Corporate Governance Code dated September 2012 (the Code) except in the following respects:

Provision D.2.2 of the Code requires that the Remuneration Committee should have delegated responsibility for setting the remuneration of all the executive directors and the Chairman.

### Executive directors' remuneration

At Man, the terms of reference of the Remuneration Committee provide that the Committee should recommend, for approval by the Board, individual executive directors' objectives and compensation. This is subject to the proviso that no director should participate in the approval of his or her objectives or compensation. The Board believes that, given the importance of motivating the executive team to deliver the Company's strategy, it is appropriate for all non-executive Board members, rather than just those who sit on the Remuneration Committee, to determine the executive directors' objectives and compensation packages.

### Chairman's remuneration

The remuneration of the Chairman is determined by the Board based on the recommendation of the Remuneration Committee. This makes the process fully transparent and allows the views of all the directors, executive and non-executive, to be taken into account.

### Other information

Certain additional information in relation to the Company's share capital, the powers of the directors and amendments to the articles of association that is required to be disclosed pursuant to DTR 7.2.6 may be found in the Directors' report on [pages 60 to 61](#).



## Corporate governance report continued

# Audit and Risk Committee report



**Matthew Lester**  
 Chairman, Audit and Risk Committee

**Throughout the year the Committee continued to be focused on the integrity of the Group's financial reporting, risk management processes and the effectiveness of internal controls. In particular, it focused on the coordination of the activities of the Finance, Risk, Compliance, Internal Audit and Legal functions, in light of the headcount reduction plan, to provide assurance over the integrity of the control environment. The Committee also led an external audit tender process, following which a recommendation to appoint Deloitte LLP as the external auditors was made to the Board and further information on this process can be found on page 37.**

### Committee composition and attendance

The composition of the Committee was refreshed in early August when Patrick O'Sullivan stepped down from the Board and ceased to be a Committee member and, as the new Senior Independent Director, Phillip Colebatch joined the Committee. In addition, Nina Shapiro stepped down from the Committee and was replaced by Andrew Horton who joined the Board on the same day. The breadth of experience of the Committee has been enhanced by the appointment of a fourth member in December; Dev Sanyal. All of the members of the Committee are independent non-executive directors and their biographies can be found on [pages 26 to 27](#). Andrew Horton, Dev Sanyal and I are the members considered to have relevant and recent financial experience. The attendance of members at Committee meetings held during the year can be found below.

	Attendance record
Matthew Lester (Chair)	6/6
Phillip Colebatch <sup>1</sup>	2/2
Andrew Horton <sup>1</sup>	2/2
Patrick O'Sullivan <sup>2</sup>	3/4
Dev Sanyal <sup>3</sup>	1/1
Nina Shapiro <sup>2</sup>	4/4

#### Notes:

- 1 Appointed to the Committee with effect from 3 August 2013.
- 2 Stepped down from the Committee with effect from 3 August 2013.
- 3 Appointed to the Committee with effect from 1 December 2013.

In addition to the above members, the Board Chairman, CEO, CFO, Chief Risk Officer, Global Head of Compliance and Regulatory, Head of Internal Audit, Group Financial Controller and representatives from the external auditors regularly attend the meetings. The Committee meets privately with the Head of Internal Audit and the external audit partners after each Committee meeting and I maintain ongoing dialogue with both parties.

### Committee's roles, responsibilities and processes

The Audit and Risk Committee forms an integral part of Man's governance framework with oversight of the Group's financial reporting, internal and external audit, risk management and regulatory compliance.

An overview of the roles and responsibilities of the Committee can be found opposite and is summarised from the full terms of reference which are available at [www.man.com](http://www.man.com), together with details of the standard business addressed by the Committee. The key matters considered by the Committee during the year can be found on [pages 35 to 37](#).



The Committee receives reports and presentations from management and values the direct engagement with management from both operational and governance areas. At each meeting the Committee reviews dashboards on the key risks, compliance matters, financial controls framework and internal controls. These are designed to provide the Committee with an update in these key areas and highlight any issues or changes which should be considered by the Committee. Items are also escalated from the Group Finance and Risk Assurance Committees (further details on these Committees can be found on [page 21](#)) and reports from these meetings are submitted to every Committee meeting. I report to the Board at the following Board meeting to ensure that all directors are fully briefed on Committee matters.

All new Board directors are given a detailed induction programme (and further information in this regard can be found at [www.man.com](http://www.man.com)). As part of this programme, new members to the Committee are provided with all relevant materials, including copies of recent minutes, the Committee forward agenda and terms of reference. In addition, each Committee stakeholder meets with the new director to provide a tailored briefing.

The Committee has oversight of the functions detailed below and is responsible for reporting its findings and any recommendations to the Board.

#### **F** Financial reporting

Year-end and interim financial statements to ensure they give a fair, balanced and understandable view of the business and comply with required accounting standards and regulation, with particular focus on:

- Key accounting policies and judgements;
- Going concern statement; and
- Annual Report sections on Risk management and the Audit and Risk Committee:
  - Changes to financial reporting standards and regulations; and
  - Effectiveness of the financial controls framework.

#### **R** Risk management, internal controls and compliance

- The effectiveness of:
  - The Group Risk Framework including policies and processes for the identification, assessment and management of risk;
  - The effectiveness of internal controls (in line with Turnbull guidance); and
  - The Group's regulatory reporting activities and Compliance function.
- In addition, the Committee reports any relevant findings in relation to risk matters which may impact the discretionary remuneration available to all staff or individuals.

#### **IA** Internal audit

- Approval of the annual Internal Audit plan and Internal Audit activities;
- The effectiveness of the Internal Audit function; and
- All significant Internal Audit recommendations and findings, and management's response to, and progress in, addressing them.

#### **EA** External audit

- Recommending the appointment of, and determining the remuneration of, the external auditors, including reviewing their effectiveness and independence;
- Review and approval of the audit plan and the auditors' control procedures;
- Review of the findings of the audit and the auditors' management letter and ensuring appropriate action, where required; and
- Approval and monitoring of the policies relating to the provision of non-audit services by the external auditors and the hiring of personnel from the external auditors.

## Key items considered during the year

### **F EA** Financial reporting

The Committee considers all key accounting judgements for the full year and interim financial statements and once again the most significant judgement made related to the valuation of the goodwill of the Group's main business units. The Committee tested the assumptions used in the valuation model and agreed that no impairments to goodwill were required for the six months to June 2013. A further goodwill valuation of each business unit was undertaken for the year-end results, following which the FRM goodwill was impaired by \$69 million. This impairment primarily related to the impairment of the legacy Man Multi-Manager business which was combined with the FRM business on acquisition in 2012. Further information on this can be found on [page 80](#).

The Committee also reviewed the accounting judgements applied to the contingent consideration creditor which relates to the acquisition of FRM. The overall purchase price of FRM is dependent on management fee run rates and the quantum was revised to reflect the best estimates of future payments due under the purchase agreement. Overall, these adjustments have decreased the contingent consideration creditor by circa \$3 million (please see [page 73](#) for further information).

The Committee reviewed and approved the adjusting items in the consolidated financial statements to ensure that they were appropriate, that there was consistency in treatment year on year and that they provided a fair overview of the underlying profitability of the business. For further information on the items included as adjusting items please refer to [Note 2](#) to the financial statements on [page 73](#).

The Committee was briefed on new reporting requirements by the Group Financial Controller and reviewed and approved the Group's approach and revised processes to ensure compliance.

### **F R IA** Governance and assurance review

The Committee conducted a review of the governance functions and assessed the progress against their plans for 2013 and it was noted that good progress had been made. An assurance map has also been developed by Internal Audit and reviewed by the Committee which maps the coverage of all business areas by the second and third lines of defence (see [page 21](#)). In addition the Committee undertook a review of the governance of regional offices to ensure that there was effective oversight.

Following the headcount reductions across the business the Committee has monitored the impact of this on the internal control framework and reviewed the key governance functions (Risk, Compliance, Internal Audit, Finance and Legal) in light of the headcount reduction plan. This included an assessment of the capabilities of key individuals within each function. As part of this process, the Committee also conducted 'deep-dive reviews' of Finance and Treasury to test the impact of the headcount reductions in these areas. The Committee was satisfied that the control environment continued to be effective and that in some areas the simplification of processes had reduced risk.

The Committee received regular briefings on the status and development of the operational risk framework and monitored correspondence with the FCA in this regard. The good progress in this area has continued and the Risk and Control Self-Assessment ('RCSA') process has now been rolled out across all areas of the business. Following the completion of the first roll-out and the commencement of the annual rolling update, the Committee undertook an effectiveness review to establish how effectively the RCSA process had been embedded throughout the organisation.



## Corporate governance report continued

# Audit and Risk Committee report continued

The Committee undertook a review of the work of the GLG Systems and Controls Committee (SYSC) which oversees the internal controls and compliance safeguards around discretionary trading and ensures that investors are treated fairly within the GLG business unit. Any issues arising from SYSC are escalated to the Risk Assurance Committee which would, if appropriate, escalate them to the Committee. The Committee was satisfied with the controls in place to detect unusual trading patterns and/or excessive risk taking.

### **R** Compliance

Compliance continued to be a key area of focus for the business during 2013 and this is expected to increase during 2014, with the continued roll-out of new rules and regulations. The Head of Compliance and Regulatory presents annually to the Committee on the work of the department and the status of key areas. In addition, the Committee reviewed how conflicts of interests are managed across the Group and received a briefing on the breach review process within GLG.

### **R** Internal capital adequacy assessment process (ICAAP)

The Committee reviewed the Group's ICAAP submission to the FCA and made recommendations to the Board in this regard. During the year the Group was reclassified from a Full Scope to a Limited Licence group under FCA regulations and this reclassification resulted in revised requirements for the Group's ICAAP submission to the FCA. The Committee particularly focused on compliance with the changed requirements and the operational risk capital element. The FCA has reviewed the submission and has confirmed the revised level of regulatory capital to be held by the Group. See [page 19](#) for further information.

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

During the year, management recommended some amendments to the methodology applied in calculating the Group's funds under management from a fee-based approach to investment exposure. This has made the calculation procedure more robust and auditable, and facilitates the outsourcing arrangements, as less reliance is placed on third parties to provide the information required for FUM calculation. The impact of the change in methodology was not significant. The Committee agreed to obtain independent verification over the actual FUM calculation process, which will be undertaken during 2014.

### **R** Service providers

The Committee has continued to monitor the Group's progress with the outsourcing initiatives detailed in last year's report. The outsourcing has progressed well with minimal issues to date and the Committee has reviewed the governance framework in place to manage the services provided to the Group and the funds it manages. The Committee also received reports on the contingency plans which have been developed and agreed with all key suppliers to ensure continuity of service.

### **R** Information technology

The Committee receives an update from the Head of Technology twice per year and the Committee noted the good progress made in rationalising the Group's IT systems. This simplification has enhanced the IT control environment, increased the robustness of the IT infrastructure and provided benefits to the business both through reduced costs and enhanced functionality.

The Business Operational Risk department has also presented to the Committee on cyber-crime and the Committee challenged the Group's preparedness for an attack.

### **IA** Internal Audit

During the year the Internal Audit function transitioned to an outsourced model provided by an independent firm, KPMG. The Committee monitored the transition process carefully with particular focus on any impact on the business. The transition has progressed very well and the benefits of leveraging the knowledge and expertise of a third party supplier have been recognised, not only by the Committee, but throughout the business. During the year the Committee approved the revised 2013 plan and the 2014 plan and comprehensive progress reports are presented at each meeting. A detailed review of the effectiveness of the Internal Audit function is planned for Q2 2014, a year after KPMG fully commenced the role.

### **EA** External audit Non-audit services

The Committee has a policy in place for the provision of non-audit services by the external audit firm. The policy prohibits the external auditors from providing services which could impact their independence, which include:

- Services related to the Group's accounting records, financial statements or financial information systems design and implementation;
- Appraisal/valuation services, fairness opinions or contribution-in-kind reports;
- Actuarial services;
- Internal Audit outsourcing services;
- Management functions or human resources;
- Broker/dealer, investment advisor or investment banking;
- Certain taxation or capital markets services;
- Litigation support services where this would involve the audit firm estimating the likely outcome of a pending legal matter that could be material to the financial statements;
- Legal or legal support services which would involve the audit firm estimating the likely outcome of a pending legal matter or representing the Group in a dispute or litigation which is material to the financial statements; and
- Recruitment or remuneration services relating to the filling of key management positions or determining their remuneration.

Any potential services to be provided by the external auditors that have an expected value of \$75,000 or more, or where the pre-approved fees in any financial year exceed \$2 million in aggregate, must be approved in advance by the Committee.

The table below shows the remuneration paid to the external auditors, PricewaterhouseCoopers LLP (PwC) and its worldwide associates, for the year ended 31 December 2013.

	Year ended 31 December 2013 \$'000	Year ended 31 December 2012 \$'000
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	736	1,202
Other services:		
The audit of the Company's subsidiaries pursuant to legislation	1,795	2,494
Audit-related assurance services	369	668
Tax compliance services	1,056	556
Tax advisory services	452	235
Other assurance services	-	687
All other services	167	891
<b>Total auditors' remuneration</b>	<b>4,575</b>	<b>6,733</b>



The level of non-audit fees has reduced against 2012 primarily due to the reduction of specific project work. In the prior year, the external auditors provided services in connection with the acquisition of FRM and the creation of a new group holding company.

Audit-related assurance services consist of fees paid for the work undertaken in reviewing the interim results and for the assurance reports required to be submitted to financial regulators, in particular in Switzerland.

Tax compliance services are provided in many of the jurisdictions in which Man operates but they primarily relate to the completion of tax returns and our compliance reporting in the US. Various state and city tax returns are required as well as the federal filings and in 2013 PwC completed the tax returns relating to both 2011 and 2012, which accounts for the increase from the prior year. Tax advisory services mainly relate to business restructuring advice in the UK.

Other services primarily relate to advice in connection with the Group's entity rationalisation and restructuring project.

#### External audit tender process

During the year, the Committee conducted a tender process for the external audit for the financial year ending 31 December 2014. The tender allowed the Committee to test the marketplace in terms of both service and price and ensured compliance with the UK Corporate Governance Code. PwC, the incumbent, was first appointed as Man's auditors in 1996 and a full tender had not been conducted since that date.

The tender process closely followed the best practice guidance issued by the Financial Reporting Council in July 2013. In October 2013, a request for proposal (RFP) was issued to provide external audit and audit-related services covering:

- The audit of Man's Parent Company, the Group financial statements and those of certain subsidiaries;
- Reporting, in the Annual Report, whether certain remuneration and governance disclosures were in accordance with applicable legislation and regulations;
- The review of the interim financial statements; and
- The provision of regulatory and client asset reporting in various locations.

PwC, Ernst & Young and Deloitte were invited to tender their proposals. Firms in the next tier of audit firms were considered but as a result of the Group's geographical spread none of these firms were invited to participate. KPMG provides Man with internal audit services and was therefore excluded for independence reasons. The three participating firms were evaluated against set criteria in the following areas:

- Credentials and capabilities of the audit firm;
- Effectiveness of the lead partner and engagement team;
- Behaviour and deliverables; and
- Fees and terms.

The process was led by the Committee and involved meetings with key Man personnel followed by the submission of written proposals. Presentations from each firm were then made to an external audit tender sub-committee who reported to the Committee. As part of this process the effectiveness of the external auditors was assessed and no concerns were raised.

The Committee concluded to recommend the appointment of Deloitte on the basis of their experienced lead partner and audit team, their use of technology, their proposed transition process and the value added services identified in their proposal. In reaching this decision, the Committee had also considered the advantages and disadvantages of utilising one firm for both the corporate and fund audits. Although the efficiencies that would be derived from using one firm were recognised, the use of two firms was preferred on the basis of risk management and maintaining broader relationships.

#### Committee evaluation

Last year's evaluation identified three areas for further consideration and development during 2013 and the table below provides an update on these areas.

2012 evaluation	2013 progress
Increased forward looking focus on strategic risks to supplement the Committee's extensive review of day-to-day operational risks.	Specific strategic risks have been considered during the year and further enhancements are proposed for 2014 including a presentation on emerging risks in Q2.
The skills and experience of the Committee and the benefits of increasing the membership.	The Committee has been strengthened during the year by the appointment of Andrew Horton and Dev Sanyal, both of whom bring valuable financial, operational and risk management expertise from their executive roles with Beazley and BP respectively.
Providing more focused papers whilst still highlighting all relevant issues.	The quality of papers has continued to improve throughout the year, particularly those from Internal Audit.

During the year the Committee conducted an evaluation of its effectiveness which was managed internally. Questionnaires were sent to Committee members and regular meeting attendees to seek their views on the operation of the Committee. Their responses were collated into a report and discussed at the December Committee meeting. The evaluation found that the Committee continued to operate effectively and added value to the business. The following areas were identified for development during 2014:

- Further improvement of the mix of strategic and operational risks considered by the Committee; and
- Further development of Committee members' understanding of the AHL operational risk and control environment.

#### Matthew Lester

Chairman, Audit and Risk Committee





## Corporate governance report continued Nomination Committee report



**Jon Aisbitt**  
 Chairman

**In 2013 the Committee continued its ongoing review of the Board's membership and skill base with a specific emphasis on non-executive director succession planning. It took a number of actions to ensure that the Board continues to have the full range of competencies, knowledge and experience required for the direction and oversight of the business. As part of this work, it focused on the priority areas identified for the Committee's attention in the 2012 Board and Committee evaluations and contributed its thinking and experience to the development of the Board's diversity policy which is discussed later in my report.**

### Committee membership and meetings

All our non-executive directors are members of the Nomination Committee and I involve them as fully as possible in all areas of its work. Meetings are normally also attended by Manny Roman as CEO. The table below shows the number of meetings held and non-executive directors' attendance during the year. Specific areas of review and action taken by the Committee in 2013 are discussed in this report. No individual participated in discussion or decision making on issues relating to them personally. The Committee's full terms of reference can be found on our website [www.man.com/GB/nomination-committee](http://www.man.com/GB/nomination-committee).

### Directors' attendance at Committee meetings

	Attendance record
Jon Aisbitt, Chairman	5/5
Alison Carnwath <sup>1</sup>	2/2
Philip Colebatch	4/5
Andrew Horton <sup>2</sup>	1/2
Frédéric Jolly	5/5
Matthew Lester	4/5
Patrick O'Sullivan <sup>3</sup>	3/3
Dev Sanyal <sup>4</sup>	1/1
Nina Shapiro	5/5

#### Notes:

- 1 Alison Carnwath retired from the Board on 3 May 2013.
- 2 Andrew Horton joined the Board on 3 August 2013.
- 3 Patrick O'Sullivan retired from the Board on 3 August 2013.
- 4 Dev Sanyal joined the Board on 1 December 2013.

### Non-executive director search and appointment process

This was the most important area of activity for the Committee during the year. In considering the Board's future development, our initial focus was on the further strengthening of the Audit and Risk Committee's technical expertise. We were also aware of the need to provide additional non-executive resource to fill the gap which would arise following Alison Carnwath's retirement from the Board at the 2013 AGM.

To progress the Audit and Risk Committee requirement, we reviewed and agreed with the Board a specification for a non-executive role which included regulatory and risk management as well as financial reporting experience. Egon Zehnder, who have no other connection with the Company, were appointed to carry out a candidate search, drawing on their prior knowledge of Man and its executive team and their successful sourcing of previous non-executive roles. As part of their brief, in order to



continue to build gender diversity on the Board, the firm were asked to include in their long list a good proportion of women candidates.

#### Andrew Horton

Following a review of the long list of candidates, a shortlist was drawn up for interview by me, our CEO and our CFO, the Chairman of the Audit and Risk Committee and our Senior Independent Director. Regrettably, this process did not produce any female candidates who were interested in and suited to the role. I obtained both search firm and direct references on the Committee's preferred candidate, Andrew Horton, CEO of Beazley, which confirmed his suitability. Andrew brings us broad knowledge of financial markets and risk and operational management from his current role at Beazley. He also has extensive financial reporting and regulatory expertise, including that gained in his former position as Beazley CFO. Following the receipt of FCA approval of Mr Horton's candidature, the Committee was pleased to recommend his appointment to the Board and to the Audit and Risk Committee.

#### Dev Sanyal

Patrick O'Sullivan advised us in the course of the year of his wish to stand down from the Board. This prompted the Committee to consider the need for new non-executive resource and options for succession to the role of Senior Independent Director previously held by Patrick.

We had identified in our earlier non-executive search another strong candidate, Dev Sanyal, Executive Vice President and Group Chief of Staff of BP, who had expressed an interest in joining the Board later in the year. Dev was able to offer us a broad spectrum of relevant skills and experience in line management, international operations and trading and, in particular, significant capital markets and investment expertise from his former role as Group Treasurer of BP. Following the receipt of positive search firm and direct references, and the securing of FCA approval, the Committee was pleased to recommend Dev's appointment as a member of the Board and the Audit and Risk Committee.

#### Refreshing other non-executive director roles

The Committee took advantage of changes in the non-executive membership to refresh the roles of other continuing members. It proposed to the Board the appointment of Phillip Colebatch, Chairman of the Remuneration Committee, as Senior Independent Director in succession to Patrick O'Sullivan. Later in the year, after discussion of Mr Colebatch's wholly independent outlook, challenge and contribution, we recommended that the Board should renew his appointment for a further three-year term, subject to his annual retirement and reappointment by shareholders at the AGM. A further change in non-executive responsibility followed our recommendation of Nina Shapiro's transfer to the Remuneration Committee after two years' service on the Audit and Risk Committee.

#### Board diversity

The Board has further discussed its diversity policy in the light of Man's available executive talent pool and the Committee's non-executive search experience. Its firm principle is to continue to make Board appointments based on merit and overall suitability for the role. It recognises the value that is brought to Board debate and decision making by directors with diverse geographical background, experience and outlook and strives to capture such diversity when making Board appointments.

It aims, in relation to gender diversity, to achieve an impactful percentage of female representation on the Board in line with the spirit of the Davies recommendations while recognising the constraints arising from Man's available internal executive pool and the limited supply of external non-executive female candidates who meet its search criteria. As a result of

these factors, the number of women directors on our Board will necessarily vary from time to time and we do not think that it is appropriate to target the achievement of a specific percentage by a given date. We will, however, continue to seek to increase the number of women on our Board as part of our future non-executive search.

Our full Board diversity policy, which gives details of the measures Man employs to foster and support gender diversity within the firm as a whole, is given on our website [www.man.com/GB/board-governance](http://www.man.com/GB/board-governance).

#### Executive talent

The Committee's focus during 2013 was to support the new executive directors in their restructuring of the business and its senior management. Mr Roman kept us advised of all key appointments, including that of Luke Ellis as President of Man, and the reorganisation of the sales leadership team.

Our Executive Committee, which is listed on [page 25](#), currently includes two women members whose appointments have been achieved through internal promotion. We will continue to challenge management to develop further the female talent which exists within the firm and strengthen the pipeline of candidates available for executive roles at Man and, where appropriate, non-executive roles outside.

#### Committee evaluation

At its December meeting, the Committee reviewed its performance and achievements during the year against the priorities identified in the 2012 Committee evaluation and the key elements of its ongoing mandate. Feedback received from the Board was that good progress had been made in the review of Board composition and non-executive succession planning, resulting in the appointment of two new Board members who had both financial sophistication and a good mix of strategic, risk management and operational experience. Committee members felt that there had been a good dialogue and increased participation in the non-executive search process and a high level of conviction behind the candidates selected. Opportunities for the Committee to interact informally as a group through non-executive director dinners have been welcomed. These occasions have also afforded non-executives the opportunity to meet executives just below Board level and to gain more insight into the current executive talent pool.

#### Committee focus for 2014

Arising from the 2013 evaluation discussions, and from Board developments during the year, the Committee has agreed the following priorities for 2014 and I look forward to reporting on progress in these areas in next year's report:

- Continue the refreshing of the non-executive element of the Board.
- Focus new non-executive search on candidates with asset management and specialist Remuneration Committee expertise.
- Review Executive Committee and senior management talent and succession.

#### Jon Aisbitt

Chairman



# Directors' remuneration report



**Phillip Colebatch**  
Chairman of the Remuneration Committee

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## 1. Dear shareholders,

**On behalf of the Board, I present the Directors' remuneration report for the year ended 31 December 2013. Remuneration in 2013 reflects the performance of the business in the context of a mixed market environment for alternatives throughout the year whilst recognising the significant achievements made by the recently appointed management team in reshaping the Company.**

### Key remuneration highlights are:

#### Remuneration policy

- As described in our 2012 report a new Executive Incentive Plan (EIP) was introduced for executive directors which replaced all existing executive director remuneration arrangements. The EIP is designed to engage and motivate senior management to deliver on Man's KPIs and supports implementation of the corporate strategy. It is also designed to increase transparency and alignment with shareholders whilst reducing the likely quantum and complexity of awards. The EIP forms the central part of our proposed remuneration policy. Details of Man's KPIs are set out on [pages 14 and 15](#).
- Our proposed remuneration policy develops further the EIP as set out in our 2012 Remuneration Report. In response to further feedback from shareholders following last year's AGM and Remuneration Report, the Remuneration Committee introduced a cap on the long-term deferred bonus element of the EIP. This is in addition to the cap on the short-term annual cash bonus element already established.
- The EIP comprises two elements: a short-term annual cash bonus capped at 250% of salary, and a long-term deferred bonus capped at 350% of salary for executive directors. The long-term deferred bonus plan will be subject to a separate shareholder vote at the AGM on 9 May 2014.



- Man operates mostly in the hedge fund industry and is one of the few hedge fund companies listed anywhere in the world. Compensation information is not generally available from Man's privately owned competitors. Man also has a presence in 11 countries worldwide. None of the asset managers listed on the London Stock Exchange manage primarily hedge funds and few operate globally. Comparators to Man and relevant benchmarks are extremely difficult to establish.
- In response to a recommendation made in the review of the Remuneration Committee's role, conducted in 2012, the Remuneration Committee appointed Kepler Associates as independent advisers to the Remuneration Committee.
- The Remuneration Committee believes the proposed remuneration policy supports the delivery of the Company's strategy and is in line with emerging governance and best practice for executive remuneration. In particular, it is designed to promote a focus on Man's strategy along with simplicity and transparency. The performance period for the EIP of up to three years and the vesting period of up to five years are intended to create a stronger alignment between the rewards and risk exposure of our executives and those of our shareholders.
- As a result primarily of the increase in performance fees relating to GLG investment managers, variable compensation including internal commissions increased by 8%. It is essential that the Company continues to engage and motivate revenue generators and maintain operating capability to deliver shareholder value over the longer term. The market for talent in investment management and sales activities remains highly competitive.
- Staff discretionary bonuses are subject to deferral of up to 60%. This strengthens alignment with shareholders and the future performance of the Company and with the interests of investors in funds managed by the Company.
- The Board reviewed management proposals for a new internal sales compensation structure for the sales staff with the objective of both promoting asset gathering and retention and aligning interests on costs. A new plan was approved by the Board effective 1 January 2013.
- Staff participation in share and option plans remains high with 50% of staff owning equity interests in Man. This fosters a culture where staff adopt the mindset of shareholders. Additionally the Board and employees own circa 8% of the Company's share capital.

#### Remuneration outcomes for 2013

- Executive directors' salaries were reviewed and for the fifth consecutive year no salary increases were awarded to serving executive directors for 2014. There has been no increase in fees for the Chairman since appointment in 2007 or non-executive directors since 2009.
- The short-term annual cash bonus is determined based on assessment against executive director objectives. In recognition of the significant achievement against personal objectives a short-term annual cash bonus award of 175% of salary has been awarded to the CEO and 250% of salary for the CFO. This represents 70% and 100% respectively of the maximum award of 250% of salary. See tables R10a and R10b on [page 49](#) for details of the Remuneration Committee's assessment against objectives.
- The long-term deferred bonus award is determined based on the outcome against a balanced scorecard of award criteria including 80% financial and 20% non-financial criteria. For 2013, the Remuneration Committee decided to apply a 50% discount factor to the calculated outcome, resulting in a long-term deferred bonus award of circa 60% of salary for the CEO and CFO. This represents circa 17% of the maximum award of 350% of salary. See table R11 on [page 50](#) for details of the outcome on the balanced scorecard.
- Despite the difficulties of benchmarking referred to above, when determining Man's 2013 compensation for its two executive directors the Remuneration Committee referenced a benchmark study of the equivalent positions at a number of listed asset managers.
- There was no payout to the former executive directors in respect of prior year awards from the long-term incentives which completed their performance period in March 2013 and December 2013. These awards lapsed as the performance conditions were not met. See tables R21 and R22 on [page 55](#).
- As part of the Company's cost saving initiatives, staff fixed costs were reduced by 20%, see [page 17](#) for further details.
- With a 6% reduction in total compensation the compensation/net revenue ratio including internal commissions was 42% which has been maintained flat to the prior reporting period.

#### The report is set out in two sections:

- (i) the Policy Report on [pages 42 to 47](#), which will be subject to a binding shareholder vote at the AGM on 9 May 2014; and
- (ii) the Annual Report on Remuneration on [pages 47 to 59](#), which provides details of how Man's remuneration policy was implemented during the financial year ended 31 December 2013 and plans for 2014. This section will be subject to an advisory vote at the AGM on 9 May 2014.

The Remuneration Committee would like to thank all those shareholders who provided feedback during the consultation exercises undertaken late 2012, early 2013 and early 2014. As always, I welcome any comments you may have.

Man's Statement of Remuneration Principles is on our website: <https://www.man.com/GB/remuneration-committee>

#### Phillip Colebatch

Remuneration Committee Chairman



## Directors' remuneration report continued

### 2. Policy report

#### 2.1. Executive directors' remuneration policy

Aligning the interests of the executive directors with those of shareholders and with Man's strategic goals is central to Man's remuneration policy. Executive directors owned over 1% of Company shares as at 31 December 2013 while staff as a whole owned circa 8%.

In line with shareholders' interests being managed within a robust governance framework, the Company aims to retain and incentivise high calibre executive directors by paying competitive base salary and benefits, together with a short-term annual bonus and a long-term deferred bonus linked to:

- Profits and contribution;
- The achievement of individual objectives, which are consistent with the strategy of the Company and building sustainable profitability;
- The achievement of long-term strategic KPIs in line with the long-term focus of the Company;
- The creation of long-term shareholder value;
- Ongoing oversight of a robust risk management framework;
- Maintenance of strong capital and liquidity positions; and
- Addition of senior talent, building succession for leadership and setting a strong governance structure for the Board's delegated authorities.

This section of the report sets out the remuneration policy for executive and non-executive directors which shareholders are asked to approve at the 2014 AGM. The Remuneration Committee intends that the remuneration policy will come into effect from the AGM on 9 May 2014.

#### Executive directors' remuneration policy

Table R1

Function	Operation	Opportunity	Performance metrics
<b>Base salary</b> Based on experience and individual contribution to leadership and Company strategy	Salaries are reviewed annually at the year end taking into account market ranges for executives of comparable status, responsibility and skill in companies of similar size and complexity to Man with consideration also given to sector relevance.	There is no set maximum salary for executive directors. In reviewing salaries the Remuneration Committee takes into account company performance, salary increases below Board level, time since the last increase and market practice and total compensation opportunity.	Continued good performance.
<b>Pension</b> To provide an opportunity for executives to build up income on retirement	Group Personal Pension (GPP), or a similar contribution to an alternative arrangement is provided. For those exceeding HM Revenue & Customs pension allowances, cash allowances are provided at no additional cost to Man.	The maximum employer contribution is 20% of pensionable base salary.	None.
<b>Benefits</b> To provide non-cash benefits which are competitive in the market in which the executive is employed	Benefits include family private medical insurance, life assurance and permanent health insurance.  Flexible benefits can be purchased from base salary.  Other ad-hoc benefits such as relocation can be offered, depending on personal circumstances.	It is not anticipated that the total taxable benefits for any executive director will normally exceed 10% of salary.	None.
<b>Sharesave</b> To encourage UK-based employees to own Man Group shares	The Man Group Sharesave Scheme is an all-employee plan. The executive directors who participate in the Sharesave Scheme are granted options over Man shares and make monthly savings from their post-tax salary. Options are granted at a 20% discount to market price on the date of grant.	Savings capped at HM Revenue & Customs limits.	In accordance with HM Revenue & Customs requirements.
<b>Executive Incentive Plan</b> <i>Short-term annual cash bonus</i>  To incentivise and reward strong performance against annual financial and non-financial targets	Objectives are set at the start of the year. At the end of the year, the Remuneration Committee considers the extent to which these have been achieved and sets the award level. Awards are normally paid in cash.	The maximum award is 250% of salary.	The bonus is based on the Remuneration Committee's assessment of executive directors' performance over a financial year against objectives, which cover: <ol style="list-style-type: none"> <li>1. Strategy, structure and people</li> <li>2. P&amp;L performance and sales</li> <li>3. Financial health</li> <li>4. Risk, compliance and reputation</li> </ol> The outcome of performance against these objectives will be reported in the Directors' remuneration report for the financial year in consideration.



## Executive directors' remuneration policy

Table R1

Function	Operation	Opportunity	Performance metrics
<p><b>Executive Incentive Plan</b>  <i>Long-term deferred bonus</i></p> <p>To engage and motivate senior management to deliver on KPIs and support implementation of the Company's strategy.</p>	<p>Awards are made subject to assessment based on the three prior years' performance against a balanced scorecard of financial and non-financial measures.</p> <p>As part of transitional arrangements for the new plan, the performance period will progressively increase to a three-year performance period. Initially, performance will be assessed over a one-year period (2013 only) with performance being assessed at the 2013 financial year end and with anticipated deferred bonus awards granted in Q1 2014. The performance period for 2014 awards will be two years assessed at the end of the 2014 financial year, and three years thereafter starting at the end of the 2015 financial year.</p> <p>The above transitional arrangement will also apply for any executive director on joining the Board.</p> <p>The vesting period is set at a further three to five years after each performance period, the resulting combined performance and vesting periods will then be six to eight years from the start of each performance period.</p> <p>The number of shares subject to an award shall be increased by reference to dividends paid between the grant and vesting date of an award, and such shares shall vest only when the shares subject to an award vest.</p> <p>Malus provisions would apply for misstatement or gross misconduct.</p>	<p>The EIP deferred awards will be determined in relation to the performance as described in the performance metric column and will take account of observed pay-for-performance market practice in comparable alternative investment funds.</p> <p>The maximum award is 350% of salary.</p>	<p>Based on a balanced scorecard of performance criteria for each executive director.</p> <p>80% of the award is based on financial criteria, comprising:</p> <ul style="list-style-type: none"> <li>• Investment performance 25%</li> <li>• Net fund flows 25%</li> <li>• Adjusted management fee EBITDA margin 15%</li> <li>• Adjusted management fee EPS growth 15%</li> </ul> <p>The remaining 20% of an award is based on non-financial criteria, such as culture and talent.</p> <p>The Remuneration Committee may adjust the weighting of these criteria from time to time, to reflect changes in strategic priorities.</p>

### Notes to the policy table:

In implementing the above remuneration policy, the Remuneration Committee shall have regard to all relevant legal and regulatory requirements, including the principles and provisions of the UK Corporate Governance Code, the UKLA Listing Rules and, the Financial Conduct Authority Remuneration Code of practice on remuneration policies, the AIFM Remuneration Code, and to leading investor representative body guidelines (including the ABI and NAPF).

Please note that any commitments made prior to, but due to be fulfilled after, the approval and implementation of the remuneration policy approved by shareholders will be honoured. In addition to the elements of remuneration detailed in the policy table, the Remuneration Committee may consider it appropriate to grant an award under a different structure in order to facilitate the recruitment or retention of an individual, exercising the discretion available under the UKLA Listing Rules (see details in paragraph 2.7).

## 2.2. Performance measures selection and approach to target-setting

Annual objectives are set according to immediate priorities identified by the Board and management, and will be reviewed and adjusted annually to reflect changing priorities. The long-term incentive measures are in line with the long-term strategic focus of the Company and will be reviewed as part of the annual Board strategic review.

## 2.3. Differences between executive directors' and employees' remuneration

Executive Committee members are eligible to participate in the Executive Incentive Plan alongside executive directors to align the remuneration of the most senior management, although their incentive payouts are uncapped, in line with market practice in alternative investment funds.

Employee remuneration includes base salary, benefits, an annual performance bonus and, for senior contributors, share and fund-based deferrals. The level of deferral increases as total compensation increases. This provides alignment with shareholders and the future performance of the Company and with the interests of investors in funds managed by the Company.

Sales staff have a specific bonus scheme, which was reviewed in 2013, to reinforce asset gathering and retention whilst aligning interests on costs.

## 2.4. Shareholding guidelines

The Chief Executive Officer is required to maintain a shareholding of 200% of base salary. Other executive directors are required to maintain a shareholding of 100% of base salary. Executive directors are required to build up this shareholding on joining the Board and after a reduction in share price. Incumbents will build up to the prescribed shareholdings with (post-tax) vested shares where not already at or above this level.

In addition, the EIP has been designed so that executive directors have a significant holding of unvested shares subject to ongoing service at any one time.



## Directors' remuneration report continued

### 2.5. Non-executive directors' remuneration policy

Non-executive directors have formal letters of appointment. These do not contain any notice provisions or provision for compensation in the event of early termination. The Chairman has a contract with the Company which provides that his appointment as Chairman is terminable on three months' notice; there are no notice provisions relating to his appointment as a director. The Board's policy is to appoint non-executive directors for an initial three-year term, subject to retirement and reappointment by shareholders annually at the AGM, which may be followed by a further three years by mutual agreement. Any further extension will be subject to rigorous review. The initial dates of appointment of the non-executive directors to the Board are shown on pages 26 and 27 of the Annual Report, and their current fee levels are provided in the Annual Report on Remuneration. Non-executive directors are also encouraged to build a shareholding in the Company.

Details of the policy on fees paid to our non-executive directors are set out in the table below.

#### Non-executive directors' remuneration policy

Table R2

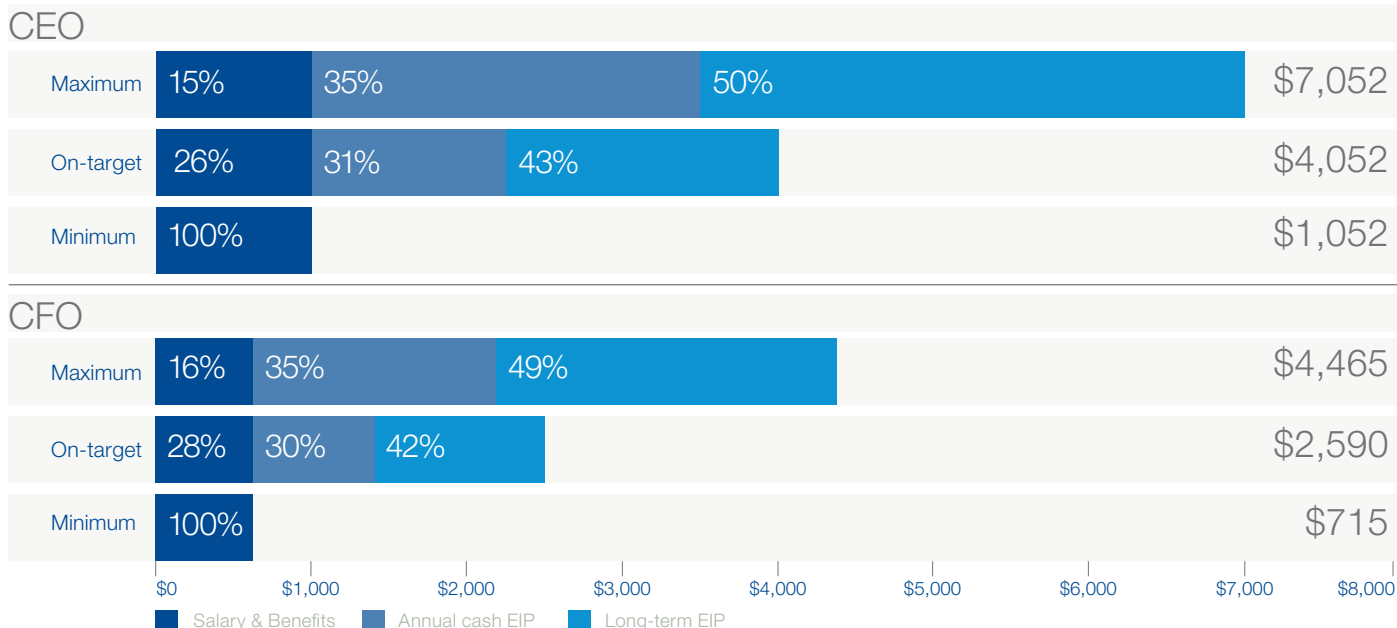
Function	Operation	Opportunity	Performance metrics
<p><b>Fees</b> To attract and retain non-executive directors of the highest calibre and experience relevant to Man</p>	<p>Fees are reviewed annually by the Board at the year-end taking into account market benchmarks for non-executives of companies of similar size and complexity to Man with consideration of sector relevance.</p> <p>The Chairman's remuneration is recommended by the Remuneration Committee and approved by the Board. Neither the Chairman nor the non-executive directors take part in discussions or vote on their own remuneration.</p> <p>Non-executive directors receive a base fee for Board service and additional fees for Board Committee membership and other responsibilities. They do not participate in any share option or share incentive plans.</p>	<p>Any fee increases for non-executive directors will not normally exceed the average increase in the market. A fee increase may be above this level if there is a significant change in time commitment required or scope of the role.</p>	<p>None</p>

### 2.6. Illustrative pay for performance scenarios

Although executive directors will be assessed individually for their short-term awards, the chart below provides an illustration of some of the potential future reward opportunities for executive directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'minimum', 'on-target' and 'maximum'.

#### Projected pay under three performance scenarios (\$'000)

Table R3





Assumptions used:

- The 'minimum' scenario reflects base salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the executive directors' remuneration packages not linked to performance during the year being reported on.
- The 'on-target' scenario reflects fixed remuneration as above, plus bonus payout of 125% of salary (corresponding to the Remuneration Committee's assessment of an overall on-target performance) and a long-term deferred bonus award of 175% of salary (corresponding to the Remuneration Committee's assessment of an overall on-target performance over the one, two or three-year performance period).
- The 'maximum' scenario reflects full bonus payout of the current maximum of 250% of salary for the short-term annual cash bonus award and the current maximum of 350% of salary for the long-term deferred bonus award.
- The illustrations are based on initial award value and therefore do not reflect potential share price appreciation or any dividends received over the deferral periods.

## 2.7. Approach to recruitment remuneration

### External appointment

#### Approach to recruitment remuneration

Table R4

Component	Approach	Maximum grant value
<b>Base salary</b>	Base salary will be determined to provide competitive total compensation in relation to relevant market practice, experience and skills of the individual, internal relativities and their current compensation.	None
<b>Pension</b>	Pension contributions or an equivalent cash supplement will normally be set in line with existing policy.	n/a
<b>Benefits</b>	Benefits may include (but are not limited to) private medical insurance, life assurance, permanent health insurance and any necessary relocation expenses.	n/a
<b>Sharesave</b>	New appointees will be eligible to participate in any all-employee share schemes the Company offers.	n/a
<b>Executive Incentive Plan Short-term annual cash bonus</b>	The remuneration structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year.	250% of salary
<b>Executive Incentive Plan Long-term deferred bonus</b>	New appointees may be granted awards under the long-term deferred bonus on the same terms as other executives, as described in the policy table.  The performance periods used for determining the awards would be gradually increased until the new appointee has completed three full financial years at Man.	350% of salary

In determining the appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both Man and its shareholders.

With respect to a new appointment the Remuneration Committee may 'buy out' incentive arrangements, including bonuses, forgone on leaving a previous employer, and awards made under such 'buy out' arrangements may be in addition to the remuneration outlined in the table above. In doing so, the Remuneration Committee will consider relevant factors including any performance conditions attached to these incentive arrangements and the likelihood of those conditions being met. In defining the size of this award, the Remuneration Committee would ensure that its fair value is no higher than the fair value of the incentive arrangements forgone. The Remuneration Committee may also consider it appropriate to structure any such 'buy out' award differently to the structure described in the policy table including whether appropriate performance conditions should apply, exercising the discretion available under the UKLA Listing Rules.

The Remuneration Committee does not intend that such awards will be made as a matter of routine; on the contrary, although the Remuneration Committee cannot anticipate every circumstance which it might face in the future, it is expected that any such awards under the UKLA Listing Rules will only be contemplated in exceptional circumstances, will be reviewed and approved by the full Board and described fully in the next subsequent year's Directors' remuneration report.

### Internal appointment

For the appointment of a new executive director by way of internal promotion, the Remuneration Committee's approach will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour these commitments.

## 2.8. Non-executive directors

When recruiting a new non-executive director, the Board will utilise the policy as set out in table R2 on page 44. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director or as a member or Chairman of a Board Committee.





## Directors' remuneration report continued

### 2.9. Service contracts and exit payment policy

#### Service contracts

Table R5

Element	Condition
Contract dates	Jonathan Sorrell: 28 September 2012. Emmanuel Roman: 7 February 2013.
Current appointment	No fixed term.
Notice period (by either Company or director)	Emmanuel Roman: 12 months. Jonathan Sorrell: 6 months.  The Company's policy is that notice periods will not exceed 12 months.
Contractual entitlement to fixed bonus or share-based incentive	None
Provisions for contract termination	Under both contracts the Company can opt to terminate immediately by making a payment in lieu of the notice period or part of it. Emmanuel Roman's contract requires payment of base salary only in lieu. Jonathan Sorrell's contract requires payment of base salary plus the value of pension contributions (or alternative cash allowance) and certain other insured benefits in lieu.  Payments in lieu are to be made in monthly instalments unless the Company and the executive agree otherwise.  Unless the Company decides otherwise both executives have a duty to mitigate their losses arising from termination of their employment; any replacement earnings earned in what would otherwise have been the notice period will reduce the obligation on the Company to make payments in lieu.
Short-term annual cash bonus	The service contracts do not oblige the Company to pay any cash bonus to executive directors and bonuses are awarded at the Board's discretion following a recommendation from the Remuneration Committee. Payment of any cash bonus is conditional upon the executive being in employment and not under notice at the payment date.
Long-term deferred bonus and incentives	Treatment of deferred bonuses and long-term incentives is governed by the relevant plan rules as explained below.

To protect the Group's business interests the executive directors' service contracts contain covenants which restrict the executives' ability to solicit or deal with clients and their ability to solicit senior employees. Emmanuel Roman has also entered into a broader non-compete covenant for an agreed period post termination.

Further the Board has the right at its discretion to require Jonathan Sorrell to comply with a broader non-compete covenant for up to six months post termination to provide additional protection for the Group. If the Board exercises this right, the Company will pay an additional amount up to six months' base salary and the value of pension contributions (or alternative cash allowance) and certain other insured benefits so that he is not left without income during the time when the Board wishes the non-compete to operate. This amount is paid in two equal instalments and is reduced by any payments made in lieu of notice.

Executive directors' service contracts are available to view at the Company's registered office.

When considering exit payments, the Remuneration Committee reviews all outstanding incentive awards and assesses outcomes that are fair to both shareholders and participants. The table below summarises how awards under the Executive Incentive Plan are typically treated in specific circumstances, with the final treatment remaining subject to the Remuneration Committee's discretion.

#### Long-term deferred bonus and other share incentives

Table R6

Reason for leaving	Timing of vesting	Calculation of vesting/payment
Good leaver <sup>(a)</sup>	Follows normal vesting schedule (except in the case of death where the Remuneration Committee may allow early vesting or redundancy under the Deferred Share Plan <sup>(b)</sup> and Fund Product Plan <sup>(b)</sup> where early vesting occurs).	Awards vest on a time pro rata basis under the long-term deferred bonus. No time pro-rating applies under other plans.
Any other reason	All awards lapse.	

Notes:

(a) Good leaver reasons include death, retirement, ill-health, injury or disability, redundancy, sale of the company or business in which the individual was employed, leaving with agreement of the Company if the Remuneration Committee is satisfied that an orderly handover has been organised and performed. The Remuneration Committee may also decide, in its discretion, to grant good leaver status in other exceptional circumstances and will take into account the reason for leaving and the executive director's performance up to the date employment ceases.

(b) Jonathan Sorrell was granted nil-cost options under the DSP and FPP schemes prior to his appointment as a director.



## 2.10. External appointments

With the approval of the Board in each case, and subject to the overriding requirements of the Group, executive directors may accept a limited number of external appointments as non-executive directors of other companies and retain any fees received. Details of external directorships held by executive directors, including associated fees, are provided in the Directors' remuneration report where applicable.

## 2.11. Consideration of conditions elsewhere in the company

In assessing executive director remuneration, internal relativities within the Company are reviewed by the Remuneration Committee. These internal reviews cover the individual elements of base salaries, benefits and total compensation. The CEO and senior management also conduct regular town hall meetings, where all employees have an opportunity to ask questions or express opinions on various subjects, including remuneration.

## 2.12. Consideration of shareholder views

The Remuneration Committee takes into account shareholder views received in relation to resolutions to be considered at the AGM each year and guidance from shareholder representative bodies more broadly. The Remuneration Committee considers shareholder feedback an important input when forming remuneration policy and regularly reviews Man's remuneration policy against the guidelines of key institutional shareholders and their representative bodies.

The Executive Incentive Plan takes into account a number of inputs received from our shareholders during the consultation process the Board undertook in late 2012 and early 2013, an example of which is the introduction of a cap on the long-term deferred bonus element of the EIP. The Board also consulted with a number of shareholders in early 2014 on the proposed remuneration policy including the proposed Executive Incentive Plan and took into account inputs received in formulating the remuneration policy.

# 3. Annual report on remuneration

The following section provides details of how Man's remuneration policy was implemented during the financial year ended 31 December 2013.

## 3.1. Remuneration Committee membership in 2013

The Remuneration Committee is comprised of the Company Chairman, the Senior Independent Director and two further independent non-executive directors. The Senior Independent Director is also a member of the Audit and Risk Committee thereby facilitating the flow of information between the Committees. All Remuneration Committee meetings in 2013 were attended by all its members.

At the invitation of the Remuneration Committee, the CEO, CFO and Head of Compensation, who is also Secretary to the Remuneration Committee, attended selected agenda items requiring their contribution. No individual participated in the discussion or approval of his or her own compensation.

The Remuneration Committee follows relevant legal and regulatory requirements including the principles and provisions of the UK Corporate Governance Code, the UKLA Listing Rules and the FCA Remuneration Code of practice on remuneration policies (the FCA Code), the Alternative Investment Funds Management Directive (AIFMD) and leading investor representative body guidelines (including the ABI and NAPF).

The Remuneration Committee was found to be operating effectively and had fulfilled its obligations in an independent evaluation of the Remuneration Committee undertaken by Edis-Bates Associates in 2012, as engaged by Man (for further information please see [page 32](#) of 2012 Annual Report). The evaluation offered recommendations to the Remuneration Committee during 2013 including:

- The skills and experience of the Remuneration Committee to be complemented by an appointed external remuneration advisor who attends meetings frequently.
- With the pace of current developments in remuneration governance and practice, current briefings to be supplemented by additional training and updates.

The Remuneration Committee conducted an internal evaluation in 2013 and was found to be operating effectively.

## Remuneration Committee meeting attendance

**Table R7**

Member	Position	Number of meetings during term	Number of meetings attended
Jon Aisbitt	Company Chairman	5	5
Phillip Colebatch	Remuneration Committee Chairman (and Senior Independent Director from 3 August 2013)	5	5
Alison Carnwath	Member (stepped down from the Board on 3 May 2013)	2	2
Frédéric Jolly	Member	5	5
Patrick O'Sullivan	Senior Independent Director (stepped down from the Board on 3 August 2013)	2	2
Nina Shapiro	Member (joined the Remuneration Committee on 3 August 2013)	3	3



## Directors' remuneration report continued

### 3.2. Key activities

In 2013 the Remuneration Committee reviewed and followed its already well-established governance policies and processes to meet the requirements of the FCA Remuneration Code and developing best practice requirements. The key activities include:

- Reviewed the revised remuneration reporting regulations and approved the Directors' remuneration report. As part of the remuneration policy the Remuneration Committee decided to introduce a cap on the long-term deferred bonus element of the Executive Incentive Plan. The Remuneration Committee carried out a further shareholder consultation on the proposed remuneration policy.
- Continued working closely with the Audit and Risk Committee in reviewing current and future risks around setting remuneration. In reviewing risks within the business the Committees attributed responsibility for these risks to individuals to identify the FCA Code Staff employees responsible for risk management. The Remuneration Committee reviews and approves pay for these staff.
- Reviewed the Remuneration Committee Terms of Reference in light of the evolving FCA Remuneration Code. The terms of reference of the Remuneration Committee can be found on the Company's website <http://www.mangroupplc.com/about-man/board-directors/remuneration-committee.jsf>
- Regular meetings were held with a structured agenda and follow up process. The Remuneration Committee held five meetings. In these meetings the Remuneration Committee monitored and implemented regulatory and best practice updates.
- Review and approval of the terms for the appointment and termination of executive directors and other key staff.
- Reviewed compensation packages proposed for senior hires to ensure there is a sound business case to justify these hires, and guaranteed remuneration was only used in exceptional circumstances.
- Compensation was structured such that an appropriate proportion of employees' compensation is deferred into shares or funds to create a direct alignment between the rewards and risk exposure of employees with shareholders and investors. For 2013, the level of deferral increases as total compensation increases with up to 60% deferred for other senior employees.
- Reviewed performance evaluations for executive directors and recommended for Board approval the 2013 remuneration for executive directors. The Board approved executive directors' objectives and compensation, following a recommendation from the Remuneration Committee, given the importance of using compensation to motivate executive directors to deliver the Company's strategic plan.

### 3.3. Advisers

The Remuneration Committee invites independent consultants to provide advice on specific remuneration issues. In line with the recommendations from the 2012 review of the Remuneration Committee's role, Kepler Associates (Kepler) was appointed by the Remuneration Committee following a tender process in September 2013 as its independent adviser. The Remuneration Committee undertakes due diligence periodically to ensure that Kepler remains independent and that the advice provided is impartial and objective. In 2013 Kepler provided advice on executive director remuneration policy and compliance with the new BIS requirements. Kepler reports directly to the Chairman of the Remuneration Committee and does not advise the Company on any other issues. Their total fees for the provision of services to the Remuneration Committee in 2013 were £35,550 (excluding VAT) on the basis of time and materials.

### 3.4. Statement of shareholder voting

The following table shows the results of the advisory vote on the 2012 Remuneration Report at the 2013 AGM.

	Total number of votes	% of votes cast
For	915,748,663	95.3%
Against	45,478,980	4.7%
<b>Total votes cast (excluding withheld votes)</b>	<b>961,227,643</b>	<b>100.0%</b>
Votes withheld	21,998,620	
<b>Total votes cast (including withheld votes)</b>	<b>983,226,263</b>	

### 3.5. Single total figure of remuneration for executive directors

The table below sets out a single figure for the total remuneration received by each director for the year ended 31 December 2013 and the prior year.

All figures in USD	Executive directors				Former executive directors			
	Emmanuel Roman		Jonathan Sorrell		Peter Clarke		Kevin Hayes <sup>(d)</sup>	
	2013	2012	2013	2012 <sup>(a)</sup>	2013 <sup>(c)</sup>	2012	2013	2012
Salary	<b>1,000,000</b>	1,000,000	<b>625,000</b>	336,407	<b>869,500</b>	925,000	–	914,384
Taxable benefits	<b>49,804</b>	46,412	<b>3,059</b>	2,761	<b>20,839</b>	23,052	–	5,052
Pension benefits	–	–	<b>85,059</b>	46,088	<b>84,869</b>	97,384	–	73,190
Short-term variable	<b>1,750,000</b>	–	<b>1,562,500</b>	1,482,000 <sup>(b)</sup>	–	–	–	–
Long-term variable	<b>595,583</b>	–	<b>372,240</b>	–	–	–	–	–
Other	<b>1,776</b>	1,268	<b>1,636</b>	690	<b>2,916</b>	2,388	–	2,303
<b>Total</b>	<b>3,397,163</b>	1,047,680	<b>2,649,494</b>	1,867,946	<b>978,124</b>	1,047,824	–	994,930

#### Notes:

- (a) Jonathan Sorrell was appointed to the Board on 18 June 2012. Salary and benefits have been included for the period in 2012 as a director. The 2012 share award is for the full calendar year 2012.
- (b) DBSOP award.
- (c) Peter Clarke stepped down from the Board on 28 February 2013 and remained on garden leave until the end of his notice period on 10 December 2013, when he retired. The total earnings during his garden leave period were \$811,494 (salary \$721,500 and benefits \$89,994) and are included in the 2013 single total figure of remuneration.
- (d) Kevin Hayes stepped down from the Board on 18 June 2012 and was on garden leave until his contract terminated on 18 December 2012. The total earnings during his garden leave period were \$342,572 (salary \$314,384 and benefits \$28,188) and a payment of \$339,057 was made in lieu of salary (\$312,500) and benefits (\$26,557) for the balance of his notice period.



### 3.6. Short-term annual bonus in respect of 2013 performance

The short-term annual cash bonus is based on the Remuneration Committee's assessment of executive directors' performance against objectives as agreed by the Board at the beginning of the year. Tables R10a and R10b show the results of this assessment for 2013.

Chief Executive Officer (audited)			Table R10a
Assessment criteria	Objectives	Achievements	
Strategy, structure and people	<ul style="list-style-type: none"> <li>Reorganise and rejuvenate management structure.</li> <li>Overhaul overall organisational structure to enhance focus on investment performance, sales and US market.</li> </ul>	<ul style="list-style-type: none"> <li>These objectives were achieved early in the year with a number of key hires and appointments. This enabled an important focus on key strategic objectives for the balance of the year.</li> </ul>	
Financial health	<ul style="list-style-type: none"> <li>Provide leadership for headcount reductions necessary to achieve cost saving target.</li> <li>Grow revenue.</li> <li>Grow EBITDA.</li> <li>Exit selected geographies.</li> </ul>	<ul style="list-style-type: none"> <li>Headcount target achieved.</li> <li>Revenue and EBITDA targets not achieved.</li> <li>Closure of certain offices achieved.</li> </ul>	
Investment performance and sales	<ul style="list-style-type: none"> <li>Restructure organisation of quantitative product platform.</li> <li>Invest in carefully chosen new products.</li> <li>Refocus sales, overhaul sales incentive plan and achieve a return to net asset inflows.</li> </ul>	<ul style="list-style-type: none"> <li>AHL and MSS merged into a single and enhanced quantitative products area. Developed Evolution.</li> <li>Developed fixed income and macro products.</li> <li>Objectives on sales organisation achieved. Man returned to positive net sales in Q3 and Q4.</li> </ul>	
Risk, compliance and reputation	<ul style="list-style-type: none"> <li>Continue to nurture compliance and control culture.</li> <li>No material control and compliance breaches or reputational issues.</li> </ul>	<ul style="list-style-type: none"> <li>Unwavering focus on compliance and control.</li> <li>Reputational objective achieved.</li> </ul>	
Engagement with external stakeholders	<ul style="list-style-type: none"> <li>Rejuvenate engagement with shareholders and other external stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Full commitment to engaging with external stakeholders, including key regulators in the UK and abroad.</li> <li>Stakeholder feedback taken into account with useful discussion amongst senior management.</li> </ul>	
<b>Total resulting level of award as a percentage of maximum opportunity of up to 250% of salary</b>			<b>70%</b>
<b>Award as a percentage of salary</b>			<b>175%</b>
<b>Quantum of award</b>			<b>\$1,750,000</b>

Chief Financial Officer (audited)			Table R10b
Assessment criteria	Objectives	Achievements	
Balance sheet/capital optimisation	<ul style="list-style-type: none"> <li>Conclude discussions with FCA on regulatory status and ICAAP with objective of releasing capital.</li> <li>Depending on outcome of FCA discussions, devise and execute plan for capital efficiencies.</li> </ul>	<ul style="list-style-type: none"> <li>FCA agreed change of Man regulatory status from Full Scope to Limited Licence with consequent release of \$550 million of capital.</li> <li>Revised ICAAP agreed with FCA, which resulted in no significant change to the capital requirement of the Group.</li> <li>Redeemed all outstanding debt, tier 2 and hybrid securities saving \$78 million pa of interest/coupon payments.</li> </ul>	
Cost reduction	<ul style="list-style-type: none"> <li>Ensure delivery of the Phase II cost saving programme.</li> <li>Deliver 2013 cost budget.</li> </ul>	<ul style="list-style-type: none"> <li>Phase II cost saving programme exceeded.</li> <li>Identified and announced \$75 million of further cost savings.</li> <li>Actual 2013 costs under budget.</li> </ul>	
Investor relations	<ul style="list-style-type: none"> <li>Overhaul investor relations and improve financial communication.</li> </ul>	<ul style="list-style-type: none"> <li>Made financial presentation to analysts more relevant leading to more accurate market forecasts.</li> <li>Positive analyst feedback on clarity of communication and equity investment story.</li> </ul>	
Financial analysis and reporting	<ul style="list-style-type: none"> <li>Improve relevance of internal financial reporting and links to strategic priorities.</li> <li>Continue to develop financial control framework.</li> </ul>	<ul style="list-style-type: none"> <li>Rationalised internal financial reporting functions and developed information to gauge progress against business objectives and strategic priorities.</li> <li>Further developed financial control framework.</li> </ul>	
Restructure and enhance the finance team	<ul style="list-style-type: none"> <li>Reorganise and enhance Finance team.</li> </ul>	<ul style="list-style-type: none"> <li>Developed key senior talent to embrace greater responsibilities.</li> </ul>	
<b>Total resulting level of award as a percentage of maximum opportunity of up to 250% of salary</b>			<b>100%</b>
<b>Award as a percentage of salary</b>			<b>250%</b>
<b>Quantum of award</b>			<b>\$1,562,500</b>



## Directors' remuneration report continued

### 3.7. Long-term deferred bonus in respect of 2013 performance

The long-term deferred bonus plan awards are made subject to assessment against a balanced scorecard of performance criteria for each executive director, with 80% determined by financial criteria and 20% non-financial criteria. Table R11 shows the result of this assessment for 2013. Additional information on Man's KPIs is set out on [pages 14 and 15](#).

Long-term deferred bonus – 2013 outcome of balanced scorecard of financial and non-financial metrics (audited)							Table R11	
Financial KPI	Weight	Target	Performance achieved vs target			Achievement	Percentage achieved of weighting	Resulting outcome
			Not met	Partially met	Met in full			
Investment performance	25%	<ul style="list-style-type: none"> <li>Net performance <math>\leq</math> benchmark performance, criteria is not met.</li> <li>Net performance <math>&gt;</math> benchmark performance, criteria is met.</li> </ul>		✓		Achieved one out of the three performance targets. AHL met the target. Although GLG and FRM reported both positive and good performance on a risk adjusted basis, the stretch targets were not met.	33.3%	8.3%
Net flows	25%	<ul style="list-style-type: none"> <li>Net flows <math>\leq</math> 0%, criteria is not met.</li> <li>Net flows <math>\geq</math> 10%, criteria is met in full.</li> <li>0% <math>&lt;</math> Net flows <math>&lt;</math> 10%, criteria is met proportionally.</li> </ul>	✓			Net flows were below target in 2013 with a net outflow of 6.3%. This was an improvement from the year to 31 December 2012 but reflects the difficult trading environment, in particular for AHL, partly offset by inflows for GLG in the second half of the year.	0%	0%
Adjusted management fee EBITDA margin	15%	<ul style="list-style-type: none"> <li>Adjusted management fee EBITDA margin <math>\leq</math> 25%, criteria is not met.</li> <li>Adjusted management fee EBITDA margin <math>\geq</math> 40%, criteria is met in full.</li> <li>25% <math>&lt;</math> adjusted management fee EBITDA margin <math>&lt;</math> 40%, criteria is met proportionally.</li> </ul>		✓		The adjusted management fee EBITDA margin of 36% was within the target range for the year ended 31 December 2013.	73%	11%
Adjusted management fee EPS growth	15%	<ul style="list-style-type: none"> <li>Adjusted management fee EPS growth <math>\leq</math> 0% plus RPI, criteria is not met.</li> <li>Adjusted management fee EPS growth <math>\geq</math> 20% plus RPI, criteria is met in full.</li> <li>0% plus RPI, <math>&lt;</math> adjusted management fee EPS growth <math>&lt;</math> 20% plus RPI, criteria is met proportionally.</li> </ul>	✓			The adjusted management fee EPS growth was below target for 2013 primarily as a result of the decline in management fee revenue and the overall gross margin, partly offset by reduced costs.	0%	0%
<b>Non-financial</b> Culture and talent	20%	<ul style="list-style-type: none"> <li>Judgement made by the Remuneration Committee and Board.</li> </ul>		✓		<p>Key hires and role changes made in the senior management team, sales organisation and investment organisation.</p> <p>Maintained control environment while reducing headcount and costs.</p> <p>Renewed sense of accountability and achievability in key parts of the organisation.</p> <p>Brought in new talent.</p> <p>The CEO and CFO worked together on these initiatives throughout the year and both are rated the same in this respect.</p>	75%	15%
Total resulting outcome as a percentage of maximum opportunity of up to 350% of salary.								34%

For 2013, the Remuneration Committee decided to apply a 50% discount factor to the calculated outcome of the balanced scorecard. The resulting award level, in percentage of executive director's salary is therefore circa 17% of the maximum award (350% of salary), resulting in a deferred share award of circa 60% of executive director's salary.



### 3.8. Single total figure of remuneration for non-executive directors

The table below sets out a single figure for the total remuneration received by each non-executive director for the year ended 31 December 2013 and the prior year.

Single total figure of remuneration for non-executive directors (audited)	Table R12	
	Total fees	
All figures in GBP	2013	2012
<b>Current directors</b>		
Jon Aisbitt	450,000	450,000
Phillip Colebatch <sup>(a)</sup>	100,224	90,000
Frédéric Jolly	75,000	75,000
Nina Shapiro <sup>(b)</sup>	77,955	80,000
Matthew Lester	95,000	95,000
Andrew Horton <sup>(c)</sup>	32,821	–
Dev Sanyal <sup>(d)</sup>	6,667	–
<b>Former directors</b>		
Alison Carnwath <sup>(e)</sup>	31,250	75,000
Patrick O'Sullivan <sup>(f)</sup>	59,103	100,000

**Notes:**

(a) Phillip Colebatch was appointed Senior Independent Director and a member of the Audit and Risk Committee on 3 August 2013.  
(b) Nina Shapiro ceased to be a member of the Audit and Risk Committee and was appointed to the Remuneration Committee on 3 August 2013.  
(c) Andrew Horton was appointed to the Board and as a member of the Audit and Risk Committee on 3 August 2013.  
(d) Dev Sanyal was appointed to the Board and as a member of the Audit and Risk Committee on 1 December 2013.  
(e) Alison Carnwath stepped down from the Board on 3 May 2013.  
(f) Patrick O'Sullivan stepped down from the Board on 3 August 2013.

### 3.9. Percentage change in CEO remuneration

The table below sets out the percentage change in remuneration for the CEO and staff.

Percentage change in CEO remuneration	Table R13			
	CEO <sup>(a)</sup>		All Staff	
	2013	2012	% change	% change
	All figures in \$'000s			
Salary	1,000	1,000	0%	3%
Taxable benefits	50	46	9%	-6%
Annual bonus	1,750	–	n/a	36% <sup>(b)</sup>

**Notes:**

(a) Emmanuel Roman joined Man in the GLG acquisition. As part of this, he acquired a significant shareholding in Man and contractually committed to retain those shares for a period. Along with selected other senior GLG management, he committed to work for the effective integration of GLG into Man, to receive only a fixed salary (of US\$1 million) and agreed not to be eligible to participate in any bonus plan. During this period he became a key member of the Man senior management team. These acquisition arrangements have now expired and, in recognition of his broad contribution, he was appointed CEO on 28 February 2013. The Board determined that it would be inappropriate to reduce his salary upon appointment to CEO. For 2013, he is eligible to receive a bonus for the first time since joining Man and the Board has assessed his total remuneration as described in this Directors' remuneration report. Emmanuel Roman is a non-executive director of Grupo Prisa SA; he retains fees of €121,583 (of which €24,582 was awarded as shares) in respect of this directorship.  
(b) Variable compensation including internal commissions increased by 8% from 2012 to 2013 as a result primarily of the increase in performance fees relating to GLG investment managers. Average headcount decreased by 20% from 2012 to 2013. Refer to [notes 6](#) and [24](#) to the financial statements.

### 3.10. Relative importance of spend on pay

The table below shows the year-on-year change in total employee expenditure compared to the change in shareholder distributions.

Relative importance of spend on pay	Table R14		
	2013 \$m	2012 \$m	% change
Total employee expenditure <sup>(a)</sup>	445	475	-6%
Shareholder distributions <sup>(b)</sup>	277	306	-9%

**Notes:**

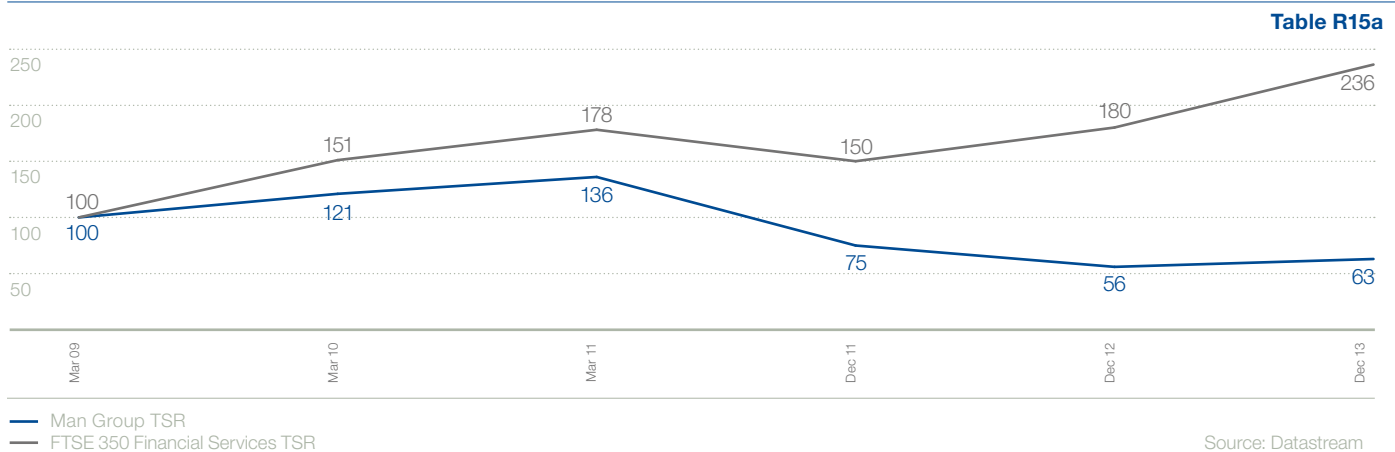
(a) Remuneration paid to or receivable by all employees (i.e. accounting cost). Refer to [note 6](#) to the financial statements for further details.  
(b) Distributions to shareholders (dividends paid and repurchase of shares in the year).



## Directors' remuneration report continued

### 3.11. Review of past performance

The performance graph below compares the Company's total shareholder return performance against the FTSE 350 Financial Services Index. Man operates in the alternative investment management sector and is listed on the FTSE 250 Index on the London Stock Exchange. The FTSE 350 Financial Services Index has been chosen as it is the most appropriate comparator to cover a period when Man has been in both the FTSE 100 and FTSE 250. The majority of Man's direct competitors are unlisted and information is not available.



### Historical CEO remuneration

**Table R15b**

Accounting period ended	31 March 2010	31 March 2011 <sup>(a)</sup>	31 December 2011 <sup>(b)</sup>	31 December 2012	31 December 2013 <sup>(d)</sup>	
	P Clarke	P Clarke	P Clarke	P Clarke	P Clarke	E Roman
CEO single figure (\$'000s)	6,299	8,173	6,437	1,048	978	3,397
STI award (as a percentage of maximum opportunity) <sup>(c)</sup>	n/a	n/a	n/a	n/a	0%	70%
LTI award (as a percentage of maximum opportunity) <sup>(c)</sup>	n/a	n/a	n/a	n/a	0%	17%

**Notes:**

- (a) Salary and benefits are for 12 months and bonus for nine months.
- (b) Salary and benefits are for nine months and bonus for 12 months.
- (c) For the accounting periods ended up to and including 31 December 2012, as there was no cap on the overall maximum bonus awards, the percentage of maximum opportunity is not shown.
- (d) Peter Clarke stepped down as CEO with effect from 28 February 2013 and was on garden leave until his retirement on 10 December 2013. Emmanuel Roman became CEO on 28 February 2013.

### 3.12. Scheme interests awarded in relation to 2013

#### Scheme interests awarded in relation to 2013 (audited)

**Table R16**

Executive director	Scheme	Maximum award	Award (% of maximum)	Award value <sup>(a)</sup> (USD)	End of holding period date
Emmanuel Roman	2013 Deferred executive incentive plan	350% of salary	circa 17%	595,583	Mar-19
Jonathan Sorrell	2013 Deferred executive incentive plan	350% of salary	circa 17%	372,240	Mar-19

**Note:**

- (a) Awards are calculated according to performance against a balanced scorecard, refer to section 3.7 above. Awards will be converted into a number of shares using the USD/GBP rates and mid-market share price quoted mid-March 2014. Awards are due to be granted as conditional awards of shares and vest three to five years after grant, subject to plan rules.

### 3.13. Exit payments in the year (audited)

Peter Clarke stepped down as CEO with effect 28 February 2013, and retired, after a garden leave period, on 10 December 2013. Peter Clarke was paid his contractual entitlement to basic salary, car allowance and cash pension allowance during the period of his garden leave and continued to benefit from life and permanent health insurance benefits during this period. The total earnings during his garden leave period were \$811,494 (salary \$721,500 and benefits \$89,994), and are included within the single total figure of remuneration in table R9 on page 48. No bonus was paid in respect of 2013. Further details have been disclosed in the 2012 Annual Report, page 47.

There was no payout to Peter Clarke in respect of awards from long-term incentives which completed their performance period in 2013, as the performance conditions were not met.



### 3.14. Payments to past directors (audited)

There were no remuneration payments, except for those disclosed in 3.13 above, made to former executive directors during the year.

### 3.15. Directors' interests

#### Directors' interests in shares of Man Group plc (audited)

Table R17

	Number of ordinary shares <sup>(a)</sup> 31-Dec-13	Number of ordinary shares <sup>(a)</sup> 31-Dec-12 <sup>(g)</sup>
<b>Executive directors</b>		
Emmanuel Roman <sup>(c)</sup>	19,629,418	19,629,418
Jonathan Sorrell <sup>(d)</sup>	425,791	304,878
<b>Non-executive directors</b>		
Jon Aisbitt	1,681,251	1,681,251
Phillip Colebatch	10,000	10,000
Frederic Jolly	9,705	9,705
Matthew Lester	22,692	22,692
Nina Shapiro	28,258	28,258
Andrew Horton <sup>(e)</sup>	50,000	n/a
Dev Sanyal <sup>(f)</sup>	60,947	n/a
<b>Former directors</b>		
Peter Clarke	5,168,750 <sup>(g)</sup>	5,168,750
Patrick O'Sullivan	115,116 <sup>(h)</sup>	108,389
Alison Carnwath	294,161 <sup>(i)</sup>	294,161

**Notes:**

- (a) All of the above interests are beneficial.  
(b) There has been no change in the directors' interests in the ordinary shares of Man Group plc from 31 December 2013 to the date of this report.  
(c) Emmanuel Roman also holds 50,000 deferred sterling shares of £1, which are held to satisfy a requirement of the Companies Act 2006 and carry no voting rights or rights to distributions.  
(d) Jonathan Sorrell was appointed to the Board on 18 June 2012.  
(e) Andrew Horton was appointed to the Board on 3 August 2013.  
(f) Dev Sanyal was appointed to the Board on 1 December 2013.  
(g) Interest as at 28 February 2013, the date Peter Clarke stepped down from the Board.  
(h) Interest as at 3 August 2013, the date Patrick O'Sullivan stepped down from the Board.  
(i) Interest as at 3 May 2013, the date Alison Carnwath stepped down from the Board.

The market price of the Company's shares at the end of 31 December 2013 was 85 pence. The highest and lowest daily closing share prices during the 12 month financial period were 134.40 pence and 78.35 pence respectively.

#### Executive directors' shareholdings against their respective shareholding requirement as at 31 December 2013

Table R18

	Shares held			Shareholding requirement as a % of salary	Current shareholding as a % of salary	Requirement met?	Nil cost options held		Other options held		
	Owned outright	Value of shareholding <sup>(a)</sup> (USD)	Salary (USD)				Vested but not exercised	Unvested and subject to continued employment	Vested but not exercised	Unvested and subject to continued employment <sup>(b)</sup>	Unvested and subject to performance criteria being met
Executive directors											
Emmanuel Roman	19,629,418	27,623,695	1,000,000	200%	2,762%	Yes	–	–	–	–	–
Jonathan Sorrell <sup>(c)</sup>	425,791	599,199	625,000	100%	96%	No (by 4%)	–	1,381,551	–	23,076	–
Former executive director											
Peter Clarke <sup>(d)</sup>	5,168,750	7,273,775	925,000	200%	786%	Yes	873,431	–	3,091,231	–	491,477

**Notes:**

- (a) Shareholdings valued at 31 December 2013 share price of £0.85 and £1=\$1.6556.  
(b) This includes options held under the Man Group Sharesave Scheme. Details are available in table R20.  
(c) Jonathan Sorrell has 92,598 award shares under the Deferred Share Plan which will vest in March 2014.  
(d) Shareholding as at 28 February 2013, the date Peter Clarke stepped down from the Board. In addition to the above, he holds 833,410 unvested DBSOP share awards and 6,265,401 DBSOP share options details of which can be found in table R19.





## Directors' remuneration report continued

### 3.15. Directors' interests continued

#### Directors' interests in shares and options under Man Group long-term incentives

**Shares under option in the Deferred Bonus Share and Option Plan (DBSOP)<sup>(a)</sup> – subject to service conditions and an option exercise price set 10% above the market price at grant (audited)** **Table R19**

Executive director	Date of grant	A. Number of shares <sup>(b)</sup>							
		1 January 2013	Granted during period <sup>(b)</sup>	Exercised during period	Lapsed during period	31 December 2013	Option exercise price	Earliest exercise date	Latest exercise date
Jonathan Sorrell	Mar-13	–	1,099,635	–	–	1,099,635	n/a	Mar-16	Mar-16
Former executive directors									
Peter Clarke <sup>(c)</sup>	Mar-12	768,471	64,939	–	–	833,410	n/a	Mar-15	Mar-15
Kevin Hayes <sup>(d)</sup>	Mar-12	256,155	21,645	–	–	277,800	n/a	Mar-15	Mar-15
Former executive directors									
Executive director	Date of grant	B. Number of options <sup>(b)</sup>							
		1 January 2013	Granted during period <sup>(b)</sup>	Exercised during period	Lapsed during period	31 December 2013	Option exercise price	Earliest exercise date	Latest exercise date
Peter Clarke <sup>(c)</sup>	Jun-10	2,997,442	–	–	–	2,997,442	280.1799p	Jun-13	Jun-20
	Mar-11	3,629,238	–	–	–	3,629,238	273.0795p	Mar-14	Mar-15
	Mar-12	2,636,163	–	–	–	2,636,163	156.5300p	Mar-15	Mar-16
Kevin Hayes <sup>(d)</sup>	Jun-10	749,360	–	–	–	749,360	280.1799p	Jun-13	Jun-14
	Mar-11	777,693	–	–	–	777,693	273.0795p	Mar-14	Mar-15

**Notes:**

- (a) The Company's obligations for option awards granted under the DBSOP are externally economically hedged. Refer to [note 20](#) to the financial statements.
- (b) The Company's obligations for conditional awards granted under the DBSOP are hedged by the Employee Trust. Deferred Bonus Shares attract dividend accruals. On 17 May 2013 dividend accruals of 48,318 shares and 16,105 shares were added to Peter Clarke and Kevin Hayes award shares respectively, based on a sterling dividend of 8.26 pence. On 4 September 2013 dividend accruals of 16,621 shares and 5,540 shares were applied based on a sterling dividend of 1.72 pence. On 13 March 2013 Jonathan Sorrell was originally granted 1,013,951 shares. On 17 May 2013 dividend accruals of 63,753 shares were added to his award based on a sterling dividend of 8.26 pence. On 4 September 2013 dividend accruals of 21,931 shares were applied based on a sterling dividend of 1.72 pence.
- (c) Peter Clarke stepped down from the Board with effect from 28 February 2013 and was on garden leave until his retirement on 10 December 2013.
- (d) Kevin Hayes stepped down from the Board with effect from 18 June 2012 and was on garden leave until his contract terminated on 18 December 2012.

**Shares under option under the Man Group Sharesave Scheme (audited)** **Table R20**

The Man Group Sharesave Scheme is an all-employee plan. The executive directors who participate in the Sharesave Scheme are granted options over Man shares and make monthly savings from their post-tax salary.

Executive director	Date of grant	Number of options							
		1 January 2013	Lapsed during period	Granted during period	Exercised during period	31 December 2013	Option price	Earliest exercise date	Latest exercise date
Jonathan Sorrell	Aug-12	23,076	0	0	0	23,076	65.0p	Oct-17	Mar-18
Former executive director									
Peter Clarke <sup>(a)</sup>	Jun-09	4,653	4,653	0	0	0	195.0p	Aug-12	n/a

**Note:**

- (a) Peter Clarke stepped down from the Board with effect from 28 February 2013 and was on garden leave until his retirement on 10 December 2013.



## Status of the PSP and ESOS award cycles

### Share awards and matching awards under the Performance Share Plan – subject to performance and service conditions (audited)

Table R21

Performance Share Plan – Share Awards <sup>(a)</sup> – Basic Awards							
Number of awards							
Former executive directors	Date of grant	1 January 2013	Awarded during period	Transferred during period	Lapsed during period	31 December 2013	Transfer/Lapse date
Peter Clarke <sup>(b)</sup>	Jun-10	251,212	–	–	251,212	–	Mar-13
	Mar-11	172,537	–	–	172,537	–	Dec-13
	Mar-12	310,903	–	–	109,597	201,306	Dec-14
Kevin Hayes <sup>(c)</sup>	Jun-10	153,771	–	–	153,771	–	Mar-13
	Mar-11	66,753	–	–	66,753	–	Dec-13
	Mar-12	45,019	–	–	–	45,019	Dec-14
Performance Share Plan – Matching Awards <sup>(a)</sup>							
Number of Awards							
Former executive directors	Date of grant	1 January 2013	Awarded during period	Transferred during period	Lapsed during period	31 December 2013	Transfer/Lapse date
Peter Clarke <sup>(b)</sup>	Jun-10	271,581	–	–	271,581	–	Mar-13
	Mar-11	248,702	–	–	248,702	–	Dec-13
	Mar-12	448,148	–	–	157,978	290,170	Dec-14
Kevin Hayes <sup>(c)</sup>	Jun-10	209,129	–	–	209,129	–	Jan-13
	Mar-11	99,684	–	–	99,684	–	Jan-13
	Mar-12	72,031	–	–	72,031	–	Jan-13

#### Notes:

- (a) Vesting is subject to achieving cumulative three year net management fee income growth (NMFIG) and average three year adjusted ROE (AROE). For all grants in March 2011 75% of vesting is subject to achieving cumulative three year NMFIG and 25% of vesting is subject to achieving three year average AROE. The 2010 and 2011 awards have lapsed in their entirety.
- (b) Peter Clarke stepped down from the Board with effect from 28 February 2013 and was on garden leave until his retirement on 10 December 2013. The 2012 lapses during the year reflect the time pro-rata.
- (c) Kevin Hayes stepped down from the Board with effect from 18 June 2012 and was on garden leave until his contract terminated on 18 December 2012. On 15 January 2013, he sold his bonus shares which resulted in forfeiting his remaining PSP cash match awards.

### Shares under option under the Man Group Executive Share Option Scheme 2001 and Man Group 2011 Executive Share Option Plan – subject to performance and service conditions (audited)

Table R22

Number of options <sup>(a)</sup>									
Former executive director	Date of grant	1 January 2013	Awarded during period	Exercised during period	Lapsed during period	31 December 2013	Option exercise price	Earliest exercise date	Latest exercise date
Peter Clarke <sup>(b)</sup>	Jun-06	93,789	–	–	–	93,789	399.83p	Jun-09	Dec-14
	Jun-10 <sup>(c)</sup>	484,179	–	–	484,179	–	258.3p	Lapsed	n/a
	Mar-11	345,073	–	–	345,073	–	247.5p	Lapsed	n/a
	Mar-12 <sup>(d)</sup>	621,805	–	–	621,805	–	142.3p	Lapsed	n/a

#### Notes:

- (a) For grants prior to 2009, the performance condition was earnings per share growth in excess of RPI over a three year performance period. For grants from June 2009 onwards, vesting was subject to achieving cumulative three-year net management fee income growth (NMFIG) and average three-year adjusted ROE (AROE). For grants in March 2012, the performance period was reduced and ended on 10 December 2013 being Peter Clarke's retirement date. 75% of vesting was subject to achieving cumulative three year NMFIG and 25% of vesting was subject to achieving three year average AROE.
- (b) Peter Clarke stepped down from the Board with effect from 28 February 2013 and was on garden leave until his retirement on 10 December 2013.
- (c) The June 2010 and March 2011 ESOS award lapsed on 31 March 2013 and 31 December 2013 respectively as the performance criteria were not met.
- (d) Under the rules of the Man Group 2011 plan, the March 2012 ESOS award lapsed on 10 December 2013 as the performance criteria were not met.



## Directors' remuneration report continued

### 3.15. Directors' interests continued

Share and fund awards – subject to service conditions (audited)							Table R23
Executive director		1 January 2013	Dividends accruing	Exercised during period	Held at 31 December 2013	Earliest exercise date	Latest exercise date
Jonathan Sorrell <sup>(a)</sup>	Deferred Share Plan (DSP)	89,184	5,607	94,791	–	Jun-13	n/a
		89,184	7,536	–	96,720	Jun-14	Aug-21
		85,384	–	85,384	–	Mar-13	n/a
		85,384	7,214	–	92,598	Mar-14	Mar-22
		85,384	7,214	–	92,598	Mar-15	Mar-22
	Fund Product Plan (FPP) <sup>(b)</sup>	1,063	–	1,063	–	Mar-13	n/a
		1,063	–	–	1,063	Mar-14	Mar-16
		1,063	–	–	1,063	Mar-15	Mar-16

**Notes:**

(a) Jonathan Sorrell was granted nil-cost options under the DSP and FPP schemes prior to his appointment as a director.

(b) Fund investment under the FPP is in the Man GLG Multi-Strategy UCITS product.

### 3.16. Details of former long-term incentive plans

Both the former PSP and ESOS have a three year performance period with vesting subject to achieving performance conditions. The PSP has a four year service period. There are no re-testing opportunities should performance measures not be met at the end of the third year.

All share and option awards are conditional and subject to forfeiture if an executive director resigns or the service contract is terminated for misconduct.

The performance conditions for the plans are Net Management Fee Income Growth (NMFIG) and Adjusted Return on Equity (AROE). The three year performance period was chosen as appropriate for the business and the period over which growth and returns should be achieved.

Net management fee income is the product of two components, namely the funds under management and the net management fee margins. Net management fee margins are after deduction of all fixed costs and variable costs not attributable to performance fees. The net margin excludes adjusting items and net finance income costs. The return performance condition measures the efficiency with which Man invests or returns capital. The adjustment to the ROE measure is to calculate equity excluding the Board's determination of any surplus capital not currently being utilised in the business.

The surplus capital is additional capital in excess of (a) the minimum regulatory capital of the Group (Pillar 1 capital adjusted by the Individual Capital Guidance percentage agreed with the FCA plus any specific add-on), plus (b) any capital planning buffer set by the FCA, plus (c) any Board cushion as set by the Board from time to time to give operating flexibility. Notional interest incurred on surplus capital is deducted in calculating AROE. Capital strategy is a matter for the Board; executive directors can only influence the policy within the Board framework.

The Remuneration Committee has previously considered using relative return performance measures. However, since the Remuneration Committee is not aware of any listed companies of substantial size whose main business activities are comparable in nature and scale to that of Man Group, such measures were not considered appropriate. The Remuneration Committee therefore sets performance conditions to target absolute returns for its shareholders that are designed to be both challenging and appropriate given the regulated nature of the Company's business.

### ESOS: Status of award cycles

Table R24

Cycle	Vesting level at lower target	Lower target (EPS growth unless otherwise stated)	Upper target for maximum vesting (EPS growth unless otherwise stated)	Actual performance outcome: EPS growth in excess of RPI	% of maximum award vesting
2012–2015 <sup>(a)</sup>	25% for each target	10% AROE	17.5% AROE	not met	nil
		10% NMFIG	30% NMFIG		
2011–2014 <sup>(a)</sup>	25% for each target	10% AROE	25% AROE	not met	nil
		10% NMFIG	50% NMFIG		
2010–2013	8%	See long-term incentive plans for information on the dual performance conditions of AROE and NMFIG		not met	nil
2009–2012	8%			not met	nil
2008–2011	50%	RPI plus 5%	RPI plus 10%	not met	nil
2007–2010	50%	RPI plus 5%	RPI plus 10%	not met	nil
2006–2009	50%	RPI plus 5%	RPI plus 10%	9.40%	50%

**Note:**

(a) 2011 and 2012 awards are weighted with 75% on the NMFIG and 25% on the AROE performance condition.



**PSP: Status of award cycles**

**Table R25**

Cycle <sup>(a)</sup>	Vesting level at lower target	Lower target (Statutory RoE unless otherwise stated)	Upper target for maximum vesting (Statutory RoE unless otherwise stated)	Actual performance outcome: average return on equity	% of maximum award vesting
2012–2015 <sup>(b)</sup>	25% for each target	10% AROE 10% NMFIG	17.5% AROE 30% NMFIG	n/a	n/a
2011–2014 <sup>(b)</sup>	25% for each target	10% AROE 10% NMFIG	25% AROE 50% NMFIG	not met	nil
2010–2013	8%	See long-term incentive plans for information on the dual performance conditions of AROE and NMFIG		not met	nil
2009–2012	8%			not met	nil
2008–2011	10%	20%	30%	not met	nil
2007–2010	10%	20%	30%	21.70%	26%
2006–2009	10%	20%	30%	29.30%	92%

**Notes:**

- (a) Performance is assessed over a three year period. Following the three year period, awards are subject to one further year service before vesting.  
(b) 2011 and 2012 awards are weighted with 75% on the NMFIG and 25% on the AROE performance condition.

**3.17. Retirement benefits**

Peter Clarke was employed on a full-time basis as CEO until 28 February 2013. However, he elected to draw his defined benefit pension from the Man Group plc Pension Fund with effect from 1 March 2010. He has no further prospective entitlement to any defined benefit pension arrangement. Emmanuel Roman and Jonathan Sorrell are not eligible to participate in the defined benefit pension plan (the Man Group plc Pension Fund).

**3.18. Implementation of executive director remuneration policy for 2014**

**Base salary**

Salaries are reviewed annually at year-end taking into account market benchmarks for executives of comparable status, responsibility and skill. For the fifth year in a row, the Remuneration Committee decided not to increase executive directors' salaries.

**Base salary of executive directors**

**Table R26**

Base salary at	Jonathan Sorrell	Emmanuel Roman
1 January 2013	\$625,000	\$1,000,000
1 January 2014	\$625,000	\$1,000,000

**Short-term annual cash bonus for 2014**

The objectives for the 2014 bonus have been defined by the Remuneration Committee around:

- i. Strategy, structure and people
- ii. P&L performance and sales
- iii. Financial health
- iv. Risk, compliance and reputation

The Remuneration Committee considers that the disclosure of more detailed or quantified objectives would provide an unfair advantage to Man Group's competitors, most of whom are not listed and therefore not under the obligation to disclose their objectives. More details will be provided in the 2014 Annual Report, in the review of achievements vs objectives.



## Directors' remuneration report continued

### 3.18. Implementation of executive director remuneration policy for 2014 continued

#### Long-term deferred bonus for 2014 performance

The KPIs and thresholds that will be used to measure performance are illustrated below.

#### Balanced scorecard of financial and non-financial metrics<sup>(a)</sup>

Table R27

	Definition	Proposed target
<b>Financial KPIs – 80% – Man's Company KPIs</b>		
<b>Investment performance (25%)</b>	<ul style="list-style-type: none"> <li>Measure net performance of three managers (represented by key funds) vs. respective benchmarks.</li> <li>Key funds/benchmark: <ul style="list-style-type: none"> <li>Man AHL Diversified/two of three competitors.</li> <li>GLG Alternative Strategies Dollar Weighted – Composite/HFRX.</li> <li>FRM Diversified II/HFRI FoF: Conservative Index.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Relevant period: performance is measured over the reporting year (first to last trading days of the year).</li> <li>Criteria type: binary outcome.</li> <li>Criteria for each fund over the relevant period: <ul style="list-style-type: none"> <li>If Net Performance ≤ Benchmark performance, criteria is not met.</li> <li>If Net Performance &gt; Benchmark Performance, criteria is met.</li> </ul> </li> <li>Weighting: each fund is ascribed a 1/3 weighting.</li> </ul>
<b>Net flows (25%)</b>	<ul style="list-style-type: none"> <li>Measure net FUM flows annually.</li> <li>Net Flows are defined as, over a reporting year: <ul style="list-style-type: none"> <li>(Gross Sales – Redemptions)/Start of Year FUM, expressed in %.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Relevant period: net flows are measured over the reporting year.</li> <li>Criteria type: sliding scale.</li> <li>Criteria for the relevant period: <ul style="list-style-type: none"> <li>If Net Flows ≤ 0%, criteria is not met.</li> <li>If Net Flows ≥ 10%, criteria is met in full.</li> <li>If 0% &lt; Net Flows &lt; 10%, criteria is met proportionally.</li> </ul> </li> </ul>
<b>Adjusted<sup>(b)</sup> management fee EBITDA margin (15%)</b>	<ul style="list-style-type: none"> <li>Measure management fee EBITDA margin.</li> <li>Adjusted management fee EBITDA margin defined as, over a reporting year adjusted management fee EBITDA/Net Revenues.</li> </ul>	<ul style="list-style-type: none"> <li>Relevant period: Adjusted management fee EBITDA margin is measured over the reporting year.</li> <li>Criteria type: sliding scale.</li> <li>Criteria for the relevant period: <ul style="list-style-type: none"> <li>If adjusted management fee EBITDA margin ≤ 25%, criteria is not met.</li> <li>If adjusted management fee EBITDA margin ≥ 40%, criteria is met in full.</li> <li>If 25% &lt; adjusted management fee EBITDA margin &lt; 40%, criteria is met proportionally.</li> </ul> </li> </ul>
<b>Adjusted<sup>(b)</sup> management fee EPS growth (15%)</b>	<ul style="list-style-type: none"> <li>Measure adjusted management fee EPS growth, i.e. growth in minimum common dividend per share.</li> <li>Adjusted management fee EPS growth defined as: <ul style="list-style-type: none"> <li>(Current Year Adjusted Management Fee EPS/ Previous Year Adjusted Management Fee EPS) – 1, expressed in %.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Relevant period: Adjusted management fee EPS growth is measured over the reporting year.</li> <li>Criteria type: sliding scale.</li> <li>Criteria for the relevant period: <ul style="list-style-type: none"> <li>If adjusted management fee EPS growth ≤ 0% plus RPI, criteria is not met.</li> <li>If adjusted management fee EPS growth ≥ 20% plus RPI, criteria is met in full.</li> <li>If 0% plus RPI, &lt; adjusted management fee EPS growth &lt; 20% plus RPI, criteria is met proportionally.</li> </ul> </li> </ul>

#### Non-financial metrics

<b>Culture and talent (20%)</b>	Fostering a culture of effective dealings with all stakeholders; building and retaining a collaborative, motivated and aligned senior management team; having an appropriate succession plan in place for senior management; attracting and retaining high quality staff, motivated by appropriate, balanced incentives.
---------------------------------	--

The Remuneration Committee will review the balanced scorecard of metrics prior to the start of each financial year and may amend them so that they remain appropriately challenging.

#### Notes:

- (a) As part of transitional arrangements for the new plan, the performance period will progressively increase to a three-year performance period. The performance period for 2014 awards will be two years (2013 and 2014) assessed at the end of the 2014 financial year. Performance is measured for each of the two reporting years and then averaged.
- (b) Adjusting items are material items, which are excluded by virtue of their size or nature, in order to aid comparability from period to period and to understand the underlying profitability of the business.

Based on the experience of 2013, the Board has re-evaluated the targets for assessing investment performance. For 2014, the representative fund used to assess GLG investment performance will change from GLG Multi Strategy as used in 2013 to GLG Alternative Strategies Dollar Weighted - Composite for 2014. The benchmark against which this representative fund will be compared is unchanged. For FRM, the representative fund remains FRM Diversified II but the Board has concluded that a more appropriate comparative benchmark is HFRI FoF: Conservative Index. Shareholders should note that, had these changes been effective for 2013, the outcome of the performance metric for these categories would have been unchanged and would still not have been met.



### 3.19. Non-executive director remuneration policy for 2014

There has been no increase in fees for the Chairman since appointment in 2007 or non-executive directors since 2009.

#### Non-executive directors' fees for 2014

Table R28

All figures in GBP

Position	2014	2013	% increase
Chairman of the Board	<b>450,000</b>	450,000	0%
Board fee <sup>(a)</sup>	<b>65,000</b>	65,000	0%
Senior Independent Director	<b>10,000</b>	10,000	0%
Audit and Risk Committee chair	<b>30,000</b>	30,000	0%
Other Audit and Risk Committee members	<b>15,000</b>	15,000	0%
Remuneration Committee chair	<b>25,000</b>	25,000	0%
Other Remuneration Committee members	<b>10,000</b>	10,000	0%

**Note:**

(a) Includes Nomination Committee membership (all non-executive directors are members of the Nomination Committee).

For and on behalf of the Board

**Phillip Colebatch**

Remuneration Committee Chairman  
27 February 2014



# Directors' report

## The directors submit their report, together with the audited consolidated financial statements, for the year ended 31 December 2013 (the year).

Man Group plc is incorporated as a public limited company and is registered in England with the registered number 08172396. The Company's registered office is Riverbank House, 2 Swan Lane, London EC4R 3AD.

### Directors

Details of the current directors, together with their biographies, can be found on [pages 26 and 27](#). The following Board changes have occurred during the year:

Peter Clarke	Retired 28 February 2013
Alison Carnwath	Retired 03 May 2013
Patrick O'Sullivan	Retired 03 August 2013
Andrew Horton	Appointed 03 August 2013
Dev Sanyal	Appointed 01 December 2013

Details of directors' interests in the Company's shares are given on [page 53](#) of the Annual Report.

### Powers of directors

The Board is responsible for the management of the business of the Company and may exercise all the powers of the Company subject to the provisions of relevant statutes and the Company's Articles of Association (the 'Articles'). A copy of the Articles is available on the Company's website ([www.man.com](http://www.man.com)) and by request from the registered office of the Company. The Articles may be amended by special resolution of the shareholders.

### Appointment, retirement and replacement of directors

The appointment, retirement and replacement of directors are governed by the Company's Articles, the UK Corporate Governance Code and the Companies Act 2006. Under the Articles, the Board has the power to appoint further directors during the year, but any director so appointed must stand for reappointment at the next annual general meeting. In accordance with the Articles, one-third of the Board must retire by rotation at each annual general meeting and may stand for reappointment. In practice, and in accordance with the UK Corporate Governance Code, all Board members retire and offer themselves for reappointment at each annual general meeting.

The Articles give the power to a director to appoint any person to be his alternate, subject to the appointment of such person who is not another director being approved by the Board.

### Directors' indemnities and insurance cover

The Company has maintained qualifying third party indemnity provision for the benefit of its directors during the year and this remains in force at the date of this report. The indemnity is granted by the Company to new directors on their appointment and covers, to the extent permitted by law, any third party liabilities which they may incur as a result of their service on the Board. The Company arranges directors' and officers' liability insurance to cover certain liabilities and defence costs which the Company indemnity does not meet. Neither the indemnity nor the insurance provides any protection in the event of a director being found to have acted fraudulently or dishonestly in respect of the Company.

### Shares

#### Share capital

Details of the movements in the issued share capital, together with the rights and obligations attaching to the Company's shares are set out in [Note 21](#) to the financial statements. This note also provides information on the Company's unexpired authority to purchase its own shares.

#### Substantial voting interests

As at 26 February 2014 the following voting interests in the ordinary share capital of the Company disclosable under the FCA's Disclosure and Transparency Rules have been notified to the Company.

Shareholder	%
Odey Asset Management LLP	5.92
G&S Trustees Limited – Pierre Lagrange	3.51

#### Restriction on voting rights

Where shares are held in employee benefit trusts for the satisfaction of awards made under the Company's share schemes, under the trust deeds the trustees have discretion to vote or abstain from voting.

#### Share transfer restrictions

The Board may decline to register a transfer of any share which is not a fully paid share. In addition, registration of a transfer of an uncertificated share may be refused in the circumstances set out in the Uncertificated Securities Regulations and where the number of joint holders exceeds four.

#### Change of control

The Company's employee share incentive schemes contain provisions whereby, upon a change of control of the Company, outstanding options and awards would vest and become exercisable, subject (in the case of certain schemes only) to the satisfaction of performance conditions at that time and any time pro-rating of options and awards.

#### Independent auditors

Following the Board's decision to recommend a change in the external auditors (see [page 37](#) for further information), a resolution to appoint Deloitte LLP as auditors of the Company and Group for the financial year ending 31 December 2014 will be proposed at the 2014 AGM.

#### Carbon emissions reporting

The information below details our mandatory reporting of greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 for the year ended 31 December 2013.

Around 82% of our overall emissions relate to purchased electricity and gas usage across our various geographical locations, with the remaining 18% relating to air travel. All emissions are reported in tonnes of carbon dioxide equivalents (CO<sub>2</sub>e).



## Man Group's emissions by scope

Scope	Source	Tonnes of CO <sub>2</sub> e emissions 2013
Scope 1	Natural gas	469
Scope 2	Electricity	3,558
Scope 3	Air travel	857
<b>Total</b>		<b>4,884</b>

The emissions we are reporting have been calculated using an intensity metric which will enable us to monitor emissions independent of activity. As Man is a people related business, we expect that any changes to headcount will impact the property space we occupy and the amount of business travel we use. Therefore, emissions per employee are the most appropriate metric for our business, as shown in the table below.

### Emissions per employee

	Tonnes of CO <sub>2</sub> e emissions 2013
Scope 1	0.4
Scope 2	3.1
Scope 3	0.7
<b>Emissions per employee</b>	<b>4.2</b>

### Methodology

For practical reasons, emissions data was gathered for the first nine months of 2013 and, as appropriate, extrapolated in order to calculate the full year emissions. Based on the nature of our emissions and the consistency month on month, we believe this is an appropriate representation of the annual emissions.

In order to compile the reportable emissions data from our offices, electricity and gas meter readings have been obtained from our energy suppliers. For some of our smaller offices, we are not charged for energy usage separately as these costs are incorporated into the service fees for our premises. These emissions have not been included in the reported total above due to the data being unavailable and relate to offices for the use of six employees (2013 average employees: 1,163).

Where Man is the landlord of a property, and electricity costs are incurred on the behalf of sub-tenants, these costs are on-charged to the sub-tenants as the users of the electricity. Accordingly, no emissions data for energy usage incurred on behalf of sub-tenants is included in Man's reportable emissions above.

Disclosures of emissions related to business travel are restricted to flight costs as a result of the CO<sub>2</sub>e emission convertible data relating to other means of transport (i.e. taxis) not being available. During 2013, Man had five lease vehicles, used for both business and employee personal use. Due to a lack of available data the emissions from these vehicles have not been included in the reported figures. As from 1 October 2013 only one lease vehicle remained. The remaining lease will end in mid 2014.

## Further disclosures

Information fulfilling the further disclosure requirements contained in the Companies Act 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the FCA's Listing Rules and Disclosure and Transparency Rules can be found in the following sections of the Annual Report for the year ended 31 December 2013 which are incorporated into the Directors' report by reference:

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By order of the Board

### Rachel Rowson

Company Secretary  
 27 February 2014





# Financial statements

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## Directors' responsibility statement

The directors are responsible for preparing the Annual Report, the directors' Remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the directors' Remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Having taken advice from the Audit and Risk Committee, the directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are on [pages 26 to 27](#), confirm that, to the best of each person's knowledge and belief:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and results of the Group;
- the strategic and other reports contained on [pages 1 to 25](#) include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces; and
- there is no relevant audit information of which the Group's auditors are unaware, and that they have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that Man's auditors are aware of that information.



# Independent Auditors' Report to the Members of Man Group plc

## Report on the Group financial statements

### Our opinion

In our opinion the Group financial statements, as defined below:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The Group financial statements, which are prepared by Man Group plc, comprise:

- the Group balance sheet as at 31 December 2013;
- the Group income statement and statement of comprehensive income for the year then ended;
- the Group statement of changes in equity and statement of cash flows for the year then ended; and
- the notes to the Group financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Man Group plc Annual Report (the "Annual Report") to identify material inconsistencies with the audited Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Overview of our audit approach

#### Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be \$8.3 million based on 5% of profit before tax adjusted for the impairment of goodwill, onerous lease charges and the associated write off of fixed assets, the gain on disposal of the Lehman claims and the gain on sale of an investment in associates.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$0.4 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Overview of the scope of our audit

The Group financial statements are a consolidation of 16 principal operating units, a number of smaller operating units, and centralised functions. In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We identified 11 reporting units based in the United Kingdom and Switzerland which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. Specific audit procedures on certain balances and transactions were performed at a further five reporting units which included some reporting units based in the United States and Australia. The work performed on the reporting units, together with additional procedures performed at the Group level gave us the evidence we needed for our opinion on the Group financial statements as a whole.

### Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on [page 35](#).



**Area of focus**

**Valuation of goodwill**

We focused on this area because the determination of whether or not an impairment charge for goodwill was necessary involved significant judgements about the future results of the Group's three business lines GLG, AHL and FRM.

(Refer also to [note 12](#) to the financial statements.)

**How the scope of our audit addressed the area of focus**

We evaluated the directors' future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and testing the underlying calculations. We challenged:

- the directors' key assumptions for flows, performance and long term growth rates in the forecasts by comparing them to historical results, economic and industry forecasts; and
- the discount rate by assessing the cost of capital for the company and comparable organisations.

We also performed sensitivity analysis around the key drivers in the calculation of the discounted future cash flow. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired, we considered the likelihood of such a movement in those key assumptions arising.

**Fraud in revenue recognition**

ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results.

The underlying calculation of revenue is performed by a third party outsourced administrator and therefore has a lower risk of fraud.

We have therefore focused on the journal entries used to record revenue in the books and records of Man.

We recalculated a sample of revenue transactions recorded by management using the related prospectus documents and tested cash receipts for a sample of revenue transactions that had been recorded.

We also tested a sample of manual journal entries posted to revenue accounts to identify unusual or irregular items.

**Risk of management override of internal controls**

ISAs (UK & Ireland) require that we consider this.

We assessed the overall control environment of the Group, including the arrangements for staff to "whistle-blow" inappropriate actions, and interviewed senior management and the Group's internal audit function.

We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

We also tested a sample of manual journal entries.

**Going concern**

Under the Listing Rules we are required to review the directors' statement, set out [on page 71](#), in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.



## Independent Auditors' Report to the Members of Man Group plc continued

### Opinion on matters prescribed by the Companies Act 2006

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

### Other matters on which we are required to report by exception

#### Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

#### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from these responsibilities.

#### Corporate Governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On [page 63](#) of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On [page 35](#), as required by C3.8. of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under (ISAs) (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

#### Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities statement set out on [page 63](#), the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

#### Other matter

We have reported separately on the Parent Company financial statements of Man Group plc for the year ended 31 December 2013 and on the information in the Directors' remuneration report that is described as having been audited.

#### Parwinder Purewal (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

27 February 2014



## Financial statements

### Group income statement

\$m	Note	Year ended 31 December 2013	Year ended 31 December 2012 (Restated) <sup>1</sup>
<b>Revenue:</b>			
Gross management and other fees	3	967	1,209
Performance fees	3	193	90
		<b>1,160</b>	1,299
Gains on investments and other financial instruments		33	32
Distribution costs	4	(145)	(291)
Asset services	5	(32)	(31)
Amortisation of acquired intangible assets	12	(66)	(65)
Compensation	6	(481)	(547)
Other costs	7	(323)	(316)
Share of after tax profit of associates	18	12	10
Gain on disposal of Lehman claims	2	5	131
Gain on disposal of interest in Nephila and other interests	2	11	–
Impairment of goodwill	2,12	(69)	(979)
Release of tax indemnity provision	2	–	11
Recycling of FX revaluation on liquidation of subsidiaries	2	(1)	42
Finance expense	8	(61)	(80)
Finance income	8	13	36
<b>Profit/(loss) before tax</b>		<b>56</b>	(748)
Taxation credit/(expense)	9	16	(39)
<b>Statutory profit/(loss) for the year attributable to owners of the Parent</b>		<b>72</b>	(787)
<b>Earnings per share:</b>			
Basic (cents)	10	3.0	(45.8)
Diluted (cents)		2.9	(45.8)
<b>Adjusted profit before tax</b>	2	<b>297</b>	275

### Group statement of comprehensive income

\$m	Year ended 31 December 2013	Year ended 31 December 2012 (Restated) <sup>1</sup>
<b>Statutory profit/(loss) for the year attributable to owners of the Parent</b>	<b>72</b>	(787)
<b>Other comprehensive income/(expense):</b>		
Remeasurements of post-employment benefit obligations	16	(13)
Corporation tax credited on pension revaluation	6	–
Deferred tax (debited)/credited on pension revaluation	(11)	3
<b>Items that will not be reclassified to profit or loss</b>	<b>11</b>	(10)
Available for sale investments:		
Valuation (losses)/gains taken to equity	(1)	18
Transfers from Group statement of comprehensive income upon sale or impairment	1	(19)
Cash flow hedges:		
Valuation gains taken to equity	12	16
Transfer to Group income statement	(1)	(9)
Corporation tax debited on cash flow hedge movements	(3)	–
Net investment hedge	20	(3)
Foreign currency translation	(35)	6
Recycling of FX revaluation on liquidation of subsidiaries	1	(42)
Tax charged	–	(1)
<b>Items that may be subsequently reclassified to profit or loss</b>	<b>(6)</b>	(34)
<b>Other comprehensive income/(expense) for the year (net of tax)</b>	<b>5</b>	(44)
<b>Total comprehensive income/(expense) for the year attributable to owners of the Parent</b>	<b>77</b>	(831)

**Note:**

1 Refer to Note 1 for details of the adoption of IAS 19 (Revised).



## Financial statements continued

### Group balance sheet

\$m	Note	At 31 December 2013	At 31 December 2012 (Restated) <sup>1</sup>	At 1 January 2012 (Restated) <sup>1</sup>
<b>Assets</b>				
Cash and cash equivalents	<u>14</u>	<b>992</b>	2,000	1,639
Fee and other receivables	<u>16</u>	<b>388</b>	382	428
Investments in fund products and other investments	<u>15</u>	<b>273</b>	496	975
Pension asset	<u>22</u>	<b>71</b>	–	–
Investments in associates	<u>18</u>	<b>31</b>	38	41
Leasehold improvements and equipment	<u>19</u>	<b>68</b>	150	173
Goodwill and acquired intangibles	<u>12</u>	<b>1,328</b>	1,484	2,478
Other intangibles	<u>13</u>	<b>26</b>	45	187
		<b>3,177</b>	4,595	5,921
Non-current assets held for sale	<u>15</u>	<b>56</b>	–	–
<b>Total assets</b>		<b>3,233</b>	4,595	5,921
<b>Liabilities</b>				
Trade and other payables	<u>17</u>	<b>725</b>	657	677
Current tax liabilities		<b>37</b>	98	118
Borrowings	<u>14</u>	<b>–</b>	859	1,066
Deferred tax liabilities	<u>9</u>	<b>58</b>	71	71
		<b>820</b>	1,685	1,932
Non-current liabilities held for sale	<u>15</u>	<b>6</b>	–	–
<b>Total liabilities</b>		<b>826</b>	1,685	1,932
<b>Net Assets</b>		<b>2,407</b>	2,910	3,989
<b>Equity</b>				
Capital and reserves attributable to the owners of the Parent <sup>2</sup>	<u>21</u>	<b>2,407</b>	2,610	3,989
Non-controlling interest (perpetual subordinated capital securities) <sup>2</sup>	<u>14</u>	<b>–</b>	300	–
		<b>2,407</b>	2,910	3,989

**Notes:**

- 1 Refer to Note 1 for details of the adoption of IAS 19 (Revised).
- 2 Refer to the Group statement of changes in equity for further details.

The financial statements were approved by the Board of Directors on 27 February 2014 and signed on its behalf by:

**Emmanuel Roman**  
Chief Executive Officer

**Jonathan Sorrell**  
Chief Financial Officer



## Group cash flow statement

\$m	Year ended 31 December 2013	Year ended 31 December 2012 (Restated) <sup>1</sup>
<b>Cash flows from operating activities</b>		
Profit/(loss) for the period	72	(787)
Adjustments for:		
Income tax	(16)	39
Net finance expense	48	44
Share of profits of associates	(12)	(10)
Gain on disposal of interest in Nephila and other interests	(11)	–
Depreciation and impairment of leasehold improvements and equipment	82	43
Amortisation of acquired intangible assets	66	65
Amortisation of other intangible assets	18	76
Share-based payment expense	36	79
Impairment of goodwill	69	979
Net losses on financial instruments	–	1
Gain on disposal of Lehman claims	(5)	(131)
Impairment of capitalised placement fees	–	88
Recycling of FX revaluation on liquidation of subsidiaries	1	(42)
Cash contributions to defined benefit pension plans (net of expense)	(24)	(7)
Other non-cash movements	35	11
	<b>359</b>	<b>448</b>
<b>Changes in working capital:</b>		
(Increase)/decrease in receivables	(9)	88
Decrease in other financial assets (primarily loans to fund products)	155	135
Increase/(decrease) in payables	80	(127)
Cash generated from operations	585	544
Interest paid	(73)	(81)
Income tax paid	(64)	(55)
	<b>448</b>	<b>408</b>
<b>Cash flows from investing activities</b>		
Purchase of leasehold improvements and equipment	(2)	(20)
Purchase of other intangible assets	(3)	(33)
Purchase of investments in fund products for deferred compensation awards and other investments	(51)	(17)
Proceeds from sale of leasehold improvements and equipment	1	–
Proceeds from settlement and sale of Lehman claims	5	466
Net proceeds from sale of investments in fund products for deferred compensation awards and other investments	40	28
Acquisition of subsidiary, net of cash acquired	–	40
Interest received	13	35
Payment of contingent consideration in relation to acquisition of FRM	(12)	–
Dividends received from associates	11	13
Proceeds from sale of interest in Nephila and other interests	21	–
	<b>23</b>	<b>512</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	4	8
Purchase of own shares by the Employee Trust	(22)	(9)
Repurchase of own shares	–	(7)
Repayment of borrowings	(1,159)	(219)
Dividends paid to Company shareholders	(277)	(299)
Dividend payments in respect of perpetual subordinated capital securities	(25)	(33)
	<b>(1,479)</b>	<b>(559)</b>
<b>Net (decrease)/increase in cash</b>	<b>(1,008)</b>	<b>361</b>
Cash at beginning of the year	2,000	1,639
<b>Cash at year end</b>	<b>992</b>	<b>2,000</b>

**Note:**

1 Refer to Note 1 for details of the adoption of IAS 19 (Revised).





## Financial statements continued

### Group statement of changes in equity

\$m	Equity attributable to owners of the parent					Equity attributable to owners of the parent				
	Year ended 31 December 2013					Year ended 31 December 2012				
	Share capital and capital reserves	Revaluation reserves and retained earnings	Total	Non-controlling interest	Total equity	Share capital and capital reserves	Revaluation reserves and retained earnings	Total	Non-controlling interest	Total equity
<b>At beginning of the year (as previously reported)</b>	<b>1,187</b>	<b>1,507</b>	<b>2,694</b>	<b>300</b>	<b>2,994</b>	3,364	696	4,060	–	4,060
Impact of adoption of IAS 19 (Revised) <sup>1</sup>	–	(84)	(84)	–	(84)	–	(71)	(71)	–	(71)
<b>At beginning of the year (Restated)</b>	<b>1,187</b>	<b>1,423</b>	<b>2,610</b>	<b>300</b>	<b>2,910</b>	3,364	625	3,989	–	3,989
Profit/(loss) for the year	–	72	72	–	72	–	(787)	(787)	–	(787)
Other comprehensive income/ (expense)	–	5	5	–	5	–	(44)	(44)	–	(44)
<b>Total comprehensive income/ (expense) for the year</b>	<b>–</b>	<b>77</b>	<b>77</b>	<b>–</b>	<b>77</b>	<b>–</b>	<b>(831)</b>	<b>(831)</b>	<b>–</b>	<b>(831)</b>
Perpetual capital securities coupon	–	(19)	(19)	–	(19)	–	(25)	(25)	–	(25)
Transfer to non-controlling interest	–	–	–	–	–	(300)	–	(300)	300	–
Buyback of perpetual capital securities	–	–	–	(300)	(300)	–	–	–	–	–
Capital reduction	–	–	–	–	–	(1,885)	1,885	–	–	–
Acquisition of business	–	–	–	–	–	–	–	–	–	–
Share-based payments	4	30	34	–	34	8	65	73	–	73
Repurchase of own shares	–	(18)	(18)	–	(18)	–	(7)	(7)	–	(7)
Movement in close period buyback obligations	–	–	–	–	–	–	10	10	–	10
Dividends	–	(277)	(277)	–	(277)	–	(299)	(299)	–	(299)
<b>At year end (Note 21) (Restated)</b>	<b>1,191</b>	<b>1,216</b>	<b>2,407</b>	<b>–</b>	<b>2,407</b>	1,187	1,423	2,610	300	2,910

**Note:**

<sup>1</sup> Refer to Note 1 for details of the adoption of IAS 19 (Revised).

Shareholders' equity decreased during the year as a result of the 2012 final dividend payment, which was not covered by the statutory profit for the year, and the repurchase of the \$300 million perpetual subordinated capital securities during the year. In the prior year, shareholders' equity decreased primarily as a result of dividend payments and the loss for the year.

The proposed final dividend would reduce shareholders' equity by \$95 million (2012: \$228 million) subsequent to the balance sheet date.

Details of share capital and capital reserves, revaluation reserves and retained earnings and related movements are included in [Note 21](#).



## Notes to the Group financial statements

### 1. Basis of preparation

#### Accounting policies

The audited consolidated financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Man's principal accounting policies have been consistently applied across the Group in the preparation of the financial statements. Accounting policies are included in the relevant sections, and significant policies are provided below. The impact of new accounting standards and amendments applicable to the year ended 31 December 2013 and accounting standards that are not yet effective are outlined below.

#### Consolidated group and presentation currency

The consolidated group is Man Group plc (the Company) and its subsidiaries (together the Group or Man). The stand-alone Parent Company financial statements of Man Group plc have been included as separate financial statements, starting on [page 101](#). The majority of revenues, assets, liabilities and funding are denominated in United States dollars (USD) and therefore Man's presentation currency is USD.

The consolidated financial information contained within these financial statements incorporates the results, cash flows and financial position of the Company and its subsidiaries for the year to 31 December 2013. Subsidiaries are entities controlled by Man and are consolidated from the date on which control is transferred to Man until the date that control ceases. Control exists when Man has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions, balances, income and expenses between Group entities are eliminated on consolidation.

Business combinations (acquisitions) are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value at the acquisition date of assets transferred, liabilities incurred, and equity instruments issued by the Group. The fair value of an acquisition is calculated at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at that date. Costs relating to acquisitions are recognised in the Group income statement as incurred. The acquisition date is the date on which Man effectively obtains control of the acquiree. Any contingent consideration will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration will be recognised in Group income statement and classified as an adjusting item.

#### Man's relationship with independent fund entities

Man acts as the investment manager/advisor to fund entities. Having considered all significant aspects of Man's relationships with fund entities, the directors are of the opinion that although Man manages the assets of certain fund entities: the existence of independent boards of directors at the fund entities; termination provisions in the investment management agreements, which allow for the removal of the investment manager/advisor; the influence of investors; and, the arm's length nature of Man's contracts with the fund entities, Man does not control the fund entities and their associated assets, liabilities and results should not be consolidated into Man's Group financial statements. An understanding of the aggregate funds under management (FUM) and the fees earned from the fund entities is relevant to an understanding of Man's results and earnings sustainability and this information is provided in the Chief Financial Officer's review on [page 14](#).

#### Judgemental areas and accounting estimates

The most significant area of judgement is the allocation and valuation of goodwill and intangible assets, in particular the goodwill in relation to the GLG acquisition (which includes an allocation to AHL) and the FRM business ([Note 12](#)) and the carrying value of capitalised product placement fees ([Note 13](#)). The valuation of goodwill and intangibles has been an area of focus for the Group Board, and in particular the Audit and Risk Committee, during the year. The report of the Chairman of the Audit and Risk Committee discusses the involvement of the Committee in this evaluation on [page 35](#). Other areas of judgement are the determination of fair values for contingent consideration in relation to the FRM acquisition ([Note 26](#)), illiquid investments ([Notes 15 and 26](#)), deferred compensation awards ([Note 20](#)) and pension obligations ([Note 22](#)).

#### Going concern

Man's business activity is discussed on [pages 1 to 25](#), together with the significant risk factors ([pages 20 to 23](#)). Man's liquidity and capital positions are set out in [Note 14](#) and [21](#) respectively. The directors monitor Man's capital and liquidity positions and forecasts throughout the year, and in addition they have approved a budget, medium term financial plan, and a capital and liquidity plan, which cover the foreseeable future and include rigorous analysis of stressed capital and liquidity scenarios. The directors have concluded that there is a reasonable expectation that Man has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group and Parent financial statements have been prepared on a going concern basis using the historical cost convention, except for the measurement at fair value of certain financial instruments that are available-for-sale or held at fair value through profit or loss.

#### Scheme of arrangement in prior year

In the prior year, on 6 November 2012, under a scheme of arrangement between Man Strategic Holdings plc (formally Man Group plc), the former holding company of the Group, and its shareholders under Part 26 of the Companies Act 2006, and as sanctioned by the High Court, all the issued ordinary shares in that company were cancelled and the same number of new ordinary shares were issued to Man Group plc (the new holding company) in consideration for the allotment to shareholders of one ordinary share in Man Group plc for each ordinary share they held in Man Strategic Holdings plc. The scheme of arrangement was treated as a capital reorganisation. The consequence was that the Man Group did not fundamentally change in any way, and no fair value adjustments or goodwill were recognised.



## Financial statements continued

### 1. Basis of preparation continued

#### Financial reporting controls

The Group's systems of internal control aim to safeguard assets, ensure that proper accounting records are maintained, and ensure that the financial information used in the business and published externally is robust and reliable. The financial reporting controls comply with the guidance given in 'Internal Control: Revised Guidance for Directors on the Combined Code'. The Corporate governance report is provided on [pages 28 to 39](#).

#### Significant accounting policies schedule

Policy	Note	Page
Goodwill	12	<a href="#">78</a>
Other intangibles		
– Investment management contracts, brand names and distribution channels	12	<a href="#">78</a>
– Placement fees	13	<a href="#">82</a>
– Capitalised computer software	13	<a href="#">82</a>
Investment in fund products	15	<a href="#">84</a>
Investments in associates	18	<a href="#">86</a>
Revenue	3	<a href="#">74</a>
Compensation – share-based payments	20	<a href="#">87</a>
Compensation – restructuring	2	<a href="#">73</a>
Pension benefits	22	<a href="#">92</a>

#### Impact of new accounting standards

A number of amendments to existing standards and interpretations have been issued, some of which were mandatory for the year beginning 1 January 2013, with the remaining becoming effective in future periods.

IAS 19 (Revised) 'Employee benefits' has been adopted this year, and has been applied retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors', and hence the prior year has been restated and the opening restated balance sheet presented. The most significant change arising was to cease to apply the 'corridor approach' in accounting for Man's defined benefit plans. The impact of the adoption of IAS 19 (Revised) 'Employee benefits' resulted in a decrease in net pension assets of \$110 million as at 31 December 2012 (31 December 2011: \$94 million) and in deferred tax liabilities of \$26 million (31 December 2011: \$23 million), with a corresponding debit to equity of \$84 million (31 December 2011: \$71 million). The comparative Group statement of comprehensive income for the prior year has been restated to reflect remeasurements in relation to defined benefit plans of \$13 million, partially offset by related tax effects. The profit for 2012 has reduced due to a \$3 million increase in pension costs (in the compensation line), which has also reduced both the 2012 basic and diluted earnings per share.

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

- Amendment to IAS 1 – 'Presentation of financial statements'
- Amendment to IFRS 7 – 'Financial instruments: Disclosures'
- IFRS 13 – 'Fair value measurement'

Other new or revised standards and interpretations issued but not yet effective, which are not expected to have a significant impact on the Group financial statements of Man, are as follows:

- IFRS 11 – 'Joint arrangements'
- IFRS 12 – 'Disclosure of interests in other entities'
- IAS 27 (revised 2011) – 'Separate financial statements'
- IAS 28 (revised 2011) – 'Investments in joint ventures and associates'
- Amendments to IAS 36 – 'Impairment of assets'

IFRS 10 'Consolidated financial statements' is the revised consolidation accounting standard, which is effective from 1 January 2014. The adoption of this standard is expected to have an impact on the Group's consolidated financial statements as some of the Group's investments in fund products will fall into scope for consolidation under this standard. The adoption of IFRS 10 is expected to result in the consolidation of one fund at 1 January 2014 with an increase in the gross assets and liabilities on the Group balance sheet of around \$400 million, and a minimal impact on the Group income statement.

Certain sections of IFRS 9 – 'Financial instruments' have been issued by the International Accounting Standards Board and are effective from 1 January 2015, however at present these have not yet been endorsed by the EU and are therefore currently not expected to be applicable in 2014.

#### Presentation of internal commission costs and calculation of the compensation ratio

The presentation of internal commission costs has been changed in the Group income statement in the current year, and the prior year has been restated accordingly, to reclassify these costs to compensation costs rather than distribution costs. This reflects the way the business is now managed, providing more relevant information to the readers of the financial statements, and brings the treatment in line with industry practice. Internal commission costs for the year ended 31 December 2013 were \$30 million (2012: \$45 million).

The methodology for calculating the Group's compensation ratio, as disclosed in [Note 6](#), has changed from the prior year to include internal commission costs and is now a percentage of net revenue (as defined in [Note 6](#)) rather than gross revenue. As a result of the change in methodology, the compensation ratio for 2013 has changed from 36% (2012: 33%) to 42% (2012: 42%).



## 2. Adjusted profit before tax

Statutory profit/(loss) before tax is adjusted to give a fuller understanding of the underlying profitability of the business. The directors consider that the Group's profit is most meaningful when considered on a basis which excludes restructuring costs, amortisation and impairment of intangible assets and certain non-recurring gains or losses, which therefore reflect the recurring revenues and costs that drive the Group's cash flow. The directors are consistent in their approach to the classification of adjusting items period to period. These are explained in detail either below or in the relevant note.

\$m	Note	Year ended 31 December 2013	Year ended 31 December 2012 (Restated) <sup>1</sup>
Statutory profit/(loss) before tax		<b>56</b>	(748)
Adjusting items:			
Gain on disposal of interest in Nephila and other interests		<b>(11)</b>	–
Compensation – restructuring	<u>6</u>	<b>36</b>	65
Other costs – restructuring	<u>7</u>	<b>28</b>	4
Other costs – accelerated depreciation		<b>43</b>	–
Gain on disposal of Lehman claims		<b>(5)</b>	(131)
Regulatory and other settlements	<u>7</u>	<b>14</b>	–
Impairment of goodwill	<u>12</u>	<b>69</b>	979
Release of tax indemnity provision		<b>–</b>	(11)
Recycling of FX revaluation on liquidation of subsidiaries		<b>1</b>	(42)
Impairment of capitalised placement fees	<u>4,13</u>	<b>–</b>	88
FRM acquisition costs	<u>6,7</u>	<b>–</b>	12
Revaluation of contingent consideration		<b>(3)</b>	(9)
Unwind of contingent consideration discount	<u>8</u>	<b>3</b>	3
Amortisation of acquired intangible assets	<u>12</u>	<b>66</b>	65
<b>Adjusted profit before tax</b>		<b>297</b>	275
Tax on adjusted profit		<b>(21)</b>	(40)
<b>Adjusted net income</b>		<b>276</b>	235

**Note:**

1 Refer to Note 1 for details of the adoption of IAS 19 (Revised).

The gain on disposal of interest in Nephila and other interests primarily relates to the disposal of a 6.25% stake in Nephila on 23 January 2013, reducing the Group's holding to 18.75%.

Compensation costs incurred as part of restructuring are accounted for in full at the time the obligation arises, following communication of the formal plan, and include payments in lieu of notice, enhanced termination costs, and accelerated share-based payment and fund product based charges. The \$36 million of compensation restructuring costs recognised in 2013 relate to the further phase of cost saving initiatives announced on 2 August 2013.

Restructuring costs included within Other costs primarily relate to onerous property lease provisions, mainly in relation to Riverbank House (our main London office and headquarters). The accelerated depreciation included within Other costs primarily relates to leasehold improvements and equipment as a result of the sub-letting of office space in Riverbank House.

Regulatory and other settlement costs of \$14 million in the year primarily relate to the settlement of a regulatory enquiry in the US and directly associated legal costs.

\$5 million of additional proceeds were received in the year relating to the disposal of the Lehman claims in 2012. In the prior year, the Lehman claims were sold by Man for a total consideration of \$456 million, resulting in a pre-tax gain of \$131 million.

Following a test for impairment of goodwill and intangible assets at 31 December 2013, the FRM goodwill was impaired by \$69 million, primarily relating to our legacy Man Multi-Manager Business. Refer to [Note 12](#) for further details. In the prior year, GLG and the legacy Man Multi-Manager goodwill was impaired by \$837 million and \$142 million respectively.

The revaluation of contingent consideration is an adjustment to the fair value of expected earn-out payments resulting primarily from movements in net management fee run rates since the acquisition of FRM and has been included within Gains/(losses) on investments and other financial instruments. The gain of \$3 million (2012: \$9 million) was offset by an unwind of the discount on the contingent consideration of \$3 million (2012: \$3 million), included within Finance expense ([Note 8](#)).

The amortisation of acquired intangible assets relates to the amortisation of the investment management contracts and brands recognised on the acquisition of FRM, GLG, and Ore Hill. Further details are provided in [Note 12](#).

During the year, some of the Group's foreign subsidiaries were liquidated, which had accumulated foreign currency translation reserves of \$1 million (2012: \$42 million) at the date of liquidation. The related foreign currency translation was recycled to the Group income statement upon liquidation of these subsidiaries as required by IAS 21.

In the prior year, capitalised placement fees were impaired by \$88 million, as a result of de-gearing and negative investment performance in relation to guaranteed products (\$50 million) and the introduction of a new servicing fee based internal compensation structure effective from 1 January 2013 (\$38 million).



## Financial statements continued

### 3. Revenue and margins

Fee income is Man's primary source of revenue, which is derived from the investment management agreements that we have in place with the fund entities. Fees are generally based on an agreed percentage of the valuation of FUM and are typically charged in arrears. Management fees net of rebates, which include all non-performance related fees and interest income from loans to fund products, are recognised in the year in which the services are provided.

Performance fees net of rebates relate to the performance of the funds managed during the year and are recognised when the quantum of the fee can be estimated reliably and it is probable that the fee will crystallise. This is generally at the end of the performance period or upon early redemption by a fund investor. Until the performance period ends market movements could significantly move the net asset value (NAV) of the fund products. Man will typically only earn performance fee income on any positive investment returns in excess of the high-water mark, meaning we will not be able to earn performance fee income with respect to positive investment performance in any year following negative performance until that loss is recouped, at which point a fund investor's investment surpasses the high-water mark.

### 4. Distribution costs

\$m	Year ended 31 December 2013	Year ended 31 December 2012
External distribution costs – before adjusting items	145	203
Impairment of capitalised placement fees ( <a href="#">Note 2</a> )	–	88
<b>Total distribution costs</b>	<b>145</b>	<b>291</b>

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

Distribution costs, before adjusting items, of \$145 million (2012: \$203 million) comprise product placement fees of \$17 million (2012: \$47 million) and investor servicing fees of \$128 million (2012: \$156 million). Placement fees are paid for product launches or sales and are capitalised and amortised over the expected investment hold period (refer to [Note 13](#)). Investor servicing fees are paid to intermediaries for ongoing investor servicing and are expensed as incurred.

Capitalised placement fees were impaired by \$88 million during the prior year, and classified as an adjusting item.

Distribution costs relating to employees (internal commissions) are now presented as compensation costs and the prior year has been restated accordingly. Refer to [Note 1](#) for further details.

### 5. Asset services

Asset services include valuations, fund accounting, and registrar functions performed by third parties under contract to Man, on behalf of the funds.

The cost of these services is based on the number of transactions or FUM, therefore variable with activity levels and FUM. Asset services costs for the year were \$32 million (2012: \$31 million).

### 6. Compensation

\$m	Year ended 31 December 2013	Year ended 31 December 2012
Salaries – fixed	163	198
Salaries – variable	169	111
Share-based payment charge	30	68
Fund product based payment charge	32	20
Internal commissions – variable	17	30
Social security costs	24	30
Pension costs	10	18
<b>Compensation costs – before adjusting items</b>	<b>445</b>	<b>475</b>
Restructuring	36	65
FRM acquisition costs	–	7
<b>Total compensation costs</b>	<b>481</b>	<b>547</b>

Compensation is our largest cost and an important component of our ability to retain and attract talent at Man. In the short-term, the variable component of compensation adjusts with revenues and profitability. In the medium term the active management of headcount can reduce fixed based compensation, if required.



Compensation costs in total were \$445 million, before adjusting items, or 42% of net revenue (2012: 42%). Net revenue is defined as gross management and other fees, performance fees, gains/(losses) on investments and other financial instruments, share of after tax profit of associates, less external distribution costs.

Internal commission costs were reclassified in the current year to compensation costs from distribution costs, and the prior year has been restated accordingly. Refer to [Note 1](#) for further details. Total internal commission costs for the year were \$30 million (2012: \$45 million), with \$6 million (2012: \$12 million) included in the share-based payment charge line and \$7 million (2012: \$3 million) included in the fund product based payment charge line.

Fixed compensation and benefits were \$188 million compared to \$236 million in the prior year. Fixed compensation comprises salaries – fixed, pension costs and a portion of the social security costs. The prior year includes FRM fixed compensation from 17 July 2012, the date of acquisition.

Variable compensation, excluding internal commissions, was \$227 million compared to \$194 million in the prior year, primarily reflecting higher performance fee related compensation.

Salaries, both fixed and variable, are charged to the Group income statement in the year in which they are incurred. They include partner drawings.

The accounting for share-based and fund product based compensation arrangements is covered in [Note 20](#). The unamortised deferred compensation at year end was \$24 million (2012: \$54 million) which had a weighted average remaining vesting period of 1.4 years (2012: 1.2 years). The decrease from the prior year of these two items in aggregate primarily reflects the decrease in the unamortised deferred compensation in line with the decline in profitability over recent years.

Pension costs relate to Man's defined contribution and defined benefit plans ([Note 22](#)).

The aggregate directors' remuneration (including social security), for both executive and non-executive directors, is: (1) Fees and remuneration of \$8,469,000 (2012: \$5,538,000); (2) Gains made on transfer of share awards and exercise of share options in the year of \$nil (2012: \$nil); (3) Amounts receivable by directors under long-term incentive schemes in the year of \$426,000 (2012: \$nil); and (4) Contributions to money purchase pension schemes of \$49,000 (2012: \$132,000).

## 7. Other costs

\$m	Year ended 31 December 2013	Year ended 31 December 2012
Occupancy	50	56
Technology and communication	34	46
Temporary staff, recruitment, consultancy and managed services	32	42
Legal fees and other professional fees	18	23
Benefits	15	20
Insurance	11	13
Travel and entertainment	10	15
Audit, accountancy, actuarial and tax fees	7	12
Marketing and sponsorship	6	11
Other cash costs	8	6
<b>Total other costs before depreciation and amortisation and adjusting items</b>	<b>191</b>	244
Depreciation and amortisation	47	63
Other costs – before adjusting items	238	307
Restructuring ( <a href="#">Note 2</a> )	28	4
Regulatory and other settlements ( <a href="#">Note 2</a> )	14	–
FRM acquisition costs ( <a href="#">Note 2</a> )	–	5
Accelerated depreciation ( <a href="#">Note 2</a> )	43	–
<b>Total other costs</b>	<b>323</b>	316

The level of expenses, including occupancy, communication, technology and travel and entertainment, is linked to headcount.

Other costs, before depreciation and amortisation and adjusting items, were \$191 million in the year, compared to \$244 million in the prior year, which reflects the impact of the various previously announced cost saving initiatives to reduce the cost base of the Group.

Auditors' remuneration, including advisory and professional services, is disclosed in more detail in the Corporate governance section on [page 36](#).



## Financial statements continued

### 8. Finance expense and finance income

\$m	Year ended 31 December 2013	Year ended 31 December 2012
Finance income:		
Interest on cash deposits and US Treasury bills	13	21
Other – gain recognised on the repayment of loan notes issued by BlueCrest	–	15
<b>Total finance income</b>	<b>13</b>	<b>36</b>
Finance expense:		
Interest payable on borrowings	(22)	(50)
Premium paid on debt buybacks and other	(36)	(27)
<b>Total finance expense – before adjusting items</b>	<b>(58)</b>	<b>(77)</b>
Unwind of contingent consideration discount (Note 2)	(3)	(3)
<b>Total finance expense</b>	<b>(61)</b>	<b>(80)</b>

Finance expense includes a \$28 million charge relating to debt buybacks during the year, which is explained further in [Note 14](#) (2012: \$21 million).

### 9. Taxation

\$m	Year ended 31 December 2013	Year ended 31 December 2012
<b>Analysis of tax (credit)/charge for the period:</b>		
Current tax:		
UK corporation tax on profits of the period	29	44
Foreign tax	16	14
Adjustments to tax charge in respect of previous periods	(34)	(17)
<b>Total current tax</b>	<b>11</b>	<b>41</b>
Deferred tax:		
Origination and reversal of temporary differences	(28)	(6)
Adjustments to tax charge in respect of previous periods	1	4
<b>Total tax (credit)/charge</b>	<b>(16)</b>	<b>39</b>

Man is a global business and therefore operates across many different tax jurisdictions. Income and profits are allocated to these different jurisdictions based on transfer pricing methodologies set in accordance with the laws of the jurisdictions in which we operate. The effective tax rate results from the combination of taxes paid on earnings attributable to the tax jurisdictions in which they arise. The majority of the Group's profit was earned in the UK, Switzerland, and Australia. The current effective tax rate of -28.6% (2012: -5.2%) differs from the underlying rate principally as a result of prior year tax credits including for further settled tax returns across a number of countries and multiple periods, and the impairment of goodwill on which no tax relief is received. The effective tax rate is otherwise consistent with this earnings profile. The effective tax rate on adjusted profits (Note 2) is 7.1% (2012: 14.4%). The lower rate again is principally the result of the effect of prior year tax credits, which along with utilisation of tax losses outweighs the impact of reduced relief on share-based compensation costs.

The tax on Man's total profit/(loss) before tax is lower (2012: higher) than the amount that would arise using the theoretical effective tax rate applicable to profits/(losses) of the consolidated companies, as follows:

\$m	Year ended 31 December 2013	Year ended 31 December 2012 (Restated) <sup>1</sup>
Profit/(loss) before tax	56	(748)
Theoretical tax charge/(credit) at UK rate – 23.25% (2012: 24.5%)	13	(183)
Effect of:		
Overseas rates compared to UK	(14)	(32)
Adjustments to tax charge in respect of previous periods	(33)	(13)
Impairment of goodwill and other adjusting items	19	249
Share-based payments	10	8
Other	(11)	10
	(29)	222
<b>Total tax (credit)/charge</b>	<b>(16)</b>	<b>39</b>

**Note:**

1 Refer to Note 1 for details of the adoption of IAS 19 (Revised).



Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the rates expected to be applied when the deferred tax asset or liability is realised. The deferred tax closing balance of \$58 million (2012: \$71 million) relates mostly to the tax arising on intangible assets of \$97 million (2012: \$114 million). The closing balance is also net of deferred tax assets primarily related to defined benefit pension schemes of \$9 million (2012: \$25 million), employee share schemes of \$7 million (2012: \$8 million), and tax allowances over depreciation of \$18 million (2012: \$9 million).

The movement in the deferred tax liability of \$58 million (2012: \$71 million) includes an income statement credit of \$27 million (2012: \$2 million), a charge to other revenue reserves of \$10 million (2012: \$nil), and other currency differences/credits of \$4 million (2012: \$5 million). The income statement credit of \$27 million (2012: \$2 million) is made up of a decrease in the deferred tax liability arising on intangibles assets of \$17 million (2012: \$6 million), an increase in the deferred tax asset arising on tax allowances over depreciation of \$9 million (2012: \$1 million, decrease) and a decrease in the deferred tax liability on other temporary differences of \$1 million (2012: \$3 million, increase). The charge to other revenue reserves \$10 million arises on the movement in pension accrual in the year.

The adoption of IAS 19 (Revised) 'Employee Benefits' resulted in a deferred tax asset of \$26 million at 31 December 2012.

## 10. Earnings per ordinary share (EPS)

The calculation of basic EPS is based on post-tax profit, after payments to holders of the perpetual subordinated capital securities (\$19 million after tax, \$25 million for the prior year), of \$53 million compared to a loss of \$812 million in the prior year, and ordinary shares of 1,787,851,123 (2012: 1,772,828,571), being the weighted average number of ordinary shares on issue during the period after excluding the shares owned by the Man 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, being ordinary shares of 1,818,402,923 (2012: 1,802,501,332).

The details of movements in the number of shares used in the basic and dilutive EPS calculation are provided below.

	Year ended 31 December 2013		Year ended 31 December 2012	
	Total number (million)	Weighted average (million)	Total number (million)	Weighted average (million)
Number of shares at beginning of year	1,821.8	1,821.8	1,820.8	1,820.8
Issues of shares	1.9	1.4	4.3	2.5
Repurchase of own shares	–	–	(3.3)	(2.9)
Business combinations	–	–	–	–
Number of shares at period end	1,823.7	1,823.2	1,821.8	1,820.4
Shares owned by Employee Trusts	(29.7)	(35.3)	(40.8)	(47.6)
Basic number of shares	1,794.0	1,787.9	1,781.0	1,772.8
Share awards under incentive schemes		27.7		28.7
Employee share options		2.8		1.0
Diluted number of shares		1,818.4		1,802.5

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

	Year ended 31 December 2013			
	Basic post-tax earnings \$m	Diluted post-tax earnings \$m	Basic earnings per share cents	Diluted earnings per share cents
Earnings per share <sup>1</sup>	53	53	3.0	2.9
Items for which EPS has been adjusted (Note 2)	241	241	13.5	13.3
Tax on adjusting items	(37)	(37)	(2.1)	(2.1)
Adjusted earnings per share	257	257	14.4	14.1
Net performance fees (post-tax)	(114)	(114)	(6.4)	(6.2)
Adjusted management fee earnings per share	143	143	8.0	7.9





## Financial statements continued

### 10. Earnings per ordinary share (EPS) continued

	Year ended 31 December 2012			
	Basic post-tax earnings \$m	Diluted post-tax earnings \$m	Basic earnings per share cents	Diluted earnings per share cents
Earnings per share <sup>1,2</sup>	(812)	(812)	(45.8)	(45.8)
Effect of potential ordinary shares <sup>2</sup>	–	–	–	0.7
Items for which EPS has been adjusted (Note 2)	1,023	1,023	57.7	56.8
Tax on adjusting items	(1)	(1)	(0.1)	(0.1)
Adjusted earnings per share	210	210	11.8	11.6
Net performance fees (post-tax)	(44)	(44)	(2.4)	(2.4)
Adjusted management fee earnings per share	166	166	9.4	9.2

#### Notes:

- The difference between post-tax profit/(loss) and basic and diluted post-tax profit/(loss) is the adding back of the expense in the period relating to the perpetual subordinated capital securities (Note 21), totalling \$19 million post-tax (2012: \$25 million).
- Potential ordinary shares have been excluded from the diluted unadjusted EPS calculation in 2012 as their conversion would decrease the loss per share.

### 11. Dividends

\$m	Year ended 31 December 2013	Year ended 31 December 2012
<b>Ordinary shares</b>		
Final dividend paid for the year to 31 December 2012 – 12.5 cents (9 months to 31 December 2011: 7 cents)	<b>230</b>	126
Interim dividend paid for the six months to 30 June 2013 – 2.6 cents (2012: 9.5 cents)	<b>47</b>	173
Dividends paid during the year	<b>277</b>	299
Proposed final dividend for the year to 31 December 2013 – 5.3 cents (2012: 12.5 cents)	<b>95</b>	228

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

### 12. Goodwill and acquired intangibles

\$m	Year ended 31 December 2013			Year ended 31 December 2012		
	Goodwill	IMCs and other acquired intangibles <sup>2</sup>	Total	Goodwill	IMCs and other acquired intangibles <sup>2</sup>	Total
Cost:						
<b>At beginning of the year</b>	<b>2,252</b>	<b>726</b>	<b>2,978</b>	2,234	694	2,928
Acquisition of business <sup>1</sup>	–	–	–	16	32	48
Currency translation	(16)	–	(16)	2	–	2
Other adjustment <sup>4</sup>	(5)	–	(5)	–	–	–
<b>At year end</b>	<b>2,231</b>	<b>726</b>	<b>2,957</b>	2,252	726	2,978
<b>Amortisation and impairment:</b>						
<b>At beginning of the year</b>	<b>(1,354)</b>	<b>(140)</b>	<b>(1,494)</b>	(375)	(75)	(450)
Amortisation	–	(66)	(66)	–	(65)	(65)
Impairment <sup>3</sup>	(69)	–	(69)	(979)	–	(979)
<b>At year end</b>	<b>(1,423)</b>	<b>(206)</b>	<b>(1,629)</b>	(1,354)	(140)	(1,494)
<b>Net book value at year end</b>	<b>808</b>	<b>520</b>	<b>1,328</b>	898	586	1,484
Allocated to cash generating units as follows:						
GLG	<b>201</b>	<b>493</b>	<b>694</b>	262	555	817
FRM	<b>139</b>	<b>27</b>	<b>166</b>	227	31	258
AHL	<b>468</b>	<b>–</b>	<b>468</b>	409	–	409

#### Notes:

- Acquisition of business in the prior year relates to FRM.
- Includes investment management contracts (IMCs), brand names and distribution channels.
- The impairment of \$69 million in 2013 relates to FRM. The impairment of \$979 million in 2012 relates to the legacy Man Multi-Manager business (\$142 million) and GLG (\$837 million).
- The other adjustment of \$5 million to goodwill relates to an adjustment to the calculation for the FRM contingent consideration at the date of acquisition (July 2012), reducing the goodwill and contingent consideration creditor.



## Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets of the acquired business at the date of acquisition.

Goodwill is carried on the Group balance sheet at cost less accumulated impairment losses. Goodwill has an indefinite useful life, is not subject to amortisation and is tested for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### Investment management contracts (IMCs)

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

### Allocation of goodwill to cash generating units

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

The Man Systematic Strategies business (MSS) was integrated into the AHL business on 1 January 2013, which was previously reported within the GLG and FRM CGUs. The goodwill associated with the MSS business of \$71 million has been transferred from the GLG CGU (\$61 million) and the FRM CGU (\$10 million) to the AHL CGU.

### Calculation of recoverable amounts for cash generating units

The recoverable amounts of the Group's CGUs are assessed each year using a value in use calculation. A value in use calculation gives a higher valuation compared to a fair value less cost to sell approach, as a fair value approach would exclude some of the revenue synergies available to Man through its ability to distribute products using its well established distribution channels, which is unlikely to be fully available to other market participants.

The value in use calculations at 31 December 2013 use cash flow projections based on the approved budget for the year to 31 December 2014 and a further two years of projections (2015 and 2016) plus a terminal value. The valuation analysis is based on best practice guidance whereby a terminal value is calculated at the end of a short discrete budget period and assumes, after this three year budget period, no growth in asset flows above the long-term growth rate.

The key assumptions used in the value in use calculations are represented by the compound average annualised growth in FUM over the three year budget period and the discount rates applied to the modelled cash flows. The value in use calculations are sensitive to small changes in the key assumptions, in particular in relation to the compound average annualised growth in FUM over the three year forecast period. Sensitivity analysis of this assumption is given in each of the GLG, FRM and AHL sections below. The terminal value is calculated based on the projected closing FUM at 31 December 2016 and applying a mid-point of a range of historical multiples to the forecast cash flows associated with management and performance fees. A bifurcated discount rate has been applied to the modelled cash flows to reflect the different risk profile of net management fee income and net performance fee income. The discount rates are based on the Group's weighted average cost of capital using a risk free interest rate, together with an equity risk premium and an appropriate beta derived from a consideration of Man's beta, similar alternative asset managers and the asset management sector as a whole. The post-tax discount rates applied are the same as those used in 2012.

The specific assumptions applied to the value in use calculations for each of the CGUs are explained in the sections below.

### GLG cash generating unit

In 2012, GLG goodwill was impaired by \$837 million.

At 30 June 2013, GLG's FUM and run rate revenues were higher than the modelled FUM and run rate revenues in the value in use calculation at 31 December 2012 as a result of better than forecast investment performance, particularly for long only. Therefore, there were no indicators of impairment and no impairment test was deemed necessary.

The recoverable amount of the GLG CGU has again been assessed at 31 December 2013. The key assumptions used in the value in use calculation are shown in the table below.

Compound average annualised growth in FUM (over three years)	16.5%
Discount rate (post-tax) <sup>1</sup>	
– Net management fees	11%
– Net performance fees	17%
Terminal value (mid-point of range of historical multiples) <sup>2</sup>	
– Management fees	13x
– Performance fees	5.5x

#### Notes:

- The pre-tax equivalent of the net management fee and net performance fee discount rates are 13% and 22% respectively.
- The terminal value is equivalent to an overall terminal growth of 3.1% for management fees and 0% for performance fees.



## Financial statements continued

### 12. Goodwill and acquired intangibles continued

The GLG value in use calculation at 31 December 2013 indicates a value of \$1.3 billion, with around \$550 million of headroom over the carrying value of the GLG business. Therefore, no impairment charge is deemed necessary at 31 December 2013. The valuation at 31 December 2013 is around \$500 million higher than the value in use calculation at 31 December 2012, primarily as a result of better than anticipated net inflows and investment performance in 2013, particularly for long only, and higher growth in FUM anticipated over the next three years.

The table below shows two adverse scenarios, whereby the base case key assumptions are changed to stressed assumptions. The table below shows the effect of these scenarios and the associated modelled headroom or impairment that would result. The results of these sensitivities make no allowance for actions that management would take if such market conditions persisted.

Compound average annualised growth in FUM stressed to:	7%	5%
Modelled headroom/(impairment) (\$m)	58	(50)

If the net management fee and net performance fee post-tax discount rates were increased by 1% to 12% and 18% respectively, it would result in the modelled headroom decreasing by \$25 million. If the discount rates were decreased by 1%, it would result in the modelled headroom increasing by \$27 million.

If the mid-point of the range of historical multiples for management and performance fees used to calculate the terminal value were increased by 1 to 14 times and 6.5 times respectively, it would result in the modelled headroom increasing by around \$102 million. If they were decreased by 1 to 12 times and 4.5 respectively, it would result in the modelled headroom decreasing by \$103 million.

#### FRM cash generating unit

The FRM CGU includes the legacy Man Multi-Manager business and the acquired FRM business. A significant majority of the carrying value of the goodwill relates to the legacy RMF and Glenwood businesses, which were acquired in 2002 and 2000 respectively.

In 2012, as a result of the challenging economic environment, a goodwill impairment charge of \$142 million was recognised at 30 June 2012. The recoverable amount of the FRM CGU was again assessed at 31 December 2012, which included the previous Man Multi-Manager and the acquired FRM business, and suggested a value for the FRM CGU with significant headroom over the carrying value of the business. Therefore, no further impairment charge was deemed necessary.

At 30 June 2013, FRM's growth in FUM was slightly lower than modelled in the value in use calculation at 31 December 2012. However, as FRM had significant headroom at 31 December 2012, and FRM's margins and costs were as forecast, the lower growth in FUM was deemed to not be significant enough to be an indicator of impairment. As a result, no impairment test of FRM's goodwill was undertaken at 30 June 2013.

As with the GLG CGU, the recoverable amount of the FRM CGU has again been assessed at 31 December 2013. The key assumptions used in the value in use calculation are shown in the table below.

Compound average annualised growth in FUM (over three years)	
– Fund of fund products	4.5%
– Guaranteed products	-36%
Discount rate (post-tax) <sup>1</sup>	
– Net management fees	11%
– Net performance fees	17%
Terminal value (mid-point of range of historical multiples) <sup>2</sup>	
– Management fees	12x
– Performance fees	4x

#### Notes:

- The pre-tax equivalent of the net management fee and net performance fee discount rates are 13% and 19% respectively.
- The terminal value is equivalent to an overall terminal growth of 1.0% for management fees and 0% for performance fees.

As a result of guaranteed product FUM decreasing faster than anticipated, and higher than anticipated outflows in 2013 and Q1 2014, in particular in relation to redemptions from a small number of institutional investors in our legacy Multi-Manager Business, the value in use calculation at 31 December 2013 suggests a value of \$179 million for the FRM business. As the carrying value of the FRM business was \$248 million, this resulted in an associated goodwill impairment charge of \$69 million at 31 December 2013.



The table below shows two scenarios: one positive scenario and one adverse scenario, whereby the base case key assumptions for the fund of fund products are changed to more favourable or stressed assumptions. The assumptions for guaranteed products remain unchanged. The table below shows the effect of these scenarios and the associated modelled headroom or impairment that would result. The result of the adverse sensitivity makes no allowance for actions that management would take if such market conditions persisted.

Fund of fund compound average annualised growth in FUM stressed to:	8%	2%
Modelled headroom/(increased impairment) (\$m)	18	(136)

If the net management fee and net performance fee post-tax discount rates were increased by 1% to 11% and 18% respectively, it would result in the modelled impairment increasing by \$3 million. If the discount rates were decreased by 1%, it would result in the modelled impairment decreasing by \$3 million.

If the mid-point of the range of historical multiples for management and performance fees used to calculate the terminal value were increased by 1 to 13 times and 5 times respectively, it would result in the modelled impairment decreasing by around \$15 million. If they were decreased by 1 to 11 times and 3 respectively, it would result in the modelled impairment increasing by around \$15 million.

#### AHL cash generating unit

The recoverable amount of the AHL CGU was reviewed at 31 December 2012 using a value in use calculation. The value in use calculation indicated a value for the AHL CGU with significant headroom over the carrying value of the AHL business.

At 30 June 2013, AHL's growth in FUM was slightly lower than that modelled in the value in use calculation at 31 December 2012. However, as AHL had significant headroom at 31 December 2012, and AHL's margins and costs were as expected, the lower growth in FUM was not significant enough to be deemed an indicator of impairment. As a result, no impairment test of AHL's goodwill was undertaken at 30 June 2013.

As with the GLG and FRM CGUs, the recoverable amount of the AHL CGU has been assessed at 31 December 2013 using a value in use calculation. The key assumptions used in the value in use calculation are shown in the table below.

Compound average annualised growth in FUM (over three years)	
– Quant products	10.8%
– Guaranteed products	-38%
Discount rate (post-tax) <sup>1</sup>	
– Net management fees	11%
– Net performance fees	17%
Terminal value (mid-point of range of historical multiples) <sup>2</sup>	
– Management fees	13x
– Performance fees	5.5x

#### Notes:

- The pre-tax equivalent of the net management fee and net performance fee discount rates are 13% and 20% respectively.
- The terminal value is equivalent to an overall terminal growth of 2.8% for management fees and 0% for performance fees.

The value in use calculation at 31 December 2013 for the AHL CGU indicates a value of around \$1.25 billion, giving a significant amount of headroom over the carrying value of the AHL CGU.

In an adverse scenario, the compound average annualised growth in FUM (over three years) for quant alternative products, with guaranteed products unchanged, would have to decrease to 3% as a result of a combination of declined net investment performance and net flows for any impairment to arise.

If the net management fee and net performance fee post-tax discount rates were increased by 1% to 11% and 18% respectively, it would result in modelled headroom decreasing by \$25 million. If the discount rates were decreased by 1%, it would result in modelled headroom increasing by \$25 million.

If the mid-point of the range of historical multiples for management and performance fees used to calculate the terminal value were increased by 1 to 14 times and 6.5 times respectively, it would result in modelled headroom increasing by around \$118 million. If they were decreased by 1 to 12 times and 4.5 respectively, it would result in modelled headroom decreasing by around \$119 million.



## Financial statements continued

### 13. Other intangibles

\$m	Note	Year ended 31 December 2013			Year ended 31 December 2012		
		Placement fees	Capitalised computer software	Total	Placement fees	Capitalised computer software	Total
<b>Cost:</b>							
<b>At beginning of the year</b>		<b>81</b>	<b>108</b>	<b>189</b>	639	115	754
Acquisition of business		–	–	–	–	–	–
Additions		<b>3</b>	–	<b>3</b>	29	4	33
Redemptions/disposals		<b>(10)</b>	<b>(39)</b>	<b>(49)</b>	(587)	(11)	(598)
<b>At year end</b>		<b>74</b>	<b>69</b>	<b>143</b>	81	108	189
<b>Aggregate amortisation and impairment:</b>							
<b>At beginning of the year</b>		<b>(49)</b>	<b>(95)</b>	<b>(144)</b>	(482)	(85)	(567)
Impairment	2	–	–	–	(88)	–	(88)
Redemptions/disposals		<b>5</b>	<b>40</b>	<b>45</b>	577	10	587
Amortisation		<b>(10)</b>	<b>(8)</b>	<b>(18)</b>	(56)	(20)	(76)
<b>At year end</b>		<b>(54)</b>	<b>(63)</b>	<b>(117)</b>	(49)	(95)	(144)
<b>Net book value at year end</b>		<b>20</b>	<b>6</b>	<b>26</b>	32	13	45

#### Placement fees

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

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

During the prior year \$88 million of external and internal capitalised placement fees were impaired.

The weighted average remaining period of the unamortised placement fees at 31 December 2013 is 1.5 years (31 December 2012: 2.9 years).

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

#### Capitalised computer software

Costs that are directly associated with the procurement or development of identifiable and unique software products, which will generate economic benefits exceeding costs beyond one year, are recognised as capitalised computer software. Capitalised computer software is amortised on a straight-line basis over its estimated useful life (three years) and is subject to regular impairment reviews. Amortisation of capitalised computer software is included in Other costs in the Group income statement.

### 14. Cash, liquidity and borrowings

#### Liquidity and borrowings

Total liquidity resources aggregated to \$2,517 million at 31 December 2013 (2012: \$3,525 million) and comprised cash and cash equivalents of \$992 million (2012: \$2,000 million) and the undrawn committed revolving credit facility of \$1,525 million (2012: \$1,525 million). Cash and cash equivalents at year end comprises \$291 million (2012: \$268 million) of cash at bank on hand, \$nil of treasury bills (2012: \$1,153 million), and \$701 million (2012: \$579 million) in short-term deposits, net of overdrafts of nil (2012: nil). Cash ring-fenced for regulated entities totalled \$16 million (2012: \$303 million).

Liquidity resources support on-going operations and potential liquidity requirements under stressed scenarios. The amount of potential liquidity requirements is modelled based on scenarios that assume stressed market and economic conditions. With the exception of committed purchase arrangements (Note 28.1), the funding requirements for Man relating to the investment management process are discretionary. The liquidity profile of Man is monitored on a daily basis and the stressed scenarios are updated regularly. The Board reviews Man's funding resources at each Board meeting and on an annual basis as part of the strategic planning process. Man's available liquidity is considered sufficient to cover current requirements and potential requirements under stressed scenarios.



Cash is invested in accordance with strict limits consistent with the Board's risk appetite, which consider both the security and availability of liquidity. Accordingly, cash is invested in short-term US Treasury bills and is held in short-term bank deposits and on-demand deposit bank accounts. At 31 December 2013, \$nil was invested in short-dated US Treasury bills (2012: \$1,153 million) and \$992 million was cash balances with 24 banks (2012: \$847 million with 30 banks). The reduction in cash invested in US Treasury bills was a result of the uncertainties surrounding the fiscal debate in the US. The single largest counterparty bank exposure of \$136 million was held with an AA- rated bank (2012: \$183 million with an A+ rated bank). Balances with banks in the AA ratings band aggregated to \$472 million (2012: \$134 million). Balances with banks in the A ratings band aggregated to \$520 million (2012: \$713 million).

As shown in the following tables, Man repaid all of its outstanding borrowings and the perpetual subordinated capital securities during the year.

31 December 2013 (\$m)	Total	Less than 1 year	2 years	3 years	Greater than 3 years
Senior 2013 fixed rate bonds	-	-	-	-	-
Senior 2015 fixed rate € bonds	-	-	-	-	-
Tier 2 subordinated 2015 floating rate notes	-	-	-	-	-
Tier 2 subordinated 2017 fixed rate bonds	-	-	-	-	-
<b>Borrowings</b>	-	-	-	-	-
Tier 1 perpetual subordinated capital securities	-	-	-	-	-
Cash and cash equivalents	992	-	-	-	-
Undrawn committed revolving credit facility	1,525	-	70	120	1,335
<b>Total liquidity</b>	<b>2,517</b>	<b>-</b>	<b>70</b>	<b>120</b>	<b>1,335</b>

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

To maintain maximum flexibility, the revolving credit facility does not include financial covenants.

Borrowings are initially recorded at fair value net of transaction costs incurred, and are subsequently measured at amortised cost. The difference between the amount repayable at maturity on the borrowings and the carrying value is amortised over the period up to the expected maturity of the associated debt in accordance with the effective interest rate method. At 31 December 2013, the fair value of borrowings was nil (2012: \$826 million).

On 7 May 2013, the €216 million (\$285 million) senior 2015 fixed rate bonds were repurchased at a premium of \$23 million. This premium, along with an accelerated unwind of issue costs and fees of \$2 million, has been included in finance expense for the period.

The \$231 million Tier 2 subordinated 2017 fixed rate bonds were repurchased at a premium of \$3 million on 14 June 2013. There were no fees payable on the repurchase of the \$170 million Tier 2 subordinated 2015 floating rate notes, which took place on 24 June 2013.

On 1 August 2013, the \$173 million senior 2013 fixed rate bonds were redeemed at par value. On 7 August 2013, the \$300 million Tier 1 perpetual capital securities were redeemed at par value.

The committed revolving credit facility of \$1,525 million was put in place during July 2011 as a five year facility and includes the option for Man to ask the banks to extend the maturity date by a year on each of the first and second anniversaries. The participant banks have the option to accept or decline Man's request. Before the second anniversary in July 2013 the banks were asked to extend the maturity date of the facility by a further year. Banks with participations totalling \$1,335 million accepted the request and as a result \$70 million of the facility is currently scheduled to mature in July 2016, \$120 million in July 2017, and \$1,335 million in July 2018.

Disclosures in relation to financial guarantees and commitments are included in [Note 28](#).

### Foreign exchange and interest rate risk

Man is subject to risk from changes in interest rates or foreign exchange rates on monetary assets and liabilities. A 10% strengthening/weakening of the US dollar against all other currencies, with all other variables held constant, would have resulted in a foreign exchange loss/gain of \$2 million (2012: \$8 million loss/gain), with a corresponding impact on equity. In respect of Man's monetary assets and liabilities which earn/incur interest indexed to floating rates, as at 31 December 2013, a 50bp increase/decrease in interest rates, with all other variables held constant, would have resulted in a \$3 million increase or a \$1 million decrease (2012: \$4 million increase or \$1 million decrease) in net interest income.



## Financial statements continued

### 15. Investments in fund products and other investments

	31 December 2013					
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Total investments in fund products and other investments	Net non-current assets held for sale	Total investments
\$m						
Investments in fund products comprise:						
Loans to fund products	–	–	99	99	–	99
Other investments in fund products	167	1	–	168	50	218
Other investments	–	6	–	6	–	6
	167	7	99	273	50	323
	31 December 2012					
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Total investments in fund products and other investments	Net non-current assets held for sale	Total investments
\$m						
Investments in fund products comprise:						
Loans to fund products	–	–	274	274	–	274
Other investments in fund products	212	1	–	213	–	213
Other investments	–	9	–	9	–	9
	212	10	274	496	–	496

#### 15.1. Loans to fund products

Loans to fund products are short-term advances primarily to Man guaranteed products, which are made to assist with the financing of the leverage associated with the structured products. The loans are repayable on demand and are carried at amortised cost using the effective interest rate method. The average balance during the year was \$238 million (2012: \$332 million). Loans to fund products have decreased compared to the prior year as the guaranteed product FUM has decreased together with the associated leveraging. The liquidity requirements of the guaranteed products together with commitments to provide financial support (Note 28) which give rise to loans to funds are subject to our routine liquidity stress testing and any liquidity requirements are met by available cash resources, or the committed revolving credit facility.

Loans to fund products expose Man to credit risk and therefore the credit decision making process is subject to limits consistent with the Board's risk appetite. The carrying value represents Man's maximum exposure to this credit risk. Loans are closely monitored against the assets held in the funds. The largest single loan to a fund product was \$12 million (2012: \$21 million). Fund entities are not externally rated, but our internal modelling indicates that fund products have a probability of default that is equivalent to a credit rating of A.

#### 15.2. Other investments in fund products

Man uses capital to invest in our fund products as part of our on-going business to build our product breadth and to trial investment research developments before we market the products to investors. These investments are generally held for less than one year. Where due to the level of investment Man is deemed not to control the fund, these are classified as other investments in fund products. Other investments in fund products are classified primarily at fair value through profit or loss, with movements in fair value being recognised through 'gains/(losses) on investments and other financial instruments'. Purchases and sales of investments are recognised on trade date.

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

Whilst these valuations are performed independently of Man, Man has established oversight procedures and due diligence processes to ensure that the net asset values reported by the VSPs are reliable and appropriate. Man makes adjustments to NAVs where the timing of being able to redeem the fund product or events or circumstances indicate that the NAVs are not reflective of fair value. The fair value hierarchy of financial assets is disclosed in Note 26.

Other investments in fund products expose Man to market risk and therefore the commitment process is subject to limits consistent with the Board's risk appetite. The largest single investment in fund products was \$50 million (2012: \$46 million). The market risk from other investments in fund products and other investments is modelled using a value at risk (VaR) methodology using a 95% confidence interval and 1 month time horizon. The VaR is estimated to be \$7 million at 31 December 2013 (2012: \$6 million).

The total net gain on investments in fund products reported in the Group income statement was \$28 million (2012: \$23 million).



### Fund investment for deferred compensation arrangements

At year end, investment in fund products included \$61 million (2012: \$51 million) of Man and GLG fund products related to deferred compensation arrangements. Employees are subject to mandatory deferral arrangements and as part of these arrangements employees can elect deferral into a designated series of Man fund products. The changes in the fair value of the fund product awards are recognised over the relevant vesting period, which means the compensation expense changes based on the value of the designated fund products. The fund product investments are held to offset this change in compensation during the vesting period and at vesting the value of the fund investment is delivered to the employee. The fund product investments are recorded at fair value with any unrealised gain/loss during the vesting period charged to gains/(losses) on investments and other financial instruments in the Group income statement.

### 15.3. Other investments

#### Sale of Lehman claims

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

The total consideration for the transactions was \$456 million, and resulted in a gain on sale of \$131 million (Note 2). A further \$5 million was then received in 2013 as overall recoveries by the buyer exceeded certain thresholds.

Man provided guarantees of up to \$75 million (Note 28) to the funds for prompt payment by the Baupost Group of amounts owed to the funds in the event of a successful claim.

#### 15.4. Non-current assets held for sale

Seed capital invested into funds may at times be significant, and therefore the fund may be deemed to be controlled by the Group. Where the Group acquired the controlling stake exclusively with a view to subsequent disposal through sale or dilution and it is considered highly probable that it will relinquish control within a year, the investment in the controlled fund is classified as held for sale. The seeded fund is recognised in the Group balance sheet as non-current assets and liabilities held for sale, with the interests of any other parties included within non-current liabilities held for sale. The non-current liabilities held for sale in 2013 relate to derivatives, which are offset against the assets in the fund. Amounts recognised are measured at the lower of the carrying amount and fair value less costs to sell.

The non-current assets and liabilities held for sale were as follows:

\$m	31 December 2013	31 December 2012
Non-current assets held for sale	56	–
Non-current liabilities held for sale	(6)	–
Investments in fund products held for sale	50	–

Investments held for sale cease to be classified as held for sale when the fund is no longer controlled by the Group, at which time they are classified as financial assets at fair value through profit or loss (Note 15.2). Loss of control may eventuate through sale of the investment or a dilution in the Group's holding.

If a held for sale fund remains under the control of the Group for more than one year, and it is unlikely that the Group will reduce or no longer control its investment in the short-term, it will cease to be classified as held for sale and will be consolidated on a line-by-line basis.

## 16. Fee and other receivables

\$m	31 December 2013	31 December 2012
Fee receivables	62	65
Prepayments and accrued income	200	179
Derivative financial instruments	20	14
Other receivables	106	124
	<b>388</b>	382

Fee and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Fee receivables and accrued income represent management and performance fees from fund products and are received in cash when the funds' NAV is determined. All fees are deducted from the NAV of the respective funds by the independent administrators and therefore the credit risk of fee receivables is minimal. No balances were overdue or delinquent at year end.

For the Open Ended Investment Collective (OEIC) Funds businesses, Man acts as the intermediary for the collection of subscriptions due from customers and payable to the funds, and for redemption requests receivable from funds and payable to customers. At 31 December 2013 the amount included in other receivables is \$27 million (2012: \$29 million). The unsettled fund payable is recorded in trade and other payables.





## Financial statements continued

### 16. Fee and other receivables continued

In limited circumstances, the Group uses derivative financial instruments to hedge its risk associated with foreign exchange movements. Derivative financial instruments, which consist primarily of foreign exchange contracts, are measured at fair value through profit or loss. The notional value of the derivative financial assets was \$265 million (2012: \$599 million). All derivatives are held with external banks with ratings of A or higher and mature within one year. During the year, there were \$18 million net realised and unrealised gains arising from derivatives (2012: \$18 million net gains). Derivatives are classified as Level 2 under Man's fair value hierarchy ([Note 26](#)). At the year end, \$18 million (2012: \$28 million) of fee and other receivables are expected to be settled after 12 months.

### 17. Trade and other payables

\$m	31 December 2013	31 December 2012
Accruals	355	345
Trade payables	54	48
Provisions	73	59
Contingent consideration	44	60
Derivative financial instruments	1	2
Pension liability	–	4
Other payables	198	139
	<b>725</b>	<b>657</b>

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

Payables are initially recorded at fair value and subsequently measured at amortised cost. Included in trade and other payables at 31 December 2013 are balances of \$95 million (2012: \$93 million) that are expected to be settled after more than 12 months. Man's policy is to meet its contractual commitments and pay suppliers according to agreed terms.

Derivative financial instruments, which consist primarily of foreign exchange contracts, are measured at fair value through profit or loss. The notional value of the derivative financial liabilities was \$412 million (2012: \$267 million). All derivative contracts mature within one year.

The pension liability has changed to a pension asset in 2013, as shown in the Group balance sheet, as a result of contributions made during the year.

### 18. Investments in associates

\$m	Year ended 31 December 2013	Year ended 31 December 2012
At beginning of the year	38	41
Additions	2	–
Share of post-tax profit	12	10
Dividends received	(11)	(13)
Disposals	(10)	–
<b>At year end</b>	<b>31</b>	<b>38</b>

The carrying value of investments in associates primarily relates to the Group's interest in Nephila Capital Limited, an alternative investment manager specialising in the management in funds which underwrite natural catastrophe reinsurance and invest in insurance-linked securities and weather derivatives. In January 2013, Man reduced its holding in Nephila from 25% to 18.75%, realising a gain on disposal of \$10 million, which is included as an adjusting item ([Note 2](#)).

Additions of \$2 million in the year relate to the acquisition of a 20% holding in OFI MGA (a French asset manager).

Associates are entities in which Man holds an interest and over which it has significant influence but not control. Investments in associates are accounted for using the equity method at cost plus (or minus) our share of cumulative post-acquisition movements in undistributed profits (or losses). Gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the entities. At each reporting date it is determined whether there is any objective evidence that an investment in the associate is impaired. Impairment is calculated as the difference between the recoverable amount of the associate and its carrying value and expensed in the Group income statement.

Where Man has investments in certain fund entities over which it is able to exert significant influence but not control, these are classified as associates. Man has applied the scope exclusion within IAS 28 'Investments in Associates' for mutual funds, unit trusts and similar entities and has classified such holdings as investments and measured them at fair value through profit or loss ([Note 15](#)).

Details of associates will be annexed in the Company's annual return.



## 19. Leasehold improvements and equipment

\$m	Year ended 31 December 2013			Year ended 31 December 2012		
	Leasehold improvements	Equipment	Total	Leasehold improvements	Equipment	Total
<b>Cost</b>						
<b>At beginning of the year</b>	<b>124</b>	<b>116</b>	<b>240</b>	149	105	254
Acquisition of business	-	-	-	-	1	1
Additions	1	1	2	19	1	20
Disposals	(2)	(7)	(9)	(9)	(26)	(35)
Reclassifications	(4)	4	-	(35)	35	-
<b>At year end</b>	<b>119</b>	<b>114</b>	<b>233</b>	124	116	240
<b>Aggregate depreciation:</b>						
<b>At beginning of the year</b>	<b>(31)</b>	<b>(59)</b>	<b>(90)</b>	(25)	(56)	(81)
Charge for year	(11)	(28)	(39)	(14)	(29)	(43)
Accelerated depreciation	(38)	(5)	(43)	-	-	-
Disposals	2	5	7	8	26	34
<b>At year end</b>	<b>(78)</b>	<b>(87)</b>	<b>(165)</b>	(31)	(59)	(90)
<b>Net book value at year end</b>	<b>41</b>	<b>27</b>	<b>68</b>	93	57	150

All leasehold improvements and equipment are shown at cost, less depreciation and impairment. Cost includes the original purchase price of the asset and costs directly attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated using the straight-line method over the asset's estimated useful life, which for leasehold improvements is over the shorter of the life of the lease and the improvement and for equipment is between 3 and 10 years.

The accelerated depreciation of \$43 million during the year relates to the assets no longer being used following the sub-letting of space in Riverbank House (our main London headquarters). In prior year, additions primarily relate to the fit-out of the New York office and reclassifications relate to the completion and capitalisation of Man's new data centre facility.

## 20. Deferred compensation arrangements

Man operates cash and equity-settled share-based payment schemes as well as fund product based compensation arrangements. Details of these schemes may be found in the Directors' Remuneration report on [pages 40 to 59](#).

During the year, \$70 million (2012: \$101 million) was included in compensation costs for share-based payment and deferred fund product plans, split between equity-settled share-based payments of \$35 million (2012: \$74 million), cash-settled share-based payments totalling \$1 million (2012: \$4 million), and deferred fund product plans of \$34 million (2012: \$23 million).

In respect of equity-settled share-based payment schemes, the fair value of the employee services received in exchange for the share awards and options granted is recognised as an expense, with the corresponding credit being recognised in equity. The fair value of the share awards and options granted in exchange for employee services is calculated using the Black-Scholes valuation model that takes into account the effect of both financial and demographic assumptions. Forfeiture and early vesting are based upon historical observable data. The fair values per option and award granted during the period to employees and the assumptions used in the calculations are presented below.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares and options awarded/granted. Changes to the original estimates, if any, are included in the Group income statement, with a corresponding adjustment to equity. Man also operates compensation plans in which deferred compensation is invested in fund products managed by Man. The fair value of the employee services received in exchange for the fund units is recognised as an expense, with a corresponding liability. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards, re-measured at each reporting date until the settlement date is reached. The fair value of the awards equates to the fair value of the underlying fund products at the settlement date.

### 20.1 Employee Trusts

The Employee Trusts have the obligation to deliver shares, options and fund product based payments which have been granted to employees. Man contributed funds, in order for the Trusts to meet their current period obligations, of \$27 million (2012: \$25 million) in the year.

The Trusts are fully consolidated into Man and shares held are treated as treasury shares for EPS purposes. The shares held by the Trusts are deducted from Tier 1 Capital. The Employee Trusts are controlled by independent trustees and their assets are held separately from those of Man. At 31 December 2013 the net assets of the employee trusts amounted to \$36 million (2012: \$43 million). These assets include 29,681,372 (2012: 40,762,323) ordinary shares in the Company, \$31 million notional value options over Man shares (2012: \$35 million), and \$36 million fund units to deliver against the future obligations (2012: \$26 million). The shares are recorded at cost and shown as a deduction from shareholders' funds. During the year the trustees of one of the Employee Trusts waived all of the interim dividend for the year ended 31 December 2013 on each of the 30,526,357 ordinary shares registered in its name at the relevant date for eligibility for the interim dividend (interim dividend for the year ended 31 December 2012: waived on all 41,985,564 shares) and all of the final dividend for the year ended 31 December 2012 on each of 37,404,793 of the ordinary shares registered in its name at the relevant date for eligibility for the final dividend (31 December 2012 final: waived on all 50,148,674 shares).



## Financial statements continued

### 20. Deferred compensation arrangements continued

#### 20.2 Share-based payments: share grant information

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

##### Share options

The fair value of share options is determined using the Black-Scholes valuation model. The fair values of share options granted during the year to employees and the assumptions used in the calculations are as follows:

	Sharesave share option schemes
Grant dates	02/09/2013
Weighted average share price at grant date (\$)	1.3
Weighted average exercise price at grant date (\$)	1.1
Share options granted in the period	622,317
Vesting period (years)	3–5
Expected share price volatility (%)	40
Dividend yield	6
Risk-free rate	0.6
Expected option life (years)	3.1
Number of options assumed to vest	475,939
Average fair value per option granted (\$)	0.3

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

There were no share options granted for the key executive option plan, executive share option scheme or deferred bonus share option scheme during the year ended 31 December 2013.

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

	Year ended 31 December 2013		Year ended 31 December 2012	
	Number	Weighted average exercise price (\$ per share)	Number	Weighted average exercise price (\$ per share)
Share options outstanding at beginning of the year	57,786,826	4.22	58,998,026	4.66
Granted	622,317	1.15	8,918,725	1.62
Forfeited	(5,060,748)	3.49	(10,128,772)	4.46
Exercised	(208,172)	1.03	(1,153)	1.03
Share options outstanding at year end	53,140,223	4.27	57,786,826	4.22
Share options exercisable at year end	14,147,305	4.69	1,485,261	4.34

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

	31 December 2013			31 December 2012		
	Number of share options	Weighted average exercise price (\$ per share)	Weighted average expected remaining life	Number of share options	Weighted average exercise price (\$ per share)	Weighted average expected remaining life
Range of exercise prices (\$ per share)						
1.01–5.00	27,166,824	3.8	5.5	29,830,297	3.6	5.3
5.01–7.00	25,973,399	5.1	6.2	27,952,395	5	6.2
7.01–9.00	–	–	–	4,134	7.7	0.1
	53,140,223			57,786,826		

##### Share awards

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

	Deferred share plan
Grant dates	13/3/2013–01/10/2013
Weighted average share price at grant date (\$)	1.5
Share awards granted in the period	11,731,744
Vesting period (years)	1–3
Average fair value per share award granted (\$)	1.5

There were no share awards granted for the performance share plan during the year ended 31 December 2013.



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

	<b>Year ended 31 December 2013 Number</b>	Year ended 31 December 2012 Number
Share awards outstanding at beginning of the year	<b>36,620,848</b>	42,199,998
Granted	<b>11,731,744</b>	19,520,850
Forfeited	<b>(3,792,637)</b>	(4,512,479)
Exercised	<b>(18,877,751)</b>	(20,587,521)
Share awards outstanding at year end	<b>25,682,204</b>	36,620,848
Share awards exercisable at year end	<b>1,660,353</b>	2,418,239

## 21. Capital management

Investor confidence is an important element in the sustainability of our business. That confidence comes, in part, from the strength of our capital base. Man has maintained significant surplus capital and available liquidity throughout the recent periods of financial crisis. This capital has given Man flexibility to support our investors, intermediaries and financial partners and to allow them to make informed decisions regarding their investment exposures. This confidence gives our business credibility and sustainability.

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

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

### Share capital and capital reserves

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

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

### Ordinary shares

Ordinary shares have a par value of  $3\frac{3}{7}$  US cents per share (2012:  $3\frac{3}{7}$  US cents per share) and represent 99.9% of issued share capital. All issued shares are fully paid. The shares have attached to them full voting, dividend and capital distribution (including on wind up) rights. They do not confer any rights of redemption. Ordinary shareholders have the right to receive notice of, attend, vote and speak at general meetings.

A holder of ordinary shares is entitled to one vote per ordinary share held when a vote is taken on a poll and one vote only when a vote is taken on a show of hands.

During the year ended 31 December 2013, no shares were repurchased during the year (2012: 3,332,756). As at 26 February 2014, Man had an unexpired authority to purchase further shares up to a maximum amount of 182,179,028 ordinary shares. A resolution to allow the purchase of 182,373,308 ordinary shares, representing 10% of the issued share capital, will be proposed at the forthcoming Annual General Meeting.

### Deferred sterling shares

50,000 unlisted deferred sterling shares, representing 0.1% of the Company's issued share capital with a par value of £1 per share, were issued due to the redenomination of the ordinary share capital into US dollars. These shares are necessary for the Company to continue to comply with Section 763 of the Companies Act 2006. The deferred sterling shares are freely transferable and have no rights to participate in the profits of the Company, to attend, speak or vote at any general meeting and no right to participate in any distribution in a winding up except for a return of the nominal value in certain limited circumstances.

### New Group holding company in 2012

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

Under the scheme of arrangement, shares in the former holding company of the Group were cancelled. The same number of new ordinary shares were issued to the new holding company in consideration for the allotment to shareholders of one ordinary share of \$1.07 in that new holding company for each ordinary share of  $3\frac{3}{7}$  US cents they had held in the former holding company.

On 8 November 2012, Man Group plc effected a reduction of its share capital to create distributable reserves, as sanctioned by the High Court of the United Kingdom. This capital reduction reduced the nominal value of ordinary shares in the new holding company from \$1.07 to  $3\frac{3}{7}$  US cents.



## Financial statements continued

### 21. Capital management continued

#### Issued and fully paid share capital

	Year ended 31 December 2013		
	Ordinary shares Number	Unlisted deferred sterling shares Number	Nominal value \$m
<b>At 1 January 2013</b>	<b>1,821,790,279</b>	<b>50,000</b>	<b>63</b>
Issue of ordinary shares: - GLG Partnership Plans	<b>1,942,802</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2013</b>	<b>1,823,733,081</b>	<b>50,000</b>	<b>63</b>

	Year ended 31 December 2012			
	Ordinary shares Number	Unlisted deferred sterling shares Number	A shares of £1 Number	Nominal value \$m
<b>At 1 January 2012</b>	1,820,814,143	50,000	-	63
Issue of ordinary shares:				
- Employee share awards/options	165,512	-	-	-
- GLG partnership plans	3,012,545	-	-	-
- A share issued in relation to new Group holding company	-	-	1	-
- Purchase and cancellation of own shares	(3,332,756)	-	-	-
<b>At 6 November 2012</b>	1,820,659,444	50,000	1	63
<b>Man Group plc (new holding company)</b>				
Relating to the formation of new holding company	2	50,000	-	-
Scheme of arrangement - issue of ordinary shares of \$1.07 each	1,820,659,444	-	-	1,948
Capital reduction to ordinary shares of 3 <sup>3</sup> / <sub>4</sub> cents each	-	-	-	(1,885)
GLG partnership plans	1,130,833	-	-	-
<b>At 31 December 2012</b>	1,821,790,279	50,000	-	63

#### Share capital and reserves

\$m	Share capital	Perpetual subordinated capital securities	Share premium account	Capital redemption reserve	Merger reserve	Reorganisation reserve	Total
<b>At 1 January 2013</b>	<b>63</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>491</b>	<b>632</b>	<b>1,187</b>
Employee share awards/options	-	-	4	-	-	-	4
<b>At 31 December 2013</b>	<b>63</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>491</b>	<b>632</b>	<b>1,191</b>
<b>At 1 January 2012</b>	63	300	1,707	1,294	-	-	3,364
Employee share awards/options	-	-	8	-	-	-	8
Scheme of arrangement:							
- Cancellation of shares in former holding company	(63)	-	(1,714)	(1,294)	-	-	(3,071)
- Issue of shares in new holding company	1,948	-	-	-	491	632	3,071
Capital reduction	(1,885)	-	-	-	-	-	(1,885)
Transfer to non-controlling interest	-	(300)	-	-	-	-	(300)
<b>At 31 December 2012</b>	<b>63</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>491</b>	<b>632</b>	<b>1,187</b>



## Revaluation reserves and retained earnings

\$m	Available-for- sale reserve	Cash flow hedge reserve	Own shares held by Employee Trusts	Cumulative translation adjustment	Profit and loss account	Total
<b>At 1 January 2013</b>	<b>3</b>	<b>6</b>	<b>(170)</b>	<b>14</b>	<b>1,654</b>	<b>1,507</b>
Impact of adoption of IAS19 (Revised) <sup>1</sup>	–	–	–	–	(84)	(84)
<b>As restated</b>	<b>3</b>	<b>6</b>	<b>(170)</b>	<b>14</b>	<b>1,570</b>	<b>1,423</b>
Currency translation difference	–	–	(4)	(11)	–	(15)
Share-based payments charge for the period	–	–	–	–	30	30
Purchase of own shares by the Employee Trusts	–	–	(18)	–	–	(18)
Disposal of own shares by the Employee Trusts	–	–	82	–	(82)	–
Corporation tax debited on cash flow hedge movements	–	(3)	–	–	–	(3)
Fair value (losses)/gains taken to equity	(1)	12	–	–	–	11
Revaluation of defined benefit pension scheme	–	–	–	–	16	16
Corporation tax debited to reserves – pension scheme	–	–	–	–	6	6
Deferred tax debited to reserves – pension scheme	–	–	–	–	(11)	(11)
Transfer to Group income statement	1	(1)	–	1	–	1
Dividends	–	–	–	–	(277)	(277)
Dividends with respect to perpetual subordinated capital securities	–	–	–	–	(25)	(25)
Taxation with respect to perpetual subordinated capital securities	–	–	–	–	6	6
Profit for the year	–	–	–	–	72	72
<b>At 31 December 2013</b>	<b>3</b>	<b>14</b>	<b>(110)</b>	<b>4</b>	<b>1,305</b>	<b>1,216</b>
\$m	Available-for- sale reserve	Cash flow hedge reserve	Own shares held by Employee Trusts	Cumulative translation adjustment	Profit and loss account	Total
<b>At 1 January 2012</b>	<b>4</b>	<b>–</b>	<b>(221)</b>	<b>43</b>	<b>870</b>	<b>696</b>
Impact of adoption of IAS19 (Revised) <sup>1</sup>	–	–	–	–	(71)	(71)
<b>As restated</b>	<b>4</b>	<b>–</b>	<b>(221)</b>	<b>43</b>	<b>799</b>	<b>625</b>
Currency translation difference	–	–	(10)	13	–	3
Movement in close period buyback obligations	–	–	–	–	10	10
Repurchase of own shares	–	–	–	–	(7)	(7)
Share-based payments charge for the period	–	–	–	–	66	66
Purchase of own shares by the Employee Trusts	–	–	–	–	(1)	(1)
Disposal of own shares by the Employee Trusts	–	–	61	–	(61)	–
Fair value gains taken to equity	18	16	–	–	–	34
Revaluation of defined benefit pension scheme	–	–	–	–	(13)	(13)
Deferred tax credited to reserves – pension scheme	–	–	–	–	3	3
Corporation tax debited to reserves	–	(1)	–	–	–	(1)
Transfer to Group income statement	(19)	(9)	–	(42)	–	(70)
Scheme of arrangement – capital reduction	–	–	–	–	1,885	1,885
Dividends	–	–	–	–	(299)	(299)
Dividends with respect to perpetual subordinated capital securities	–	–	–	–	(33)	(33)
Taxation with respect to perpetual subordinated capital securities	–	–	–	–	8	8
Loss for the year	–	–	–	–	(787)	(787)
<b>At 31 December 2012</b>	<b>3</b>	<b>6</b>	<b>(170)</b>	<b>14</b>	<b>1,570</b>	<b>1,423</b>

### Note:

<sup>1</sup> Refer to Note 1 for details of the adoption of IAS 19 (Revised).



## Financial statements continued

### 22. Pension benefits

Man operates 12 (2012: 12) defined contribution plans and two (2012: two) funded defined benefit plans.

#### Defined contribution plans

Man pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Man has no further payment obligation once the contributions have been paid. Defined contribution pension costs totalled \$8 million for the year to 31 December 2013 (2012: \$10 million). The contributions are recognised as pension costs when they are due.

#### Defined benefit plans

A defined benefit plan creates a financial obligation to provide funding to the pension plan to provide a retired employee with pension benefits usually dependent on one or more factors such as age, years of service and compensation. As with the vast majority of similar arrangements, Man ultimately underwrites the risks related to the defined benefit plans. These risks include investment risks and demographic risks, such as members living longer than expected.

The two defined benefit plans operated are the Man Group plc Pension Fund in the UK (the UK Plan) and the Man Group Pension Plan in Switzerland (the Swiss Plan). At 31 December 2013, the UK plan comprised 89% (31 December 2012: 86%) of the Group's total defined benefit pension obligations.

The UK Plan is approved by HMRC for tax purposes, and is operated separately from Man and managed by an independent set of trustees. The trustees are responsible for payment of the benefits and management of the UK Plan's assets. Under UK regulations, Man and the trustees of the UK Plan are required to agree a funding strategy and contribution schedule for the UK Plan.

The latest funding valuation of the UK Plan was carried out by independent qualified actuaries as at 31 December 2011 and indicated a deficit of £45 million, after including £49 million of assets in the Reservoir Trust. To remove the funding deficit, Man agreed to make three cash payments of £11.8 million at 31 March 2013, 2014 and 2016, with a further lump sum to be contributed from the Reservoir Trust in March 2018 of up to £69.0 million to cover any remaining funding deficit. Cash contributions of £12.6 million were made to the UK Plan and asset contributions of £20 million were made to the Reservoir Trust in the year to 31 December 2013. If the contributions currently agreed are insufficient to pay the benefits due, Man will need to make further contributions.

In order to maintain flexibility with regards to the funding of the UK Plan, Man set up the Man Group Reservoir Trust (the Reservoir Trust) in 2010. Man contributed \$76 million (£50 million) of assets to the Reservoir Trust on 31 March 2010 and has committed to ensure the Reservoir Trust value remains at least £69 million from 1 April 2013 or at the level of the funding deficit in the UK Plan, if lower. The Reservoir Trust gives the pension trustees comfort that Man can fund a deficit at 31 December 2017 and in the event that the UK Plan is fully funded, allows Man to recover the assets so that the UK Plan is not over funded.

The UK plan was closed to new members in May 1999, and to future accrual in May 2011. Employed members of the UK plan retain enhanced benefits, including a link to salary, on their accrued benefits in the UK plan. Future benefits are provided via a defined contribution plan.

In Switzerland, the Group operates a retirement foundation with assets which are held separately from the Group. This foundation covers the majority of employees in Switzerland and provides benefits on a cash balance basis. From 1 January 2014 the financing vehicle was changed, and from this date the assets and liabilities were transferred to a multi-employer vehicle called Vita Invest, with the assets and liabilities segregated from those of the other employers. A number of other changes were made to the structure of benefits, resulting in a past service credit recognised in 2013.

Each employee has a retirement account to which the employee and the Group make contributions at rates set out in the plan rules based on a percentage of salary. Every year the pension fund commission (composed of employer and employee representatives) decides the level of interest, if any, to apply to retirement accounts based on their agreed policy. At retirement an employee can take their retirement account or have this paid as a pension.

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

\$m	<b>31 December 2013</b>	31 December 2012 (Restated) <sup>1</sup>
Present value of funded obligations	<b>(413)</b>	(417)
Fair value of plan assets	<b>484</b>	413
Net pension asset/(liability) in the Group balance sheet at year end	<b>71</b>	(4)

#### Note:

1 Refer to Note 1 for details of the adoption of IAS 19 (Revised).

Our economic capital model includes capital in respect of a possible deficit in the pension plans.



## Pensions: actuarial information

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

\$m	Year ended 31 December 2013	Year ended 31 December 2012 (Restated) <sup>1</sup>
Present value of funded obligations at beginning of the year	417	383
Currency translation difference	6	17
Current service cost (employer portion)	3	3
Interest cost	16	17
Employee contributions	2	3
Remeasurements due to:		
– changes in financial assumptions	1	20
– changes in demographic assumptions	(3)	7
– experience adjustments	(3)	(10)
Actual benefit payments	(10)	(23)
Past service costs	(1)	–
Curtailments and settlements	(15)	–
Present value of funded obligations at year end	413	417

Changes in the fair value of plan assets are as follows:

\$m	Year ended 31 December 2013	Year ended 31 December 2012 (Restated) <sup>1</sup>
Fair value of plan assets at beginning of the year (restated)	413	381
Currency translation difference	10	16
Interest income on plan assets	18	17
Actual return on plan assets less interest on plan assets	11	5
Employer contributions	53	14
Employee contributions	2	3
Benefits paid	(10)	(23)
Assets distributed on curtailments and settlements	(13)	–
Fair value of plan assets at year end	484	413

The plan assets primarily relate to investments in equities, bonds and hedge funds. The equity and bond assets have prices quoted in active markets and the hedge funds are primarily unquoted. At 31 December 2013, around 75% of the plan assets relate to those with quoted prices and 25% with unquoted prices (2012: around two thirds quoted and one third unquoted). The actual return on plan assets for the year to 31 December 2013 was \$29 million (2012: \$22 million).

The change in the net asset/(liability) recognised in the Group balance sheet is as follows:

\$m	Year ended 31 December 2013	Year ended 31 December 2012 (Restated) <sup>1</sup>
Net pension liability at start of the year	(4)	(2)
Total pension credit/(charge)	2	(3)
Amount recognised outside profit and loss	16	(13)
Employer contributions	53	14
Currency translation difference	4	–
Net pension asset/(liability) at end of the year	71	(4)

The amounts recognised in the Group income statement are as follows:

\$m	Year ended 31 December 2013	Year ended 31 December 2012 (Restated) <sup>1</sup>
Current service cost (employer portion)	3	3
Interest on net pension (asset)/liability	(2)	–
Past service cost	(1)	–
Gains on settlement/curtailment	(2)	–
Total (credit)/charge	(2)	3

The contributions expected to be paid during the year ending 31 December 2014 amount to \$21.2 million.

### Note:

1 Refer to Note 1 for details of the adoption of IAS 19 (Revised).





## Financial statements continued

### 22. Pension benefits continued

The most significant actuarial assumptions used in the valuations of the two plans as at 31 December 2013 were:

	UK plan		Swiss plan	
	31 December 2013 % pa	31 December 2012 % pa	31 December 2013 % pa	31 December 2012 % pa
Discount rate	<b>4.5</b>	4.4	<b>2.4</b>	2.0
Price inflation	<b>3.4</b>	3.0	<b>1.4</b>	1.5
Future salary increases	<b>3.4</b>	3.0	<b>1.4</b>	1.5
Interest crediting rate	–	–	<b>2.4</b>	2.0
Social security increases	–	–	<b>1.0</b>	1.0
Pension in payment increases	<b>3.7</b>	3.5	<b>0.0</b>	0.0
Deferred pensions increases	<b>5.0</b>	5.0	–	–

At 31 December 2013, mortality rates in the UK plan are assumed to be in line with 100% of the S1NA tables (2012: 100% of the S1NA tables) projected by year of birth with allowance for future improvements in mortality rates in line with the 2013 CMI projections with a long-term rate of improvement of 1.25% pa for males and 1% pa for females (2012: in line with the 2011 CMI projections with a long-term rate of improvement of 1.25% pa for males and 1% pa for females).

At both 31 December 2012 and 31 December 2013 mortality rates in the Swiss plan are assumed to be in line with the Swiss BVG 2010 generational tables.

	UK plan		Swiss plan	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Life expectancy of male aged 60 at accounting date	<b>26.9</b>	26.9	<b>26.1</b>	26.0
Life expectancy of male aged 60 in 20 years	<b>29.0</b>	28.9	<b>26.5</b>	26.4

The table below illustrates the impact on the assessed value of the benefit obligations from changing the actuarial assumptions. The calculations to produce the below figures have been carried out using the same method and data as Man's pension figures. Each assumption has been varied individually and a combination of changes in assumptions could produce a different result.

As at 31 December 2013:

\$m	UK Plan	Swiss Plan
	Increase in obligation	Increase in obligation
Discount rate decreased by 0.1% pa	6	1
Inflation rate increased by 0.1% pa	2	–
One year increase in assumed life expectancy	11	1

The duration of a pension plan is the average term over which the plan's benefits are expected to fall due, weighted by the present value of each expected benefit payment. The duration of the UK plan is approximately 17 years, and the duration of the Swiss plan is approximately 19 years.

The assets held by the two plans as at 31 December 2013 were as follows:

	UK plan		Swiss plan	
	\$m	%	\$m	%
UK equities	<b>41</b>	10	–	–
Non-UK equities	<b>38</b>	9	–	–
Swiss equities	–	–	<b>6</b>	11
Non-Swiss equities	–	–	<b>5</b>	10
Index linked government bonds	<b>32</b>	7	–	–
Corporate bonds	<b>70</b>	16	–	–
Swiss bonds	–	–	<b>9</b>	16
Non-Swiss bonds	–	–	<b>11</b>	21
Property	–	–	<b>5</b>	8
Hedge funds	–	–	<b>14</b>	26
LDI	<b>15</b>	4	–	–
Diversified growth funds	<b>102</b>	24	–	–
Cash	<b>9</b>	2	<b>2</b>	4
Other	–	–	<b>2</b>	4
Reservoir Trust holdings:				
– Convertible bond type hedge funds	<b>10</b>	2	–	–
– Growth type hedge funds	<b>109</b>	25	–	–
– Cash	<b>4</b>	1	–	–
Total assets	<b>430</b>	100	<b>54</b>	100



The plans do not invest directly in property occupied by Man or in Man's own transferable financial securities.

The UK Plan's investment strategy is broadly split into "growth" and "matching" portfolios. At the beginning of 2013 the matching portfolio was invested primarily in gilts, along with some corporate bond investments. These were intended to partially match the movement in the UK Plan's liabilities, and therefore remove some interest and inflation rate risk. In January, the trustees of the UK Plan switched the gilts portfolio into liability driven investments (LDI funds), which provide a better match for the Plan's liabilities, in order to increase protection against interest and inflation rate risk. Over the course of 2013 the level of interest and inflation rate hedging was gradually increased.

As the Swiss Plan is essentially a defined contribution plan with guarantees, the assets held aim to be at least as much as the total of the member account balances at any point in time. Member account balances cannot reduce, but interest is only applied to the account balances when sufficient surplus assets are available. As such there is no specific asset liability matching strategy in place, but if the liabilities (i.e. the sum of the member account balances) ever exceed the value of the assets, the Company will consider how to remove a deficit as quickly as possible.

## 23. Segmental analysis

The criteria for identifying an operating segment is that it is a component of Man whose results are regularly reviewed by the Board and the Executive Committee to make decisions about resources to be allocated to the segment and to assess its performance. Management information regarding revenues, gross management fee margins, investment performance and distribution costs relevant to the operation of the investment managers, products and the investor base are reviewed by the Board and the Executive Committee. A centralised shared infrastructure for operations, product structuring and distribution means that operating costs are not allocated to constituent parts of the investment management businesses. As a result, resources are allocated and performance is assessed by the Board and the Executive Committee on the basis of the investment management business of Man as a whole. Accordingly we operate and report as a single segment investment management business, together with relevant information regarding FUM flows, gross margins, and distribution costs to allow for the analysis of the direct contribution of products and the respective investor base.

## 24. Geographical disclosure

Disclosure of revenue by geographic location is required by IFRS based on the registered domicile of the fund entity paying Man fees.

\$m	Year ended 31 December 2013		Year ended 31 December 2012	
	Non-current assets	Revenues by fund location	Non-current assets	Revenues by fund location
Bermuda	32	159	38	262
Cayman Islands	–	355	–	276
Cook Islands	–	95	–	146
Ireland	–	223	–	177
Switzerland	58	2	140	–
United Kingdom and the Channel Islands	94	197	183	224
United States of America	1,167	24	1,235	35
Other countries	102	105	121	179
	<b>1,453</b>	<b>1,160</b>	1,717	1,299

Revenue from any single fund during the year did not exceed 10% of total revenues. Non-current assets above exclude financial instruments, deferred tax and pension assets, and are allocated based on where the assets are located.

### Average number of directors, employees and partners

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

Number	Year ended 31 December 2013	Year ended 31 December 2012
United Kingdom and the Channel Islands	723	847
Switzerland	210	291
USA	96	127
Other countries	134	193
Average number of directors, employees and partners	<b>1,163</b>	1,458



## Financial statements continued

### 25. Foreign currencies

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

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

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

### 26. Fair value of financial assets/liabilities

Man discloses the fair value measurement of financial assets and liabilities using three levels, as follows:

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

The fair value of financial assets and liabilities can be analysed as follows:

\$m	31 December 2013				31 December 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held at fair value:								
Investments in fund products and other investments (Note 15)	5	102	67	174	4	96	122	222
Derivative financial instruments (Note 16)	–	20	–	20	–	14	–	14
	<b>5</b>	<b>122</b>	<b>67</b>	<b>194</b>	<b>4</b>	<b>110</b>	<b>122</b>	<b>236</b>
Financial liabilities held at fair value:								
Derivative financial instruments	–	1	–	1	–	2	–	2
Contingent consideration (Note 17)	–	–	44	44	–	–	60	60
	<b>–</b>	<b>1</b>	<b>44</b>	<b>45</b>	<b>–</b>	<b>2</b>	<b>60</b>	<b>62</b>

During the year, there were no significant changes in the business or economic circumstances that affected the fair value of Man's financial assets and no significant transfers of financial assets or liabilities held at fair value between categories. For investments in fund products, Level 2 investments comprise holdings primarily in unlisted, open-ended, active and liquid funds, such as seeding investments, which have weekly or daily pricing derived from third party information.

A transfer into Level 3 would be deemed to occur where the level of prolonged activity, as evidenced by subscriptions and redemptions, is deemed insufficient to support a Level 2 classification. This, as well as other factors such as a deterioration of liquidity in the underlying investments, would result in a Level 3 classification. The material holdings within this category are priced on a recurring basis based on information supplied by third parties without adjustment. Liquidity premium adjustments of \$6 million (2012: \$8 million) have been applied to gated, suspended, sidepocketed or otherwise illiquid Level 3 investments. The range of liquidity premium adjustments is from 18% to 38% based on the expected timeframe for exit. A larger liquidity adjustment is applied where the exit is further in the future. Reasonable changes in the liquidity premium assumptions would not have a significant impact on the fair value.

The fair value of non-current assets and liabilities held for sale (Note 15.4) are equal to the carrying values of \$56 million and \$6 million respectively, and would be classified within Level 2.



The basis of measuring the fair value of Level 3 investments is outlined in [Note 15](#). Movement in Level 3 financial assets and financial liabilities, measured at fair value, during the year can be analysed as follows:

\$m	Year ended 31 December 2013			Year ended 31 December 2012		
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Total
<b>Level 3 financial assets held at fair value</b>						
At beginning of the year	117	5	122	183	339	522
Purchases	24	–	24	52	–	52
<b>Total gains/(losses) in the Group statement of comprehensive income</b>	<b>16</b>	<b>2</b>	<b>18</b>	17	18	35
Included in profit/(loss) for the year	16	2	18	17	(1)	16
Included in other comprehensive income	–	–	–	–	19	19
Sales or settlements	(82)	(6)	(88)	(137)	(352)	(489)
Transfers into Level 3	–	–	–	3	–	3
Transfers out of Level 3	(9)	–	(9)	(1)	–	(1)
<b>At year end</b>	<b>66</b>	<b>1</b>	<b>67</b>	117	5	122
Total gains/(losses) for the period included in the Group statement of comprehensive income for assets held at year end	16	(1)	15	17	–	17

\$m	Year ended 31 December 2013	Year ended 31 December 2012
	<b>Level 3 financial liabilities held at fair value</b>	
At beginning of the year	60	–
Purchases	–	87
<b>Total gains in the Group statement of comprehensive income</b>	<b>2</b>	(21)
Included in profit/(loss) for the year	2	(21)
Included in other comprehensive income	–	–
Settlements	(13)	(6)
Other adjustments	(5)	–
<b>At year end</b>	<b>44</b>	60
Total gains for the year included in the Group statement of comprehensive income for liabilities held at year end	2	6

The financial liabilities in Level 3 relate to the contingent consideration payable to former shareholders of FRM Holdings Limited. The fair value is based on a discounted cash flow calculation, based on the expected run rate management fee level for the legacy FRM business up to three years after the original acquisition date of July 2012, and is determined using a combination of inputs, such as weighted average cost of capital, high water mark levels, net management fee margins and the growth in FUM. The discount rates applied are 11% for management fees and 17% for performance fees.

The most significant inputs into the valuation relate to the expectations of the weighted average net management fee margin over the future period of 0.8% and the compound growth in average FUM over three years of 5.6%.

If the net management fee margin for FRM legacy funds decreased from 0.8% to 0.7%, the fair value of the contingent consideration creditor would decrease by \$5 million, with a corresponding further gain of \$5 million in the Group income statement. If the compound average growth in FUM over three years decreased by 2%, from 5.6% to 3.6%, the fair value of the contingent consideration creditor would decrease by \$3 million, with a corresponding further gain of \$3 million in the Group income statement.



## Financial statements continued

### 27. Related party transactions

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

Total revenue earned from fund entities deemed to be associates included in the Group income statement during the year was \$137 million (2012: \$169 million) and at 31 December 2013 total fee receivables and loan balances with fund entities deemed to be associates totalled \$40 million (2012: \$15 million). In addition, at 31 December 2013 Man had entered into committed purchase agreements totalling \$1 million (2012: \$6 million), and has payables of \$1 million (2012: nil) with fund entities deemed to be associates. All transactions with related parties were carried out on an arm's length basis.

Refer to [Note 18](#) for details of income earned from associates.

The Executive Committee, together with the non-executive directors, are considered to be the Company's key management, being those directors, partners and employees having authority and responsibility for planning, directing and controlling the activities at Man. Key management compensation is reported in the table below.

	Year ended 31 December 2013 \$'000	Year ended 31 December 2012 \$'000
Key management compensation <sup>a</sup>		
Salaries and other short-term employee benefits <sup>b</sup>	23,191	8,274
Post-employment benefits <sup>c</sup>	347	263
Share-based payments <sup>d</sup>	10,270	16,001
Other long-term benefits <sup>d</sup>	8,362	3,154
Termination benefits	1,281	–
Total	43,451	27,692

#### Notes:

- a Key management includes non-executive directors and the Executive Committee including executive directors of the Board.
- b Salary, benefits (including cash pension allowance) and cash bonus.
- c Money purchase pension.
- d Other long-term benefits relate to fund product deferrals. Refer to [Note 20](#) for further explanation of share-based and fund product-based deferred compensation arrangements.

### 28. Financial guarantees and commitments

#### 28.1 Committed purchase agreements (CPAs)

For certain structured products, Man has previously made commitments to buy underlying investments in specific fund products at a discount to net asset value, if requested by the fund board directors, to create liquidity. Man has the option to defer a purchase, if so called, for three months. The commitment at 31 December 2013 covers investments in existing fund products totalling \$37 million (2012: \$145 million).

Given the risk and liquidity management at the portfolio level by the investment manager the residual liquidity and market risk to Man from CPAs is not significant. The stressed liquidity and risk modelling performed across all structured products includes the CPAs and is provided for in our liquidity and risk management framework.

#### 28.2 Guarantee to funds in respect of Lehman claims

As a result of the disposal of the Lehman claims to Hutchinson Investors LLC, Man has provided a continuing guarantee to certain GLG funds for the obligations of Hutchinson Investors LLC in respect of amounts it would owe to funds, up to a maximum of \$75 million. The fair value of this commitment has been determined to be nil (2012: nil).

#### 28.3 Daylight settlement facilities

Man from time to time provides a guarantee over certain bank accounts of structured product entities to secure daylight settlement facilities which allow for the efficient movement of cash during the trading day. In aggregate these guarantees had a notional amount of \$50 million (2012: \$50 million). Ordinarily no net exposure exists at the end of any given day and the fair value of these commitments has been determined to be nil (2012: nil).

#### 28.4 Intra-day and overnight credit facilities

Man guarantees the obligations under a \$500 million intra-day (2012: \$500 million) and \$25 million overnight credit facilities (2012: \$25 million), used to settle the majority of the Group's banking arrangements. As at 31 December 2013, the exposure under the intra-day facility was nil (2012: nil) and the overnight facility exposure was nil (2012: nil). The fair value of these commitments has been determined to be nil (2012: nil).



### 28.5 Operating lease commitments

Operating lease commitments due within one year totalled \$39 million (2012: \$45 million), \$107 million from one to five years (2012: \$134 million) and \$315 million due after five years (2012: \$384 million). The commitments include non-cancellable offsetting sublease arrangements, totalling \$81 million (2012: \$46 million) for commitments less than five years and \$97 million (2012: \$58 million) for commitments over five years.

The operating lease commitments include the agreements for lease contracts for the headquarters at Riverbank House, London (25 years) expiring in November 2035, and the UK Data Centre, Woking (10 years) expiring in July 2019, which aggregate to \$357 million (2012: \$439 million).

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

## 29. Post balance sheet events

On 27 February 2014, the Board announced its intention to launch a \$115 million share repurchase programme to return surplus capital to shareholders, which will be conducted over the remainder of the year.

## 30. Other matters

Man Group is subject to various claims, assessments, regulatory enquiries and investigations in the normal course of its business. The directors do not expect these enquiries to have a material adverse effect on the financial position of the Group.

## 31. Principal Group investments

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

In accordance with the Companies Act 2006 the information below is provided solely in relation to principal operating subsidiaries. Details of all subsidiaries and associates will be annexed to the Company's Annual Return.

Principal operating subsidiaries	Country of incorporation	Effective group interest
<b>Asset management</b>		
Man Investments Limited	UK	100
AHL Partners LLP	UK	100
Man Investments AG	Switzerland	100
FRM (Americas) LLC	US	100
Man Investments (CH) AG	Switzerland	100
GLG Partners LP	UK	100
<b>Group services company</b>		
E D & F Man Limited	UK	100
<b>Group treasury and holding company</b>		
Man Investments Finance Limited	UK	100



## Five year record

\$m	12 months to 31 December 2013	12 months to 31 December 2012 (Restated) <sup>3</sup>	9 months to 31 December 2011	12 months to 31 March 2011	12 months to 31 March 2010
<b>Income statement – continuing operations</b>					
Profit before adjusting items	297	275	262	599	560
Adjusting items <sup>1</sup>	(241)	(1,023)	(69)	(275)	(19)
<b>Pre-tax profit/(loss)</b>	<b>56</b>	(748)	193	324	541
Taxation	16	(39)	(34)	(51)	(96)
Profit/(loss) for the period on continuing operations	72	(787)	159	273	445
<b>Income statement – discontinued operations</b>					
<b>Pre-tax loss</b>	–	–	–	(62)	–
Taxation	–	–	–	–	–
<b>Loss for the period on discontinued operations</b>	–	–	–	(62)	–
Total profit/(loss) for the period	72	(787)	159	211	445
<b>Earnings per share (diluted)</b>					
Continuing operations (cents)	2.9	(45.8)	7.6	14.0	24.8
Continuing and discontinued operations (cents)	2.9	(45.8)	7.6	10.5	24.8
<b>Balance sheet (\$m)</b>					
Net cash	992	1,141	573	881	1,740
Net assets	2,407	2,910	4,060	4,436	3,987
<b>Other statistics</b>					
Post-tax return on equity – continuing operations (%)	2.1	(23.2)	4.6	6.5	10.1
Ordinary dividends per share (cents)	7.9	22.0	16.5	22.0	44.0
Funds under management (\$bn)	54.1	57.0	58.4	69.1	39.4
Average headcount – continuing operations <sup>2</sup>	1,163	1,458	1,596	1,562	1,574
Sterling/US dollar exchange rates					
Average	0.6388	0.6307	0.6233	0.6427	0.6261
Period end	0.6040	0.6158	0.6435	0.6235	0.6588

**Notes:**

- 1 Statutory profit/(loss) before tax is adjusted to give a fuller understanding of the underlying profitability of the business – see [Note 2](#) for further details.
- 2 The average headcount includes partners.
- 3 Restated for the impact of the adoption of IAS 19 (Revised) – see [Note 1](#) for further details.



## Parent Company financial information

### Balance sheet

\$m	Note	At 31 December 2013	At 31 December 2012
<b>Fixed assets</b>			
Investments	<u>2</u>	<b>2,454</b>	2,445
<b>Current assets</b>			
Debtors	<u>3</u>	<b>6</b>	4
<b>Creditors – amounts falling due within one year</b>			
Other creditors and accruals	<u>4</u>	<b>(28)</b>	(10)
<b>Net current liabilities</b>		<b>(22)</b>	(6)
<b>Total assets less current liabilities</b>		<b>2,432</b>	2,439
<b>Capital and reserves</b>			
Called up share capital		<b>63</b>	63
Share premium		<b>5</b>	–
Merger reserve		<b>491</b>	491
Profit and loss account		<b>1,873</b>	1,885
<b>Total shareholders' funds</b>		<b>2,432</b>	2,439

The financial statements were approved by the Board of Directors on 27 February 2014 and were signed on its behalf by:

**Emmanuel Roman**  
 Chief Executive Officer

**Jonathan Sorrell**  
 Chief Financial Officer





## 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 comparative information provided is from the date of incorporation (8 August 2012) to 31 December 2012.

The Company reviews and updates its accounting policies on a regular basis in accordance with FRS 18. These policies have been applied consistently throughout the period. The Company has adopted FRS 29 and has taken advantage of the exemption from providing further financial risk disclosures.

The Company's financial statements are prepared on a going concern basis. For further details, refer to [Note 1](#) in the Group financial statements.

### Scheme of arrangement

Man Group plc was incorporated on 8 August 2012 and became the new listed holding company of the Man Group on 6 November 2012 via a Court approved scheme of arrangement under Part 26 of the Companies Act 2006, with the former holding company being renamed Man Strategic Holdings plc.

Under the scheme of arrangement, shares in the former holding company of the Group, were cancelled and the same number of new ordinary shares were issued to the new holding company in consideration for the allotment to shareholders of one ordinary share of \$1.07 in the new holding company for each ordinary share of 3<sup>3</sup>/<sub>7</sub> US cents they held in the former holding company.

On 8 November 2012, Man Group plc effected a reduction of its share capital to create distributable reserves, as sanctioned by the High Court. This capital reduction reduced the nominal value of ordinary shares in the new holding company from \$1.07 to 3<sup>3</sup>/<sub>7</sub> US cents.

### Result for the period

The profit after tax for the year was \$256 million (five month period ended 31 December 2012: \$6 million loss). In accordance with Section 408 of the Act, 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 period and hence no statement of recognised gains and losses for the Company has been presented.

### Foreign currency transactions

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.

### 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. Refer to [Note 11](#) in the consolidated financial statements for more information on dividends paid during the year.

### 2. Investments

\$m	31 December 2013	31 December 2012
Shares in group undertakings		
At 1 January (2012: 8 August 2012)	2,445	–
Additions	–	2,439
Share-based payment	9	6
	<b>2,454</b>	2,445

The Company's shares in subsidiary undertakings are stated in the balance sheet of the Company at cost less provision for any impairment incurred. The additions in the prior period relate to the Company's investment in Man Strategic Holdings plc, when it became the new group holding company on 6 November 2012 under the scheme of arrangement, as described in [Note 1](#). The share-based payment relates to the grant by the Company of share awards over its equity instruments to the employees of subsidiary undertakings, which is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to reserves. Details of the principal Group subsidiaries are given on [page 99](#).



### 3. Debtors – amounts falling due within one year

\$m	31 December 2013	31 December 2012
Amounts owed by group undertakings	–	2
Current tax assets	6	2
	<b>6</b>	4

### 4. Creditors – amounts falling due within one year

\$m	31 December 2013	31 December 2012
Amounts owed to group undertakings	28	8
Other creditors	–	2
	<b>28</b>	10

### 5. Reconciliation of movements in shareholders' funds

\$m	Called up share capital	Share premium account	Merger reserve	Profit and loss account	Total
<b>At 8 August 2012</b>	–	–	–	–	–
Issue of ordinary share capital	1,948	–	491	–	2,439
Capital reduction	(1,885)	–	–	1,885	–
Share-based payment	–	–	–	6	6
Loss for the financial period	–	–	–	(6)	(6)
<b>At 31 December 2012</b>	<b>63</b>	<b>–</b>	<b>491</b>	<b>1,885</b>	<b>2,439</b>
Issue of ordinary share capital	–	5	–	–	5
Profit for the financial year	–	–	–	256	256
Share-based payment	–	–	–	9	9
Dividends	–	–	–	(277)	(277)
<b>At 31 December 2013</b>	<b>63</b>	<b>5</b>	<b>491</b>	<b>1,873</b>	<b>2,432</b>

During the prior period, the Company undertook a Court approved capital reduction, the effect of which was to reduce the nominal value of the Company shares and increase distributable reserves. The allotted and fully paid share capital of the Company is detailed in [Note 21](#) of the Group financial statements.

### 6. Directors' remuneration

Details of the individual directors' emoluments, options, share awards and loans and key management compensation disclosures is given in the Directors' remuneration report on [pages 40 to 59](#).

### 7. Statutory and other information

There are no employees of the Company. The directors of the Company were paid by another Group company in the period.

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 the Remuneration report on [pages 40 to 59](#).

The Company provides financial instruments disclosures in accordance with IFRS 7 in the Group financial statements on [pages 62 to 99](#). Consequently the Company has taken advantage of the FRS 29 exemption from providing further financial instruments disclosures.

The Company provides full related party disclosures on [page 98](#). Consequently the Company has taken advantage of the exemption not to disclose related party transactions with other members of Man Group plc.

### 8. Post balance sheet events

On 27 February 2014, the Board announced its intention to launch a \$115 million share repurchase programme to return surplus capital to shareholders, which will be conducted over the remainder of the year.



# Independent auditors' report to the members of Man Group plc on the Parent Company financial statements

## Report on the Parent Company financial statements

### Our opinion

In our opinion the Parent Company financial statements as defined below:

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The Parent Company financial statements, which are prepared by Man Group plc, comprise:

- the Parent Company balance sheet as at 31 December 2013;
- the Parent Company reconciliation of movement in shareholders' funds for the year then ended; and
- the notes to the Parent Company financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Man Group plc Annual Report (the "Annual Report") to identify material inconsistencies with the audited Parent Company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinions on matters prescribed by the Companies Act 2006

### In our opinion:

- The information given in the Strategic report and the Directors' report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.
- The part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

### Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Parent Company financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities statement set out on page 63, the directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

## Other Matter

We have reported separately on the Group financial statements of Man Group plc for the year ended 31 December 2013.

### Parwinder Purewal (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

27 February 2014



# Shareholder information

**In this section we have provided some key information to assist you in managing your shareholding in Man. If you have a question that is not answered below, you can contact us by email: [shareholder@man.com](mailto:shareholder@man.com)**

## Useful websites

References are made throughout this section to two websites which you will find useful for managing your shareholding in Man and for finding out more about the Company:

### Man ([www.man.com](http://www.man.com))

Man's corporate website contains a wealth of information about the Company including details of the industry in which we operate, our strategy and business performance, recent news from Man and corporate responsibility initiatives. The 'Investor Relations' section is a key tool for shareholders with information on share price and financial results, reports, and presentations. This section of the website also gives access to the 'Shareholder Information' pages which contain dividend and shareholder meeting details and useful 'Frequently Asked Questions'.

### Equiniti Shareview ([www.shareview.co.uk/shareholders](http://www.shareview.co.uk/shareholders))

Man's register of shareholders is maintained by Equiniti, the Company's Registrars. Many aspects of managing your shareholding such as checking your current shareholding, managing dividend payments, and updating your contact details can be carried out by registering on the Equiniti Shareview website. To do this you will need your shareholder reference number which can be found on your share certificate or dividend tax voucher.

## Final dividend for the year ended 31 December 2013

**3.19** pence per share

## Dividends

### Final dividend for 2013

The directors have recommended a final dividend of 3.19 pence per share in respect of the year ended 31 December 2013. Payment of this dividend is subject to approval at the 2014 Annual General Meeting (AGM). Key dates relating to this dividend are given below:

Ex-dividend date	23 April 2014
Record date	25 April 2014
DRIP election date	25 April 2014
AGM (to approve final dividend)	9 May 2014
Payment date	16 May 2014
DRIP certificates received/CREST accounts credited	22 May 2014

## Dividend policy

Man's dividend policy is to pay out at least 100% of adjusted management fee earnings per share in each financial year by way of ordinary dividend. In addition, the Group expects to generate significant surplus capital over time, primarily from net performance fee earnings. Available surpluses, after taking into account our required capital, potential strategic opportunities and a prudent buffer, will be distributed to shareholders over time, by way of higher dividend payments and/or share repurchases. As announced with our 2013 year end results, the Board intends to launch a \$115 million share repurchase programme to return surplus capital to shareholders, which will be conducted over the remainder of the year.

## Dividend payment methods

You can choose to receive your dividend in a number of ways. Dividends will automatically be paid to you by cheque and sent to your registered address unless you have chosen one of the options below:

- 1. Direct payment to your bank:** We recommend that you apply for cash dividends to be paid directly into your UK bank or building society account to speed up the payment process and to avoid the risk of cheques becoming lost or delayed in the post. The associated tax voucher will still be sent direct to your registered address. To switch to this method of payment simply download a dividend mandate form from the 'Dividends' section of our corporate website. Alternatively, dividend mandate forms are available from the Equiniti Shareview website. If you have any queries you may telephone Equiniti on 0871 384 2112<sup>1</sup>, who will be able to assist.
- 2. Overseas payment service<sup>2</sup>:** If you live overseas, Equiniti offers an overseas payment service which is available in certain countries. This may make it possible to receive dividends direct into your bank account in your local currency. Further information can be found on the Equiniti Shareview website or via the Equiniti helpline 0871 384 2112<sup>1</sup>.
- 3. Dividend Reinvestment Plan (DRIP):** The Company is pleased to offer a DRIP which gives shareholders the opportunity to build their shareholding in Man Group plc in a convenient and cost-effective way. Instead of receiving your dividend in cash, you receive as many whole shares as can be bought with your dividend, taking into account related purchase costs; any residual cash is then carried forward and added to your next dividend. If you wish to join the DRIP, you can download copies of the DRIP terms and conditions and the DRIP mandate form from the 'Dividends' section of Man's website. Simply complete the DRIP mandate form and return it to Equiniti. Should you have any questions regarding the DRIP, or to request a paper mandate form, please contact Equiniti on 0871 384 2268<sup>1</sup>. Please note that if you wish to join the DRIP in time for the payment of the forthcoming final dividend for the year ended 31 December 2013, Equiniti must have received your instruction by 5.00pm on 25 April 2014. Instructions received after this date will be applied to the next dividend payment.

## Notes:

- <sup>1</sup> Lines are open from 8.30am to 5.30pm, each business day. Calls to this number are charged at 8 pence per minute plus network extras.
- <sup>2</sup> Please note that a payment charge will be deducted from each individual payment before conversion into your local currency.



## Shareholder information continued

Dividends paid in the 2013/14 tax year	Dividend no	Payment date	Amount per share (p)	Ex-dividend date	Record date	DRIP share price (p)	DRIP purchase date
Interim dividend for the year ended 31 Dec 2013	O/13	04/09/13	1.72	14/08/13	16/08/13	84.37	04/09/13
Final dividend for the period ended 31 Dec 2012	O/12	17/05/13	8.26	24/04/13	26/04/13	131.76	22/05/13

### Dividend history

To help shareholders with their tax affairs, details of dividends paid in the 2013/14 tax year can be found above. Please note that the dividend amounts are declared in US dollars but paid in Sterling. For ease of reference the Sterling dividend amounts have been detailed in the table. For details of historical payments, please refer to the 'Dividends' section of our corporate website which can be found under 'Shareholder Information'.

### Shareholder communications

#### Annual and Interim Reports

Man publishes an Annual and Interim Report every year. The Annual Report is sent to shareholders in March through the post unless the shareholder has chosen to receive shareholder communications electronically (see 'E-communications' below). The Interim Report is published on the website in early August and printed copies are available on request from the Company Secretary.

### E-communications

You can help Man to reduce its printing and postage costs as well as its carbon footprint by signing up to receive communications electronically rather than receiving printed documents such as annual reports and Notices of AGMs in the post. To sign up for e-communications, simply register on the Equiniti Shareview website. Once registered, you will need to change your mailing preference to e-communications and provide your email address. You will then receive an email each time a shareholder communication or document becomes available on Man's website.

### Managing your shareholding

#### Online, by post, or by phone

Many aspects of your shareholding can be managed by registering on the Equiniti Shareview website. For enquiries about your shareholding you can also contact Equiniti in writing at Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, or by telephone on 0871 384 2112<sup>1</sup> or Text tel 0871 384 2255<sup>1</sup>, quoting Ref No 874. Callers from outside the UK should telephone +44 121 415 7592.

### Share dealing service

Equiniti also provides a share dealing facility through which you can buy or sell Man Group plc shares in the UK. The service is provided by Equiniti Financial Services Limited and can be accessed via the dealing section of the Equiniti Shareview website ([www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing)). To use Equiniti's telephone dealing service, please call 08456 037 037 between 8.00am and 4.30pm Monday to Friday. You can also buy and sell shares through any authorised stockbroker or bank that offers a share dealing service in the UK, or in your country of residence if outside the UK.

### Shareholder alert!

#### Remember: if it sounds too good to be true, it probably is!

Share or investment scams are often run from 'boiler rooms' where fraudsters cold-call investors to offer them worthless, overpriced or even non-existent shares, or to buy shares they currently hold at a price higher than the market value. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. Even seasoned investors have been caught out by such fraudsters and it is estimated that £200 million is lost in this way in the UK each year.

The Financial Conduct Authority (FCA) has some helpful information about such scams on its website, including 10 top tips to protect your savings and how to report a suspected investment scam. Man encourages shareholders to read the information on the site which can be accessed at [www.fca.org.uk/consumers/scams](http://www.fca.org.uk/consumers/scams).

### Company contact details

#### Registered office

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Fax: 020 7144 1923

Web: [www.man.com](http://www.man.com)

Registered in England and Wales with registered no: 08172396

#### Investor Relations

[investor@man.com](mailto:investor@man.com)

Head of Investor Relations – Fiona Smart

#### Company Secretariat

[shareholder@man.com](mailto:shareholder@man.com)

Company Secretary – Rachel Rowson

#### Company advisers

##### Independent auditors

PricewaterhouseCoopers LLP (for the year ended 31 December 2013)

Deloitte LLP (for the year ending 31 December 2014, subject to shareholder approval at the 2014 AGM)

#### Corporate brokers

Bank of America Merrill Lynch

Credit Suisse

Goldman Sachs

#### Public relations

RLM Finsbury

#### Registrar

Equiniti

#### Note:

<sup>1</sup> Lines are open from 8.30am to 5.30pm, each business day. Calls to this number are charged at 8 pence per minute plus network extras.



# Man's literary sponsorships

## Man sponsors two major literary prizes – the annual Man Booker Prize for Fiction and the biennial Man Booker International Prize.

Man first took on the sponsorship of the Man Booker Prize for Fiction in 2002. The prize, which was launched in 1969 and receives worldwide recognition, aims to promote excellence in fiction by awarding the best full-length novel published in the English language that year. As of 2014, the rules of the prize have expanded to include writers beyond the UK, Republic of Ireland and Commonwealth, as long as they are writing originally in English and are published in the UK. The novel must be an original, non-self published work in English.

Winning the Man Booker Prize is considered the ultimate accolade by many writers. As former prize-winner Graham Swift commented: "Prizes don't make writers and writers don't write to win prizes, but in the near-glut of literary awards now on offer... it's the one which, if we're completely honest, we most covet."

Eleanor Catton, who won the prize in 2013 for 'The Luminaries', made Man Booker history by being the youngest ever winner at the age of 28, having started writing the novel when she was just 25 years old. At 832 pages, 'The Luminaries' is the longest work to ever win the prize. The chair of the judges, Robert Macfarlane, commented "It's a dazzling work. It's a luminous work. It is vast without being sprawling." Catton was presented with the prize by the Duchess of Cornwall and Man's Chief Executive, Emmanuel Roman, on 15 October 2013 at Guildhall.

The Man Booker International prize is awarded every two years to a living author who has published fiction either originally in English or whose work is generally available in translation in English. It differs from the annual Man Booker Prize in that it highlights one writer's overall contribution to fiction on the world stage, rather than a single work. The 2013 prize went to US author Lydia Davis.





# Charitable Trust

**The voluntary sector continues to face huge challenges to deal with an economic climate that puts its income under pressure, and increasing demands to deliver results to vulnerable people. It is vital that services are delivered more efficiently and effectively to alleviate some of the impact of funding cuts on beneficiaries, and charities and social enterprises have the ability to play a key role in improving delivery with their close connections with, and understanding of their beneficiaries, strong local community ties and capacity for innovation.**

Charities can effect real change but with the Government's aim to reduce the deficit there is an increasing emphasis on the service provision role of the sector and within that its capacity to deliver public services. With the funding mix shifting away from grants to payments by results contracts, charities must increasingly compete with the private sector for funding and with limited access to capital, most cannot afford to take on contracts to tackle social problems without up-front funding.

Many charitable organisations are not involved in contracting with the state and a large part of the sector continues to operate with very little funding. Requirements and expectations have also grown, across aspects such as governance, leadership, financial management and reporting and impact measurement. As funders, the Man Charitable Trust has an important role to play in shaping behaviour around impact practice as it is essential that the charities we support are able to provide us with evidence of their impact, effectiveness and efficiency. This in turn enables them to assess their own performance, develop their work and communicate their results to those they need to reach.

Man's charitable contribution is based on the financial performance of the business and as a result no donations were received by the Trust in 2013. However, by utilising the Trust's reserves we were able to run a reduced grant programme, spending \$1.8 million on charitable donations and employee engagement programmes during the period and enabling the charities we support to leverage over \$1.1 million from other funding sources. In the UK our supported projects benefitted over 50,000 individuals including disadvantaged and difficult-to-reach young people at risk of exclusion, the homeless and victims of human trafficking.

At Man we recognise the fact that we have far more to give than just financial support. We continue to provide our employees with opportunities to give their time and expertise to those in need in the local community, through our ManKind community volunteering programme. In 2013, our employees provided over 780 hours of volunteering activity, from mentoring young people and running employability skills workshops to transforming an outdoor space at a local women's refuge.

2013 also marked the end of our two year Annual Charity partnership with Starlight. Our employees took part in a number of fundraising and volunteering activities for the charity throughout the year, culminating in a Last Hour Appeal where employees had the opportunity to donate the last hour of their salaries for the benefit of seriously and terminally ill children. Over the course of the partnership employees raised \$158,000 in support of Starlight's work.

Our employees have chosen the Children's Cancer Recovery Project as our new UK Annual Charity for 2014/15. The charity provides much needed support to families coping with a child's cancer diagnosis and we look forward to working with them over the next two years.

Our thanks go out to all of our employees who supported our charitable programmes over the past year and volunteered their time to help others. Our focus for 2014 is to concentrate our support on literacy, numeracy and programmes that support disadvantaged people to engage with education and build the necessary vital life skills to improve life chances and employment prospects.

**Lisa Clarke**  
Trust Manager



## Featured grants



**Community Links** Community Links is an east London based charity that runs a wide range of community projects working with 16,000 people in each year in one of the most deprived areas of the UK. The Trust's donation supported the literacy programme at Education Links, an alternative provision school run by Community Links for young people who have been excluded or are at risk of exclusion from mainstream education due to difficulties with their behaviour and attitude, typically driven by a troubled family background. Education Links students require more support than mainstream schools can offer and staff work closely with students to improve their literacy, a vital skill for life which will help them to achieve their potential.

# 8 yrs

The typical reading age of students joining Education Links is age 8 at 14–16 years old.



**Teens and Toddlers** Teens and Toddlers is an early intervention programme, designed to target young people considered to be at high risk of becoming teenage parents, or disengaging with education, often resulting in NEET (not in employment, education or training). Disadvantaged teenagers, aged between 13 and 17 years, are paired with vulnerable toddlers who they mentor in a supervised nursery environment. This transformative work experience, combined with classroom training, encourages young people to carefully consider the consequences of decisions they make and builds their sense of responsibility so they make positive decisions about their education, their health and their future. The Trust's donation supported four new projects in Hackney and Tower Hamlets.

# 22%

Research suggests that by the age of 30, teenage mothers are 22% more likely to be living in poverty than mothers who have their first child at age 24 or older.



**XLP** XLP work in some of London's most challenging areas delivering projects that transform the attitude and behaviour, of young people, increase their educational achievement and empower them to make wise lifestyle choices and realise their potential. Whilst much of their work is based in schools, XLP also travels to 15 inner London estates each week, in two customised double decker buses, to host a range of activities for young people. Teams of experienced youth workers and volunteers provide strong positive role models, homework support and other intervention activities to encourage young people to develop positive behaviour and life-skills, raise self-confidence and stay in education.

# 1.2m

There are over 1.2m children and young people of school age in London. A significant proportion of those live on deprived inner London housing estates and experience high levels of family breakdown, financial deprivation, unemployment, educational failure and criminal and anti-social behaviour.





# MAN.COM

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