



A DIVERSIFIED MAN GROUP

Man Group plc
Annual Report
for the year ended 31 December 2015





MAN GROUP ANNUAL REPORT 2015

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MAN GROUP OVERVIEW

Man Group is one of the world's largest independent active investment managers, and a leader in liquid investment strategies. Headquartered in London, Man has a developed distribution network, offices in every major financial region and is regulated in 13 jurisdictions. Man operates an integrated business model with all back and middle office functions, together with sales and marketing handled centrally, servicing our four investment engines as described below.

EMPLOYEES

1,230

FUNDS UNDER MANAGEMENT (FUM)

\$78.7bn

 [See pages 12 to 13 for more details](#)



Man AHL (AHL) is a quantitative investment manager with an extensive history of performance and innovation and funds under management of \$16.9 billion.

A pioneer in the application of systematic trading, AHL has been serving institutional and private clients since 1987 and has a range of momentum and non momentum strategies.

AHL's 115 investment professionals are based in London, Oxford, Hong Kong and Pfäffikon.

 [See pages 18 to 19 for more details](#)



Acquired by Man Group in 2012, Man FRM (FRM) is a hedge fund investment specialist with \$12.3 billion of funds under management and a predominantly institutional client base.

FRM has an open architecture, full service hedge fund platform including partnership solutions, a leading managed account platform and commingled strategies.

FRM's 52 research and investment staff are based in London, New York, Tokyo, Guernsey and Pfäffikon.

 [See pages 22 to 23 for more details](#)



Founded in 1995 and acquired by Man Group in 2010, Man GLG (GLG) is a discretionary fund manager with funds under management of \$30.5 billion that delivers alternative and long only investment strategies across asset classes, sectors and geographies.

The majority of GLG's 141 investment professionals are based in London but it also has investment teams in New York, Hong Kong and Pfäffikon.

GLG has a range of institutional and private clients from across the globe.

 [See pages 20 to 21 for more details](#)



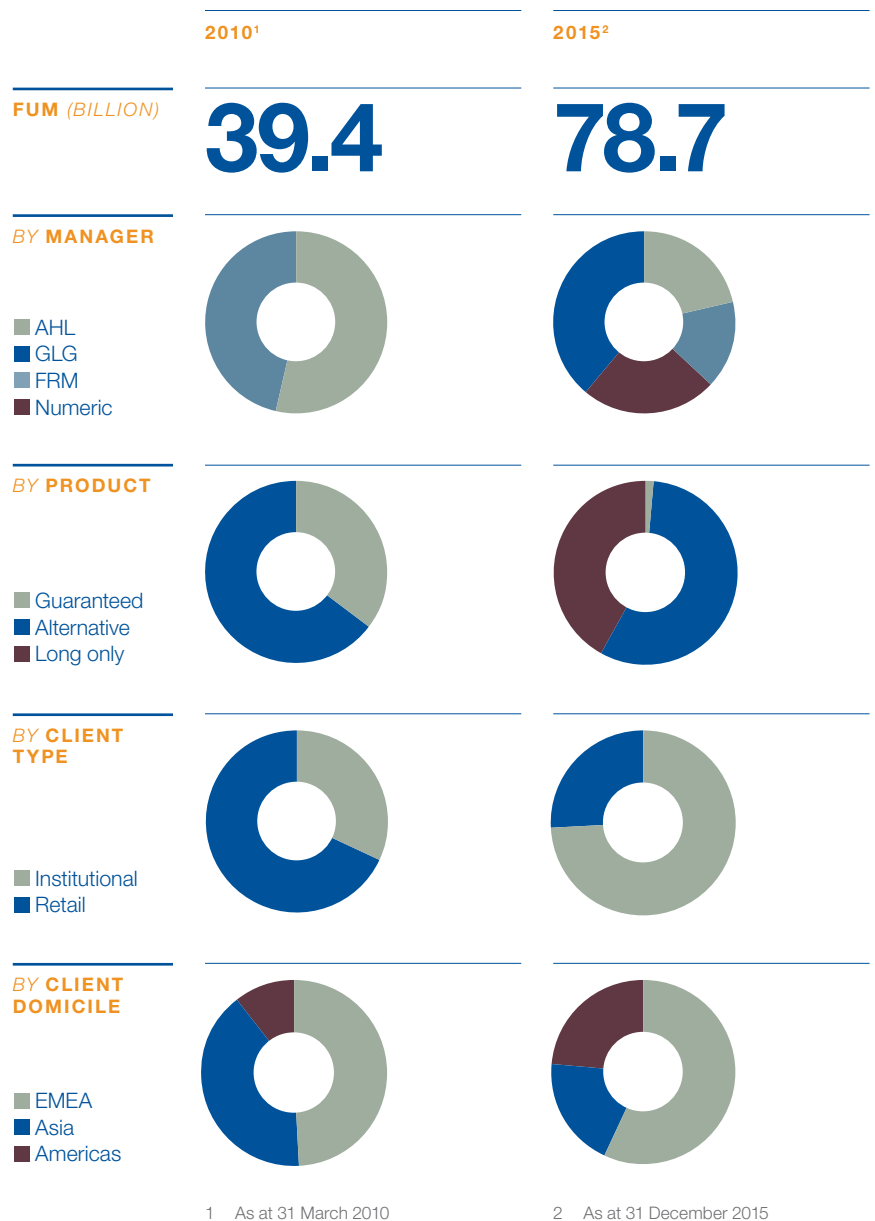
Established in 1989 and acquired by Man Group in 2014, Man Numeric (Numeric) is a Boston-based, quantitative equity manager with \$19.0 billion of funds under management invested across almost every equity market in the world through long only and long short strategies.

Numeric's 29 investment professionals manage assets for institutional clients globally, including corporate and public pension plans, foundations, endowments, and sovereign funds.

 [See pages 24 to 25 for more details](#)

OUR JOURNEY

Over the last five years, Man has become a larger, more diversified provider of liquid investment strategies, with a greater focus on serving institutional clients. We have reduced our cost base to a level which reflects the economics of our business and flows.



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The Strategic report, set out on the inside front cover and on pages 1 to 45, was approved by the Board and signed on its behalf by: Emmanuel Roman, Chief Executive Officer

A broad range of investment styles

futu

LONG ONLY

Over the past five years we have broadened our portfolio of businesses and those businesses in turn have broadened their range of products and strategies.

GUARANTEED

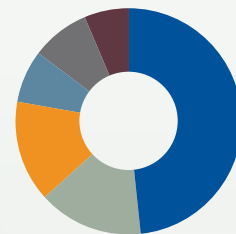
Man Group's investment managers have expertise across a diverse range of strategies to ensure that the firm can offer products to meet differing investor appetite for risk and rewards.

We manage over \$35 billion in quantitative strategies through AHL and Numeric. AHL is a systematic investment specialist that focuses on delivering a range of absolute return, long-only and momentum-based quantitative funds. Numeric is a fundamentally driven quantitative asset manager with disciplined, systematic investment processes offering long only, active extension, and hedged equity strategies across regions, styles, and capitalisations.

Our discretionary expertise focuses on equities and credit as well as multi-asset investment strategies. GLG encompasses multiple investment teams, that deliver a range of absolute return and long only strategies across asset classes, sectors and geographies.

FRM is one of the largest, independent alternatives specialists based in Europe with a predominantly institutional client base. Responsible for open-architecture hedge fund and alpha strategy solutions for institutional investors, including fund of hedge funds, client advisory solutions, outsourced research and consulting.

FUM by style



\$78.7bn

	\$bn
Equities	38.1
Momentum	11.9
Credit & convertibles	11.4
Managed accounts	5.8
Fund of funds	6.5
Multi-strategy	5.0

Left to right
Pierre Lagrange, Chairman, Man Asia and Senior Managing Director, Man GLG
Robyn Grew, Global Head, Legal & Compliance
Luke Ellis, President, Man Group

ALTERNATIVE



“First, foremost and always, we focus on delivering superior risk adjusted performance.”

ures

SYSTEMATIC

EQUITY

fundamental

FOFs



Serving clients through a global distribution framework

Over the past five years our business has become more institutional in nature. More recently we have been the beneficiary of a trend whereby large institutional clients seek to put more money to work with fewer managers.

With a well established network of 12 offices in key locations and developed regulatory relationships in all of the markets in which we operate, Man Group has a powerful level of insight into investor preferences as well as regulatory requirements.

Our regional offices are predominantly staffed by local people who provide investors and distributors with specialist regional expertise.

Man Group operates two distinct distribution models, marketing directly to institutions whilst accessing private investors via third-party intermediaries.

Client service is an essential part of our growth strategy. Our extensive global distribution network, long established local relationships and high quality technology enabled investor reporting give us a competitive advantage.

SALES

\$22.9bn

Net inflows of \$0.3bn in 2015.

SALES PEOPLE

122

Left to right

Eric Burl, Co-Head, Global Sales & Marketing and Head of Man Americas

René Herren, Deputy Head, Global Sales & Marketing

Tim Rainsford, Co-Head, Global Sales & Marketing



“Clients and their interests are at the heart of everything we do.”



A range of options for long-term growth

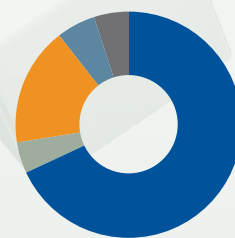
We have a diverse business with many opportunities for long-term growth and a set of options over a range of uncorrelated performance fee streams.

In addition to growing assets through performance and sales we look to develop the business by attracting talent, adding investment teams and taking advantage of acquisition opportunities where we can generate an attractive return on capital.

We offer an entrepreneurial investment management culture within an institutional framework. Through this, we are able to attract high quality talent which provides further options for growth.

Growth may be supplemented through M&A, taking advantage of acquisition and consolidation opportunities where we can generate an attractive return on capital. Our capital management policy of paying out net management fee profits to shareholders and building surplus capital from performance fee profits gives us the flexibility to do this.

FUM acquired through recent acquisitions



\$22.3bn

	\$bn
■ Numeric	15.2
■ Pine Grove	1.0
■ Silvermine	3.8
■ NewSmith	1.2
■ BAML fund of funds	1.1

Emmanuel Roman, Chief Executive Officer



“We continue to focus on developing and diversifying our business, through select acquisitions and hiring senior talent, providing further options for growth and broadening our offering to clients.”





HIGHLIGHTS 2015

- 8% growth in FUM driven by acquisitions
- Adjusted profit before tax down 17% on 2014 due to lower AHL performance fees
- Strong cash generation with adjusted EBITDA of \$422 million, a margin of 39%
- Statutory pre-tax profit of \$184 million (2014: \$384 million)
- Mixed performance in the year to 31 December 2015¹: AHL Diversified Programme -2.7%; GLG Multi-Strategy +6.1%; FRM Diversified II strategy +1.0%; Japan CoreAlpha strategy slightly outperformed its relevant benchmark; and Numeric net asset weighted outperformance of 3.0%²
- Acquisitions completed in 2014 and early 2015 now integrated into the business
- Regulatory capital surplus of \$453 million at 31 December 2015
- Proposed dividend for the year equating to adjusted management fee earnings per share of 10.2 cents per share. Proposed final dividend of 4.8 cents per share. Payable at a rate of 3.40 pence per share. Total dividend for the year up 9% in sterling

¹ Figures shown net of representative management and performance fees.

² Numeric's net asset weighted alpha for the year to 31 December 2015 is calculated using the asset weighted average of the performance relative to the benchmark for all non-restricted strategy composites (representing approximately two-thirds of Numeric's FUM) available net of the highest management fees and, as applicable, performance fees that can be charged.

FUNDS UNDER MANAGEMENT (FUM)

\$78.7bn

Up 8% from \$72.9bn at 31 December 2014.

NET INFLOWS

\$0.3bn

Compared to net inflows of \$3.3bn in the year ended 31 December 2014.

ADJUSTED PROFIT BEFORE TAX

\$400m

Comprises adjusted net management fee income of \$194m and net performance fee income of \$206m. Adjusted profit before tax for year ended 31 December 2014 was \$481m.

ADJUSTED MANAGEMENT FEE EARNINGS PER SHARE

10.2¢

Adjusted management fee earnings per share for the year ended 31 December 2014 were 10.1 cents.

STATUTORY EARNINGS PER SHARE

10.0¢

A reconciliation between statutory and adjusted diluted earnings per share is given in Note 11 to the financial statements. Diluted profit per share for the year ended 31 December 2014 was 20.5 cents.

SALES

\$22.9bn

Up 5% from \$21.9bn for the year ended 31 December 2014.

REVENUE

\$1,135m

Gross revenue comprised \$833m of management fees and \$302m of performance fees. Revenue was \$1,150m for the prior period.

STATUTORY PROFIT BEFORE TAX

\$184m

A full reconciliation between the statutory profit and adjusted profit for the year is given in Note 2 of the financial statements. The statutory profit before tax for the year ended 31 December 2014 was \$384m.

ADJUSTED DILUTED EARNINGS PER SHARE

21.1¢

Down 14% compared to the year ended 31 December 2014.

Jon Aisbitt
Chairman



OVERVIEW OF THE YEAR

2015, and the second half of the year in particular, was a period of extreme volatility across all asset classes, heavily influenced by political and economic uncertainty in China and globally. This created challenging trading and performance conditions for Man and tested investor appetite for risk.

In this context, investment performance across Man's range of strategies was reasonable and we recorded a small net inflow for the year. As the headline results on the opposite page show, we delivered solid profitability with adjusted management fee profits in line with 2014, and performance fee profits down following a very strong year for AHL in 2014. The Board focuses on adjusted profit as this reflects the recurring revenue and costs that drive our cash flow generation. Statutory profit was \$184 million compared to a statutory profit of \$384 million in 2014 due to lower performance fee profits, an impairment of FRM goodwill at the half year and an increase in the future earn-out payment to Numeric as the acquisition has performed significantly better than expected.

BOARD FOCUS DURING 2015

With the cost reduction programme complete and an improvement in the Group's capital efficiency, the focus of the Board during the year centred on delivery of investment returns, organic growth and talent management.

The Board spent a significant amount of time reviewing the progress and performance of the recently acquired businesses and management's delivery of value against plan. We also monitored how well these businesses had been integrated onto the Man platform, ensuring that they were being managed appropriately from an operational risk perspective. We are particularly pleased with the progress of the Numeric acquisition and that the smaller new businesses have added both scale and breadth to the product platform.

We spent time assessing the performance of the new investment management talent that has been hired into the business over the past few years, particularly at GLG. We are pleased that a number of the hires have built compelling track records and are starting to see traction from an asset raising perspective.

Managing change is a key requirement in today's fast moving markets and we recognise that succession planning and building a suitably deep and broad talent pool are key to our continued success. The promotion of management depth and ambition has been a key area of focus during the year and we have spent time discussing with the executives their ongoing work to promote career development and mobility of talent within the business.

In addition, the Board has spent time discussing people and the culture of the business, encouraging management in its promotion of diversity at all levels of the business and monitoring the implementation and impact of Man's set of core business values. An employee survey was undertaken during the year and the Board reviewed, with management, the results of this survey and the actions that were being taken to address the key themes emerging.

DIVIDEND

In line with our previously stated policy, the Board has announced a recommended final dividend of 4.8 cents per share, subject to approval by shareholders at the 2016 AGM. This year we have decided to retain all of the surplus capital generated by the business to fund potential acquisitions. Net of the proposed dividend, we currently have surplus capital of approximately \$480 million. Last year, management reviewed a large number of acquisition opportunities but were unable to find transactions on acceptable terms. The Board believes that, given evolving market dynamics, there is sufficient probability of finding attractive acquisitions to execute in 2016 that we have decided to retain all of our surplus capital.

Conditions may of course change and we will review this decision throughout the year.

BOARD CHANGES

After almost nine years as Chairman I will retire from the Board at the AGM in May. It has been a privilege to lead the Board through a period of very substantial change for Man and I feel that I am leaving the Group in capable hands. We have in place a strong executive team who over the past three years have created a more diversified business with multiple options for growth, and improved the Group's operational and capital efficiency.

I am delighted that Ian Livingston (Lord Livingston of Parkhead) is to succeed me as Chairman, subject to his reappointment by shareholders at the AGM. Ian joined the Man Group Board in January with almost two decades of board level FTSE 100 experience, most recently as Group Chief Executive Officer of BT Group Plc ("BT") from 2008 to 2013. He has been a serving member of the UK House of Lords since 2013 and was previously Minister of State for Trade and Investment for the UK Government from December 2013 to May 2015. He brings with him experience of successfully growing a complex international business and navigating regulatory environments around the world. He has a strong track record of innovative leadership during a time of profound change for BT that will be invaluable to the Man Group Board and executive team.

In January, Richard Berliand was appointed as a non-executive director and member of the Board's Remuneration Committee. It is intended that Richard will succeed Phillip Colebatch as Chairman of the Remuneration Committee following the AGM in May. Richard brings over 30 years of experience in the financial services sector and has proved himself a very capable leader during an extremely challenging period for the industry. He will be a highly valued adviser to our executive team.

I should like to thank Man's employees for their dedication and hard work during my tenure as Chairman. I am confident that I leave the Group with an excellent Board and executive team able to confront the challenges ahead and deliver value for shareholders.

JON AISBITT

Chairman

CHIEF EXECUTIVE'S REVIEW

2015 has been another challenging year in terms of trading conditions and investor risk appetite. Against this backdrop we continued to focus on delivering superior risk adjusted returns for our clients, creating a more diversified product offering, integrating our recently acquired businesses and running the Group efficiently.

Emmanuel Roman
Chief Executive Officer



OVERVIEW

Performance across our investment managers during 2015, while mixed was reasonable against a difficult market backdrop. AHL's momentum strategies had a strong start to the year but were impacted by reversals in the second and fourth quarters. GLG's equity long short strategies had a good year and the majority of its long only strategies ended the year ahead of benchmarks, although certain strategies were some way behind. Numeric posted strong net outperformance versus benchmark and FRM's performance was solid. Flows were slightly positive in the year with net outflows of \$2.6 billion in the first half of the year broadly offset by net inflows of \$2.9 billion in the second half of the year. The acquisitions of Silvermine, NewSmith and the BAML fund of funds portfolio at the beginning of the year drove an 8% increase in funds under management to \$78.7 billion at 31 December 2015. Adjusted management fee profit before tax was down 2% and adjusted management fee EPS was up 1% at 10.2 cents. Total adjusted profit before tax decreased however by 17% compared to 2014 mainly as a result of lower AHL performance fees. Our business continues to be strongly cash generative with adjusted EBITDA (a good proxy for operating cash flow) of \$422 million in 2015 compared to \$492 million in 2014.

PROGRESS AGAINST STRATEGIC PRIORITIES

PERFORMANCE¹

Investment performance continues to be the most important factor in our success.

AHL's momentum strategies ended 2015 with performance ranging from -2.7% (AHL Diversified) to +3.2% (AHL Evolution). Returns were impacted by the sharp reversal in European bond markets at the end of April and in grain markets during June, and by volatility in equities and FX, particularly in the fourth quarter. By contrast, AHL's multi-strategy quantitative fund AHL Dimension, which has assets of \$4.1 billion, had a much better year and was up 6.9%.

Numeric's range of strategies performed well in 2015 with overall net asset weighted outperformance versus benchmark of 3.0%¹. The stronger performing strategies were the active extension (130/30) international strategies that outpaced their respective benchmarks.

2015 was a year of two halves for discretionary hedge fund performance at GLG. While the majority of our alternative strategies produced solid alpha, returns were largely generated in the first half. In the subsequent six months, investors were forced to navigate violent sector rotations while buffeted with bouts of volatility. However, GLG's alternative funds were resilient; the flagship European Long Short strategy posted a net return of 7.6% whilst funds from the recently acquired NewSmith business delivered strong performance, highlighting a smooth integration. Within credit and convertibles, GLG's strategies generally delivered positive returns against a backdrop of US rate uncertainty and heightened volatility in some sectors.

In equities, GLG's long only strategies broadly outperformed markets. The flagship Japan CoreAlpha strategy built on its impressive long-term track record, slightly outperforming the TOPIX's 2015 return of 12.1%. The Continental European Growth strategy finished the year with 26% excess return and the Undervalued Assets strategy returned 9.0% above the FTSE all-share. A handful of strategies underperformed with the Strategic Bond and North American equity strategies underperforming their relevant benchmarks by 5.2% and 10.7% respectively.

FRM products had mainly positive performance during 2015 with FRM Diversified II making a positive return of 1.0%, 0.5% ahead of its benchmark.

BUSINESS DEVELOPMENT

During the year we made good progress in integrating the businesses acquired during 2014 and we continued to develop options for growth across our investment businesses.

We saw strong organic growth at AHL during the year with \$2.1 billion of net flows. The business continues to become more diversified by product with over 60% of assets now in non-traditional strategies. The Numeric business continues to perform well and since acquisition in September 2014, Numeric has raised gross assets of \$6.5 billion, with total FUM increasing 25% to \$19.0 billion. During the year good progress was made to integrate Numeric's operations onto the Man platform.

At GLG we completed the acquisitions of Silvermine and NewSmith at the beginning of the year and we continue to attract talent to broaden out both our alternatives and long only product offering. In the Alternatives business Himanshu Gulati joined in early 2015 as Head of US Special

Situations and we have added a number of talented managers to our European Equity alternatives team, including Moni Sternbach who is managing our European Mid-Cap alternative equity strategy. In the long only business we appointed Guillermo Osses as Head of Emerging Market Debt, while Simon Pickard and Edward Cole joined the firm to run an Unconstrained Emerging Market Equity strategy. Recent hires continue to make progress; Pierre-Henri Flamand's Value Opportunities strategy has performed well since its launch in 2014, Henry Dixon's Undervalued Asset strategy continues to perform well and is raising assets with FUM of over \$450 million, while Rory Powe's European Equity strategy has had very strong performance and we are beginning to market that strategy.

At FRM, we completed the acquisition of the fund of funds business of Bank of America Merrill Lynch, adding a \$1.1 billion portfolio of multi-strategy and strategy-focused funds to FRM, supported by a proven distribution platform. From an asset raising perspective we made good progress in our managed accounts offering and were awarded a \$2.0 billion mandate by a large US-based State Pension Plan and two fund of funds mandates from UK local government pension schemes, totalling \$0.4 billion during the year.

To complement our organic growth, we continue to look at other possible acquisitions, in the private markets, fund of funds and long only spaces, seeking to ensure we remain disciplined on price, structure and cultural fit. The asset management M&A environment was very robust last year, and despite reviewing a large number of opportunities we were unable to find acquisition targets on reasonable terms. We remain patient.

DISTRIBUTION EFFECTIVENESS

2015 saw a 5% increase in gross sales to \$22.9 billion, with strong Numeric sales being partially offset by lower sales of GLG equity long short strategies compared to 2014. Sales for the year included mandates from three different institutional clients which were each over \$1 billion. Redemptions during the year were \$22.6 billion, up from \$18.6 billion in 2014, and included \$2.8 billion of redemptions from one client in the Japan Core Alpha strategy despite strong performance.

The majority of the demand continues to come from institutions with institutional sales in the period constituting 67% of total sales. Over the past five years our business has become much more institutional in nature with 74% of FUM now run for institutions globally. Our third-party retail business continues to be extremely important to us, but we hope to be a beneficiary over time of a continued trend whereby large institutional clients seek to put more money to work with fewer managers. This trend has been

seen in our own business over the last three years and presents an opportunity for us in the long run.

From a geographical perspective EMEA continues to be our biggest market, with sales from this region comprising 61% of the total in 2015. The critical North American market remains a key geographical focus for future growth and \$5 billion of total sales were from the Americas in 2015, up around 160% from 2014. 24% of assets are now managed on behalf of North American clients. Sales from the Asia Pacific region comprised 17% of the total which included three mandates totalling \$1.6 billion.

EFFICIENCY

Having completed the cost reduction programme ahead of schedule in 2014, our focus in 2015 shifted towards sustaining our focus on efficiency and ensuring that our cost base enables us to address both the opportunities and risks in our business appropriately. We continue to invest in new investment talent as outlined above and there are a number of areas in which we are investing in the infrastructure of our business which will be reflected in increased capital expenditure over the next few years.

Our balance sheet remains strong and liquid and as we have previously outlined we have increased the capacity of our seed capital programme to help to grow the business as we launch new products over time. Our surplus capital stands at around \$480 million proforma for second half earnings and our final dividend and accordingly we retain the flexibility to take advantage of acquisition opportunities.

OUTLOOK

We continue to operate in a challenging and uncertain environment, as amply demonstrated by markets year to date. However after the progress made against our strategic objectives in 2015, we are better positioned as a Group to grow our business profitably over time. We have a more diversified offering to clients and a range of attractive options for growth. If we are able to continue to deliver superior risk adjusted returns for our clients we will be able to grow assets steadily by leveraging our global distribution. As we continue to manage our business and balance sheet efficiently, we can in turn provide attractive returns for our shareholders.

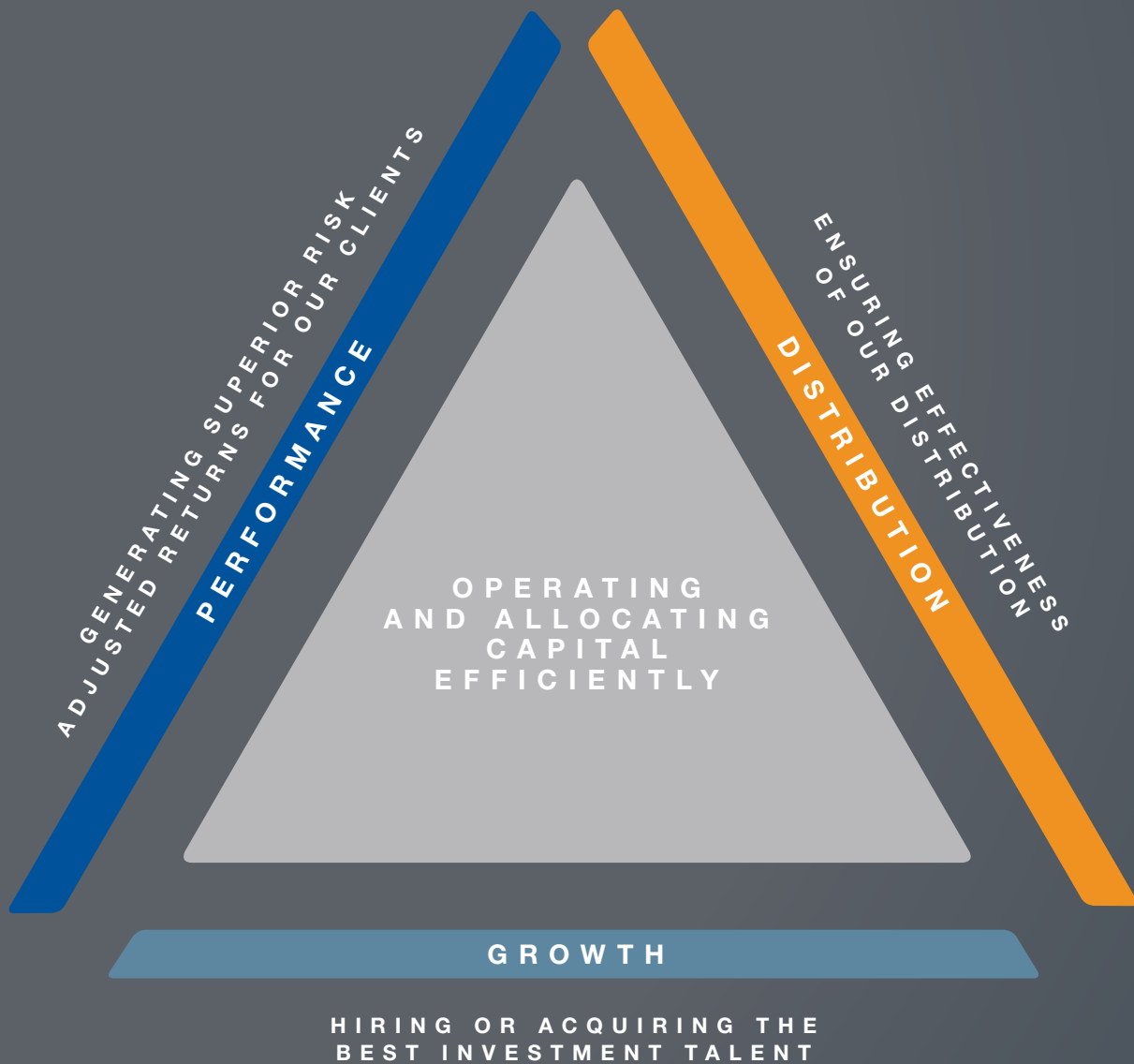
I would like to conclude by thanking the management team and everyone at Man for the commitment, expertise and hard work they have contributed this year enabling the firm to continue to make good progress against each of our strategic objectives.

EMMANUEL ROMAN
Chief Executive Officer

¹ Numeric's net asset weighted alpha for the year ended 31 December 2015 is calculated using the asset weighted average of the performance relative to the benchmark for all non-restricted strategy composites (representing approximately two-thirds of Numeric's FUM) available net of the highest management fees and, as applicable, performance fees that can be charged.

OUR BUSINESS MODEL

The success of our business model begins and ends with investment performance: our investment managers must deliver strong, risk adjusted long-term returns for our investors.





Performance

Man Group's investment managers have expertise in a diverse range of strategies which offer investment returns matched to investor appetite for risk and reward. We aim to generate superior risk-adjusted returns for our clients through the quality of our research, the talent of our investment managers and the strength of our operations and risk infrastructures.

 [See pages 18 to 25 for our performance review](#)

Distribution

Man Group 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. We distribute our products and solutions directly to institutions and to private investors via a unique global network of intermediaries.

 [See pages 04 to 05 for more about distribution](#)

Growth

We have a diverse business with many options for long-term growth. In addition to growing assets through performance and sales we look to grow the business by attracting talent, adding investment teams and taking advantage of acquisition opportunities where we can generate an attractive return on capital.

 [See pages 06 to 07 for more about growth](#)

Operating efficiency and capital discipline

At the core of 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. We strive to maintain our operating discipline and manage our balance sheet efficiency.

STRATEGIC FRAMEWORK

Markets remain volatile, creating a challenging and uncertain environment in which to operate. Against this backdrop, we continue to focus on the areas we can control and on creating a diversified business with multiple options for growth, leaving us better positioned to deal with different market conditions.

Strategic priorities

1 Performance

Generating superior risk adjusted returns for our clients

2 Distribution

Ensuring distribution effectiveness

3 Growth

Developing options for growth across our investment businesses

4 Operating efficiency and capital discipline

Operating as efficiently as possible, both from a cost and a balance sheet perspective

See pages 15 to 16 for how we performed against our strategic priorities

Risks

Man Group 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 risk appetite framework.

Investment underperformance risk

This is the key risk Man Group has to accept if it is to undertake its business.

Related strategic priority

1

Regulatory risk

Man Group is licensed in 13 jurisdictions, which results in it being subject to a matrix of regulations.

1 2 3 4

Balance sheet market risk

The risk of Man Group losing capital due to a decline in the value of the seeding book and/or the Group having insufficient liquidity resources to meet its obligations in volatile market conditions.

1 3 4

Operational risk

Resulting from human error, inadequate or failed internal processes and systems or from external events.

1 2 3 4

Information security risk

The risk of loss resulting from cyber-crime, malicious disruption to our networks or from the theft, misplacing, interception, corruption or deletion of information.

1 2 3 4

Discretionary trading risk

The risk that investment managers either intentionally or unintentionally fail to execute and/or book trades correctly, or fail to adhere to investment mandates or regulatory rules.

1

Credit/counterparty risk

A counterparty with which the funds or Man Group have financial transactions fails to deliver back investor or shareholder assets.

1 2 3 4

Legal risk

The global nature of Man Group's business, with corporate and fund entities located in multiple jurisdictions and a diverse investor base make it subject to a wide range of laws and regulations.

1 2 3 4

Reputational risk

The risk that an incident or negative publicity undermines our reputation as a leading alternative investment manager.

1 2 3 4

Key staff retention risk

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

1 2 3 4

See pages 34 to 37 for our full risk profile



Key performance indicators (KPIs)

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.

Investment performance of key funds against relevant benchmarks

AHL – not met
FRM – met
GLG – met
Numeric – met

Related strategic priority

1

Net FUM flows for the period as a percentage of opening FUM (Target 0%–10%)

0.4%

Related strategic priority

1 2 3

Adjusted management fee EBITDA margin (Target 25%–40%)

27.2%

Related strategic priority

1 2 3 4

Adjusted management fee EPS growth (Target 0%–20% plus RPI)

1.0%

Related strategic priority

1 2 3 4

 See pages 26 and 27 for full key performance indicators

Remuneration

Executive director remuneration is directly linked to strategy and performance, with particular emphasis on matching rewards to results over the long term.

Linked to strategy

A substantial portion of executive director remuneration is linked to success in implementing the Company's strategy.

Progress against the Group's strategic priorities and Group key performance indicators (KPIs) provide key metrics for determining the short-term annual cash bonus and the long-term deferred bonus.

Performance related

The variable components of total remuneration are linked to performance, and the long-term deferred bonus is awarded in shares further aligning interests with shareholders.


High pay requires high performance. Achieving the maximum pay requires sustained high performance over several years.


Long-term shareholder alignment


The structure of pay is designed to reflect the long-term nature of the Group's business. The long-term deferred bonus is awarded in shares with the vesting period set at three to five years after each three-year performance period, creating a six to eight-year period in total during which executive reward is fully aligned with shareholder interests.


Shareholder engagement

The Remuneration Committee actively seeks to understand shareholder preferences and be transparent in explaining its policy and practice. During 2015 the Remuneration Committee Chairman met personally with a number of major shareholders and certain shareholder voting bodies to obtain feedback on the Remuneration policy and to respond to any areas of interest or concern.

 See pages 71 to 74 of the Directors' remuneration report for more information

 See pages 71 to 74 of the Directors' remuneration report for more information

 See pages 64 to 66 and pages 73 to 74 of the Directors' remuneration report for more information

 See pages 65 and 70 of the Directors' remuneration report for more information

PROGRESS AGAINST STRATEGY

During the year we have made progress against the strategic priorities set out in last year's Annual Report, aimed at generating superior risk adjusted returns for our clients and positioning the firm for future growth, whilst controlling costs and maximising the efficiency of our balance sheet.

Strategic priorities

Objectives we set in 2015

Performance

Generating superior risk adjusted returns for our clients

- Continued focus on research at AHL to build new markets and asset classes
- Collaboration between AHL and Numeric to further enhance research efforts in both managers
- Focus on improving areas of underperformance in GLG alternatives strategies in 2014

Distribution

Ensuring distribution effectiveness

- Market AHL's momentum strategies off the back of strong performance in 2014
- Develop and launch UCITS products at Numeric to build track records and market to investors over time
- Leverage Man Group's global distribution capability to grow assets in acquired businesses
- Continue to improve coverage and asset raising in the US

Growth

Developing options for growth across our investment businesses

- Continue to develop additional momentum and non-momentum products at AHL
- Continue to look for high-calibre investment talent at GLG to support the growth of our existing products as well as to support the expansion of our alternatives and long only product offering
- Continue to look at other possible bolt-on acquisitions ensuring that we remain disciplined on price, structure and cultural fit

Operating efficiency and capital discipline

Operating as efficiently as possible, both from a cost and a balance sheet perspective

- Focus on sustaining our efficiency and ensuring that our cost base enables us to address the risks and opportunities in our business appropriately
- Integrate the operational functions of our acquired businesses
- Maintain focus on balance sheet efficiency including ensuring our seeding portfolio is managed effectively



How we performed against those objectives Objectives for 2016

- 110 new markets added to AHL's trading programmes during 2015
 - Key research staff at Numeric have had the opportunity to spend time working in London with their new colleagues
 - Significant improvement in GLG equity long short performance with the strategy delivering net returns of 7.6% in 2015
 - Continued to focus on research at AHL by delivering new models and accessing new markets
 - Collaboration between AHL and Numeric to further enhance research efforts in both managers
 - Focus on improving areas of underperformance in certain GLG alternatives and long only strategies in 2015
-
- \$4.7 billion of gross sales at AHL in 2015 including \$1.9 billion into momentum strategies and \$2.0 billion into AHL Dimension
 - \$4.4 billion of gross sales at Numeric in 2015 and \$6.5 billion since acquisition including approximately \$2.0 billion related to leveraging Man Group's global distribution capability
 - \$5.0 billion of gross sales in North America in 2015 including a \$2.0 billion mandate win from a state pension plan at FRM
 - Market AHL's strategies given their solid three-year track record
 - Continue to leverage Man Group's global distribution capability to grow assets in acquired businesses
 - Continue to improve coverage and asset raising in the US
 - At FRM continue to partner with institutional clients to provide managed account solutions and advisory services for their hedge fund allocations
 - Continue to develop relationships with existing clients with a focus on both asset raising as well as asset retention
-
- Launched Evolution Frontier, which applies AHL's core momentum models to an innovative set of markets
 - Hired new teams at GLG focusing on Event Driven investing and European Mid-Cap and a team that seeks to capitalise on US distressed opportunities in the alternatives business and an Emerging Markets team in the long only business
 - Completed acquisitions of Silvermine and NewSmith. Silvermine provides GLG with increased expertise in US credit markets and the NewSmith deal helps to strengthen GLG's equity platform, while enhancing our footprint in the Japanese market
 - Enhanced FRM's business with the completion of an important new distribution relationship with Bank of America Merrill Lynch through the acquisition of its fund of hedge funds offering
 - Continue to innovate at AHL by delivering new strategies and accessing new data
 - Continue to look for high-calibre investment talent at GLG to support the growth of our existing products as well as to support the expansion of our alternatives and long only product offering
 - Continue to focus on the US as a region for growth both from a distribution and acquisition perspective
 - Continue to look at other possible acquisitions, for example in private markets and long only strategies, ensuring that we remain disciplined on price, structure and cultural fit
-
- Businesses acquired in 2014 and early 2015 now fully integrated on the Man platform
 - Maintained cost discipline allowing for investment in infrastructure in certain parts of the business
 - Expanded seeding programme with a VaR limit of \$75 million set
 - Completion of \$175 million share repurchase
 - Focus on sustaining our efficiency and ensuring that our cost base enables us to address the risks and opportunities in our business appropriately
 - Maintain focus on balance sheet efficiency including ensuring our seeding portfolio is managed effectively



MAN AHL SCIENCE APPLIED TO FINANCE

Established in 1987, Man AHL is a leading quantitative investment manager with funds under management of \$16.9 billion. A pioneer in systematic trading, AHL offers alternative and traditional strategies to a predominantly institutional client base, in a variety of funds and customisable managed accounts.

Headquartered in London, AHL employs over 115 investment professionals in six locations and benefits from a unique collaboration with the University of Oxford.

Tim Wong
Chairman, AHL

Sandy Rattray
Chief Executive Officer, AHL





STRATEGIES OVERVIEW

AHL broadly offers four types of investment programme:

- **Momentum:** AHL's institutional flagship programme, AHL Alpha, uses sophisticated algorithms to identify trends. The original investment strategy of AHL, trend following has been able to profit in both rising and falling markets and exhibits low correlation to other asset classes, notably equities. In addition to futures and forwards instruments that are typically traded by trend-following managers, AHL specialises in trading, through the AHL Evolution Programme, a range of non-traditional markets that are highly liquid, typically OTC, and are not widely traded by peers. These include interest-rate swaps, credit and power derivatives, for example, which have been highly resilient to choppy market conditions that resulted from unprecedented levels of central bank intervention in the years immediately following the Credit Crisis. In 2015 AHL broadened its trend-following offering further through the AHL Evolution Frontier Programme, which leverages operational and execution strengths in order to access less liquid markets.
- **Multi-strategy:** AHL's flagship multi-strategy programme, AHL Dimension, comprises a broad mix of high-conviction systematic models, spanning technical, fundamental, and momentum styles. It utilises a wide universe of highly liquid markets covering the major asset classes of equity, FX, fixed income and commodities, and incorporates an allocation to the AHL Evolution programme. Because of the range of strategies employed, multi-strategy programmes are designed to perform in a wide variety of market environments.
- **Sector-based:** These strategies allow investors to access specialised, sector or theme specific investment strategies across equity, currency and volatility markets.
- **Alpha capture:** These strategies use quantitative techniques to capture the best ideas from leading equity brokers to construct long only portfolios.

DIVERSIFICATION AND INSTITUTIONALISATION

Over the course of 2015, AHL continued the transition to being a diversified quantitative manager, whilst maintaining an emphasis on momentum. The AHL business has become more diversified by product (for example the AHL Dimension and AHL Evolution Programmes now comprise around 50% of total AHL assets between them), and net flows in AHL Dimension accounted for around 90% of total net flows for Man AHL in 2015.

In addition, AHL's shift to becoming a largely institutional fund manager has occurred at the same time as our increasing development of new strategies: 74% of our clients are institutional investors today. We have found that many institutional investors around the world value a rigorous systematic approach. In particular, the fact that we are more transparent than most other styles of investing has been important to these clients. With no emotion involved in the investing process, the mood or even presence of any particular individual at AHL has rather little day to day impact on performance.

GROWTH

We are very positive on the future of systematic investing. We live in a world where the amount of available data is increasing at an incredible rate – an oft quoted study suggests that 90% of the world's data is less than two years old. Only computer-driven processes are able to harness this amount of data and make sense of it. We also live in a world where you are increasingly likely to be flown in an aeroplane by computer, where your car will contain an enormous amount of computer code and will in the next few years very likely become self-driving.

Our bodies are kept alive by complex algorithms in hospital intensive care wards. So it would be remarkable if systematic investing were not to increase significantly.

There will of course be the naysayers, and it remains the case that some types of information are hard to process (corporate bond covenants for example). But the idea that humans can forecast and adapt to regime change while systematic strategies cannot is untrue on several levels. Humans have generally proven quite poor at adapting to regime change, and machine learning in particular can pick up very rapidly on new environments. Much of our research efforts are in this area today, and we are excited about the future for AHL and for the opportunity to serve our clients.

FUM by strategy



\$16.9bn

	\$bn
Traditional trend following	6.7
Non-traditional trend following	5.2
Multi-strategy	3.0
Sector based, Alpha capture, other	2.0

Performance across AHL funds Annualised net returns

Fund (inception date)	1yr	3yr	5yr	Inception
AHL Alpha (17.10.95)	1.5%	7.1%	3.6%	12.5%
AHL Diversified (26.03.96)	-2.7%	8.1%	3.0%	13.2%
AHL Evolution (26.09.05)	3.2%	13.2%	14.7%	14.8%
AHL Dimension (03.07.06)	6.9%	8.5%	4.3%	6.3%
HFRI Fund Weighted Composite Index (31.12.89)	-1%	3.6%	2.3%	10.1%

Source: Man database

AHL Alpha – AHL Strategies PCC Ltd: Class Y AHL Alpha USD from 25 Sept 2012 to 30 Sept 2013, AHL Alpha plc prior: AHL Alpha (Cayman) Limited from 30 Sept 13. The track record has been adjusted to reflect the proposed fee structure of the AHL Alpha Programme (1% management fee, 20% performance fee).

AHL Diversified – Man AHL Diversified (Guernsey) USD from 29 Oct 2012, Man AHL Diversified plc prior.

AHL Evolution – AHL (Cayman) SPC – Class A1 USD Shares from 30/11/12 linked to AHL Investment Strategies SPC: Class E AHL Evolution USD Notes from 30/11/11 and prior to this AHL Strategies PCC Ltd: Class G AHL Evolution USD Shares. AHL returns are shown on a month end to month end basis to be directly comparable to competitors. Hence returns use estimates and will differ from the officially reported figures that are based on finals.

AHL Dimension is represented by AHL Strategies PCC Limited: Class B AHL Dimension USD Shares from 3 July 2006 to 31 May 2014, and by AHL Dimension (Cayman) Ltd – USD Shares from 1 June 2014. Performance is net of all fees.



MAN GLG

GREAT MINDS, THINKING DIFFERENTLY

2015 was an important year for Man GLG as we celebrated our 20 year anniversary. GLG was originally established in 1995 and has evolved over the past two decades to become a leading discretionary fund manager that offers a comprehensive range of alternative and traditional strategies.

From the beginning, GLG was defined by its entrepreneurial spirit and culture of excellence. We have built on this culture over the last 20 years, continuing to attract exceptional talent and broaden our range of expertise, whilst remaining completely focused on delivering performance to our clients.

Mark Jones

Co-Chief Executive Officer, GLG

Teun Johnston

Co-Chief Executive Officer, GLG



STRATEGIES OVERVIEW

GLG manages a diverse range of alternative and traditional investment strategies that focus on equities and credit as well as multi-asset investment strategies.

- **Equities:** GLG's equities business comprises a range of alternative and long only strategies with investment expertise covering each of the major regions and specialist sectors. A wide range of investment approaches and styles are pursued by the various investment teams.
- **Credit:** GLG's alternative and long only credit strategies span the credit spectrum and capital structure. Our alternative credit strategy incorporates a diverse range of approaches and asset classes including relative value, distressed debt, event driven, capital structure arbitrage and convertible bond arbitrage strategies. Our long only credit strategies include investing in corporate bonds, convertible bonds and asset-backed securities with a range of approaches applied to each.
- **Multi-asset:** GLG's Multi-asset strategies consist of alternative and long only strategies. Our multi-asset strategies comprise a variety of investment approaches and styles.

FOCUS AND RECENT DEVELOPMENTS

We believe that success in discretionary fund management is largely determined by the calibre of investment professionals managing our investment strategies and the strength of the operating environment. We continually strive to strengthen our business and recently have focused on:

1. Broadening our long only offering
2. Improving our alternative product mix
3. Developing our structured credit capability

Our focus has been to add high calibre investment teams within our long only business in order to diversify our client offering. Within equities, we hired a UK focused value team and a European focused growth team during 2013/2014 while adding an Emerging Markets strategy in late 2015. Our European growth and UK value funds have both achieved first quartile rankings since launch and have gained traction in the marketplace. By contrast the Total Return strategy which was launched in 2013 underperformed and as a result was closed in the middle of 2015.

In terms of our alternative equities strategies, we recently hired teams focusing on Event-Driven investing and European Mid-Cap, both of which are areas we believe have high alpha potential. In early 2015, we also employed a highly experienced team that seeks to capitalise on US distressed opportunities. Additionally, we

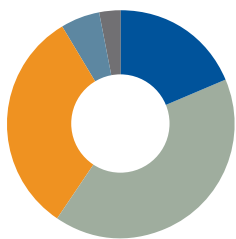
continue to broaden the range of investment strategies managed within our flagship European Long Short fund.

Early 2015 also proved to be significant in terms of merger activity, with the completion of the acquisition of US CLO manager Silvermine Capital Management in January, and the acquisition of the investment management business of NewSmith LLP. The Silvermine transaction provides GLG with increased expertise in US credit markets and expands the firm's North American presence. From a similar perspective, the NewSmith deal helps to strengthen GLG's equities platform, while enhancing our footprint in the Japanese market.

PRIORITIES FOR 2016

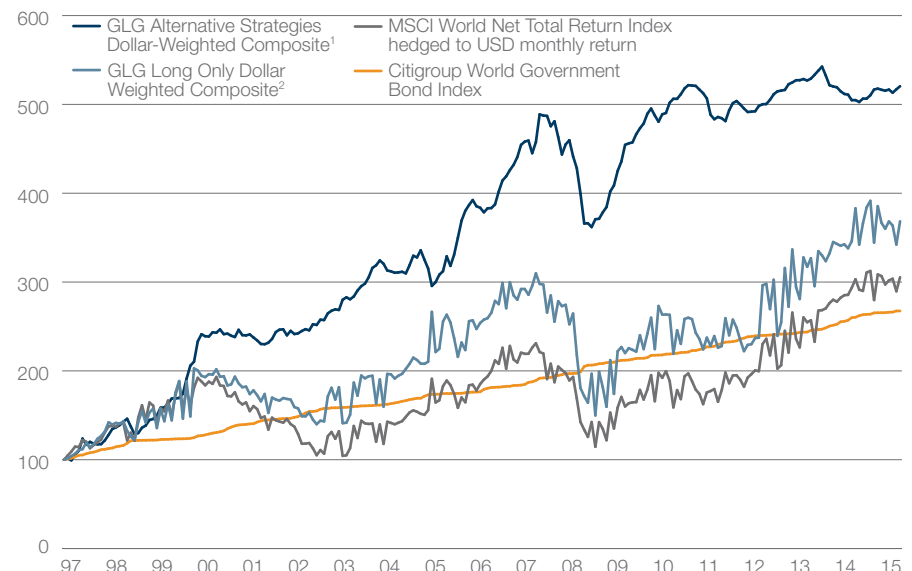
Our key focus will continue to be on delivering strong performance. We will also aim to broaden our product range as compelling opportunities arise.

One such example is the development of our Emerging Markets Fixed Income business. We recently announced the hiring of Guillermo Osses, a highly experienced and successful Emerging Markets Fixed Income portfolio manager. Guillermo joined GLG in early 2016 and will be based in New York. We aim to launch a series of Emerging Market Fixed Income strategies managed by Guillermo and his team in H2 2016.

FUM by strategy


\$30.5bn

Strategy	\$bn
Equity alternative	5.7
Equity long only	12.5
Credit and convertibles alternative	9.7
Credit and convertibles long only	1.7
Multi strategy alternative	0.9

GLG track record 1 April 1997 to 31 December 2015


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 4 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.



MAN FRM DYNAMIC AND ON-GOING PARTNERSHIPS

Man FRM is a global alternative investment specialist, with a predominantly institutional client base. Established in 1991, FRM joined forces with Man Group in 2012. We provide an open architecture, full service hedge fund offering, with customised and advisory solutions, commingled strategies, a leading, technologically innovative managed account platform and Clarus, a sophisticated online reporting tool.

With 52 investment professionals based in London, New York, Tokyo, Guernsey and Pfäffikon (Switzerland), FRM manages \$12.3 billion. Our multi-manager solutions include multi-strategy and customised portfolios.

Keith Haydon

Chief Investment Officer, FRM

Michelle McCloskey

President, FRM



A BROADER OFFERING

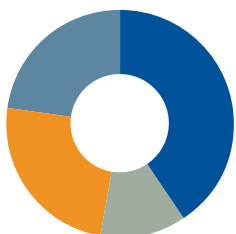
Since linking with Man Group, FRM has broadened its capabilities in risk management, research and hedge fund solutions provision, while leveraging the benefits of a global investment platform. In 2014, FRM successfully enhanced its presence in the North American market after joining forces with Pine Grove Asset Management LLC, a US-based credit-focused multi-manager firm. Pine Grove elevated FRM's suite of investment offerings, including SEC-registered US 40 Act funds and complementary multi-manager hedge fund products.

In the second quarter of 2015, FRM built on its involvement in the US market by assuming responsibility for several multi-strategy and strategy-focused alternative funds previously run by Merrill Lynch Alternative Investments. This has considerably expanded both FRM's range of funds and its appeal to US investors. Working with the wealth management network of Bank of America Merrill Lynch, FRM is able to offer US 40 Act and other funds, and grow our business in the world's largest investment market.

MANAGED ACCOUNTS

FRM operates one of the leading buy-side managed account platforms with FUM of \$8.9 billion invested across portfolio and customised managed accounts. For each customised managed account client, FRM creates a unique, customised managed account solution that draws on our suite of risk, operational and administrative services. In 2015, this specialist hedge fund service attracted additional globally recognised institutional investors. We expect further client success in 2016 as institutional investors combine expanding the scope of their investment universe with a determination to benefit from best-in-class levels of transparency, risk management and operational control through FRM's managed account solutions.

FUM by strategy



\$12.3bn

Strategy	\$bn
Diversified FoHFs	5.0
Thematic FoHFs	1.5
Segregated funds	3.0
Infrastructure managed accounts	2.8

INNOVATIVE SOLUTIONS

In 2015, FRM worked with a range of new and existing clients to design bespoke investment portfolios and develop innovative approaches to fee levels. An example of this is our developing relationship with the UK's Local Government Pension Scheme. We have pioneered an approach that provides each local plan with a bespoke investment solution customised for its pension needs, but which allows all the schemes that join the platform to benefit from improved fee levels created by the effects of increased scale. We expect further progress with this initiative and others in the coming year.

ALTERNATIVE BETA

Recently, FRM has worked with clients to boost portfolio risk efficiency and generate return streams that do not depend on ever rising asset prices. We term this approach 'alternative beta', and in 2015 this evolved into a stand-alone investment solution. This development demonstrates both the expansion of FRM's capabilities as well as the synergy benefits that institutional investors can leverage from Man's group-wide expertise. At the end of 2015 we managed around \$680 million in alternative beta allocations and we are encouraged by the level of client interest this product is attracting. We believe that institutional investors' appetite for the risk/reward opportunities offered by hedge funds continues to grow. FRM's commitment to performance and client service is expected to help our business progress in 2016.

FOCUS FOR 2016

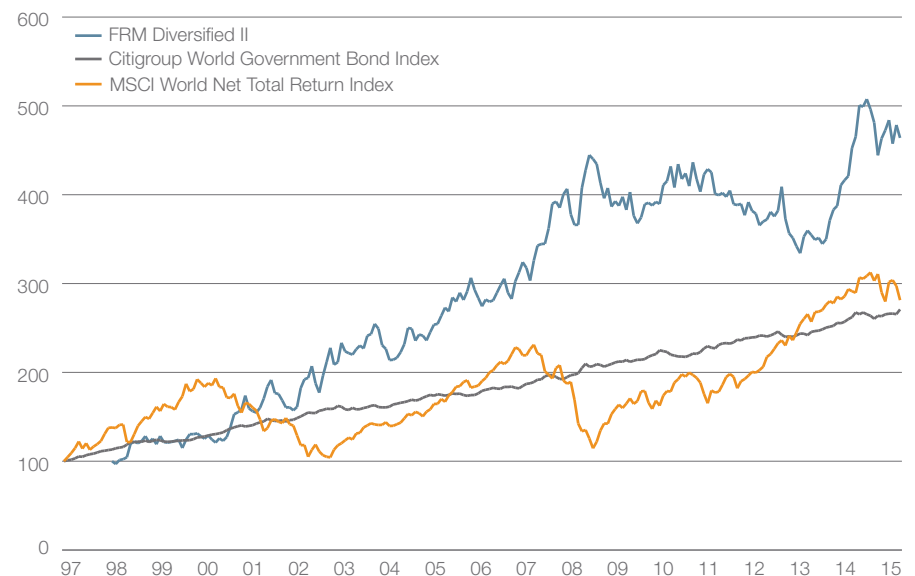
2016 is a special landmark – FRM is celebrating its 25th anniversary of advising and serving hedge fund investors. It also coincides with the coming of age of our business in North America where we have enjoyed renewed success in partnering with institutional clients to provide managed account solutions and advisory services for their hedge fund allocations.

As a leading hedge fund investor, we have developed a number of in-house solutions to address the challenges faced in our own portfolios. In recent years, the greatest demand has been to foster sufficient levels of risk to generate the return profiles that our clients need to meet their obligations.

Drawing on the resources of one of the world's pre-eminent investment groups, FRM offers a comprehensive suite of innovative hedge fund solutions to help investors generate better risk-adjusted returns. Our capabilities, including a multi-format range of liquid alternative investment options and proprietary risk management software tools, are set to develop further in 2016.

We work with clients globally to share ideas and source the best hedge fund investment solutions for the challenges they face. FRM's commitment to this will shape our focus in 2016 and beyond.

FRM Diversified II performance



Source: Man database

FRM Diversified II: To highlight the performance and risks associated with FRM Diversified II Fund SPC - Class A USD ('the fund') prior to Jan 2004, FRM has created the FRM Diversified II pro forma using the following methodology: i) for the period Jan 1998 to Dec 2003, by using the returns of Absolute Alpha Fund PCC Limited – Diversified Series Share Cell ('AA Diversified - USD') adjusted for fees and/or currency, where applicable. For the period Jan 2004 to Feb 2004, the returns of the fund's master portfolio have been used, adjusted for fees and/or currency, where applicable. Post Feb 2004, the fund's actual performance has been used, which may differ from the calculated performance of the track record. There have been occasions where the 12-months' performance to date of FRM Diversified II has differed materially from that of AA Diversified. Strategy and holdings data relates to the composition of the master portfolio.



MAN NUMERIC FUNDAMENTALLY-DRIVEN

Man Numeric's quantitative approach to investing is disciplined and analytical, yet reflective and collegial. Numeric's goal is to maximise the total dollars of excess return in clients' portfolios while taking a prudent level of risk.

With 29 investment professionals based in Boston, Numeric manages \$19.0 billion across a range of long only and long short, fundamentally based strategies.

Mike Even

President & Chief Executive Officer, Numeric

Shanta Puchtler

Chief Investment Officer – Director of Research, Numeric





STRATEGIES OVERVIEW

Numeric’s fundamentally-driven systematic investment process seeks to outperform the market by buying inexpensive stocks with improving fundamentals and catalysts for growth. The firm generates alpha by outperforming regional and global benchmarks in the US, Europe, Japan and Emerging Markets, and by delivering returns from its long short market neutral strategies. Numeric manages assets for institutional clients globally, including corporate and public pension plans, foundations, endowments, and sovereign funds.

- **Long only:** Numeric has been managing quantitative long only equity strategies since our first US large cap strategy was launched in 1989. The investment philosophy and models we use are based on our long-standing beliefs in valuation and information flow signals. We now manage strategies utilising this same investment philosophy in US, non-US, regional, and global equities across various styles and market capitalisations. Our disciplined portfolio construction process is designed to identify alpha and control sector and stock-specific exposure.
- **Alternative:** Numeric has managed market neutral strategies since 1990 with the launch of a US market neutral strategy. We currently manage market neutral strategies in US, non-US, regional, and global equities. Our market neutral strategies are benchmarked to the US Treasury Bill Rate and are designed to benefit from both long and short positions. The portfolios are designed to be dollar and sector neutral.

INITIATIVES

From the point of acquisition by Man Group in September 2014 to the end of 2015, Numeric’s assets grew by 25% to a total of \$19 billion driven by strong performance and sales into both long only and alternatives strategies.

During 2015 sales totalled \$4.4 billion and since acquisition have been \$6.5 billion. In the latter half of 2015, Numeric started to benefit from working with Man Group’s distribution network, generating approximately \$2 billion of sales. Performance remains strong with over 90% of Numeric’s current quantitative strategies outperforming their selected benchmark over one, three and five years.

During 2015, Numeric launched several new key strategies, including UCITS funds, leveraging Man Group’s resources and expertise and offering investors in the European market access to two of the firm’s core strategies for the first time. The UCITS funds include the Man Numeric Emerging Markets Equity, Man Numeric Alternative Market Neutral Equity, Man Numeric US Large Cap Equity, and Man Numeric Global Equity funds. We also launched the Man Numeric International Small Cap Offshore and the Man Numeric International Alpha funds.

The integration activities have allowed Numeric to benefit from Man Group’s infrastructure, technology, globalisation of compliance efforts and some of its distribution capabilities to further support our strategies.

Organisationally, the Numeric team has had a productive year focusing on research, exploring collaboration opportunities with Man Group, and hiring and training new people. Additionally, key research staff from Numeric have had the opportunity to spend time working in London with their new colleagues, providing an opportunity for the sharing of ideas and expertise.

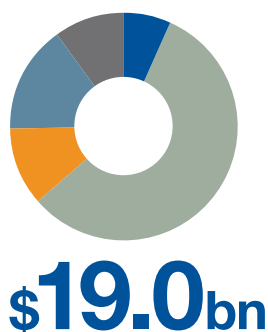
LOOKING AHEAD

Numeric has expanded across a broad range of geographies and hedge fund styles to meet the expectations and aspirations of our investors and our people.

Looking forward, our business plans will remain focused on building strategic relationships with key institutional clients including private and public pension plans, endowments and foundations, and funds of funds. Our core principles have been in place since the firm’s founding in 1989 and our business plan remains the same; namely, we strive to add value to our clients’ portfolios above their stated benchmarks using our proprietary quantitative investment process and commitment to research initiatives.

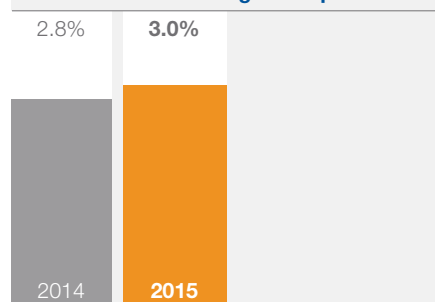
In addition, Numeric’s research efforts will focus on identifying new asset classes and regions to exploit market inefficiencies. It will continue to innovate and grow without sacrificing either capacity or its focus on alpha generation.

FUM by strategy



	\$bn
■ Alternatives	1.3
■ Global long only	10.8
■ Emerging markets long only	2.1
■ US large cap long only	2.9
■ US small cap long only	1.9

Numeric net asset weighted alpha



Source: Man database. Numeric’s net asset weighted alpha for the years to 31 December 2015 and 31 December 2014 is calculated using the asset weighted average of the performance relative to the benchmark for all non-restricted strategy composites (representing approximately two-thirds of Numeric’s FUM) available net of the highest management fees and, as applicable, performance fees that can be charged.

CHIEF FINANCIAL OFFICER'S REVIEW

Jonathan Sorrell
Chief Financial Officer



OVERVIEW

Our financial results in 2015 reflect mixed performance against a challenging market backdrop, with a range of returns across AHL's strategies, a solid year for GLG and FRM's strategies, and strong net outperformance from Numeric compared to benchmarks.

FUM increased by 8% from \$72.9 billion at the beginning of the year to \$78.7 billion at 31 December 2015. We added \$6.1 billion of FUM through the acquisitions of Silvermine, NewSmith and the BAML fund of funds business, with the remainder of the movement in FUM reflecting net inflows of \$0.3 billion for the year and positive investment performance of \$2.4 billion, partly offset by adverse foreign currency and other movements (\$3.0 billion).

Net management fee revenue increased by 6% from \$715 million to \$759 million in 2015, primarily as a result of the increase in average FUM of 29%, driven by the inclusion of Numeric FUM for a full year in 2015 and FUM acquired in the first half of 2015. Offsetting this, average net management fee margins have continued to decline over the year as a result of the ongoing mix shift toward lower margin institutional assets and long only funds, with institutional assets now constituting 74% of total FUM and long only constituting 42% of total FUM.

Performance fee revenues have decreased by 11% from \$340 million to \$302 million, largely as a result of lower performance fees from AHL after a strong year in 2014, partially offset by an increase in performance fees from Numeric following strong performance.

As Manny has noted, Man continues to focus on cost efficiency as a source of value. This year total costs before adjusting items increased by \$79 million, driven largely by the impact of acquisitions, the compensation structure of certain GLG strategies and adverse year on year foreign exchange movements.

As a result of these revenue and cost drivers, our adjusted profit before tax was \$400 million, down 17% from \$481 million the prior year, and adjusted diluted earnings per share were 21.1 cents (2014: 24.4 cents). Our statutory profit before tax was \$184 million (2014: \$384 million), reflecting adjusting items of \$216 million, which primarily relate to amortisation of purchased intangible assets and increases in the fair value of the contingent consideration payable in relation to Numeric as a result of better than expected flows and margins. The business continues to generate strong operating cash flows. Cash flows from operating activities, excluding working capital movements, were \$402 million for the year.

Our balance sheet remains strong and liquid with net tangible assets of \$0.7 billion or 41 cents per share at 31 December 2015. Our regulatory capital surplus is \$453 million at 31 December 2015, and we have a net cash position of \$437 million. We continue to enhance the efficiency of our capital and funding. We renegotiated our revolving credit facility during the year, reducing it in size from \$1,525 million to \$1,000 million, and with a reduction in costs and an extension to June 2020. In the first half, we completed a \$175 million share repurchase, acquiring 3% of our issued share capital.

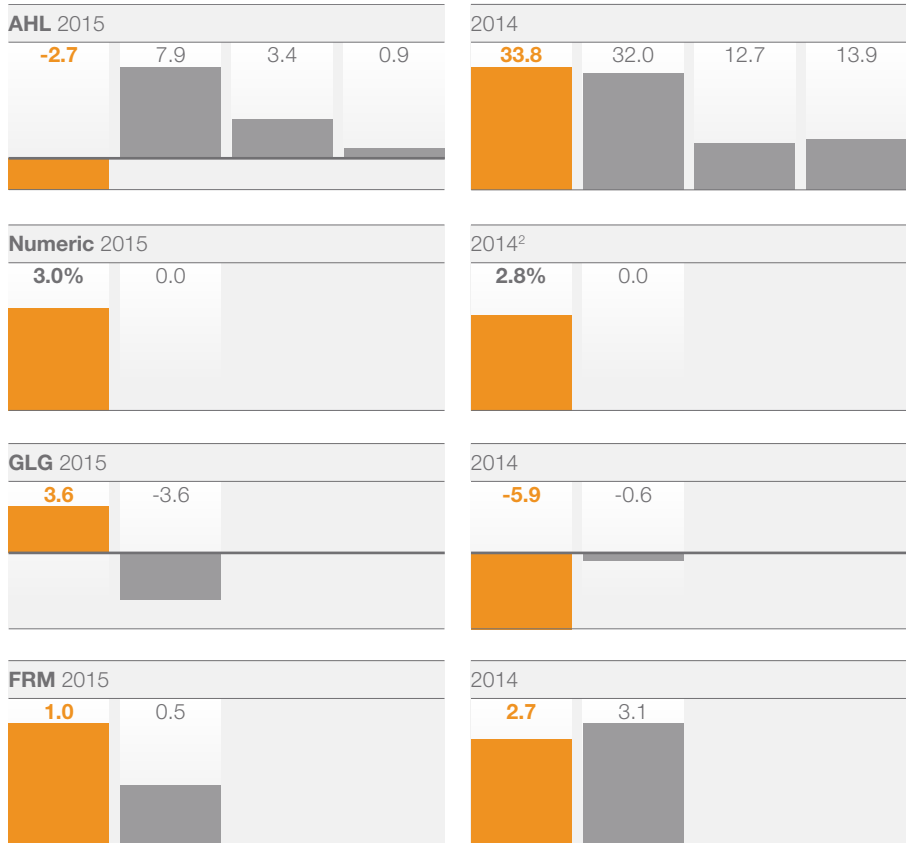
KEY PERFORMANCE INDICATORS

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, distribution, growth and efficiency.

The results of our KPIs this year continue to reflect the volatile operating environment, with strong net investment outperformance for Numeric, solid performance from FRM and GLG, and mixed performance for AHL with AHL Diversified, the KPI strategy, underperforming other AHL strategies. Net inflows achieved in quant strategies were almost completely offset by outflows in discretionary strategies. The shift towards lower margin institutional assets has continued to lower blended net management fee margins, however the discipline we have maintained regarding our cost base has reduced the impact on our profitability and EPS growth.

KEY PERFORMANCE INDICATORS

Investment performance



The investment performance KPI measures the net investment performance for our four managers (AHL, Numeric, GLG and FRM). For AHL, GLG and FRM, investment performance is represented by key funds against relevant benchmarks. The Numeric KPI has been added with effect from 1 January 2015, and monitors the net asset weighted outperformance or underperformance (alpha)¹ based on a predetermined benchmark by strategy. The target for the investment performance KPI is to exceed the relevant benchmarks.

The key funds and the relevant benchmarks are AHL Diversified vs. three key peer asset managers for AHL (the target being to beat two of the three peers), the GLG Alternative Strategies Dollar-Weighted Composite vs. HFRX for GLG and FRM Diversified II vs. HFRI Fund of Funds Conservative Index for FRM. For Numeric, net asset weighted outperformance is based on a benchmark against competitors by Numeric strategy.

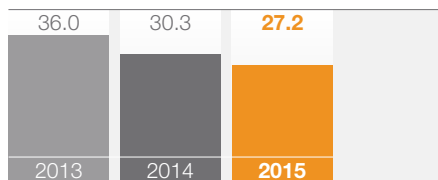
The performance of the key funds compared to the benchmarks gives an indication of the competitiveness of our investment performance against similar alternative investment styles offered by other investment managers. This measures our ability to deliver superior long-term performance to investors.

We achieved three out of the four performance targets. FRM and GLG both met the benchmark in 2015 as their performance metrics exceeded their relevant benchmark. Numeric had positive net alpha in 2015 and therefore met the KPI. AHL did not meet the target for 2015 as the performance of its key fund was below all three of the relevant peer benchmarks. Further investment performance information is provided on [pages 10 to 11](#).

- 1 Numeric's net asset weighted alpha for the year ended 31 December 2015 is calculated using the asset weighted average of the performance relative to the benchmark for all non-restricted strategy composites (representing approximately two-thirds of Numeric's FUM) available net of the highest management fees and, as applicable, performance fees that can be charged.
- 2 Numeric net outperformance was not reported as a KPI in 2014 due to the acquisition of this business on 5 September 2014.

Adjusted management fee EBITDA margin %

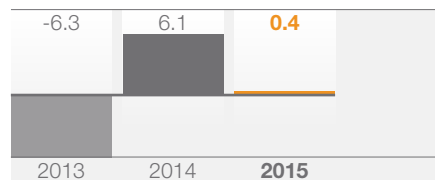
Target: 25%-40%



This KPI measures adjusted management fee EBITDA as a percentage of net revenues (gross management fee revenue and income from associates less cash distribution costs). Our adjusted management fee EBITDA margin is a measure of our underlying profitability. The adjusted management fee EBITDA margin of 27.2% was within the target range for the year ended 31 December 2015. This margin has been declining as a result of the roll off of higher margin guaranteed product FUM and the general product mix shift from higher margin retail assets to lower margin institutional and long only assets.

Net flows %

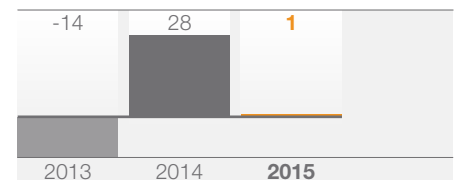
Target: 0%-10% net inflows



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 within the target range in 2015 with a net inflow of 0.4%, compared to a net inflow of 6.1% for the year to 31 December 2014. The reduced level of net inflows in 2015 is largely as a result of higher redemptions, including a large one-off redemption from the Japan CoreAlpha fund during the period.

Adjusted management fee EPS growth %

Target: 0%-20% +RPI



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 adjusting items, divided by the weighted average 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 of 1.0% was not within the target range for 2015 (target of 0%-20% plus RPI of 1.2%). The adjusted management fee EPS growth of 1.0% in 2015 is a result of the accretive impact of the share repurchase programme which has reduced the number of shares, largely offset by a 2% decrease in net management fee profits.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

FUNDS UNDER MANAGEMENT (FUM)

\$bn	Alternative			Long only		Total excluding Guaranteed	Guaranteed	Total
	Quant (AHL/ Numeric)	Discretionary (GLG)	Fund of funds (FRM)	Quant (AHL/ Numeric)	Discretionary (GLG)			
FUM at 31 December 2014	12.9	14.5	10.8	16.7	16.0	70.9	2.0	72.9
Sales	4.7	3.9	3.3	4.4	6.6	22.9	–	22.9
Redemptions	(2.0)	(4.7)	(2.7)	(2.6)	(10.2)	(22.2)	(0.4)	(22.6)
Net inflows/(outflows)	2.7	(0.8)	0.6	1.8	(3.6)	0.7	(0.4)	0.3
Investment movement	0.6	0.4	(0.2)	0.1	1.6	2.5	(0.1)	2.4
Foreign currency movement	(0.4)	(0.9)	(0.2)	–	(0.7)	(2.2)	(0.2)	(2.4)
Other movements	0.6	(1.0)	(0.2)	–	–	(0.6)	–	(0.6)
Acquisitions of Silvermine, BAML fund of fund assets and NewSmith	–	4.1	1.1	–	0.9	6.1	–	6.1
FUM at 31 December 2015	16.4	16.3	11.9	18.6	14.2	77.4	1.3	78.7

QUANT ALTERNATIVE PRODUCTS (AHL/NUMERIC)

Quant alternative FUM increased by 27% during the year, primarily as a result of net inflows and positive investment performance. Sales were \$4.7 billion, which included three institutional mandates totalling \$2.4 billion into the Dimension and Alpha strategies. Redemptions were \$2.0 billion, and were mainly from retail investors in AHL Diversified and AHL Alpha. The positive investment movement was a result of strong performance for AHL Dimension, AHL Evolution, and AHL Alpha. Negative foreign exchange movements were due to 18% of Quant alternatives FUM being denominated in Australian Dollars. The positive other movements relate to re-gearing.

DISCRETIONARY ALTERNATIVE PRODUCTS (GLG)

Discretionary alternative FUM increased by \$1.8 billion during the year. The acquisitions of Silvermine and NewSmith added \$4.1 billion to FUM. Net outflows of \$800 million were mainly from European and North American equity strategies. The positive investment performance was driven by strong performance in the equity long short strategies. Negative foreign exchange movements related primarily to the strengthening of the US Dollar against the Euro and Sterling. At 31 December 2015, 56% of Discretionary alternative FUM was denominated in US Dollars, 36% in Euros and 3% was in Sterling. The negative other movements relate to Silvermine and Pemba maturities.

FUND OF FUNDS PRODUCTS (FRM)

Fund of funds FUM increased by \$1.1 billion during the year, primarily as a result of the Bank of America Merrill Lynch fund of funds portfolio acquisition in the first half of the year. Sales of \$3.3 billion included \$2.0 billion from a large North American based pension fund into an infrastructure mandate. Redemptions of \$2.7 billion included \$700 million from a European pension fund's infrastructure investment and \$600 million from FRM Diversified strategies. The negative investment performance primarily related to some of the larger managed account mandates. The negative foreign exchange movements were primarily due to the strengthening of the US Dollar against the Japanese Yen and Euro. At 31 December 2015, 56% of alternative fund of fund FUM was denominated in US Dollars, 31% in Yen and 5% in Euro.

QUANT LONG ONLY PRODUCTS (AHL/NUMERIC)

Quant long only FUM increased by \$1.9 billion during the year, primarily as a result of net inflows. The net inflows for Numeric mainly related to \$900 million for Numeric Global Strategies, \$800 million for Numeric US Small Cap strategies, and \$400 million for Numeric Emerging Markets. Although investment performance in quant long only products was broadly flat for the year, net asset weighted outperformance for Numeric in 2015 was 3.0% alpha¹. At 31 December 2015, 98% of quant long only FUM was denominated in US Dollars.

1 Numeric's net asset weighted alpha for the year to 31 December 2015 is calculated using the asset weighted average of the performance relative to the benchmark for all non-restricted strategy composites available (representing approximately two-thirds of Numeric's FUM) net of the highest management fees and, as applicable, performance fees that can be charged.

**DISCRETIONARY LONG ONLY (GLG)**

Discretionary long only FUM decreased by 11%, driven by net outflows. Sales were \$6.6 billion and included \$4.4 billion into Japan CoreAlpha, \$800 million into global fixed income strategies, \$600 million into European equity strategies and \$400 million into UK equity strategies. Redemptions were \$10.2 billion, of which \$7.2 billion related to Japan CoreAlpha, including \$2.8 billion of redemptions from a single client in the first half of the year. The positive investment performance was primarily a result of strong investment performance from Japan CoreAlpha. The NewSmith acquisition added \$900 million to discretionary long only FUM. Negative foreign exchange movements related to the strengthening of the US Dollar against Sterling and Japanese Yen. At 31 December 2015, 58% of discretionary long only FUM was denominated in Sterling, 19% was in Yen and 14% was in US Dollars.

GUARANTEED PRODUCTS

Guaranteed product FUM, our highest margin product grouping, reduced by \$700 million in 2015. There were no sales during the year and redemptions totalled \$400 million. The weighted average life to maturity of the guaranteed product range is 3.6 years, with \$500 million scheduled to mature in 2016, the majority of which will mature during H1 2016, and \$100 million in 2017. Investment performance for guaranteed products was negative during the year. Negative foreign exchange movements were as a result of 67% of FUM being denominated in Australian Dollars.

SUMMARY INCOME STATEMENT

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

Man is fundamentally a people business and the majority of our costs comprise payments to individuals whether they are our investment managers who manage investor assets, third-party intermediaries or internal sales staff who distribute our products, or the teams that manage our operations and infrastructure.

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Management and other fees	833	810
Share of after tax profit of associates	3	9
Distribution costs	(77)	(104)
Net management fee revenue	759	715
Performance fees (including investment income/gains ¹)	326	367
Net revenue	1,085	1,082
Asset servicing	(32)	(27)
Compensation	(462)	(391)
Other costs	(177)	(174)
Total costs	(671)	(592)
Net finance expense	(14)	(9)
Adjusted profit before tax	400	481
Adjusting items	(216)	(97)
Statutory profit before tax	184	384
Adjusted net management fee profit before tax	194	198
Adjusted net performance fee profit before tax	206	283
Diluted EPS (statutory)	10.0 cents	20.5 cents
Adjusted net management fee EPS	10.2 cents	10.1 cents
Adjusted diluted EPS	21.1 cents	24.4 cents

¹ Includes the adding back of \$9 million (2014: nil) of third-party share of losses relating to line-by-line consolidated fund entities.

GROSS MANAGEMENT FEES AND MARGINS

Gross management fees increased by 3% during the year. While average assets went up 29% year on year, the total gross management fee margin decreased from 131 basis points for the year ended 31 December 2014 to 106 basis points for the year ended 31 December 2015. The total net management fee margin (defined as gross management fees less external distribution costs) has decreased from 114 basis points to 96 basis points in 2015. These reductions are due to a continued mix shift towards institutional assets, particularly in the alternatives quant category, and the full year impact of including Numeric's assets (acquired in September 2014) which have a blended margin of around 40 basis points. The reduction in margin is less at the net level as there are higher distribution costs associated with retail FUM than institutional FUM. This product mix shift and consequent reduction in overall margin is likely to continue as we sell more open ended alternative and long only product, particularly to institutions, and there are no sales of guaranteed products.

During 2015, the alternatives quant net management fee margin reduced by 50 basis points as a result of the continued mix shift towards institutional assets, with around 80% of the net inflows from institutional investors into AHL Dimension and AHL Alpha, where the gross margin was around 1%. The inclusion of a full year of Numeric quant alternatives assets, which have a margin of around 1%, has also been a contributing factor. Going forward, it is expected that this margin will decline further with the continued shift towards institutional assets.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

NET MANAGEMENT FEE REVENUE

	Year ended 31 December 2015		Year ended 31 December 2014	
	\$m	Net margin	\$m	Net margin
Quant alternatives	235	1.5%	188	1.9%
Discretionary alternatives	170	1.0%	207	1.2%
Fund of fund alternatives	83	0.8%	96	0.9%
Quant long only	60	0.3%	20	0.3%
Discretionary long only	121	0.8%	109	0.7%
Guaranteed	78	4.6%	73	4.1%
Other income ¹	9		13	
Net management fee revenues before share of after tax profit of associates	756	1.0%	706	1.1%
Share of after tax profit of associates	3		9	
Net management fee revenues	759		715	

1 Other income primarily relates to distribution income from externally managed products.

Net management fee margins in the discretionary alternative category reduced by 26 basis points during the year, primarily as a result of the Silvermine acquisition in the first half where margins are around 44 basis points.

The net margin for the fund of funds category was 6 basis points lower compared to 2014. Looking forward we would expect the alternatives fund of fund margin to trend down as we see a greater proportion of sales into lower margin mandates, including infrastructure managed account mandates where margins are between 15 to 25 basis points.

The long only quant net management fee margin has remained consistent with the prior year at 34 basis points as the Numeric inflows in 2015 have been at a similar margin to the existing long only quant FUM.

The long only discretionary net management fee margin increased by 7 basis points as a result of \$2.8 billion of redemptions from a single client which were assets at a lower margin than the existing long only discretionary FUM.

The guaranteed product net management fee margin increased by 59 basis points compared to the year ended 31 December 2014. In 2014, the margin decreased as a result of one-off accelerated amortisation of placement fees related to redemptions and the net de-gear in the first half of the year.

PERFORMANCE FEES (INCLUDING INVESTMENT INCOME/GAINS)

Gross performance fees for the year were \$302 million compared to \$340 million in 2014, \$218 million (2014: \$272 million) from AHL (including \$22 million relating to guaranteed products, compared to \$25 million in 2014), \$37 million (2014: \$37 million) from GLG, \$40 million (2014: \$23 million) from Numeric and \$7 million (2014: \$8 million) from FRM. At 31 December 2015, around 42% of AHL open ended products (\$7 billion) were above performance fee high water mark and of the \$7.4 billion performance fee eligible Numeric products, 92% were outperforming the relevant benchmark at 31 December 2015. Around 34% of eligible GLG assets (\$3.7 billion) were above high water mark and around a further 38% (\$4.1 billion) within 5% of earning performance fees, and FRM performance fee eligible products were on average approximately 4.3% below high water mark.

Man Group benefits from a portfolio of performance fee streams across a variety of strategies that are charged on a regular basis at different points in the year. 98% of AHL FUM is performance fee eligible, of which 64% have performance fees that crystallise annually, 23% daily or weekly, and 13% monthly. The majority of GLG's performance fees crystallise semi-annually in June or December. Around 50% of Numeric performance fee eligible FUM crystallises annually in November, with the remainder crystallising at various points during the year.

Investment gains of \$24 million (2014: \$27 million), including the adding back of \$9 million of third-party share of losses (2014: nil), primarily relate to gains on seeding investments. Third-party share of losses relates to certain fund entities in which Man holds an investment which require line-by-line consolidation of the fund into the Group's results, as a result of a control assessment as defined by the applicable accounting standards. The funds requiring line-by-line consolidation in the year to 31 December 2015 made a loss, and therefore the \$9 million credit represents the third-party share of these losses.

DISTRIBUTION COSTS

Distribution costs comprised \$74 million of investor servicing fees and \$3 million of placement fees.

Investor servicing fees are paid to intermediaries for ongoing investor servicing. Servicing fees have decreased by \$15 million to \$74 million in 2015 primarily due to the continued mix shift towards institutional assets, particularly in the alternatives quant category, and the roll-off of guaranteed product FUM.

Placement fees are paid for product launches or sales and are capitalised and amortised over the expected investment holding period. The reduction in placement fees is due to limited new payments in recent years and the roll-off of amortisation of the previously capitalised balances.

ASSET SERVICING

Asset servicing costs (including custodial, valuation, fund accounting and registrar functions) were \$32 million (2014: \$27 million). Asset servicing costs equate to around 5 to 6 basis points on FUM, excluding Numeric, and vary depending on transaction volumes, the number of funds, and fund NAVs. The \$5 million increase in asset servicing compared to 2014 is largely due to the increase in average FUM over the year.

COMPENSATION COSTS

Compensation costs comprise fixed base salaries, benefits, variable bonus compensation (cash and amortisation of deferred compensation arrangements) and associated social security costs.

Total compensation costs, excluding adjusting items, increased from \$391 million in 2014 to \$462 million in 2015, an increase from 36% to 43% of net revenue. This was driven by the increase in headcount due to current and prior year acquisitions (\$34 million), higher GLG performance related compensation (\$24 million), and a less favourable hedged US Dollars to Pounds sterling rate in 2015 compared to the hedged rate in 2014 (\$10 million). The compensation structure for the GLG equity long short strategies teams is based on gross profits, which in 2015 were in excess of performance fees generated by the strategies given they started the year below high water mark. Additionally, compensation costs include an increased year-on-year charge of \$5 million as a result of the 2014 change in application of the accounting policy for deferred compensation, which impacts the charges relating to deferred share and fund awards granted from 2015 onwards.

OTHER COSTS

Other costs, excluding adjusting items, were \$177 million for the year compared to \$174 million for the year to 31 December 2014. These comprise cash costs of \$161 million (2014: \$150 million) and depreciation and amortisation of \$16 million (2014: \$24 million). The \$11 million, or 7%, increase in cash costs reflects the impact of the less favourable hedged sterling rate in 2015 (\$10 million) and to a lesser extent the costs of the newly acquired businesses (\$6 million), partially offset by continued efforts to remain disciplined on costs which has resulted in a lower underlying other costs base compared to 2014. The \$8 million decrease in depreciation and amortisation is due to lower capital expenditure in recent years, which is expected to increase in the future due to higher 2015 investment in operating platforms and business infrastructure (\$13 million) and planned capital expenditure of between \$40 million and \$50 million over the next two to three years.

NET FINANCE EXPENSE

Net finance expense, excluding adjusting items, was \$14 million for the year (2014: \$9 million). The increase is due to the full year interest charge for the ten-year fixed rate reset callable guaranteed subordinated notes (Tier 2 capital) issued in September 2014, as well as the write off the remaining \$2 million of capitalised costs relating to the previous revolving credit facility, which was renegotiated in June 2015. Finance expense includes a charge of \$3 million relating to the undrawn revolving credit facility, which is as a result of the annual charge reducing from \$4 million to \$2 million on renegotiation of the facility in June 2015.

ADJUSTED PROFIT BEFORE TAXES

Adjusted profit before tax is \$400 million compared to \$481 million for the previous year. The adjusting items in the year of \$216 million (pre-tax) are summarised in the table below and detailed in Note 2 to the Group financial statements. The directors consider that the Group's profit is most meaningful when considered on a basis which excludes acquisition and disposal related items (including non-cash items such as amortisation of purchased intangible assets and deferred tax movements relating to the recognition of tax losses in the US), impairment of assets, restructuring costs, and certain non-recurring gains or losses, which therefore reflects the recurring revenues and costs that drive the Group's cash flow.

Adjusting items \$m	Year ended 31 December 2015
Acquisition related professional fees and other integration costs	(4)
Impairment of FRM goodwill	(41)
Insurance recovery for legal claims	6
Revaluation of contingent consideration creditors	(62)
Unwind of contingent consideration discount	(17)
Amortisation of acquired intangible assets	(92)
Other adjusting items (net)	(6)
Total adjusting items (excluding tax)	(216)
Recognition of deferred tax asset (see opposite)	11

ADJUSTED NET MANAGEMENT FEE AND NET PERFORMANCE FEE PROFIT BEFORE TAX

Adjusted net management fee profit before tax was \$194 million compared to \$198 million in 2014 as the increase in gross management fees was more than offset by an increase in costs. Adjusted net performance fee profit before tax of \$206 million (2014: \$283 million) for the year reflects the lower performance fees of AHL, in conjunction with the above outlined GLG bonus allocation which is not directly attributable to performance fees generated in the year.

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Gross management and other fees	833	810
Share of after tax profit of associates	3	9
Less:		
Distribution costs	(77)	(104)
Asset services	(32)	(27)
Compensation	(351)	(310)
Other costs	(177)	(174)
Net finance expense	(5)	(6)
Adjusted net management fee profit before tax	194	198
Performance fees	302	340
Gains on investments and other financial instruments ¹	24	27
Less:		
Compensation	(111)	(81)
Finance expense	(9)	(3)
Adjusted net performance fee profit before tax	206	283

1 Includes the adding back of third-party share of losses relating to interests in consolidated funds as shown on the Group income statement.

TAXATION

The effective tax rate on adjusted profits was 10% for the year, which is consistent with the effective tax rate for 2014. This is lower than the underlying rate of around 13% due to the release of tax provisions that are no longer needed.

The underlying rate of 13% in 2015 is lower than the underlying rate of 17% in 2014 due to a lower UK tax rate and a higher proportion of profits being earned in the US where we are paying a minimal level of tax due to relief from available past operating losses and tax amortisation of acquired intangible assets. We have \$225 million of accumulated US tax losses which we can offset against the future profits from US entities and will reduce taxable profits. In addition, we have \$537 million of tax deductible goodwill and intangibles, largely relating to the Numeric (2014) and Ore Hill (2008) acquisitions, which is amortised for tax purposes in the US over 15 years and which will also reduce the US taxable profit in future periods. We therefore continue to expect not to pay federal tax in the US for a significant number of years. Based on forecast US taxable profits and consistent with the methodology applied in 2014, Man has recognised a deferred tax asset of \$19 million, which represents probable tax savings over a three year forecast period due to utilisation of these losses and tax amortisation of intangibles. This has resulted in an \$11 million credit to the tax expense in 2015, following an \$8 million credit in 2014, which are included as adjusting items.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

CASH EARNINGS (EBITDA)

The Group continues to generate strong cash earnings. 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 generation 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 and amortisation, and deferred compensation charges relating to share and fund product awards. Our adjusted EBITDA/net revenue margin was 38.8% (2014: 44.8%), which can be divided between margin on management fees of 27.2% (2014: 30.3%) and performance fees of 66.0% (2014: 73.8%). The EBITDA management fee margin has decreased compared to 2014 as a result of the continued product mix shift from higher margin retail assets to lower margin institutional and long only assets, and the EBITDA performance fee margin has decreased largely as a result of performance fee variable compensation paid in relation to certain GLG strategies, as outlined on [page 30](#).

RECONCILIATION OF ADJUSTED PBT TO ADJUSTED EBITDA

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Adjusted PBT	400	481
Add back:		
Net finance expense	14	9
Depreciation	13	21
Amortisation of capitalised computer software and placement fees	6	18
Current year amortisation of deferred compensation	53	42
Less: Deferred compensation awards relating to the current year	(64)	(79)
Adjusted EBITDA	422	492

BALANCE SHEET

The Group's balance sheet is strong and liquid.

Cash and cash equivalents have decreased during the year largely as a result of dividends on ordinary shares (\$193 million), the share repurchase and associated costs (\$176 million) and a net increase in seeding investments (\$173 million) and the purchase of Silvermine, NewSmith and the BAML fund of funds business, net of cash acquired (\$38 million), partially offset by other cash inflows from operating activities (\$528 million). Goodwill and other intangibles have decreased in 2015 due to amortisation of \$98 million, partially offset by the acquisitions of Silvermine, NewSmith and the BAML fund of funds business.

Balance sheet \$m	31 December 2015	31 December 2014
Cash and cash equivalents	607	738
Fee and other receivables	303	396
Total liquid assets	910	1,134
Payables	(750)	(697)
Net liquid assets	160	437
Investments in fund products and other investments	581	460
Pension asset	48	45
Investments in associates	30	30
Leasehold improvements and equipment	44	52
Total tangible assets	863	1,024
Borrowings	(149)	(149)
Net deferred tax liability	(10)	(36)
Net tangible assets	704	839
Goodwill and other intangibles	1,511	1,595
Shareholders' equity	2,215	2,434

LIQUIDITY

Operating cash flows were \$355 million during the year and cash and cash equivalents balances were \$586 million at year end, excluding cash relating to consolidated fund entities.

\$m	Year ended 31 December 2015
Cash at 31 December 2014	738
Operating cash flows before working capital movements	402
Working capital movements (including seeding)	(47)
Payment of dividends	(193)
Acquisition of subsidiaries, net of cash acquired	(38)
Share repurchase (including costs)	(176)
Payment of acquisition related contingent consideration	(46)
Other movements	(33)
Cash and cash equivalents	607
Less cash held by consolidated fund entities	(21)
Cash at 31 December 2015	586

Working capital movements principally relate to an increase in seeding investments of \$173 million, including fair value adjustments, partially offset by a decrease in loans to funds of \$53 million and a decrease in fee receivables of \$71 million at the year end.

In June we renegotiated our revolving credit facility, reducing its size from \$1,525 million to \$1,000 million, and extending the maturity to 2020 (with two one-year extension options). The facility remains available and undrawn and the reduction in the size of the facility, coupled with an improved credit rating from Fitch (from BBB to BBB+), has resulted in annual commitment fee savings of around \$3 million. The management of liquidity and capital are explained in [Note 15](#) and [Note 23](#) to the Group financial statements, respectively.



GOING CONCERN

The directors have concluded that there is a reasonable expectation that Man has adequate resources to continue in operational existence for the foreseeable future, and have accordingly prepared the Group financial statements on a going concern basis. Please refer to the viability statement on [page 34](#) and also to [Note 1](#) to the Group financial statements for further details.

REGULATORY CAPITAL

Man is compliant with the FCA's capital standards and has continued to maintain significant surplus regulatory capital throughout the year. At 31 December 2015, surplus regulatory capital over the regulatory capital requirements was \$453 million.

The increase in the Group financial resources of \$48 million during 2015 primarily relates to:

- (1) H2 2014 post-tax net performance fee income and other reserve movements of \$169 million;
- (2) H1 2015 post-tax net performance fee income and other reserve movements of \$113 million (H2 2015 performance fees will be added once audited in February 2016); partly offset by
- (3) The share repurchase programme of \$176 million (including costs); and
- (4) The acquisitions of Silvermine, NewSmith and the BAML fund of funds business, which have increased the intangibles deduction from Tier 1 capital by \$58 million.

The increase in the Group financial resources requirement of \$14 million primarily relates to a net increase of \$53 million driven by seeding investments in fund products, partly offset by the impact of a lower capital requirement on various receivables balances (\$14 million), loans to funds (\$14 million) and cash (\$11 million).

GROUP'S REGULATORY CAPITAL POSITION

\$m	31 December 2015	31 December 2014
Permitted share capital and reserves	2,087	2,101
Less deductions (primarily goodwill and other intangibles)	(1,485)	(1,564)
Available Tier 1 Group capital	602	537
Lower Tier 2 capital – subordinated debt	149	149
Other Tier 2 capital	3	20
Group financial resources	754	706
Less financial resources requirement	(301)	(287)
Surplus capital	453	419

As at 31 December 2015 there has been no change to the Internal Capital Guidance scalar that is applied as part of the calculation of the financial resources requirement.

DIVIDENDS AND SHARE REPURCHASES

Man's dividend policy is that we will pay out at least 100% of adjusted net management fee earnings per share (EPS) in each financial year by way of ordinary dividend. In addition, Man expects to generate significant surplus capital over time, primarily from net performance fee earnings. Available surpluses, after taking into account our required capital (including accruals for future earn-out payments), potential strategic opportunities and a prudent buffer, will be distributed to shareholders over time, by way of higher dividend payments and/or share repurchases. Whilst the Board considers dividends as the primary method of returning capital to shareholders, it will continue to execute share repurchases when advantageous.

Adjusted net management fee EPS is considered the most appropriate basis on which to routinely pay ordinary dividends as this represents the most stable and regenerating earnings base of the business, and enables the Board to utilise performance fee earnings each year in the most advantageous manner to support the Group's strategy.

The Board is proposing a final dividend for 2015 of 4.8 cents per share, which together with the interim dividend of 5.4 cents per share, equates to the adjusted net management fee EPS for 2015 of 10.2 cents per share. The reconciliation of adjusted net management fee EPS to statutory profits is provided in [Note 11](#) to the Group financial statements ([page 107](#)).

In addition to the proposed 2015 final dividend, in line with the above stated policy, the Board has decided to retain all of the surplus capital generated by the business to fund potential acquisitions. Conditions may of course change and the directors will review the decision in line with normal practice throughout 2016. Details of the share repurchase programme conducted in 2015 are given in [Note 23](#) to the Group financial statements on [page 121](#).

The proposed final dividend equates to around \$81 million, which is more than covered by the Group's available liquidity and regulatory capital resources. As at 31 December 2015, the Group's cash, less those balances ring-fenced for regulatory purposes, amounted to \$0.5 billion and the undrawn committed revolving credit facility was \$1.0 billion, as set out in [Note 15](#) to the Group financial statements. The Group regulatory capital surplus, before these distributions, was \$453 million at the year end, as shown on this page. Man Group plc's distributable reserves are \$1.9 billion before payment of the proposed final dividend or execution of the share repurchases.

Key dates relating to the proposed final dividend are: ex-dividend date 21 April 2016; record date 22 April 2016; AGM to approve the final dividend 6 May 2016; and payment date 13 May 2016. Further details on the Group's dividend can be found in the Shareholder Information section on [page 139](#).

JONATHAN SORRELL

Chief Financial Officer

RISK MANAGEMENT

AN INTEGRATED APPROACH TO RISK MANAGEMENT



from left to right
Geoff Galbraith, Global Head,
 Operations & Technology
Jonathan Eliot, Chief Risk Officer
Jasveer Singh, General Counsel

Risk management is an essential component of our approach, both to the management of investment funds on behalf of investors, and the management of Man Group's business on behalf of shareholders.

Ultimate responsibility for risk management rests with Man Group's Board, however, accountability is embedded throughout all layers of the business. Our risk management framework requires that the business operates within acceptable risk tolerances, as defined by the Board's risk appetite. Our governance structure provides a foundation for ongoing oversight in a dynamic environment. Independent fund boards are responsible for protecting the interests of fund investors.

DEVELOPMENTS IN 2015

Investment underperformance continues to be the biggest risk facing the Group. A diverse product range gives Man shareholders protection against concentrated underperformance from any one sector. The Group has continued to bolster its broad range of investment styles and products in key markets.

The expansion of our diversified product offering is supported by our balance sheet, which we have utilised to further increase the capacity of the seeding programme. 2015 has seen the launch of several new GLG and Numeric funds, as well as the growth of the collateralised loan obligation (CLO) business in Europe and North America. Whilst the Group is exposed to a decline in value of these investments, supporting the development of new products increases and diversifies revenues further.

Our operating model is reliant on technology therefore the heightened threat from cyber-crime remains an area of increased focus for the Group.

Man Group is currently regulated by 16 regulators in 13 jurisdictions; the Group continues to focus on keeping our operational and risk management frameworks effective for our evolving global business. In the 'Principal risks and mitigants' section on [pages 36 to 37](#) we have noted a number of regulatory developments. Regulation continues to evolve at different paces across the world.

We continue to seek the most efficient ways to fund our regulatory capital and liquidity requirements. In May, we completed a share repurchase, returning \$175 million of capital to shareholders.

Our counterparty risk exposures at both corporate and fund level are closely monitored. The risk to the Group's balance sheet from counterparty defaults remains low. We are conscious, however, of the continued risk of individual events, or downturns in market sentiment and we continue to take a conservative approach to counterparty selection.

ASSESSMENT OF PRINCIPAL RISKS

The directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity.

The directors describe these principal risks and explain how they are being managed or mitigated on [pages 36 to 37](#).

VIABILITY STATEMENT

- The Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and how these are managed, as described in this section of the Annual Report. A three year period was selected as this is consistent with the Group's business planning horizon.
- The strategy and associated principal risks form the basis of the Group's medium-term plan. This covers a three year period, and includes downside scenario testing. The Group's medium-term plan is built by aggregating the expected business performance across the Group, and then stressing key business assumptions (particularly those regarding investment performance and fund flows).
- The plan is also stress tested in a number of downside scenarios as part of the Group's Internal Capital Adequacy Assessment Process (ICAAP). The Board also receives regular updates throughout the year of the internally assessed level of economic capital requirement, relative to available capital supply.
- The medium-term plan and ICAAP assessments are augmented throughout the year by regular briefings at the Audit & Risk Committee by business unit heads on strategy, risk and controls, as well as dashboards across risk, compliance, finance and internal audit. The principal risks are considered within the Board's risk appetite framework.

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 Group's business.

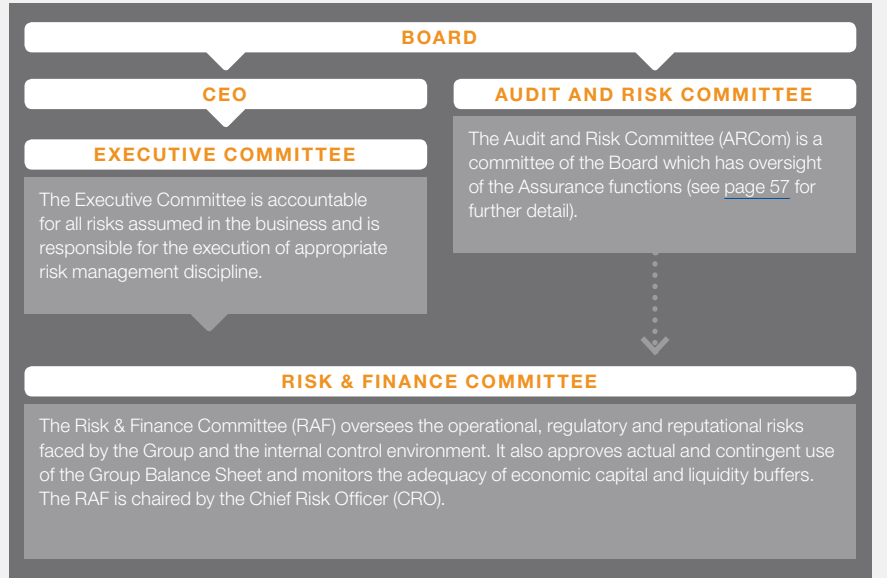
The primary goal of risk management is to support the achievement of the Group's objectives by encouraging an appropriate balance between risk-seeking and risk-averse activities, in a controlled and regulatory compliant context.

The governance framework and control environment within the Group have been designed to manage risks in accordance with risk appetite. 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 Group's procedures and processes. The statements are reviewed periodically by the Board.

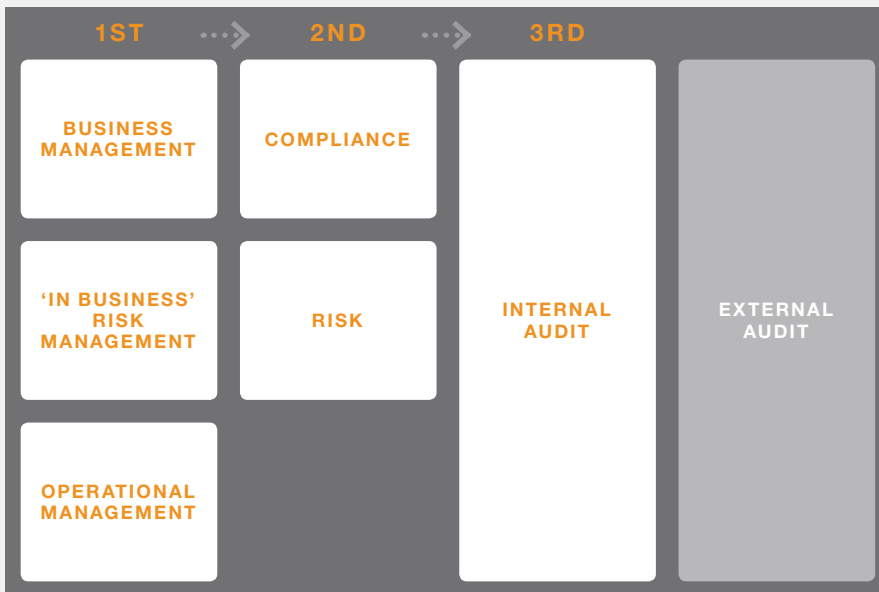
A summary of the new risk appetite statements is available at www.man.com.

MAN GROUP'S GOVERNANCE

The committees below 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.



THREE LINES OF DEFENCE



The overall risk management framework at Man Group 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 Group 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

Our comprehensive risk framework includes strategic, financial and operational risks to both Man Group and our funds.

RISKS

1. Investment underperformance risk

Fund underperformance on an absolute basis, relative to a benchmark or relative to peer groups would reduce FUM and may result in lower subscriptions and higher redemptions. This risk is exacerbated at times of volatile markets. 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 Group's FUM and revenue margins by product line are shown on [pages 28 and 30](#) respectively.

Adverse market moves and high volatility may sharply increase the demands on the liquid resources in Man Group's funds. Market stress and increased redemptions could result in the deterioration of fund liquidity and in the severest cases this could lead to the gating of funds.

2. Regulatory risk

Man Group offers an increasingly wide range of investment products covering multiple strategies from a global network of offices. It is licensed in 13 jurisdictions, which results in Man Group being subject to a matrix of regulations.

Man Group is regulated by 16 regulators. The Financial Conduct Authority in the UK is the lead regulator.

Notable regulatory developments include the upcoming implementation of UCITS V, MiFID II and the Market Abuse Regulation.

3. Balance sheet market risk

The main sources of market risk are:

Man Group uses capital to seed new funds as part of the ongoing business to build our fund offering and expand product distribution. Man Group is exposed to a decline in value of the seeding book.

Man Group underwrites the risks related to the UK defined benefit pension plan which closed to new members in 1999 and future accrual in 2011. The plan is fully funded, but is exposed to changes in net asset versus liability values.

Volatile markets can place additional, often short term, demands on the balance sheet. Man Group is exposed to having insufficient liquidity resources to meet its obligations.

4. Operational risk

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

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

Acquisitions into the Group introduce short-term integration risks.

MITIGANTS

This is the key risk Man Group has to accept if it is to undertake its business. Man Group'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 Group's diversified range of products and strategies across the alternatives marketplace mitigates the risk to the business from underperformance of any particular strategy.

Man Group conducts regular liquidity tests on its funds and endeavours to manage resources in such a way as to meet all demands for fund redemptions according to contractual terms.

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

Man Group 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 Group continues to liaise directly and indirectly with competent authorities e.g. FCA, IOSCO, ESMA, HMT, NFA, DFSA and CSRC through its Compliance department which consists of approximately 42 specialists covering Corporate, Investment Management, Sales and Marketing and Financial Crime. Compliance is located across six jurisdictions.

Requests for seeding capital are assessed on their strategic rationale for the business. Approvals are granted by the Seed Investment Committee (SIC), which is comprised of senior management, Risk and Treasury. Investments are subject to risk limits, an exit strategy and are hedged to a benchmark where appropriate. The positions are monitored regularly by Group Risk and reviewed by the SIC.

Asset reallocations by the UK pension plan trustees in 2015 sought to minimise the Equity and net UK interest rate risks. Longevity risk remains but is uncorrelated to Man Group's other risks.

Man Group has access to a revolving credit facility and maintains a liquidity surplus.

Risk and Control Self-Assessment (RCSA) is at the core of our assessment of operational risks. Key risk indicators and operational risk events are regularly reviewed so that our assessment of operational risks correctly reflects the Group's operational risk profile. These assessments are subject to independent review by Risk and Internal Audit, who also provide assurance over the adequacy of the Group's control processes.

Man Group's operations team have implemented a methodology (including KPI monitoring) to confirm that outsourced service providers are delivering as required. This process is monitored by the Risk & Finance Committee and ARCom.

Man Group's executive team is experienced in managing integrations. Our risk and compliance teams independently review the assessment of integration risks and the appropriateness of risk mitigation plans.



RISKS

5. Information security risk

Technology and information security are central to Man Group's business. Information security risk is defined as the risk of loss resulting from cyber-crime, malicious disruption to our networks or from the theft, misplacing, interception, corruption or deletion of information.

6. Discretionary trading risk

The risk that investment managers either intentionally or unintentionally fail to execute and/or book trades correctly, or fail to adhere to investment mandates or regulatory rules. This includes insider dealing and market abuse, misrepresenting trading positions/trades and misallocation between funds. Man Group may need to compensate for any losses arising from such trades, as well as face the possibility of fines, lawsuits and reputational damage.

7. Credit/counterparty risk

The risk that a counterparty with which the funds or Man Group have financial transactions becomes distressed.

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

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

8. Legal risk

The global nature of Man Group's business, with corporate and fund entities located in multiple jurisdictions and a diverse investor base makes it subject to a wide range of laws. Failure to comply with these laws and regulations may put Man Group at risk of fines, lawsuits or reputational damage.

In response to the financial crisis, an unprecedented number of new laws have arisen which are applicable to Man Group. While the legislative response has been global, implementation is local which leads to variations of approach between key jurisdictions. Failure to stay abreast of, analyse and respond to these new and varied laws may expose Man Group to the risks outlined above.

9. Reputational risk

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.

10. Key staff retention risk

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

MITIGANTS

Cyber-crime attacks continue to grow in terms of scale and complexity. We have deployed a number of preventative and detective controls to defend our IT systems against cyber-attack. These include penetration tests, monitoring for targeted attacks, regular security awareness training for employees, a specialist security company monitoring our networks and regular access reviews. However, the fast pace of innovation by cyber-criminals makes it particularly challenging to assess the effectiveness of our defences and deliver protection against this increasing threat.

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 so that they are aware of due processes and their responsibilities related to the placing of trades.

Man Group diversifies its deposits across a number of the strongest financial counterparties, each of which is approved and regularly reviewed for creditworthiness by the Counterparty Monitoring Committee, a sub committee of the Risk and Finance Committee. The Group Risk function monitors the credit spreads and ratings of the approved counterparties on a daily basis.

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.

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

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

Emphasis is placed on proactively analysing new legal developments to assess likely impacts and mitigate risks.

Our reputation is dependent on both our operational and fund performance. Integrity is fundamental to ensuring Man Group is able to attract investment in funds. Our governance and control structure helps mitigate operational concerns, and our attention to people and investment processes aim to establish that we comply with accepted standards of investment management practice.

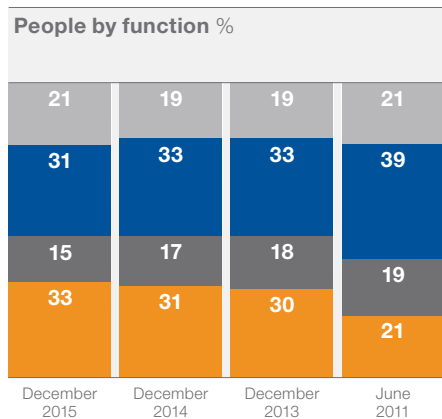
Man Group has been able to attract and retain an array of talented individuals across the Group. Business and investment processes are designed with a view to continue this trend and minimise the impact of losing any key individuals. However, the nature of Man's business means that this is a risk that Man Group must accept.

PEOPLE

In investment management our people are our assets and losing them is one of our biggest risks. We focus on delivering superior performance and excellent client service by attracting, developing and retaining the best individuals. By coaching and encouraging our people to be the best within a highly meritocratic culture, we retain them as they become leaders in their field.

EMPLOYEES

1,230



■ Investment management
■ Sales and Marketing
■ Product and Client Operations and Technology
■ Central management and support
 Note:
 Job function based on Business Unit, not individual role.

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 highly 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.

TALENT

It remains vitally important to maintain a strong pipeline of talented individuals for the future of the business. Our investment management graduate programme and structured summer internship programme launched in 2014 remain extremely popular and have enabled us to attract high quality junior talent. We currently have seven trainees on the graduate programme and have five more graduate trainees (two of whom were 2015 interns) joining in 2016. Each graduate undertakes 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. Following the success of the 2014 and 2015 summer intern programmes, we have hired another five interns who will spend ten weeks with us in the summer of 2016, working on key projects with a view to successful interns being offered a place on the following year's graduate programme.

We focus on retention through our annual performance evaluation and continuous succession planning processes. The 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. During 2015 we had a number of internal moves which have enabled us to support individual career development and cross-train high potential employees. We were also pleased to see minimal voluntary resignations of key individuals during 2015 against the backdrop of a general reduction in voluntary turnover versus 2014.

During 2015, the acquisitions of NewSmith LLP and Silvermine resulted in the arrival of a new pool of talent at the firm, and we welcomed 38 new members of staff in total.

We also made a number of key hires throughout the year including Moni Sternbach who joined Man GLG to run a European Mid-Cap Fund, Asim Nurmohamed who joined Man GLG as a Senior Portfolio Manager in the equity alternatives team and more recently Guillermo Osses who was hired to run an Emerging Markets debt fund for Man GLG. Outside of investment management, Kate Squire joined Man as Head of Compliance & Regulatory.

In 2013, we hired apprentices for the first time in the UK through participation in the Evening Standard's Ladder for London initiative – a scheme which helps tackle youth unemployment in London. Our second cohort of apprentices joined in April 2015 in Operations, Technology, Finance, Legal and Administration. To ensure the apprentices received maximum benefit from their work placements, they were supported by supervisors, assigned buddies and human resources. They were also given regular exposure to management through discussion sessions at which they provided progress updates to members of the senior leadership team. The programme gives the apprentices wide-ranging and valuable experience which

will help them build their careers. One 2013 apprentice was successful in receiving an offer of a full-time permanent position following completion of the apprenticeship. We are keen to continue supporting this initiative so intend to take on another cohort of apprentices in 2016.

HEADCOUNT

Some organic growth along with the acquisitions mentioned previously mean Group headcount including contractors and consultants has increased from 1,078 at 31 December 2014 to 1,230 at 31 December 2015. The ratio of support function employees to front office remains approximately one to one, which we believe to be in line with industry best practice.

REMUNERATION & BENEFITS

Our remuneration policies and practices are designed to enable us to remain competitive in the increasingly global markets in which we operate. Remuneration packages include combinations of the following elements – salary, annual performance bonus and deferred share/fund awards, along with other non-cash benefits. The bonus deferral arrangement is a key mechanism for focusing employees on Man Group’s long-term performance.

Employee welfare is an important consideration and we regularly benchmark our benefits packages to ensure we are competitive and in line with the market. During 2015 we again conducted a full review of our benefits offerings, resulting in new/improved benefits to be introduced in 2016. One such example in the UK is the introduction of a new benefit option which offers increased flexibility to purchase additional life cover (in excess of the core cover amount) for staff members and their partners. During 2015 we again offered our UK-based employees the opportunity to participate in the Man Group Sharesave Scheme at the maximum limit and discount allowed by HMRC.

See pages 64 to 87 for the Directors’ remuneration report

EQUALITY AND DIVERSITY

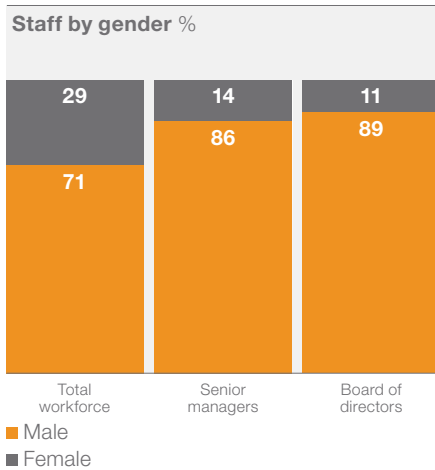
Man Group’s culture is based on mutual respect for others and discrimination by any individual on the grounds of age, disability, gender, race, religion, sexual orientation or educational background is not tolerated. We offer tangible support through our employee assistance programmes, which are designed to assist individuals with aspects of their lives outside the workplace which may affect their ability to perform.

Full and fair consideration is given by Man to applications for employment made by disabled persons, having regard to their aptitudes and abilities. Man Group’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.

Achieving a better balance between male and female employees across the business and particularly at a senior level, is a challenge many financial services organisations face and it continues to be a key priority for Man Group. We remain committed to promoting gender diversity at all levels, and we currently have two women in senior roles who sit on the Executive Committee (as shown in the table overleaf). Our recruitment policy has the objective of securing 50% female representation on long lists of candidates (internal and external) for senior roles and we engage executive search firms who have signed up to the Voluntary Code of Conduct on gender diversity and best practice. Agency partners have been asked to read and acknowledge our Global Inclusion Policy.

EMPLOYEE TURNOVER

8%



EMPLOYEE SHARE OWNERSHIP

5.7%

We also currently have several initiatives in place to support and encourage our female talent. Man Group continues to develop DRIVE as an internal support network, with a programme of regular events to inform and support women within the firm, as well as providing networking opportunities both internally and externally. Alongside this initiative, Man Group has also developed and piloted a mentoring programme for high potential employees, one key aim of this is to help and retain female talent. An additional initiative agreed in 2015 was a pilot returner programme – this scheme targets individuals who have taken a career break and now wish to return to the workforce. We focused our search on candidates with front office experience and were pleased to shortlist several high calibre female applicants for interviews, with a view to any new hires joining by Q2 2016. The programme offers a level of flexibility in terms of working hours, and we are starting to see an increase in flexible working more generally around the business – a positive step to support the large proportion of our workforce who have children or other caring responsibilities.

Man Group is committed to increasing female participation in its graduate programme, and in 2015 we predominantly focused our campus marketing activity in direct support of this objective, by focusing on relevant university courses, societies and clubs that helped inform our targeted recruitment. Furthermore, we have started to sponsor the European Girls' Mathematical Olympiad as part of our effort to support and encourage female talent in the potential pipeline for financial services careers. There is evidence that these initiatives are beginning to have an impact as we saw twice as many females attending our graduate assessment centres in 2015 as had attended in previous years, with two female candidates being selected for our 2016 graduate intake.

During 2015, Man initiated partnerships with SEO London and Investment 2020 to help us source talent from more diverse backgrounds, and we have been pleased to see increased diversity in our graduate and intern applications as a result of these collaborative efforts.

Man Group strongly believes in the benefits of a diverse and multi-cultural workforce and is confident that the current multifaceted approach will enable the firm to progress its diversity agenda.

MAN GROUP EXECUTIVE COMMITTEE

Manny Roman	Chief Executive Officer, Man Group
Eric Burl	Co-Head, Global Sales & Marketing and Head of Man Americas
Jonathan Eliot	Chief Risk Officer
Luke Ellis	President, Man Group
Mike Even	President & Chief Executive Officer, Numeric
Geoff Galbraith	Global Head, Operations & Technology
Robyn Grew	Global Head, Legal & Compliance
Keith Haydon	Chief Investment Officer, FRM
René Herren	Deputy Head, Global Sales & Marketing
Teun Johnston	Co-Chief Executive Officer, GLG
Mark Jones	Co-Chief Executive Officer, GLG
Pierre Lagrange	Chairman, Man Asia & Senior Managing Director, GLG
Michelle McCloskey	President, FRM
Shanta Puchtler	Chief Investment Officer – Director of Research, Numeric
Tim Rainsford	Co-Head, Global Sales & Marketing
Sandy Rattray	Chief Executive Officer, AHL
Jasveer Singh	General Counsel
Jonathan Sorrell	Chief Financial Officer
Tim Wong	Chairman, AHL



DEVELOPMENT, ENGAGEMENT AND SUPPORT

In order to maximise the potential of our employees, we work with all areas of the business to support training and development needs. This covers a wide range of initiatives including technical courses, team development and individual executive coaching. In 2015, we introduced a new soft skills training programme, offering bite size modules with each focusing on a different core topic. We also introduced a senior mentoring programme which pairs Board members with individuals on the Executive Committee to offer further development to our senior executives. 360° review processes are increasingly being used to gather feedback, enabling individuals to receive comments from a number of sources which supports their development. In addition, we run a number of in-house educational events such as Business Education sessions and informal breakfast discussions hosted by members of the Executive Committee.

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 crucial part of the dissemination of knowledge and information.

Maintaining high levels of engagement from our workforce is vital in order to sustain our position as an industry market leader. During 2015 we conducted a global employee survey to gather feedback on areas such as culture, leadership, career opportunities and communication. We achieved an excellent response rate (77%) and saw good evidence of job satisfaction and trust in the senior leadership team, along with positive endorsement of our business principles. We also now offer long service awards to recognize those individuals who have completed 10 years' and 20 years' service with the Company.

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.

BUSINESS PRINCIPLES

At Man Group, we are committed to conducting our business in accordance with the principles outlined below, which we believe will enable us to be the best we can be and which we continue to embed within all areas of the business. We strive to deliver outstanding results for our clients, whose interests always come first and are the focus of our firm. We aim for excellence and expect the highest standard of quality of work from everyone across the firm.

We always do the right thing, conducting our business with the highest standards of behaviour, honesty and integrity. We continue to invest in talent, technology and research to ensure we provide a differentiated offering, underpinned by leading experience, expertise and innovation. We provide an inclusive work environment, where reward and progression are based solely on merit.

Man Group's business principles are designed to distil and define the firm's key priorities, focus and culture. The principles are displayed in Man Group's offices internationally to promote a common understanding of the firm's values:



Performance

First, foremost and always, we focus on delivering superior risk adjusted performance.



Excellence

Good is not enough, we strive to be excellent in all we do.



Clients

Our clients are at the heart of everything we do.



Differentiation

We seek to be differentiated and original in our thinking.



Responsibility

We always do the right thing and conduct our business with the highest standards of integrity.



Meritocracy

We succeed through talent, commitment, diligence and teamwork.

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 reputation and maintain the trust and loyalty of our key stakeholders. We focus on five key areas of corporate responsibility:

WORLD CLASS GOVERNANCE AND RISK MANAGEMENT

Man Group strives to deliver the highest standards of governance and risk management. We have long recognised the importance of corporate governance practices that help to 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.

RESPONSIBILITIES TO OUR MARKET PLACE

Man Group 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 Group 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.

MANAGING OUR PEOPLE

Man Group 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.



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. ManKind gives employees the opportunity to take two additional days paid leave per annum to volunteer with charities supported by the Man Charitable Trust or with a charity of their choice. 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.

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 risk 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.

MAN GROUP'S LITERARY SPONSORSHIPS



A Brief History of Seven Killings, by Marlon James, Man Booker Prize winner 2015.

Man Group sponsors two major literary prizes – the annual Man Booker Prize for Fiction and the recently evolved Man Booker International Prize.

Man Group has sponsored the Man Booker Prize for Fiction since 2002. Launched in 1969, the prize receives worldwide recognition and aims to promote excellence in fiction by awarding the best full-length novel published in the English language that year. 2014 saw the expansion of the prize to include entries from writers of all nationalities, writing originally in English and published in the UK.

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.”

Jamaican-born writer Marlon James won the 2015 Man Booker Prize for Fiction with his novel *A Brief History of Seven Killings*, a 686-page epic with over 75 characters and voices. Through a myriad of voices, the book retells the near mythic assassination attempt of Bob Marley, to create a rich, polyphonic study of violence, politics and the musical legacy of Kingston of the 1970s.

“It moves at a terrific pace and will come to be seen as a classic of our times”, said Michael Wood, Chair of judges. James was presented with the Prize by HRH The Duchess of Cornwall and Man Group’s Chief Executive Officer, Emmanuel Roman, on 13 October 2015, at London’s Guildhall.

Man Group is also the sponsor of the Man Booker International Prize, which, from 2016, will be awarded annually on the basis of a single book, translated into English and published in the UK, rather than as previously every two years for a body of work. Both novels and collections of short stories will now be eligible for the prize.

The 2015 Man Booker International Prize was awarded to Hungarian author László Krasznahorkai. On announcing the winner, Chair of judges Marina Warner commented:

“László Krasznahorkai is a visionary writer of extraordinary intensity and vocal range who captures the texture of present day existence in scenes that are terrifying, strange, appallingly comic, and often shatteringly beautiful.”

The 2015 prize highlighted the growing importance of quality fiction in translation, with eight out of ten of the finalists having been originally published in a language other than English.

Sponsorship of the prizes underscores Man Group’s charitable focus on literacy and education as well as the firm’s commitment to excellence and entrepreneurship. Together with the wider charitable activities of the Booker Prize Foundation, the prizes play a very important role in promoting literary excellence on a global scale that the firm is honoured to support.



2015 shortlist.

© Jamie Airey

CHARITABLE TRUST

Whilst the broader economic environment in the United Kingdom has arguably improved compared to recent years, our experience is that the voluntary sector remains in a state of transition. Small charities continue to be challenged by the public sector spending cuts despite their credible efforts to secure funding from the private sector which itself is emerging from the recession amidst a volatile economic and political landscape.



Registered charity no: 275386

In 2015, the Trust continued to focus its grant-making activity on charities that were able to demonstrate an improvement in literacy and numeracy skills whilst more broadly raising educational attainment. Literacy and numeracy skills are acknowledged as being essential to the happiness, health and economic wellbeing of individuals and society. It is well documented that low levels of these skills lead to a large number of poor outcomes and are linked to unemployment or dependence on state benefits, low wages and poor health.

The Trust continued to utilise its reserves in 2015, spending \$615,000 on charitable donations and employee engagement programmes in the period. Wherever practicable, the Trust seeks to leverage the grants made to charities by encouraging them to raise capital through other funding sources at the same time. In the UK our supported projects benefited thousands of vulnerable children, young people and adults living in disadvantaged neighbourhoods, providing them with the essential skills they need to succeed in life and make a positive contribution to society.

Our supported charities also gained from the time and effort given by Man Group employees through our ManKind community volunteering programme. ManKind gives employees the opportunity to take two additional days paid leave per annum to volunteer with charities supported by the Man Charitable Trust or with a charity of their choice. The positive social benefits that stem from employees' skills, experience and knowledge can make a real difference to local communities. Volunteering also provides a highly cost-effective and valuable method of achieving positive learning and development benefits for our employees and we are delighted that once again a good proportion of Man employees volunteered their time, experience and skills during the past year.



Man volunteers provided support to those in need in the local community, undertaking a range of activities including running financial literacy programmes and weekly reading sessions for primary school children, transforming outdoor spaces and sorting and packaging food at a local foodbank. Man Group has also hosted a number of career insight days at the London offices, providing staff the opportunity to share their knowledge and experience, and giving young people an insight into the professional world in order to enhance their employability skills and careers education, whilst inspiring them to access careers they might not know about.

▲ Man Group employees often take part in charitable fundraising on behalf of the Man Charitable Trust annual charity.

Employees additionally took part in a number of volunteering and fundraising activities for our annual charity, the Children's Cancer Recovery Project, supporting their work with children and families coping with a child's cancer diagnosis. Employees ran, jumped out of aeroplanes, baked cakes and raised funds through a "Christmas jumper" day.

We would like to express our thanks to all the Man employees who supported our charitable programmes during the year and to those who donated via their Give as You Earn accounts. In 2016, the Trust intends to continue to provide support to charities that are able to evidence their ability to improve literacy and numeracy outcomes.

FEATURED GRANTS

The Man Charitable Trust awards grants to charities that work towards raising the levels of literacy and numeracy in the UK. Examples of Grants awarded in 2015 include:



▲ CITY GATEWAY

City Gateway exists to bring hope to local communities living in intergenerational poverty and social exclusion. They work to build trust with some of the most vulnerable individuals and tackle complex needs with a well-rounded and personalised approach that sees award winning results. City Gateway builds bridges to the hardest-to-reach individuals to advise, mentor and train people for healthier lives, a solid education for career progression and life-changing work opportunities.

The Trust's donation has gone towards funding the Formal Education Programme for 2015-17, which specifically targets teaching 19-24 year olds in English and Mathematics.



▲ WESTSIDE SCHOOL

Westside School provides an alternative education approach supporting pupils aged 13-16 years who have been excluded from mainstream schooling. Westside became a free school in 2014, the first alternative provision in London, and offers seven GCSE's with English, Mathematics, Science and Computer Science as core subjects along with Citizenship, Child Development and Art, as well as a range of vocational courses including Cooking, Mechanics, and Hair & Beauty. The school deals with a wide range of students' needs, from autism, dyslexia, to anger management issues and English as an Additional Language.

The Trust's donation has supported the Student Development Programme, which aims to upgrade current methods and procedures, equipping the students so that they can confidently sit their GCSEs and gain the life skills that enable them to participate fully and productively in the wider community.

▲ LIFT FOR LEARNING

LIFT for Learning is a charitable development hub creating and delivering projects to inspire learning. It is dedicated to inspiring the belief that every child, young person and adult deserves a fair and equal chance to flourish in education, by harnessing the digital medium as a powerful tool for building traditional literacy skills and the new forms of digital literacy. The charity aims to make targeted interventions that reach and engage those most at risk of long-term social exclusion and to exemplify successful ways of advancing the acquisition of literacy.

The Trust's donation has supported the development of an online safety project "Protecting The Most Vulnerable Children Online". This strategy aims to fill a major gap in the current provision, as children struggling with literacy have very little grasp of what personal information actually means which results in vulnerability online.

▲ SPRINGBOARD FOR CHILDREN

Springboard works to improve the life opportunities of disadvantaged children who are at risk of being left behind in the education system due to literacy challenges. The charity aims to service children in socially and economically disadvantaged areas, to help them acquire basic literacy skills and help raise their expectations of themselves and their future.

The Trust's donation has gone towards supporting the Springboard Expert programme, for children facing the greatest learning challenges, who need highly trained specialists to teach them strategies for reading and writing that are tailored to their needs.



BOARD OF DIRECTORS



Jon Aisbitt

Chairman of the Board and Chairman of the Nomination Committee

Date of appointment

Jon was appointed to the Board as a non-executive director in August 2003 and was appointed non-executive Chairman in September 2007.

Background and career

Prior to joining the Board, Jon was a Partner and Managing Director in the Investment Banking Division of Goldman Sachs based in New York, London and Sydney.

Areas of expertise

Jon has over 20 years' experience in international corporate finance. He has significant technical knowledge of capital markets and the complex regulatory backdrop in which they operate. Since being appointed as Chairman of Man Group, Jon has navigated the Company and the Board through significant change and has encouraged the development of the Group's strategy through the introduction of new and diversified investment styles.

Current external roles

Jon is Deputy Chairman of New Forests Company Holdings Limited (African sustainable forestry and timber processing) and a non-executive director of Pro Bono Bio plc (biotechnology).

Committee membership

Jon is Chairman of the Nomination Committee and a member of the Remuneration Committee. He attends Audit and Risk Committee meetings by invitation.



Richard Berliand

Independent non-executive director

Date of appointment

Richard was appointed to the Board as a non-executive director in January 2016.

Background and career

Richard held a number of senior roles at J.P. Morgan over a 23 year career at the bank, including Global Head of Prime Services, Global Head of Cash Equities and Chairman of J.P. Morgan's Market Structure practice.

Areas of expertise

Richard has a wealth of experience in the financial services sector gained through a number of senior executive roles. He also brings extensive experience from a diverse range of international non-executive positions, providing him with a valuable understanding of the current regulatory environment.

Current external roles

Richard is Deputy Chairman of Deutsche Börse AG in Frankfurt and a non-executive director of Rothesay Life Limited. He is also Chairman of ITRS Global Holdings Limited, a non-executive director of Mako Europe Ltd and a member of the CFTC Global Markets Advisory Committee in Washington D.C.

Committee membership

Richard is a member of the Remuneration Committee and the Nomination Committee. Following the Board search for an appropriate director to succeed Phillip Colebatch as Chairman of the Remuneration Committee, it is intended that Richard will assume this role following the Company's 2016 AGM.



Phillip Colebatch

Senior Independent Director and Chairman of the Remuneration Committee

Date of appointment

Phillip was appointed to the Board as a non-executive director in September 2007. He was appointed as Chairman of the Remuneration Committee in 2008 and Senior Independent Director in August 2013.

Background and career

Before joining the Board, Phillip was a member of the Executive Board of Credit Suisse Group, first as Chief Financial Officer and then as CEO of Credit Suisse Asset Management. Phillip was subsequently a member of the Executive Board of Swiss Reinsurance Company.

Areas of expertise

Phillip has extensive strategic, financial, operational and markets experience gained through his various senior positions in global financial institutions.

Current external roles

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 Lichtenstein Foundation.

Committee membership

Phillip is Chairman of the Remuneration Committee and a member of the Audit & Risk Committee and the Nomination Committee. Following the Board search for an appropriate director to succeed Phillip as Chairman of the Remuneration Committee, it is intended that Richard Berliand will assume this role following the Company's 2016 AGM.



John Cryan

Independent non-executive director

Date of appointment

John was appointed to the Board as a non-executive director in January 2015.

Background and career

John is Co-CEO of Deutsche Bank AG. He previously held a number of senior roles at UBS AG over a career spanning more than 25 years with the banking group, during which time he served as Group Chief Financial Officer and Chairman and CEO of UBS AG EMEA. Following his time at UBS, John was president of Temasek International's European Operations.

Areas of expertise

John has extensive knowledge of international financial markets gained from experience at leading global financial institutions and brings significant knowledge of the regulatory environment in which Man Group operates.

Current external roles

John is Co-CEO of Deutsche Bank AG.

Committee membership

John is a member of the Nomination Committee.

**Andrew Horton**

Independent non-executive director

Date of appointment

Andrew was appointed to the Board as a non-executive director in August 2013.

Background and career

Andrew has served on the Board of Beazley plc since 2003, first as Group Finance Director and since 2008, as Chief Executive Officer. Prior to his time at Beazley, Andrew held a number of financial positions within ING, NatWest and Lloyds bank.

Areas of expertise

Andrew has over 25 years of broad financial services experience with significant exposure to operating at Board level. Given Andrew's banking, financial markets and insurance background, he is well placed to contribute to Man Group's strategic development, risk management and financial reporting. Andrew's international experience has also allowed him to provide valuable input to Man Group's increased international presence.

Current external roles

Andrew is Chief Executive Officer of Beazley plc.

Committee membership

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

**Matthew Lester**

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

Date of appointment

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

Background and career

Matthew is Chief Finance Officer of Royal Mail plc. He was Group Finance Director of ICAP from 2006 to 2010 and prior to that held a range of senior finance roles at Diageo, including Group Financial Controller and Group Treasurer.

Areas of expertise

Matthew has substantial financial management and regulatory expertise. He also has significant listed company experience acquired through his role at ICAP and through the flotation of Royal Mail plc on the London Stock Exchange. Matthew's experience, coupled with his role as Chairman of Man Group's Audit and Risk Committee, allows him to provide substantial insight into the Group's financial reporting and risk management processes.

Current external roles

Matthew is Chief Finance Officer of Royal Mail plc. He is also on the main Committee of the Hundred Group of Finance Directors where he chairs the Investor Relations and Markets Committee.

Committee membership

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

**Lord Livingston of Parkhead**

Independent non-executive director and Chairman designate

Date of appointment

Ian was appointed to the Board as a non-executive director and Chairman designate in January 2016.

Background and career

Ian served as Minister of State for Trade and Investment from 2013 to 2015. Prior to this, he was Group Chief Executive Officer of BT Group Plc, having previously served as Chief Executive Officer of BT Retail and as Group Chief Financial Officer. Before joining BT, he was Chief Financial Officer of Dixons Group plc.

Areas of expertise

With almost two decades of board level FTSE 100 experience, Ian brings extensive knowledge and understanding of successfully growing a complex international business and navigating regulatory environments around the world. He has a strong track record of innovative leadership that will be invaluable to the Board and executive team.

Current external roles

Ian is a serving member of the House of Lords. He is Deputy Chairman of Dixons Carphone plc and a non-executive director of Celtic plc and Belmont Ltd.

Committee membership

Ian is a member of the Audit and Risk Committee, Remuneration Committee and Nomination Committee.

**Emmanuel Roman**

Chief Executive Officer

Date of appointment

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

Background and career

Manny 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.

Areas of expertise

Manny has a strong and varied investment management background and extensive trading, operational and business management experience. Since his appointment as CEO, Manny has led the Company in diversifying its product range and increasing its international presence through disciplined acquisitions. He also has overseen the restructure of the Company's cost base. Details of Manny's achievements during 2015 can be found on [page 71](#).

Current external roles

Manny is a trustee of the Hedge Fund Standards Board Limited and a non-executive director of Penguin Random House Limited.

Committee membership

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



BOARD OF DIRECTORS CONTINUED



Dev Sanyal

Independent non-executive director

Date of appointment

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

Background and career

Dev has held a number of senior financial and line management positions with BP in a global career spanning 25 years. Positions include Group Treasurer, Chairman of BP Investment Management, Business Chief Executive, Executive Vice President, Strategy and Integration and member of BP's Group Executive Committee.

Areas of expertise

Dev has extensive knowledge of capital markets, asset and risk management, trading and foreign exchange gained from his role as BP Group Treasurer and Chairman of BP Investment Management Ltd. He also has broad international experience and wide ranging operational expertise in senior executive roles and is, therefore, able to contribute to the development and execution of Man Group's business strategy and global relationships.

Current external roles

Dev currently serves at BP as Chief Executive, Alternative Energy, Executive Vice President, Regions with responsibility for Europe and Asia regions and a member of the Group Executive Committee. He is also a member of the Accenture Global Energy Board, a member of the Board of Advisors of The Fletcher School of Law and Diplomacy and Vice Chairman of the Centre for China in the World Economy at Tsinghua University.

Committee membership

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



Nina Shapiro

Independent non-executive director

Date of appointment

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

Background and career

Nina held several senior management and operating roles at the World Bank and has led numerous investments in emerging markets. From 2000 to 2011, Nina was a member of the Management Group and was Vice President, Finance, and Treasurer of the International Finance Corporation (the World Bank's private sector arm). In that role she managed liquid asset investment and capital market fundraising.

Areas of expertise

With extensive experience in international financial markets and in-depth knowledge of investment in emerging markets, Nina has particular insight into financial policy and market development. This perspective helps to support Man Group in its international expansion.

Current external roles

Nina is a director of Zyfin (an originator of ETFs for emerging markets) and Mountain Partners (an accelerator for early technology ventures). She also is on the Advisory Boards of Zurich Insurance Group's Investment Management Advisory Council, the New Silk Route PE Fund and the Carbon Trust.

Committee membership

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



Jonathan Sorrell

Chief Financial Officer

Date of appointment

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

Background and career

Jonathan joined Man in August 2011 as Head of Strategy and Corporate Finance. Prior to this, he spent 13 years at Goldman Sachs, where he worked in the Investment Management, Securities and Investment Banking Divisions, latterly leading investments in a broad range of hedge fund firms.

Areas of expertise

Jonathan's experience of financial markets, particularly his extensive knowledge of the hedge fund industry and strong background in strategy and execution, has supported the development of Man's strategy, including M&A activity that has strengthened Man's footprint in the US. He has also brought clear focus on financial efficiency through the delivery of challenging cost saving initiatives and the restructuring of Man Group's balance sheet. Details of Jonathan's achievements during 2015 can be found on [page 72](#).

Current external roles

Jonathan is a director of Nephila Holdings Limited.

Committee membership

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



Jon Aisbitt
Chairman



Dear Shareholder

I am pleased to report to you on the Board's activities and development in my last year as Chairman of Man.

As indicated in my Chairman's statement, after a year of major acquisition in 2014 the Board's focus turned to reviewing against plan the performance of the businesses acquired, monitoring the progress of their integration into Man's operational infrastructure and testing the risk management which had been put in place. The Board also reviewed Man's investment in people, exploring the success of the new investment managers hired into GLG, the development and mobility of the internal talent pool and the dissemination throughout the Group of the set of core business principles introduced by the executive team in 2014.

2015 was also a year of building future talent for the Board. While Phillip Colebatch was leading the search for my successor as Chairman, I concentrated on the search for his successor as Remuneration Committee Chairman. Both appointments were successfully completed around the turn of the year and will provide excellent leadership for the future.

I am pleased to have had the opportunity to lead Man's Board for the last nine years through a period of profound change for the business and the industry as a whole. I would like to thank my fellow Board members and the executive management for their unfailing support and effort through what have often been uncertain and testing times. I am confident in the strength of the team that I hand over to Ian and wish my colleagues all the best for the opportunities and challenges that lie ahead.

Jon Aisbitt
Chairman

CORPORATE GOVERNANCE REPORT

CONTINUED

BOARD LEADERSHIP

Board composition

One of my most important jobs during my time as Chairman has been to build a Board which has the right balance of skills, experience and outlook to meet the changing needs of the business and to provide maximum support and challenge to the executive team. The nature and structure of Man's business has evolved significantly over the last nine years and the changes in the profile of the Board reflect the scale of that change. While all its members continue to have in-depth financial and fund management experience of various kinds, the Board has been fully refreshed in recent years with the appointment of four independent non-executive directors who are serving executives in other companies. These individuals bring current operational experience and insights which are highly valued by Man's executive team. The analyses of our membership opposite show the strength of the Board's membership in terms of the range of relevant experience our directors offer and the period over which they have been building their knowledge of the business.

One of the areas where we still have progress to make is the promotion of further diversity. As part of this, we are exploring different ways to attract appropriate female candidates to the Board and hope that a new approach, as detailed in the Nomination Committee report, will prove successful during 2016. I feel, nonetheless, that I am leaving Ian with a very experienced, high quality and committed executive and non-executive team. Full details of individual Board members' career experience and role on the Board are given on [pages 46–48](#).

Board roles and relationships

The way in which Board members work together is as important as the individual skills they bring. I have, as Chairman, enjoyed a strong relationship with our CEO. Full details of our respective roles on the Board are given on our website. Manny's response to my non-executive colleagues is constructive and candid and the executive team is always open to the Board's requests for more detail and insights into the business, whether that be on the tracking of acquisitions, the success of new hires or on industry and external market trends. The executives very much welcome the sharing of advice and experience by Board members who, as full time executives elsewhere, are working on similar challenges in their own organisations. These include issues such as cyber protection, the roll-out and testing of business principles, and management development and succession. There is a strong and growing appetite on the part of every Board member to maximise the non-executives' contribution to all areas of the Board's operation and to leverage the skills and experience they offer.

Our non-executives also meet as a separate group on occasion without the executive team. They take advantage of informal dinners to hear at first hand about the business from Executive Committee members and other senior management below Board level. This also gives the Board the opportunity to test management development and succession planning needs and to get a better sense of the talent available to provide the executive leadership of the future.

Our Senior Independent Director (SID), Phillip Colebatch, has played a vital role this year in his leadership of the search for my successor, details of which are given in the Nomination Committee report. As Chairman of the Remuneration Committee, he led the shareholder consultation on the changes to our remuneration policy and our ongoing programme of shareholder engagement on remuneration during the year. Details of these activities are given in the Directors' Remuneration report. A full outline of Phillip's role as SID is given on our website.

EXPERIENCE

INTERNATIONAL

100%

FINANCE

100%

OPERATIONAL

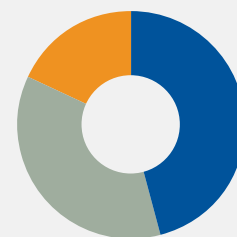
64%

RISK MANAGEMENT

55%

TENURE

Tenure years



	%
0-3 years	46
3-6 years	36
6+ years	18

ATTENDANCE RECORD

	Attendance record
Jon Aisbitt, Chairman	10/10
Phillip Colebatch ¹	9/10
John Cryan	10/10
Andrew Horton ¹	9/10
Matthew Lester	10/10
Emmanuel Roman	10/10
Dev Sanyal	10/10
Nina Shapiro	10/10
Jonathan Sorrell	10/10

Note:

¹ Owing to conflicting business commitments, Phillip Colebatch and Andrew Horton were each unable to attend one meeting. However, they received and reviewed the papers to be considered in advance and directed questions to the Chairman which were addressed in the meeting.

Non-executive independence and consideration of conflicts

I believe that, as shown in the feedback from our external Board evaluation, our non-executive directors bring a robust scrutiny and level of challenge to management proposals. Their independence is regularly assessed as part of the annual Board evaluation and we consider each one to be totally independent in spirit and in role. In-depth due diligence at the time of each director's appointment ensures that any potential



conflicts of interest are fully explored. Board members are required to notify me on a continuing basis of any changes in their external appointments or interests which may create a potential conflict with their service on the Board in order that the implications may properly be addressed. The appointment of John Cryan as co-CEO of Deutsche Bank last July was carefully considered by the Board and the executive team. As a result, we concluded that the potential conflict of interest arising from his executive position at Deutsche Bank meant that he should step down from his position as Chairman and member of the Remuneration Committee but that he should remain on the Board as a non-executive director.

Board direction and oversight

The Board's principal responsibility is to promote the long-term success of the Company in line with its culture and values. In doing this, it must ensure that it delivers the right balance between short-term and long-term objectives and creates sustainable shareholder value. To provide oversight of financial reporting and risk management and to protect shareholder interests in respect of executive remuneration and the future leadership of the business, it delegates certain functions to three main Board Committees whose functions are summarised below.

BOARD

AUDIT AND RISK COMMITTEE

- Reviews the integrity of the Company's financial reports and statements prior to approval by the Board.
- Reviews and reports to the Board on the effectiveness of Man's risk management and internal controls framework.
- Recommends to the Board the appointment of the external auditor and reviews the effectiveness and independence of the external auditor.
- Approves the Internal Audit plan and reviews the effectiveness of the Internal Audit function and management's response to their findings.

 See pages 57 to 60 for the Audit and Risk Committee Report

REMUNERATION COMMITTEE

- Recommends to the Board for approval the principles and structure of the Company's executive remuneration policy.
- Recommends to the Board for approval the quantum of the Company's variable compensation pool.
- Recommends to the Board for approval the annual objectives and compensation for individual executive directors.
- Approves the compensation for Executive Committee members and FCA Code staff.
- Determines the contractual termination terms for executive directors and any severance payments.

 See pages 64 to 87 for the Directors' Remuneration Report

NOMINATION COMMITTEE

- Keeps the Board's skill and experience base under regular review in light of business changes and agrees with the Board the role specification for any proposed new appointments.
- Conducts the search and selection process for new directors and recommends proposed appointees to the Board.
- Reviews senior executive development and succession plans to ensure continuity of resource at, and just below, Board level.
- Reviews and recommends the renewal of non-executive director appointments.

 See pages 61 to 63 for the Nomination Committee Report

Full Committee terms of reference, which are approved by the Board, can be found on our website. Details of the work of the Committees during the year are given in the separate Committee reports highlighted above.

Matters reserved for Board decision

In discharging its responsibility for the direction and governance of the business, the Board has adopted a schedule of matters which are reserved for its decision alone. These are key matters determining the purpose, value and structure of the business including:

- Strategy
- Oversight of business performance
- Major acquisitions and disposals and new business developments
- Capital structure and corporate status
- Risk appetite, risk management and internal controls
- Annual Budget and Medium Term Plan
- Borrowings and Treasury policies
- Financial reporting and communications with shareholders
- Dividends
- Board appointments

A full list of the matters reserved for Board decision is available on our website.

All other matters fall within the responsibility and decision of the CEO who has established a separate Group authorities framework through which he delegates certain decisions to individuals and specific management

groups. The CEO is assisted in managing the business by the Executive Committee which operates under his direction and authority. The Executive Committee helps implement the Board approved strategy and manages financial and operational performance. It is also accountable for all risks assumed in the business and for the execution of appropriate risk management discipline. Executive Committee membership is given on [page 40](#).

Board meetings and agendas

The Board held ten formal meetings during 2015, including a one-and-a-half day strategy review. The tables on [page 52](#) give a sense of the Board's core agenda at every meeting, the recurring annual cycle of business and specific items of focus in 2015. Man's President, Luke Ellis, regularly attends meetings to give the Board an update on the progress and performance of Man's investment managers and to provide insights into industry performance and market trends. Executives from Investment Management, Sales, Operations and Group Risk are invited to report direct to the Board on progress and business developments within their areas. The Global Head of Legal and Compliance keeps the Board updated on any regulatory issues arising in the business, new areas of FCA focus and the potential impact of external regulatory developments.



CORPORATE GOVERNANCE REPORT

CONTINUED



AREAS OF BOARD FOCUS IN 2015

Regular core agenda

- CEO review of markets and economic backdrop, investment performance, fund flows and people moves
- Updates on acquisition opportunities
- Review of financial performance against plan
- Reports by Committee Chairmen on matters discussed at previous Committee meetings
- Business updates including Group Risk Dashboard, Investor Relations Update and Operations and Technology Report

Full year programme

February

- Reviewed and approved 2014 Group bonus pool and executive directors' remuneration on the recommendation of the Remuneration Committee
- Approved Final FY15 Budget and FY15–17 Medium Term Plan
- Approved 2014 final dividend and \$175 million share buyback
- Undertook annual review of the effectiveness of the Group's risk management and internal control processes
- Approved 2014 Annual Report

March

- Approved a new Directors' remuneration policy for vote by shareholders
- Approved the Notice of 2015 AGM

May

- Reviewed the seeding book and approved an increase in the cap and the value at risk limit (VaR)
- Started regular tracking of progress against plan on recent acquisitions
- Considered pre-AGM feedback on Directors' remuneration policy

June

- Approved the refinancing of the Revolving Credit Facility (RCF) at a reduced level (\$1 billion)
- Board Strategy review (see further details below)

July

- Reviewed and approved the 2015 ICAAP
- Discussed feedback from employee survey and management actions proposed in response
- Discussed action points from the Board Strategy review
- Considered Half-Year Risk Update
- Approved 2015 interim dividend and Interim Report
- Approved 2015 Sharesave Offer
- Reviewed and approved updated Global Inside Information Policy, Share Dealing Code and disclosure of inside information procedures
- Reviewed and approved updated schedule of matters reserved for Board decision

September

- Reviewed external risks which posed a potential threat to Man's business
- Discussed talent management and succession planning initiatives including front office recruitment activity
- Discussed an update by the Operations and Technology team on the objectives, strategy and outlook for their part of the business in 2016 and beyond

November

- Presentation on Global Sales strategy and progress from the Co-Heads of Global Sales
- Reviewed the assumptions for the FY16 Budget and FY16–18 Medium Term Plan
- Received an update on cyber security assessment, staff awareness training and protection
- Discussed Board succession and diversity initiatives

December

- Reviewed 2015 from a market perspective – changes in register, buy-side sentiment and price volatility
- Preliminary approval of FY16 Budget and FY16-18 Medium Term Plan subject to year end numbers
- Received presentations on machine learning by AHL and the development of Man's alternative beta solution by the CIO of FRM
- Discussed the output of the 2015 Board evaluation
- Reviewed non-executive directors' fees and the annual update on directors' external appointments
- Approved revised terms of reference for the Audit and Risk and Remuneration Committees

Board Strategy review:

- Received presentation from Barclays Strategic Consulting on hedge fund trends and outlook
- Discussed strategic objectives in relation to product development, Sales capacity and growth
- Reviewed the restructuring and development of the GLG alternatives business, the build out of the long only franchise and the development of the CLO business
- Reviewed the build out of AHL beyond trend following and its collaboration with Numeric
- Reviewed FRM performance and flows
- Reviewed Numeric integration and strategic direction
- Reviewed Global Sales plans with particular focus on the US growth strategy



BOARD ACCOUNTABILITY

Board responsibility for risk management and internal controls

In accordance with the 2014 UK Corporate Governance Code (the "Code"), the Board is required to monitor the Company's risk management and internal control systems on an ongoing basis and, at least annually, carry out a review of their effectiveness and report on this review to shareholders. Details of the Company's ongoing process for identifying, evaluating and managing the principal risks faced by the Company are contained in the Risk management section on pages 34 to 37, together with details of those principal risks and their related mitigants. A summary of the Company's risk management and internal control systems, including those relating to the financial reporting process, is given below. These systems have been in place throughout the year and up to the date of this report.

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 external publication is reliable and free from material misstatement, thereby safeguarding the Company's assets.

This framework is managed through a process whereby control owners certify that key preventative and detective controls have been performed

and are operating effectively. These include balance sheet reconciliations and financial statement preparation processes. A sample of these control certifications is independently spot checked to provide assurance that they have been correctly certified.

During the year, formal monitoring of the results of the certification process is carried out by senior management. Any material points of note are escalated to the Audit and Risk Committee (ARCom).

Financial reporting

Fair, balanced and understandable assessment

The processes that were developed and reported on last year to support the Board's presentation of a fair, balanced and understandable assessment of the Company's position and prospects have also been applied during 2015. Particular reliance is placed on the conclusions and recommendations arising from the ARCom's comprehensive review of the Interim and Annual Report to ensure that there is consistency between the narrative reporting and the financial information. Further details of the ARCom's review process can be found on page 58. All contributors to the Company's financial statements and Annual Report are made aware of the fair, balanced and understandable requirement. Executive Committee members and the heads of relevant business units carry out an extensive review and verification exercise to support the accuracy of the disclosures.

Board review of risk management and internal control systems

The Company's risk management and internal control systems aim to safeguard assets, maintain proper accounting records and provide assurance 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 FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

Whilst the Board retains overall responsibility for the Group's systems of risk management and internal control, it has delegated oversight of this to the ARCom.

To support its ongoing risk oversight responsibilities, the ARCom regularly reviews and considers:

- summary dashboards for risk, internal controls, the financial controls framework and compliance;
- presentations on the strategy and risk and control profile of the Group's key business areas and in-depth reviews of the Group's business functions;
- reports from the Risk & Finance Committee which monitors the effectiveness of risk mitigation through regular review of Risk and Control Self-Assessments carried out by management as the first line of defence, scenario analysis, key risk indicators and operational risk event reports; and
- reports from Internal Audit regarding the operation and effectiveness of internal controls. The Internal Audit programme is designed to provide objective assurance on the business areas, key controls and processes that are most significant in terms of the Group's risk profile.

During the year, a number of operational and regulatory matters that had occurred were reported to the ARCom. Whilst Man sought to improve its processes as a result, these matters were not considered sufficiently material in number or nature either to require separate disclosure in the financial statements or to indicate that the control environment had not been working effectively.

The report from the Chairman of the ARCom on pages 57 to 60 provides further information on how the ARCom has discharged its risk oversight responsibilities during the year.

The Board receives regular reports from the Chairman of the ARCom, business 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 retained is consistent with and being managed in accordance with the Board's risk appetite and with business planning. These reports include current and forward looking assessments of capital and liquidity adequacy and a summary 'risk dashboard'.

Annual review of risk management and internal controls

In addition to its ongoing monitoring of the Group's risk management and internal controls, the Board has conducted a specific annual review of their effectiveness during the year and for the period up to the date of this Annual Report. This review covered all principal risks and included a review of all significant operational risk events and Internal Audit findings raised during the period. The Board also considered the potential impact of certain risks identified by the business, the outcome of the firm-wide Risk and Control Self-Assessment process performed by business management and the quality of the controls in place to mitigate these risks.

Following this review, the Board concluded that the Group's risk management processes were effective and that there were no significant weaknesses or failings in the system of internal controls.

CORPORATE GOVERNANCE REPORT

CONTINUED

BOARD EFFECTIVENESS

Board induction

We arrange a comprehensive and tailored induction programme for our non-executive directors as soon as possible after their appointment. The programme is built around one-to-one meetings with members of our Executive Committee, the Heads of Group functions and the Company Secretary covering the broad areas of business set out in the table below.

Ian Livingston and Richard Berliand, who joined the Board in January 2016, have recently worked through this programme. In addition, Ian has spent time talking to Board members and other people in the business about all aspects of Man's operation and culture. In his role as Remuneration Committee member and prospective Remuneration Committee Chairman, Richard received a briefing on current themes and developments in executive remuneration for FTSE companies and Man's particular positioning and challenges. He will also have meetings with our remuneration advisers and legal advisers on remuneration matters.

We always seek feedback from our new Board members on the content and format of the induction programme in order to keep it refreshed and well targeted. Further details of the programme can be found on our website.

Board education and development

Man's business

Board members regularly identify business areas and external market trends about which they would like a better understanding. In 2015 the Board was keen to learn more about the development of Man's alternative beta product and participated in an in-depth discussion with the CIO of FRM about the scale of the opportunity and the challenges and risks attached. This is a key growth area which the Board will follow closely in 2016. It was also interested to learn from the AHL team about the application of machine learning in terms of pattern prediction and recognition to the development of AHL models. Understanding the drivers of the Sales opportunity and making further inroads into the US market continue to be high on the Board's agenda. In response to this interest, the Co-Heads of Global Sales discussed with the Board the prospects for and limitations on sales growth in different countries and the challenges attaching to the achievement of the 2016 Global Sales budget.

Regulation

Our Board members are committed to keeping up-to-date on the ever widening range of regulatory issues which may impact their governance responsibilities. Details of briefings and workshops offered by external firms are circulated by the Company Secretary as an adjunct to the discussion of specific regulatory topics at Board meetings by our auditors, remuneration and other advisers. During the year the Board received refresher training on the Disclosure and Transparency Rules in respect of the protection and timely disclosure to the market of inside information as context for its review of the Company's updated inside information and share dealing code processes.

BOARD INDUCTION PROGRAMME

BUSINESS REVIEW	MARKET POSITIONING & PERCEPTION	REGULATORY ENVIRONMENT	PEOPLE, CULTURE AND VALUES	BOARD PROCEDURES & GOVERNANCE FRAMEWORK
<ul style="list-style-type: none"> – Strategic direction and priorities – Analysis of markets in which Man operates – Overview of AHL, GLG, FRM and Numeric – Sales and distribution – Operations and technology – Risk appetite and framework 	<ul style="list-style-type: none"> – Review of financial and market performance – Recent analyst and media coverage – Analysis of shareholder base and investor perception – Shareholder engagement 	<ul style="list-style-type: none"> – Overview of the Group's key compliance and regulatory policies – Recent changes in regulatory landscape – Hot topics and key priorities for regulators including relevant thematic reviews – Impact of upcoming regulatory developments on the Group including MiFID II, UCITS V and Senior Manager Regime 	<ul style="list-style-type: none"> – Discussion of key business principles – Key people and succession plans – HR priorities including diversity, training and talent pipeline – HR structure and outsourcing arrangements 	<ul style="list-style-type: none"> – Board processes and relationships – Board interaction with key business areas – Overview of listed company structure and governance framework – Listed company obligations – Directors' duties and responsibilities



2015 Board evaluation

In considering its approach to the 2015 evaluation, the Board took account of the planned succession in the first half of 2016 of a Chairman who was new to Man and who would wish to introduce his own ideas on the operation and effectiveness of the Board. It was also aware of the ongoing search for and appointment of a new non-executive director and prospective Remuneration Committee Chairman. In these circumstances the Board decided that, after two internal evaluations, there would be value in carrying out an external evaluation but that this should be done on a light touch basis. The evaluation was structured around one-to-one conversations with Board members to cover action points arising from the 2014 evaluation and to stimulate comment on areas of current interest and on things which it was considered the Board did least well. It was also agreed that there should be conversations with a number of senior executives who regularly attended Board meetings to test the level of Board challenge of their proposals and ask what further support and contribution Board members could provide. The intention was that the evaluation should be structured as a forward looking review with the emphasis on what could be achieved in the future.

IDDAS Limited was selected to carry out the work, focusing on the effectiveness of the Board, the contribution of individual directors, and the operation of the Audit and Risk Committee and the Nomination Committee. IDDAS Limited has no other connection with the Company. The effectiveness of the Remuneration Committee was the subject of an internal review facilitated by the Company Secretary. The findings and priority areas of focus arising from the Committee evaluations are discussed in the separate Committee reports. A summary of the key strengths and main areas for development identified in the Board evaluation is set out below.



KEY AREAS OF PROGRESS/STRENGTH

- **Board composition:** the appointment of new non-executive directors has strengthened the industry and corporate experience on the Board and resulted in a well balanced team.
- **Board relationships and challenge:** relationships are described as open, respectful and constructive. Board members feel able to contribute and challenge freely; there are healthy differences of opinion and no signs of group think.
- **Ethics:** Board members expressed a high degree of confidence in the ethical standards set for the business by the CEO.
- **Secretariat:** the Board feels well served in matters of governance and administration by the Company Secretariat.



MAIN AREAS FOR DEVELOPMENT

- **Strategy:** drilling down on the big strategic questions including the direction of the industry, the acquisition strategy and the delivery of value from Man's existing and future footprint.
- **Investment in people:** monitoring the outcomes of investment in people against a more detailed strategy.
- **Talent and succession:** reviewing the executive talent pool, seeking more interaction with the senior team below the CEO and creating robust succession plans for the top roles.

The IDDAS report was presented to the Board in December 2015 and reviewed in more detail at the February 2016 meeting. The Board discussed the themes arising and agreed a number of actions to address the main areas identified for development in 2016 on which we will report next year.

Review of individual performance

I met and discussed with each of the directors individually the evaluation feedback on their contributions to the Board during the year. These conversations identified areas where directors might bring additional benefit to the Board and explored opportunities for their further development in the role. Phillip Colebatch, in his role as SID, provided feedback to me on my contribution as Chairman.

SHAREHOLDER ENGAGEMENT

The Board is committed to maintaining an ongoing dialogue with investors and is keen to understand the views of major shareholders. The Head of Investor Relations regularly attends Board meetings to report on important changes in the share register, share price performance, investor sentiment and areas of enquiry. The Board also receives regular detailed feedback on investor perceptions of the CEO and CFO.

Institutional investors

The Company has developed a comprehensive investor relations programme through which the Head of Investor Relations, CEO and CFO maintain a continuous dialogue with institutional investors on performance, plans and objectives. This is achieved through one-to-one meetings throughout the year and participation in UK, US and European investor roadshows and investor conferences. Details of the 2015 Calendar of Investor Events are provided on the following page.

During 2015, the Chairman of the Remuneration Committee and the Company Secretary spent considerable time consulting with major shareholders and shareholder representative bodies on proposed adjustments to the executive incentive limits within our remuneration policy. Further details of this engagement on remuneration matters are provided in the Directors' Remuneration report on [page 65](#).

Key areas which the CEO and CFO have discussed with investors during the year have been:

- Progress of recent acquisitions, in particular Numeric
- Progress on US distribution
- M&A – potential new acquisitions
- Flows pipeline

CORPORATE GOVERNANCE REPORT

CONTINUED



2015 CALENDAR OF INVESTOR EVENTS

FEB	2014 year end results released UK investor roadshow
MARCH	UK and US investor roadshows Investor engagement on proposed remuneration policy changes BAML Group investor meeting AHL investor meeting Morgan Stanley Annual European Financials conference
APRIL	Dialogue with investors on AGM remuneration resolutions
MAY	Q1 2015 Trading Statement Annual General Meeting Citi Investor Group meeting
JUNE	Paris investor roadshow Autonomous Research: Financials Rendez-Vous
JULY	2015 interim results released UK investor roadshow
AUG	UK investor roadshow
SEPT	Barclays Global Financial Services Conference (New York) UK and US investor roadshows
OCT	Bank of America Merrill Lynch Annual Banking and Insurance Conference Q3 2015 Trading Statement
NOV	Frankfurt, Geneva and Zurich investor roadshow JP Morgan 'Best of British' conference Renewed engagement on executive remuneration with shareholder representative bodies
DEC	Citi 'Diversified Financials' conference

Private investors

Our private investors are encouraged to access the Company's Interim and Annual Reports and half-year and final results presentations on our website. Other useful information such as historic dividend records and shareholder communications is also available on the website. Shareholders can use the site to access our Registrars' Shareview website (www.shareview.co.uk) where their shareholding account can be managed online.

We are always keen to understand the views of and answer questions from private investors and offer a dedicated shareholder mailbox (shareholder@man.com) for this purpose. We also have a separate mailbox for use in respect of AGM queries (agm@man.com).

Shareholder meetings

Shareholders are invited to attend our AGM in May each year. At our 2015 AGM, Manny Roman gave shareholders an overview of the progress of the business and our future plans and outlook. This was followed by the opportunity for shareholders to ask questions about the resolutions before the meeting and about the business more generally. We look forward to meeting shareholders again and providing a further business update at our 2016 AGM in May this year.

Jon Aisbitt

Chairman

STATEMENT OF COMPLIANCE

The Company has, throughout the year ended 31 December 2015, applied the principles of and complied with the provisions of the UK Corporate Governance Code dated September 2014 except in the following respects:

Remuneration Committee membership

Provision D.2.1 of the Code requires the Remuneration Committee (the 'Committee') to consist of at least three independent non-executive directors. Prior to John Cryan's appointment as an independent non-executive director and member of the Committee on 15 January 2015, the Committee comprised only two independent non-executive directors, Phillip Colebatch and Nina Shapiro, in addition to our Chairman. John Cryan ceased to be a member of the Committee following his appointment as Co-CEO of Deutsche Bank on 1 July 2015 and as a result the Committee reverted to comprising only two independent non-executive directors for the remainder of the year. Ian Livingston and Richard Berliand were appointed as independent non-executive directors and as members of the Committee on 1 January and 19 January 2016 respectively, bringing the total number of independent non-executive directors on the Committee to four.

Setting executive directors' and Chairman's remuneration

Provision D.2.2 of the Code requires that the Remuneration Committee (the 'Committee') should have delegated responsibility for setting the remuneration of all the executive directors and the Chairman. The terms of reference of the Committee provide that the Committee has authority only to recommend, for approval by the Board, executive directors' remuneration and the remuneration of the Chairman¹. The Board believes that, given the importance for the business 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 Committee, to determine the executive directors' compensation. It also believes that, in order to provide transparency and allow the views of all the directors, executive and non-executive, to be taken into account, it is appropriate for all Board members to determine the Chairman's remuneration.

¹ This authority is given subject to the proviso that no Board member should participate in the recommendation or approval of his or her compensation.

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 in the Corporate Governance report pursuant to DTR 7.2.6 may be found in the Directors' report on [pages 88 to 89](#).

Matthew Lester
Chairman, Audit and Risk Committee



Dear Shareholder

During the year, the Audit and Risk Committee (the 'Committee') continued to support the Board in its assessment of the integrity of the Group's financial reporting, monitor the effectiveness of the Group's systems of risk management and internal controls, and oversee the activities of the Group's Internal Audit function and its external auditor.

The Committee has also devoted significant time to developing its understanding of the risk and control profile of key business areas and to assessing and overseeing the implementation of new requirements around risk management and internal controls introduced by the latest edition of the UK Corporate Governance Code (the 'Code').

COMPOSITION AND ATTENDANCE

I am supported in my role as Chairman of the Committee by four other Committee members: Phillip Colebatch, Andrew Horton, Dev Sanyal and, latterly, Ian Livingston who joined the Committee in January 2016. It is the intention that Ian Livingston will succeed Jon Aisbitt as Chairman of the Board following the 2016 AGM, at which time he will step down as a member of the Committee.

All members of the Committee are independent, non-executive directors and bring extensive financial and commercial experience from a variety of industries, further details of which are provided on pages 46 to 48. As Chief Finance Officer of Royal Mail plc, I am considered to have recent and relevant financial experience for the purposes of the Code.

During the year, we met on six occasions with attendance at these meetings set out below:

	Attendance record
Matthew Lester (Chair)	6/6
Phillip Colebatch	6/6
Andrew Horton	6/6
Dev Sanyal	6/6

The Board Chairman, CEO and CFO are invited to attend Committee meetings along with the Chief Risk Officer, Global Head of Legal and Compliance, Financial Controller, Head of Internal Audit and representatives from Deloitte, the Group's external auditor.

At the end of each meeting, I meet with the Head of Internal Audit and representatives from Deloitte in the absence of management. Following each Committee meeting, I communicate the key areas of discussion and make recommendations to the Board as appropriate.

ROLES AND RESPONSIBILITIES

The Committee is integral to Man Group's governance framework through its oversight of the Group's financial reporting, risk management and internal controls, and internal and external audit. The Committee's roles and responsibilities are outlined in further detail below. These are derived from the Committee's terms of reference (available on the Company's website) which are reviewed by the Committee on an annual basis and referred to the Board for approval. Details of how the Committee has discharged these responsibilities are set out in the section entitled 'Key items considered during the year'.

Financial Reporting

- Monitor the integrity of the financial information contained in the interim and annual financial statements with particular focus on key accounting policies and judgements.
- Review the longer-term viability and going concern statements and recommend their approval to the Board.
- Advise the Board on whether the Committee believes the Interim and Annual Reports to be fair, balanced and understandable.

Risk Management, Internal Controls and Compliance

- Monitor and review the effectiveness of the Group's systems of risk management and internal controls (please refer to page 53 for further details of the Committee's ongoing monitoring and review of the Group's systems of risk management and internal controls).
- Ensure that a robust assessment of the principal risks facing the Group has been undertaken and advise the Board on the management and mitigation of these risks.
- Review the effectiveness of the Group's regulatory reporting activities, Compliance function and arrangements for staff to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- Report to the Remuneration Committee any findings in relation to risk matters which may impact its decision on discretionary remuneration payments.

Internal Audit

- Approve the annual Internal Audit plan and Charter and Internal Audit activities.
- Review the effectiveness of the Internal Audit function.
- Review all significant Internal Audit recommendations and oversee progress in addressing these.

External Audit

- Recommend the appointment, and determine the remuneration of, the external auditor, including reviewing the external auditor's effectiveness and independence.
- Review and approve the external audit plan and the external auditor's control procedures.
- Review the findings of the external audit and the external auditor's management letter and oversee management action to address findings where necessary.
- Approve and monitor the policies relating to the provision of non-audit services by the external auditor and the hiring of personnel from the external auditor.
- Arrange for the external audit to be put out to tender as often as is required by applicable law, rules, regulations and best practice.

Structure and format of meetings

The Committee has an annual forward agenda in place with agenda items scheduled to coincide with key events in the financial reporting cycle, specific risk matters that the Committee has identified and standing items that the Committee is required to consider in accordance with its terms of reference. The annual agenda is supported by agenda setting meetings held in advance of each Committee meeting which I attend, along with members of the senior management team, to identify key issues impacting the business that may require consideration by the Committee. I meet privately with the Head of Internal Audit following each of these meetings.

Management submit reports and presentations to the Committee on key financial reporting, risk, compliance and audit matters and attend Committee meetings (as previously described) to highlight significant issues and respond to queries raised by the Committee in respect of these matters. At each meeting, the Committee considers dashboards on the key risks impacting the business, compliance matters, the financial controls framework and internal controls. These dashboards are designed to focus on any matters that may require further discussion by the Committee.

KEY ITEMS CONSIDERED DURING THE YEAR**Financial reporting****Accounting judgements and significant accounting matters**

As part of the process for monitoring the integrity of the financial information contained in the interim and annual financial statements, the Committee reviewed the key accounting judgements and policies adopted by management and confirmed that these were appropriate. The significant areas of judgement identified by the Committee, in conjunction with management and the external auditor, are set out in the table on the opposite page together with a number of other areas that the Committee deemed to be significant in the context of the financial statements.

Fair, balanced and understandable assessment

At the request of the Board, the Committee considered whether the Interim and Annual Reports were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's performance, business model and strategy. The Committee reviewed the interim and annual financial statements in conjunction with the narrative sections of the reports to ensure that there was consistency in the information reported, that appropriate weight had been given to both positive and negative aspects of business performance and that key messages had been presented coherently. The Committee concluded that, taken as a whole, the Interim and Annual Reports were fair, balanced and understandable. Further details of processes supporting the fair, balanced and understandable assessment can be found on [page 53](#).

Risk management, internal controls and compliance

The Committee spent considerable time discussing the new requirements around risk management and internal controls introduced by the latest edition of the Code. Particular focus was given to the requirement for the Board, either directly or through the Committee, to monitor the Group's risk management and internal control systems on an ongoing basis. The Committee is satisfied that, through its regular review of dashboards described above, its in-depth assessment of key business areas and functions (referred to below) and its ongoing review of progress against the Internal Audit Plan, it is monitoring the effectiveness of the Group's systems of risk management and internal control on an ongoing basis. Further details can be found in the Corporate Governance report on [page 53](#).

Oversight of risk and control environment – key business areas

As mentioned above, the Committee continued to develop its understanding of the risk and control environment within key business areas. Representatives from the Group's Sales team, Numeric and AHL were invited to present to the Committee on the risk and control profile of their respective business areas. The presentations followed a similar

structure to those provided by AHL, GLG and FRM, which I reported on last year, and were designed to enable the Committee to assess, in context, the significant risks perceived by each business area and the controls in place to mitigate these risks to the extent desired. The Committee was particularly keen to understand the extent to which a shift in product focus impacted the Sales team from a risk perspective, how Numeric's risk processes and controls had evolved post-acquisition and whether there had been any changes in AHL's risk and control profile since the presentation provided in 2014.

Representatives from AHL were also invited to present to the Committee during the year to discuss the processes for defining and dealing with potential operational events within AHL. The Committee sought to understand the cause and impact of these events and the changes that had been made to strengthen the controls in this area.

Oversight of risk and control environment – key functional areas

The Committee also reviewed a number of the Group's key functional areas including Compliance, Finance and IT and Operations. In accordance with the Committee's forward agenda, an in-depth review of the Group's Risk function will take place in H1 2016 and will be reported on next year.

Compliance

During the year, the Global Head of Legal and Compliance presented the 2015 Compliance Plan to the Committee. This outlined the Compliance function's strategic goals and the development and implementation of various policies and processes to support the function in meeting these goals. Consideration was given to the regulatory environment within which the Group operated, particularly in the context of the recently acquired businesses in the US and the integration of these companies onto the Group's existing compliance platforms.

Finance

The Committee also considered a presentation from the Group Financial Controller on the Finance function's governance arrangements and the key areas of focus during 2015 in terms of process and system improvements. Given the function's global presence, the Committee was particularly keen to understand the processes that were in place to retain oversight centrally and the extent to which the recently acquired businesses had been integrated onto the Group's finance systems and financial control framework.

IT and Operations

The Group's Chief Operating Officer, Chief Technology Officer and Head of Business Operational Risk were invited to attend several meetings throughout the year to update the Committee on changes impacting the risk and control environment of the IT and Operations function.

Given the increased risk of cyber-attacks faced by all companies, the Committee dedicated significant time to understanding the Company's response to this heightened threat, further details of which can be found in the 'Principal risks and mitigants' section on [pages 36 and 37](#). The Committee reviewed and discussed the initiatives that were being rolled out across the business to help improve the firm's defences against this risk.

Outsourcing risk also continued to be an area of focus, particularly in light of one of Man's key service providers exiting from its fund administration and transfer agency businesses. The Committee discussed and endorsed management's recommendation in respect of the appointment of an alternative provider for these services.

Consideration was also given to proposed improvements to the processes and controls around identity access management, key personnel changes within Operations and resourcing within the Technology team.

ACCOUNTING JUDGEMENTS AND SIGNIFICANT ACCOUNTING MATTERS

Area of consideration	Role of the Committee	Conclusion
<p>Goodwill impairment</p> <p>Goodwill for each of the Group's cash generating units (GLG, AHL, FRM and Numeric) is tested for impairment at least annually through the application of a 'value in use' model. This is judgemental in nature as it requires estimates concerning future cash flows, growth rates and associated discount rates to be taken into account.</p> <p>Please refer to Note 13 in the Group financial statements for further details.</p>	<p>The Committee considered reports from management outlining the methodology for the impairment assessment and challenged the assumptions underpinning the goodwill valuation model with specific focus on the sensitivity of the model. During the year, management proposed that FRM goodwill be impaired by \$41 million for the six months to 30 June 2015 due to a decline in FUM versus forecast and an increase in costs as a result of adverse FX movements during the six month period.</p>	<p>After extensive discussion and challenge, the Committee confirmed that the FRM goodwill impairment was appropriate in respect of the Interim Report but that no further impairment was required in any of the cash generating units at the year end.</p>
<p>Investment in funds</p> <p>The Group holds investments in a number of funds which it manages. Judgement is required to be exercised in terms of assessing whether these investments are controlled by the Group and therefore need to be consolidated into the Group's balance sheet.</p> <p>The valuation of the Group's illiquid investments, seeding book and CLO portfolio, together with the underlying processes to support the valuation, also require careful consideration.</p> <p>Please refer to Note 16 in the Group financial statements for further details.</p>	<p>The Committee reviewed management's assessment of the investments which the Group is deemed to control in accordance with IFRS 10.</p> <p>The Committee reviewed and discussed reports from management outlining the processes that were followed both internally and by outsourced providers to value the illiquid portfolio, seeding book and CLO portfolio.</p>	<p>The Committee concluded that it was satisfied with management's assessment of the entities which are deemed to be controlled by the Group and the associated accounting treatment.</p> <p>The Committee confirmed that it was comfortable with the valuation of the illiquid portfolio, seeding book and CLO portfolio, and the methodology on which these valuations were based.</p>
<p>Adjusting items</p> <p>The directors focus on profit before adjusting items (adjusted profit) as this reflects the underlying trends in the business and the recurring revenue and costs that drive the Group's cash flow. Adjusting items relate to non-recurring items or those resulting from acquisition and disposal related transactions.</p> <p>Please refer to Note 2 in the Group financial statements for further details.</p>	<p>The Committee reviewed and challenged the adjusting items contained in the Group financial statements and considered whether there was consistency of approach from period to period, an appropriate symmetry between losses and gains and whether the reversal of any accruals previously classified as adjusting items was maintained.</p>	<p>The Committee concluded that the adjusting items were appropriate and provided a fair assessment of the underlying profitability of the business.</p>
<p>Rebates and commissions</p> <p>The effectiveness of the processes and controls around accurately accruing to rebates and commissions is considered to be important in ensuring that a true and fair view of the Group's operations is presented.</p>	<p>During the year, the Committee closely monitored improvements to rebate and commission reporting which the Committee identified as an area of focus for 2015. At the Committee's request, the Head of Financial Operations provided an update at each meeting summarising the progress that had been made in implementing an integrated technology platform to automate these processes and strengthen the controls in this area.</p>	<p>The Committee has concluded that the improvements to processes and controls in relation to rebates and commissions are appropriate and is satisfied with the action that management has taken to date.</p>
<p>Viability</p> <p>The Committee is required to report to the Board on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications, or assumptions as necessary.</p> <p>The viability statement can be found on page 34.</p>	<p>The Committee discussed the requirements introduced by the 2014 edition of the UK Corporate Governance Code regarding the preparation of the Company's viability statement which included consideration of the proposed three-year assessment period in line with the Group's business planning horizon and the processes supporting the assessment of the Group's viability.</p>	<p>The Committee concluded that the three-year assessment period was appropriate and recommended the draft viability statement to the Board for approval.</p>

Internal audit

The Group's Internal Audit function continues to be performed by KPMG. At each meeting, the Committee considered Internal Audit progress reports presented by the Head of Internal Audit, with particular focus on the extent to which deadlines were being achieved and management's response to the recommendations contained in the reports. Whilst no significant weaknesses were identified in any of the Internal Audit reports, a number of improvements to certain processes and controls were implemented in response to the recommendations put forward.

During the year, the Committee approved the appointment of a new Head of Internal Audit who will succeed the current Head of Internal Audit in 2016. It also reviewed and approved the 2016 Internal Audit Plan (the 'Plan') which included details of the audits to be performed during 2016 and the resources required to deliver the Plan. The Committee has agreed to monitor and formally review the Plan during the course of 2016 to ensure that it remains appropriate.

External audit

Effectiveness of external audit process

As reported last year, the Committee decided to defer its formal evaluation of the effectiveness of the external audit process until Deloitte had completed its first audit cycle. At the May 2015 meeting, the Committee considered responses to a questionnaire which had been completed by Committee members and various members of the management team. The questionnaire focussed on several components of the external audit process including the quality of the audit partner and team, planning and execution of the audit, communication with the Committee and the external auditor's independence and objectivity. The responses indicated that Deloitte had made a strong start in the first year of the audit engagement and had become familiar with the Group's control environment and key accounting issues. A number of areas, primarily around resourcing and the prioritisation of audit risks, were identified as requiring further consideration and the Lead Audit Partner, Mark FitzPatrick, set out his plans to address these issues in the 2015 Audit Plan (see below). After extensive discussion, the Committee concluded that the external audit process in respect of the 2014 financial statements had been effective.

2015 external audit plan

During the year, the Committee reviewed and approved the 2015 external audit plan, including the proposed materiality threshold, the scope of the audit and the significant audit risks. As part of this discussion, the Committee considered the findings of the review undertaken by the FRC's Audit Quality Review (AQR) team of Deloitte's audit of the Group's financial statements for the year ended 31 December 2014, which the AQR team had selected as part of their 2015 annual inspection of audit firms. The focus of the review was to identify areas where improvements were required rather than highlighting areas where work was performed at or above the expected level. I received a full copy of the findings and discussed these with Deloitte. The Committee has confirmed that no significant areas for improvement were identified within the report and that it is satisfied that there is nothing in the report which might have a bearing on Deloitte's appointment.

Auditor independence and the provision of non-audit services

In order to safeguard the independence and objectivity of the external auditor, the Committee is responsible for the development, implementation and monitoring of the Group's policies on the provision of non-audit services by the external auditor and the hiring of personnel from the external auditor. The Committee reviewed and approved these policies during the year.

In accordance with the non-audit services policy, any potential services to be provided by the external auditor, which are not excluded under the non-audit services policy but which have an expected value of \$75,000 or more, must be approved by the Committee in advance. The Committee's approval is also required where the pre-approved fees in any financial year exceed \$2 million in aggregate (provided this does not exceed the 70% cap on non-audit services as a percentage of the statutory audit fee introduced by EU independence legislation).

The table below shows the remuneration paid to Deloitte in 2014 and 2015.

	2015 \$000	2014 \$000
Fees payable to the external auditor for the audit of the Company and the consolidated financial statements	597	450
Other services:		
The audit of the Company's subsidiaries pursuant to legislation	1,543	1,435
Audit-related assurance services	273	265
Tax advisory services	44	208
Other assurance services	-	453
All other services	51	82
Total auditor's remuneration	2,508	2,893

Following a formal assessment of the external auditor's independence and objectivity at its meeting in February 2016, the Committee concluded that Deloitte continued to be independent and objective.

Reappointment of Deloitte as external auditor

As previously reported, the Committee led an external audit tender process in 2013, pursuant to which Deloitte LLP was formally appointed as the Group's external auditor by shareholders. In accordance with the Code and the Competition and Markets Authority Order 2014, the Company will be required to put its external audit process out to tender again in 2023 at the latest. The Committee will continue to monitor legal and regulatory developments around audit retendering and auditor rotation to ensure the Company continues to comply with all relevant requirements in this area.

Following the Committee's review of the effectiveness of the external audit process and its assessment of the external auditor's independence and objectivity, it has recommended the reappointment of Deloitte as the Group's external auditor to the Board for approval by shareholders at the 2016 Annual General Meeting.

Committee evaluation

During the year, the effectiveness of the Committee was reviewed by an external consultant as part of the wider Board evaluation process. Interviews were conducted with all Committee members and regular attendees, the results of which confirmed that Committee was operating effectively. Responses indicated that the Committee meetings were well structured and that constructive and appropriate challenge was provided by all members. Whilst it was felt that there was a suitable balance between financial reporting and risk matters, an area that was identified as requiring further consideration was around whether strategic risk should be discussed by the Committee or at Board level. The Committee has referred this feedback to the Board and appropriate action will be taken during 2016 to reflect the outcome of this discussion.

Matthew Lester

Chairman, Audit and Risk Committee

Jon Aisbitt, Nomination Committee Chairman



Richard Berliand

Richard Berliand emerged as the leading contender in our search for a new non-executive director. He was appointed to the Board and to the Remuneration Committee and Nomination Committee on 19 January 2016 and, subject to his reappointment by shareholders at the 2016 AGM, will succeed Phillip Colebatch as Remuneration Committee Chairman at the conclusion of that meeting. Richard brings extensive experience of the markets and regulatory environment in which Man operates, a close understanding of its business and clients and in-depth operational expertise. As a global markets professional with a 23 year career at J.P. Morgan, he is very familiar with the structuring and dynamics of executive pay within a high performance high bonus culture.

Board composition and gender diversity

Feedback from our recent Board evaluation, which included the views of both Board members and executive attendees, confirms the progress that has been made in building the Board's strength and credibility. With the diverse background of the current team of non-executive directors, it has the full range of skills and experience required to move beyond the day to day and tackle the long-term business challenge.

Dear Shareholder

2015 was a busy year for the Nomination Committee (the 'Committee') with considerable time spent on the search for my successor as Chairman of the Board and for a new non-executive director to take on the role of Remuneration Committee Chairman. Phillip Colebatch, as Senior Independent Director, led the Board Chairman search from the start of the year. Full details of the timeline and key steps in this process, in which I took no active part, are set out on [page 63](#). The search for a new Remuneration Committee Chairman was triggered by John Cryan stepping down from that role following his appointment as co-CEO of Deutsche Bank in July. I led this search independently of the search for my successor using the services of a different search firm and ensured that no candidates were under consideration for both roles. Details of this process are given on [page 62](#).

Ian Livingston

We are very pleased with the outcome of our searches and the key appointments we have been able to make. Ian Livingston was appointed as a non-executive director and as a member of all the main Board Committees with effect from 1 January 2016. Subject to his reappointment by shareholders at the 2016 AGM, he will succeed me as Chairman at the conclusion of that meeting. Ian has a broad knowledge of capital markets, well established links with the financial community and extensive executive and non-executive Board experience. As the former CEO of BT Group, he brings to Man proven success in leading the integration and development of overseas businesses and in-depth operational expertise. His international and client driven background will also assist in the furthering of Man's relationships with Regulators and Governments worldwide and the building of key client relationships.

We recognise, nonetheless, that there is still work to do in attracting female directors to our Board. The report below highlights a new approach we are exploring in support of this objective and we look forward to benefiting from the increased diversity of outlook and decision making that success in our endeavour may bring.

Full details of the Committee and its activities during the year are given below. I have every confidence in the continued progress of its work and wish it every success for the future.

Jon Aisbitt
Chairman

MEMBERSHIP AND MEETINGS

All our non-executive directors are members of the Committee and meetings are normally attended by Manny Roman. Five formal meetings were held during the year as shown in the attendance table below with substantial informal communication and dialogue between meetings to support and progress the Board searches. In addition, Committee members continued to take advantage of non-executive dinners to discuss people and executive succession issues. The main functions of the Committee are set out in the Board governance chart on [page 51](#) and full terms of reference can be found on our website.

	Attendance record
Jon Aisbitt, Chairman	5/5
Phillip Colebatch	5/5
John Cryan	5/5
Andrew Horton	5/5
Matthew Lester	5/5
Dev Sanyal	5/5
Nina Shapiro	5/5



NOMINATION COMMITTEE REPORT CONTINUED

COMMITTEE ACTIVITIES DURING THE YEAR

In addition to the search for a new Chairman of the Board and a new Chairman of the Remuneration Committee, the Committee addressed the following specific areas:

Executive development and succession

- Discussed career development opportunities for top executives.
- Reviewed with the Board the continued evolution of Group succession plans, the identification of business critical roles and progress on mentoring, coaching, cross-training and internal moves.
- Introduced a “NED/executive pairing” initiative to support the development of Executive Committee members.

Renewal of non-executive director appointments*

- Reviewed and recommended to the Board the reappointment of Andrew Horton and Dev Sanyal to the Board for a second three-year term, taking account of the positive feedback on their contribution to the Board from the 2015 Board evaluation.

* Mr Horton and Mr Sanyal were absent from and took no part in these discussions.

Diversity

- Appointed The Zygus Partnership (Zygus), who have no other connection with the Company, to carry out a broad search to identify, for future development and mentoring, talented female candidates with the business knowledge and skills required to serve as directors on Man’s Board but who currently have limited Board level experience.

COMMITTEE EVALUATION

IDDAS Limited carried out an external evaluation of the effectiveness of the Committee during the year as part of the broader 2015 Board evaluation. The feedback suggested that the Committee had worked well to achieve the new Board Chairman and Remuneration Committee Chairman appointments. There was appreciation of the Committee’s considered approach to the timing of Board appointments and innovative thinking on ways to attract high quality people to the Board.

The main priorities identified for the Committee for 2016 were:

- the pursuit of the new gender diversity initiative as part of the continued refreshing of the Board;
- encouraging the further development of talent management and succession planning processes and output across the business; and
- formal discussion of succession for the top executive roles, including the CEO and CFO.



APPOINTMENT OF RICHARD BERLIAND

June 2015 – search decision

- Following the announcement of the appointment of John Cryan as co-CEO of Deutsche Bank, I contacted all Committee members to agree the urgent need to search for a new Remuneration Committee Chairman and to recommend to the Board the reappointment of Phillip Colebatch to that role in the interim period.
- Zygus was appointed to carry out the search.

July 2015 – review of long list

- The Committee reviewed and shared feedback on a list of candidates researched by Zygus who had confirmed their interest in the role. The list profiled the candidates against the key competencies and experiences required and highlighted any potential conflicts of interest identified by Manny Roman.
- The Committee identified selected candidates for interview.

August 2015 – interview process

- The short listed candidates were interviewed by Manny and me.

September 2015 – selection decision

- Manny and I gave feedback on the interviews to the Committee and identified Richard Berliand as our preferred candidate. Arrangements were then made for him to meet the rest of the Board.
- Following these meetings, the Committee recommended Richard’s appointment to the Board. The Board approved the appointment subject to receipt by me of supportive live references and FCA approval.

November 2015 – FCA review

- Formal application for FCA approval was submitted.

January 2016 – announcement

- FCA approval was received and the appointment was announced.

Jon Aisbitt

Chairman



APPOINTMENT OF IAN LIVINGSTON

In December 2014, the Chairman reported to the Committee that he had discussed with each Board member individually his broad retirement plans and the arrangements which, when appropriate, might be put in place to ensure a timely, orderly and successful handover. I was invited, as Senior Independent Director, to lead the search for his successor and set out below the main considerations and stages involved in that work.

December 2014 – governance and process

– The Committee reviewed and agreed the adoption of a best practice procedure for the conduct of the search. This reflected current governance requirements and discussions with other major listed companies which had recently managed a chairman succession. It also took account of the need for the Board to derive benefit from the current Chairman's views on the search while distancing him completely from any involvement in the decision making process in accordance with governance requirements.

January 2015 – private discussion with Committee members

– I held private discussions with individual Committee members to establish whether any current non-executive directors might be candidates for the role.

February 2015 – decision on search firm, role specification and process

– The Committee:

1. considered the search firms which were the principal contenders for the assignment in light of those firms' understanding of the current Board and executive team. It agreed to appoint Egon Zehnder (EZ) using the same lead consultant who had worked on other recent Board searches. EZ have no other connection with the Company. It decided not to take any public steps in the search process until a firm decision had been made on Jon Aisbitt's retirement date and this had been publicly announced.
2. agreed a detailed role and person specification which took account of the current stage of development of the business, the stakeholder dimension, the interaction with the executive team and the signals to be given to staff and to the market. This was based on feedback from a series of meetings I had with all the non-executive and executive directors.

3. appointed a sub-Committee to take forward the search process chaired by me and comprising Matthew Lester, Dev Sanyal and Manny Roman, thereby ensuring an appropriate balance of executive and non-executive membership and length of tenure on the Board.
4. approved a step plan, for implementation by the sub-Committee when appropriate, covering the review of a long list, the identification and selection of short listed candidates and the interview process. A protocol for reports to and decisions to be made by the full Committee at key stages was established.

May 2015 – review of long list

– Following the announcement of Jon Aisbitt's retirement, the sub-Committee considered a discussion list of possible candidates produced by EZ, identified an initial long list for EZ to approach and, on the basis of EZ's feedback, agreed a short list for recommendation to the Committee.

June 2015 – confirmation of short list

– The Committee reviewed the EZ feedback and the CVs of the recommended candidates and agreed that each should be interviewed.

July 2015 – interview process

– The short listed candidates were interviewed by Manny Roman and me. Feedback was provided to the Committee which agreed that the preferred candidates should be interviewed by the remaining sub-Committee members.

September 2015 – selection decision

– Ian Livingston was recommended to the Committee as the sub-Committee's preferred candidate. The non-executive directors not on the sub-Committee interviewed and endorsed the sub-Committee's conclusion.

– The Committee agreed to recommend Ian's appointment to the Board subject to the receipt by me of supportive live references.

November 2015 – Board approval and FCA review

– The Board approved Ian's appointment subject to FCA approval. Ian then had a 'due diligence' meeting with Jon Aisbitt. I agreed contractual terms with Ian on the basis recommended by the Remuneration Committee and approved by the Board.

– Formal application for FCA approval was submitted.

December 2015 – announcement

– FCA approval was received and the appointment was announced.

Phillip Colebatch

Senior Independent Director

DIRECTORS' REMUNERATION REPORT

1. CHAIRMAN'S ANNUAL STATEMENT

Phillip Colebatch, Remuneration Committee Chairman



Dear Shareholder

I am pleased to present our Directors' Remuneration report for 2015 which we will be submitting to shareholders for approval at our 2016 Annual General Meeting.

2015 remuneration policy – increase in incentive limits

At the 2015 AGM we obtained shareholder approval for an adjustment to the executive incentive limits within our remuneration policy in order to increase the range of opportunity available to the Remuneration Committee (the 'Committee'). We consulted widely with our major shareholders and with shareholder representative bodies before making this change and reduced the quantum of the initially contemplated increase in the limits in response to their feedback. The structure of our incentives in terms of annual cash bonus and long-term deferred shares was left unchanged, as were the quantitative metrics applicable to the determination of the deferred share element. The purpose of the change was to provide the flexibility required to recognise and reward, if and when appropriate, any future strong levels of executive performance. Without this flexibility, the Board was concerned that it might not be able to award compensation which was commensurate with any such higher performance and was competitive in the market place within which the Company operates. It will continue to apply the same challenge and rigour in its assessment of executive performance and reward as it has demonstrated in the past.

The remuneration policy approved at the 2015 AGM is set out on [pages 82 to 87](#) for easy reference. This provides the context for the award decisions made by the Committee in respect of executive performance during 2015 which are discussed later in this report. As a reminder, and for shareholders who are new to the Company, a summary of the main features of our executive incentive structures, as approved at the 2015 AGM, is set out as follows.

Short-term incentives

These are used to incentivise performance against annual objectives set by the Board for individual executive directors each year. The maximum value which may be awarded under our short-term incentives, as approved at the 2015 AGM, is 300% of salary. The annual objectives reflect the Board's view of the immediate operating imperatives which will help to build longer-term business growth. In setting and reporting on these objectives, we are conscious of investor appetite for the adoption and disclosure of quantitative objectives against which shareholders can assess executive performance and the Committee's reward decisions. Man's two executive directors are responsible for the overall development of the business in terms of driving strategy, providing structure and leading culture. Their objectives will, therefore, tend to be more qualitative and descriptive than quantitative. While some of the CFO's objectives may lend themselves more to quantification in terms of the achievement of budgetary and other metrics, the CFO has a broad remit and works closely with the CEO on all major strategic and other key objectives. It should also be noted that, when setting annual objectives, the Committee is keen to avoid any risk of duplicating the reward of achievement against the same quantitative measures of performance which are targeted under the Company's Deferred Executive Incentive Plan (DEIP) which is discussed below.

Long-term incentives

The DEIP incentivises long-term performance by delivering deferred share awards against a balanced scorecard of performance metrics which drive the achievement of long-term shareholder value. 80% of this scorecard is composed of the four quantitative KPIs which we use to measure progress against our key business priorities as discussed on [page 26 and 27](#). The remaining 20% relates to the development of management talent and business culture and its achievement is assessed by the Committee. The Board believes that together the DEIP's quantitative metrics create a very broad and stretching incentive framework and that maintaining a high level of achievement against each individual metric consistently over the three-year performance period represents a considerable challenge.

Downward discretion

An important point to note is that, once the percentage of bonus earned under the DEIP metrics is established, the Committee then considers and has full discretion to decide, within the shareholder approved limits, the multiple of salary to which that percentage should be applied. It should be stressed that this discretion is downward only i.e. the multiple determined cannot exceed the maximum 525% of salary approved by shareholders at the 2015 AGM. In considering this multiple, the Committee takes account of any performance issues not reflected in the DEIP metrics and any other relevant factors such as overall corporate performance, shareholder return and experience, internal relativities and the current public and private fund management competitor landscape.

The Committee considers that this structure is superior to the more traditional approach where a fixed amount is awarded and then adjusted only according to the proportion determined by the performance criteria. The Man structure allows the proportion to be adjusted downwards not only in accordance with the specified performance criteria but also with the Committee's overall evaluation of performance taking into account any matter which the Committee considers appropriate.

In the case of the annual bonus determined under the short-term incentives, the Committee also only has discretion to make downward adjustments below the maximum multiple approved in the remuneration policy.



Shareholder alignment

The value of the DEIP award determined by the Committee is deferred into shares which will only vest, subject to the director remaining with the Company, some three to five years later. The ultimate value of the award to the director at the time of eventual vesting will be aligned with shareholder return and experience in the intervening period. The structure of the DEIP thus creates a long-term performance and holding time horizon of six to eight years in line with Investment Association principles and institutional shareholder expectations. In addition, the balance of our short-term and long-term incentives means that executive reward is very much weighted, in terms of opportunity, towards long-term deferred share value.

Malus and clawback

The structure and quantum of opportunity provided by the DEIP have the potential to create a very substantial level of deferred and unvested remuneration which is subject to malus for misstatement or gross misconduct under the existing DEIP provisions. For example, an annual award of 50% of the DEIP maximum on average would lead to a value of 10.5 times salary being at risk and subject to malus at any given time.

During the year, the Committee considered how the potential for clawback of annual bonus awards and vested DEIP deferred awards might most effectively and equitably be introduced into our remuneration framework.

Malus and clawback need to be considered together as it is their combination which establishes the scope and extent of the remedies available to the Committee in the event that previous compensation awards appear unjustified in light of later information. Because of the structure of Man's DEIP, as illustrated above, the malus provisions in Man's plan already provide very significant potential for adjustment of past awards. Nevertheless, the Committee could envisage highly unlikely and extreme circumstances where a further reduction in past compensation might be appropriate and has thus introduced a clawback provision against previously vested DEIP and cash bonuses. This provision could be operated in the event of Gross Misconduct as defined in the rules of the DEIP and would allow clawback of DEIP bonuses which had vested or cash bonuses that had been awarded at any time following the event of Gross Misconduct and within the period of three years ending with the date of the Committee's determination of the clawback.

Gross Misconduct includes circumstances where the director is convicted of a financial crime relating to the business, is prohibited as a result of a criminal offence from serving as a director of a company in the UK or US, or is banned or suspended by the UK or US regulator from operating within the business in the UK or US. In considering the operation of malus and clawback, it is likely that the Committee would look first to reduce, to zero if appropriate, the current year's incentive compensation. In the event that the Committee considered that this was inadequate, the Committee would then look to the malus provisions and, finally, to the clawback provisions.

Shareholder engagement

Although the majority of our shareholders voted in favour of our remuneration policy and Remuneration report at the 2015 AGM, a significant percentage did not. Full details of the voting outcomes are given in Table R1 on [page 70](#). Those shareholders who voted against our policy did so mainly on the basis of the increase in the incentive limits available to the Committee to reward our executives. Some cited the absence of clawback provisions as an issue. Concerns about our Remuneration report related mainly to the annual bonus awards and the increase in base salary for our CFO, Jonathan Sorrell.

In response to this feedback and as part of our ongoing engagement programme, we held meetings with shareholder representative bodies towards the end of 2015 to explore their views and further explain our thinking. In discussing our remuneration policy, we emphasised that the increase in the incentive limits should be seen only as an enabler for the award of higher compensation should the Committee consider that the level of performance warranted its use. Shareholders will continue to have the opportunity to judge and express their views on the Committee's application of those limits in their vote on the Remuneration report each year. We pointed out that even with the increase in incentive limits, the combined short and long-term opportunity available to our executives in terms of multiple of salary remains below the median offered by the Company's UK and US listed peer group. We also noted that incentives for private market managers and many US listed asset managers, against which the Company regularly competes for talent, are uncapped.

As is evident from the details later in this Remuneration report, the directors concluded that they would not utilise any of the additional flexibility to award higher multiples of salary in the 2015 compensation decisions.

During our discussions with shareholder representative bodies, it was clear that there was some interest in understanding the peer groups that Man considers potentially relevant to compensation matters. Peer groups and benchmarking are just two of the inputs into the Committee's compensation discussions as Man seeks talent in a competitive market and it is important for the Committee to understand what Man's competitors may be offering in their own recruiting. It would not be in shareholders' interests, for example, to lose an executive director or any other valued member of staff for compensation reasons only to find that it was necessary to pay considerably more in order to recruit a replacement. The details of relevant peer groups are set out in section 2.6 on [page 69](#), but in summary, we consider three such groups: listed asset managers and related businesses in the UK; listed asset managers and related businesses in the US; and the private hedge fund industry.

Review of performance for 2015

The Committee believes that the executive team has made good progress during the year in pursuing the Company's objectives and building for the future. It has successfully integrated the Numeric, Silvermine and NewSmith acquisitions and the Merrill Lynch assets. Management talent acquired with these businesses has been moved into key Group roles and a number of new senior portfolio managers have been hired to run GLG strategies targeted for growth. Infrastructure updates and operational changes have delivered significant efficiency benefits and further strengthened the internal control environment across many areas of the firm.

Fund performance has been mixed with AHL's trend following strategies buffeted by market volatility driven by macro-economic trends and central bank intervention. Numeric continues to deliver strong performance and promising flows. Some GLG strategies have done better than others, but overall GLG performance is up on the previous year. FRM has been boosted by strong flows from North American institutional mandates. Investment performance and fund flows are two of the criteria used in determining performance under the DEIP.

The outturn for the year is summarised in the 'Highlights' section on [page 8](#). The remuneration we have awarded for 2015, as discussed in this report, takes account of both the financial achievement for the year and the steps that have been taken to build the basis for stable and diversified future growth.



DIRECTORS' REMUNERATION REPORT CONTINUED

2. DIRECTORS' REMUNERATION REPORT 2015

Executive reward decisions

Tables R3 to R7 on [pages 71 to 74](#) set out the reward decisions which the Committee has made in respect of the executive directors' achievement against their individual annual objectives during 2015 and the balanced scorecard of quantitative metrics and qualitative judgement under the DEIP.

Executive compensation is a key element of Man's business model and, as such, final judgement is exercised at a meeting of the full Board. In applying its judgement, the Board considers all aspects of the proposed compensation of the executive directors and all members of the senior management team. This includes an overall view on Man's business performance and positioning for the future, the environment in which that performance was achieved, internal relativities, retention issues and, with the help of our remuneration consultants, consideration of compensation at selected peers and competitors, as detailed elsewhere in this report. The comparison with both the UK and US public peer groups has shown that the total compensation of our executive directors remains at the low end of both CEO and CFO remuneration.

Annual bonus awards

Manny Roman

Manny's achievements against the objectives set by the Board at the beginning of the year are set out in detail in Table R3 on [page 71](#). Manny met all his short-term objectives and overall Man's performance in 2015 was solid. Having considered all other relevant factors including the difficult market conditions in 2015 and the drivers of the 2014 results, the Committee did not feel it appropriate to use any of the increased multiple approved by shareholders in the 2015 AGM and awarded Manny a bonus of 250% of salary, which is 83.3% of the maximum available award.

Salary review

Manny's salary has not changed since he joined the firm over five years ago. As evidenced by Man's relative TSR, since Manny was appointed CEO three years ago the Company has performed well and the management team he has led has transformed the business. A review by the Committee shows that Manny's total compensation is one of the lowest both in the peer groups generally and, importantly, relative to peer performance. Whilst Manny's base salary is above that of a number of CEOs in the peer groups, he is also already a very significant shareholder in the Company. Accordingly, the Committee concluded that the most effective way to recognise Manny's low relative total compensation in relation to performance and his very significant personal contribution was to award Manny a 10% salary increase effective 1 January 2016.

Jonathan Sorrell

Jonathan's objectives and the details of his achievements are set out in Table R4 on [page 72](#). Jonathan achieved all objectives set for him at the beginning of the year. Our overall conclusion, supported by shareholder feedback, is that Jonathan had a further excellent year as CFO. Nevertheless, the Committee did not feel it to be appropriate to award an annual bonus of the maximum multiple and awarded him a bonus of 250% of salary, 83.3% of the maximum available. The award of the same percentage of maximum as the CEO reflects a similar strong level of individual performance and their work together as a team in driving the business.

Long-term DEIP awards

Tables R5 and 6 on [pages 73 and 74](#) set out: (a) the arithmetic calculation of the executive directors' achievement against the quantitative KPIs which account for 80% of their potential deferred bonus awards; and (b) the Committee's assessment of their achievement against the remaining 20% attributable to culture and talent issues. Last year was also the first year in which the transition to the three-year performance period was complete with awards in 2015 being based upon the performance for 2013, 2014 and 2015. All future years of the DEIP's operation will measure performance over three years.

In the three-year period from 2013 to 2015, the senior management team led by Man's two executive directors has made significant progress in restructuring the organisation, replacing staff where needed, recruiting new talent and developing a culture appropriate for Man's future. Since this is the first full three-year cycle, we have set out on [page 74](#) a more detailed summary of the progress made in those areas over that three-year period.

The combination of the quantitative and qualitative performance criteria resulted in a performance achievement of 47.5%. Having arrived at this percentage achievement, the Committee has full discretion to apply this percentage to any multiple of award up to the maximum allowed by the remuneration policy. At last year's AGM shareholders approved a change in the maximum limit applicable to the DEIP for 2015 from 350% of salary up to 408% in respect of 2015 achievement. However, the Committee's evaluation was that it would not use the increased flexibility approved by shareholders; for 2015 the Committee applied the percentage performance achievement to the same multiple of salary, namely 350%, as was used for achievement in 2014.

Committee agenda for 2016

Each year, the Committee reviews feedback received from shareholders and the structure of both short and long-term incentives in light of the changing market place and Man's evolving strategy and development. These items will again be an important part of the 2016 agenda.

Phillip Colebatch

Chairman of the Remuneration Committee

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REMUNERATION COMMITTEE

The Committee's role is to:

- determine and agree with the Board the Company's remuneration philosophy and the principles of its remuneration policy, ensuring that these are aligned with business strategy, objectives and values, comply with all regulatory requirements and promote long-term shareholder interests;
- recommend to the Board the specific remuneration policy for the executive directors, for approval by shareholders, and make remuneration decisions within that approved policy;
- recommend to the Board for approval the total annual compensation for individual executive directors based on their achievement against objectives set by the Committee and Board at the start of the year;
- recommend to the Board the remuneration of the Chairman; and
- approve the total annual compensation for Executive Committee members and Remuneration Code staff.

Full terms of reference for the Committee, which are reviewed on an annual basis, are available on the Company's website.

2.1 Membership and attendance

The Committee members at the date of this report are Phillip Colebatch (Chairman), Jon Aisbitt, Richard Berliand, Ian Livingston and Nina Shapiro. Ian Livingston and Richard Berliand were appointed members of the Committee on their appointment to the Board with effect from 1 January and 19 January 2016 respectively. All the other Committee members held office throughout 2015.

John Cryan was appointed a member of the Committee on 15 January 2015 and became Chairman of the Committee in succession to Phillip Colebatch with effect from the end of the 2015 AGM on 8 May. He stood down as a member and Chairman of the Committee with effect from 1 July following his appointment as co-CEO of Deutsche Bank. Phillip Colebatch resumed the Chairmanship of the Committee from that date. It is proposed that, subject to his reappointment by shareholders at the 2016 AGM, Richard Berliand will succeed Phillip Colebatch as Committee Chairman on the conclusion of that meeting.

Committee meetings are regularly attended by Manny Roman and Jonathan Sorrell. The Committee is supported by members of the HR, Compliance and Executive Incentive Plans teams who attend meetings when required to provide information and advice on remuneration, regulatory and executive incentive plan matters. The Company Secretary acts as Secretary to the Committee and supports the shareholder engagement programme.

At the end of each meeting there is an opportunity for private discussion between Committee members without the presence of executive directors and management. No Committee member or attendee is present when matters relating to his or her own remuneration are discussed.

2.2 Independent advisers

Kepler, a brand of Mercer (Kepler), provide the Committee with advice on a range of remuneration matters including the benchmarking of directors' compensation in the asset management sector, trends in market practice and regulatory disclosures. Neither Kepler nor any of the Mercer group of companies of which Kepler are a part provide any other services to the Company. Kepler have confirmed that they have no other business or personal relationship with any employee of the Company or member of the Committee. The Committee is satisfied on this basis that Kepler are able to serve as an objective and independent remuneration adviser. The total fees paid to Kepler in 2015 were £61,518. The Committee also received legal advice from Herbert Smith Freehills LLP on compliance with legislation relating to executive incentive plans and other remuneration matters.

2.3 Meeting schedule

The Committee met six times during 2015 with attendance by members as indicated below. In addition, certain urgent proposals relating to compensation for new hires were circulated and agreed by email prior to formal ratification at subsequent meetings.

	Meetings attended
Phillip Colebatch	6/6
Jon Aisbitt	6/6
John Cryan ¹	2/2
Nina Shapiro	6/6

Note:

¹ John Cryan was a member of the Committee between 15 January and 30 June 2015. He attended all Committee meetings held during that period.

2.4 Committee activities during 2015 and the early part of 2016

The summary below sets out the main issues considered and decisions made by the Committee in the period following the publication of the 2014 Remuneration report up to the current date.

Executive director compensation

- Assessed CEO and CFO performance against their 2015 short-term objectives and recommended annual cash bonus proposals to the Board.
- Reviewed the percentage of long-term deferred share bonus earned under the quantitative metrics of the DEIP and determined the percentage of bonus earned by the CEO and CFO under the Culture and Talent element.
- Discussed and determined the salary multiple to be applied to the total bonus earned under the DEIP for recommendation to the Board.
- To provide the business context for all the above reward decisions, reviewed the available benchmarking for the CEO and CFO roles within UK listed asset managers and such other data as could be obtained for the private manager and US hedge fund market (please see section 2.6 for further details).

Executive compensation below Board level

- Reviewed and challenged the 2015 bonus pool proposed by management in relation to the Company's performance for the year prior to recommendation to the Board.
- Approved bonus deferral policies for different groups of staff including the introduction of deferral for Numeric.
- Approved total compensation proposals for Executive Committee members, taking account of the CEO's appraisal of their individual performance for 2015 and their adherence to the Company's business values.
- Approved the total compensation for BIPRU and AIFMD Remuneration Code and senior control staff.
- Approved the total compensation for staff earning over \$1 million, taking account of the CEO's appraisal of their performance for 2015 and reports from the Risk and Compliance functions on any related risk issues arising during the year.
- Approved total guaranteed compensation above \$1 million proposed for new senior portfolio manager hires.

Shareholder engagement and reporting

- Reviewed shareholder voting and feedback on the 2015 AGM remuneration policy and report resolutions.
- Planned shareholder engagement programme and discussed feedback received.
- Reviewed 2015 Directors' Remuneration report taking account of best practice recommendations, institutional shareholder guidelines and specific investor feedback.

Clawback

- Introduced clawback provisions as described more fully on [page 65](#).

Financial regulation and governance

- Reviewed ongoing regulatory developments on remuneration and their implications for the Company's business.
- Reviewed the Company's updated remuneration policy and FCA Remuneration Policy Statement in line with BIPRU and AIFMD requirements.
- Approved updates to the list of Remuneration Code staff and minor changes to the operation of deferred share and fund product incentive plans.
- Approved the introduction of deferred cash plans for use in connection with buy-out awards for new hires and approved the grant of buy-out awards for new senior portfolio managers in line with FCA requirements.

2.5 2015 Committee evaluation

Following a mid-year review of the priority actions identified in the 2014 evaluation, at the year end the Committee undertook an evaluation facilitated by the Company Secretary of its operation and effectiveness during 2015. This asked broad questions about what the Committee could do better, its priorities for 2016, its strengths and what additional expertise, input and resource it required.

In the evaluation feedback, the Committee expressed appreciation of Phillip Colebatch resuming the Chairmanship of the Committee following John Cryan having to step down at the end of June. It identified the induction of and smooth transition to a new Committee Chairman as a key priority and agreed the following specific areas of focus for 2016:

- continue the Committee's engagement with shareholders on the Company's executive remuneration strategy;
- review the effectiveness of the DEIP;
- deliver a remuneration framework for executive directors which will continue to support the reward and retention of talent;
- ongoing consideration of the impact of changing regulatory requirements;
- further focus on incentive structures for different groups of executives below Board level; and
- review the advice and market intelligence available to the Committee.



2.6 Benchmarking and peer groups

Benchmarking is one of a number of factors considered by the Committee in its deliberations on remuneration as it is important that the Committee understands the level of remuneration paid by Man's competitors for similar positions and which they may be offering in the market place.

Man variously uses three separate peer groups as detailed in the tables below. These are:

1. a group of asset managers and related businesses listed on the London Stock Exchange;
2. a group of similar businesses listed on the New York Stock Exchange with a market cap of between one quarter and four times that of Man; and
3. businesses within the privately owned hedge fund industry for which non-public information regarding remuneration is obtained by Man in the normal course of business discussions in that industry.

All three of these sources are relevant.

Many of Man's senior staff are geographically mobile, particularly between London and New York and an explicit consideration of remuneration levels in both of these geographies is relevant. Man is one of the few listed companies anywhere in the world that operates in the hedge fund industry. The majority of businesses in this industry are privately owned and systematic remuneration data is not publicly available. Nevertheless, Man competes for talent against these businesses and staff move between Man and these private companies.

Man operates globally – in the geographic footprint of its operations, in its clients and in the asset classes which it produces. It also manufactures and distributes hedge funds, long only funds and quantitative funds. None of the companies referred to below have these same characteristics and, although some of them are larger than Man, the Committee believes that, while they are broadly comparable, Man tends to be more diverse geographically and have a wider range of fund strategies. However, these groups share some of Man's characteristics and, in some cases, information regarding the remuneration of directors is publicly available.

The privately owned hedge fund market is made up of a large number of participants, some of them small and single product and others very large. As noted earlier, little information is available publicly on the compensation quantum and structures in these businesses. The senior management of those few hedge fund companies which are publicly listed are generally the founders of the original private company who retained very significant shareholdings at the time of listing. Man endeavours to make up this gap in publicly available data by reviewing information it receives in the course of industry dialogue from a group of privately owned peers, some of whom are outlined in the table below. Man has also obtained direct information about remuneration in those privately held companies that Man has acquired.

Interpreting peer group data and benchmarking involves a number of complexities and the Committee looks at this data to provide important market context for its decisions.

UK LISTED PEER GROUP

- M&G
- Schroders
- 3i
- Investec Asset Management
- Henderson
- ICAP
- Close Brothers
- Jupiter
- Ashmore
- ICG
- Tullett Prebon

US LISTED PEER GROUP

- KKR
- Affiliated Managers
- Oaktree Capital
- Carlyle
- Legg Mason
- Eaton Vance
- Federated Investors
- Janus Capital
- Waddell & Reed
- Artisan Partners
- Fortress Investment
- Apollo Investment

PRIVATE MANAGER PEER GROUP

- AKO
- Arrowgrass
- Bluecrest
- Brevan Howard
- Bridgewater
- Capula
- Cheyne
- Citadel
- Egerton
- Lansdowne Partners
- Winton



DIRECTORS' REMUNERATION REPORT CONTINUED

2.7 Shareholder voting and engagement

At the AGM held on 8 May 2015, votes cast by proxy and at the meeting in respect of directors' remuneration were as follows:

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
Approve the directors' remuneration policy	591,048,110	57.16%	442,929,218	42.84%	1,033,977,328	12,680,269
Approve the annual report on remuneration	668,201,898	65.02%	359,548,263	34.98%	1,027,750,161	18,907,436

Details of the reasons behind the significant percentage of votes cast against these resolutions and actions taken by the Committee in response are provided in the Chairman's annual statement on [page 65](#).

REMUNERATION OUTCOMES IN 2015

2.8 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 2015 and the prior year.

All figures in USD	Executive directors			
	Emmanuel Roman ¹		Jonathan Sorrell	
	2015	2014	2015	2014
Salary	1,000,000	1,000,000	718,750²	625,000
Taxable benefits ³	60,292	56,122	2,553	2,776
Short-term variable	2,500,000	2,500,000	1,796,875	1,562,500
Long-term variable ⁴	1,662,500	1,400,000	1,194,922	875,000
Pension benefits ⁵	142,538	109,813	89,421	86,695
Other ⁶	1,880	1,857	1,880	1,857
Total	5,367,210	5,067,792	3,804,401	3,153,828

Notes:

- 1 Emmanuel Roman stepped down as a non-executive director of Grupo Prisa SA on 25 March 2015. For 2014, he received fees of €124,500 (€30,000 was awarded as shares) and for 2015, he received fees of €31,125 (€7,500 was awarded as shares) in respect of this directorship. The figures in Table R2 do not include these fees.
- 2 Pro-rata requirement based on Jonathan Sorrell's base salary increase from \$625,000 p.a. to \$750,000 p.a. with effect from 1 April 2015.
- 3 Taxable benefits comprise private medical insurance.
- 4 Long-term variable remuneration is subject to deferral under the Deferred Executive Incentive Plan. Please refer to Tables R5 to R8 for further information.
- 5 Pension benefits are paid into the Man Group Personal Pension with any contributions exceeding the annual allowance paid as cash on a cost neutral basis to the Company.
- 6 'Other' refers to non-taxable benefits (including life insurance and Group income protection).

**2.9 Short-term annual bonus in respect of 2015 performance**

The short-term annual cash bonus is based on the Committee's assessment of executive directors' performance against objectives agreed by the Board at the beginning of the year. Tables R3 and R4 show the results of this assessment for 2015.

Chief Executive Officer (audited)**Table R3**

Assessment category	Objectives	Achievements
Strategy, structure and people	<ul style="list-style-type: none"> - Strengthen the US footprint through asset raising. - Review and execute, with appropriate scepticism and cost discipline, acquisition opportunities which complement the existing business and generate attractive returns. - Develop, implement and monitor the adoption of firm-wide business values which promote a top quality asset management culture. 	<ul style="list-style-type: none"> - Achieved \$4.6 billion of sales to North American clients which is encouraging. - NewSmith acquired in April 2015. Reviewed in excess of 100 other potential prospects. - Business principles successfully embedded across the firm including within the recruitment process; adherence to these is considered when determining year end compensation.
Performance and sales	<ul style="list-style-type: none"> - Integrate recent acquisitions and maintain high quality leadership across the full product range. - Continue to grow assets under management. 	<ul style="list-style-type: none"> - Ongoing activity to continue the integration process, both in terms of system consolidation and movement of acquired talent into central Group roles. GLG, FRM and Numeric all performed above relevant benchmarks; AHL Dimension and Evolution performed well, up 7.4% and 3.2% respectively. - Achieved net inflows for Q3 and Q4, generating a small net inflow for the year. Achieved 6% average net inflows for alternatives.
Financial health	<ul style="list-style-type: none"> - Maintain a sharp focus on cost control. 	<ul style="list-style-type: none"> - 2015 costs came in 4% under budget.
Risk, compliance and reputation	<ul style="list-style-type: none"> - Simplify control structures by merging Legal and Compliance while maintaining robust regulatory control departments, new senior hires and effective succession planning. 	<ul style="list-style-type: none"> - The merger between the Legal and Compliance functions was completed in 2015, along with the hire of a new Head of Compliance & Regulatory to bring additional senior experience to the regulatory function.
External stakeholder engagement	<ul style="list-style-type: none"> - Pursue effective engagement with the Regulator (FCA), shareholders and the marketplace. 	<ul style="list-style-type: none"> - Introductory meeting held with new FCA Director of Supervision and Authorisations. Shareholder meetings held after year end and interim results. Extensive engagement with global media to build Man's external profile and communicate key messages and updates.
Percentage of short-term annual bonus awarded		100%
Percentage of salary applied (maximum 300%)		250%
Actual award as a percentage of maximum opportunity		83.3%
Quantum of award		\$2,500,000

DIRECTORS' REMUNERATION REPORT CONTINUED

Chief Financial Officer (audited)

Table R4

Assessment category	Objectives	Achievements
Strategy, structure and people	<ul style="list-style-type: none"> – Integrate operational and technology infrastructure of acquired businesses. – Deliver key infrastructure improvements across the business for efficiency and productivity gains. – Review and execute, with appropriate scepticism and cost discipline, acquisition opportunities which complement the existing business and generate attractive returns. – Identify externally and develop internally a strong pipeline of hedge fund, long only and sales talent. – Pursue firm wide diversity, including gender diversity initiatives, to attract a broader candidate pool. 	<ul style="list-style-type: none"> – NewSmith and Merrills were immediately integrated in terms of infrastructure. Numeric integration was predominantly completed in 2015 (with final pieces delivered in January 2016) with cost saving target achieved. – New systems and processes successfully generated significant efficiency benefits across the firm, alongside infrastructure updates and improvements which have been delivered within initial budget. – NewSmith acquired in April 2015. Reviewed in excess of 100 other potential prospects. – Worked closely with Head of Business Development to leverage proactively a range of contacts to bring in high quality investment talent to hedge fund, long only and distribution activities. Discussion with a strong pipeline of talent continues in 2016. – A range of initiatives in support of Man's diversity agenda including partnerships with SEO and Investment 2020, female focused events and campus marketing activity, returner programme and development of DRIVE (diversity network).
P&L and financial health	<ul style="list-style-type: none"> – Deliver the 2015 cost budget. – Restructure the Revolving Credit Facility. – Manage the new seeding programme within agreed parameters. 	<ul style="list-style-type: none"> – Maintained strong focus on cost control and costs were 4% under 2015 budget. – Revolving Credit Facility for \$1 billion implemented. – Actively managed the seeding programme through regular reviews of seeding book positions, performance and Man's overall risk position together with forward looking approach to consider forecast liquidity and implications for future seeding. 11 new strategies were seeded, 4 seeding positions were fully exited leaving the seeding book P&L flat for the year.
Risk, compliance and reputation	<ul style="list-style-type: none"> – Devise and implement a new FUM, revenue and commissions reporting framework to improve management, financial reporting and internal control. – Maintain and enhance the control environment. 	<ul style="list-style-type: none"> – New system and processes implemented which improve reporting of FUM, revenue and commissions while enhancing the internal control environment by automating all Group sales calculations on a single platform. – Regular monitoring/review of controls and processes has enabled the development of a low risk, robust control environment in which risks are identified and effectively mitigated.
External stakeholder engagement	<ul style="list-style-type: none"> – Pursue Investor Relations efforts to communicate the equity story to analysts, shareholders and potential investors. 	<ul style="list-style-type: none"> – Undertook a full programme of meetings with existing/potential shareholders to communicate the equity story, Man's investment case and the evolution of the business over the past five years. Excellent feedback received.
Percentage of short-term annual bonus awarded		100%
Percentage of salary applied (maximum 300%)		250%
Actual award as a percentage of maximum opportunity		83.3%
Quantum of award		\$1,796,875

**2.10 Long-term deferred bonus in respect of 2013 to 2015 performance under the Deferred Executive Incentive Plan ('DEIP')**

The long-term deferred bonus plan awards are determined by an assessment against a balanced scorecard of performance criteria for each executive director, with 80% determined by financial criteria and 20% non-financial criteria. Tables R5 to R7 show the result of this assessment for the awards to be granted in 2016. For the financial metrics, performance is measured against Man's financial KPIs for each of the three preceding reporting years (2013, 2014 and 2015) and then averaged. Additional information on Man's financial KPIs is set out on [page 27](#). The non-financial metric is assessed over the three-year performance period.

Long-term deferred bonus – assessment of achievement under financial KPIs (audited)**Table R5**

Measure	Performance targets ¹		Actual performance				Average over 3 year performance period	Percentage of target achieved over 3 year performance period	Weighting	Bonus outcome, after weighting
	Threshold	Maximum	2013	2014	2015	2015				
1. Investment performance	Net performance > benchmark for 3/4 ² investment managers		Achieved 1 out of 3	Achieved 1 out of 3	Achieved 3 out of 4	Achieved 3 out of 4 over the performance period	75.0%	25%	18.8%	
2. Net flows	0%	10%	-6.3%	6.1%	0.4%	0.1%	0.7%	25%	0.2%	
3. Adjusted management fee EBITDA margin	25%	40%	36.0%	30.3%	27.2%	31.2%	41.1%	15%	6.2%	
4. Adjusted management fee EPS growth	RPI + 0%	RPI + 20%	-16.8%	26.2%	-0.2%	3.1%	15.3%	15%	2.3%	
Percentage achieved under financial KPIs (maximum of 80%)									27.5%	

Notes:

- 1 To the extent the actual performance is between the threshold and maximum targets for net flows, adjusted management fee EBITDA margin and adjusted management fee EPS growth KPIs, the criteria is met proportionally.
- 2 Three investment managers (AHL, GLG and FRM) were used to assess investment performance in 2013 and 2014. Numeric was added as a fourth investment manager in 2015.

Comments on 2015 performance against financial KPIs:**1. Investment performance**

In 2015, GLG, FRM and Numeric all achieved positive performance which was in excess of their respective benchmarks. AHL did not meet its target. Over the full performance period, AHL, GLG and Numeric have met their targets, whilst FRM is slightly below its target. This means that three out of the four targets have been met over the full performance period.

2. Net flows

In 2015, a small net inflow was recorded. Inflows in quant products and fund of funds were partly offset by outflows in discretionary alternative and long only products.

3. Adjusted management fee EBITDA margin

In 2015, the adjusted management fee EBITDA margin was within the target range, albeit lower than in previous years, reflecting the continued mix shift from higher margin retail assets to lower margin institutional assets and a general trend of new sales being achieved at lower gross margins than in previous years.

4. Adjusted management fee EPS growth

In 2015, the adjusted management fee EPS growth in excess of RPI was marginally negative and significantly lower than in 2014, reflecting lower management fee gross margins.

Long-term deferred bonus – assessment of achievement under non-financial KPI (audited)

Table R6

Culture and Talent

As is well known, the ramifications of the global financial crisis which began in 2008 were widespread and deep. The crisis had a significant impact on the hedge fund industry, including Man. Man responded to this by analysing its strategy, its cost base, its product platform, its geographic footprint and its people and it was clear to the Board that material changes were required across all these dimensions. A new CEO and CFO were appointed in 2013 and 2012 respectively and charged with clearly defining the strategic plan, its implications across product, geography, senior management, talent and culture and with implementing the necessary changes. Man has just completed the first three full years, 2013-15 inclusive, in the tenure of that new CEO and CFO.

Over that three year period, Man's two executive directors, working as a team, have:

1. Redefined Man's desired product platform.
2. Where necessary, changed elements of the existing Man product platforms, including changes to the leadership of those platforms.
3. Instituted a strong culture of individual ethics and risk management in which control functions are empowered and respected.
4. Progressively changed the organisational structure to align with the strategic direction.
5. Analysed Man's geographic footprint and changed where necessary the products, services and management of Man's overseas offices.
6. Built a new senior management team from both internal talent and with external hires.
7. Made a number of key hires into leadership positions on product platforms, sales organisations and general management.
8. Redefined Man's culture, integrated the acquired organisations and newly hired talent and promulgated that desired culture in to these new arrivals to Man.
9. Put significant new momentum behind developing key staff, both at senior levels as potential successors to the senior management team and at entry level to provide a talent pipeline for the future.
10. Increased diversity through a number of initiatives including new recruitment practices, apprenticeships, support networks and collaboration with external organisations who source diverse talent.

Culture, talent and diversity are continuing tasks. Over the last three years, Man's two executive directors and the senior management team have built a very solid foundation on which to continue building these key elements of the organisation.

Percentage achieved under non-financial KPI (maximum of 20%)	20%
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Long-term deferred bonus – aggregate achievement under financial and non-financial KPIs (audited)

Table R7

Financial KPIs	27.5%
Non-financial KPI	20.0%
Total percentage achieved	47.5%
Percentage of salary applied (maximum 408% ¹)	350%
Actual award as a percentage of maximum opportunity	40.7%

Note:

- 1 To ensure that the increase in maximum opportunity approved by shareholders at the 2015 AGM does not apply retrospectively, the maximum opportunity will increase progressively until reaching 525% of salary for awards made in respect of performance in the period 2015 to 2017. The awards detailed above reflect one year of performance (2015) under the new limit (525%) and two years of performance (2013 and 2014) under the old limit (350%). The 408% maximum opportunity is a weighted blend (one third of the new limit and two thirds of the old limit) for that period. This maximum opportunity has not been used in respect of the bonus awarded in 2015.

Quantum of award:

Emmanuel Roman	\$1,662,500
Jonathan Sorrell	\$1,194,922

Scheme interests to be awarded under the Deferred Executive Incentive Plan ('DEIP' in relation to 2015) (audited)

Table R8

Executive director	Award (% of maximum opportunity ¹)	Award value ² (USD)	End of holding period date
Emmanuel Roman	40.7%	\$1,662,500	Mar-21
Jonathan Sorrell	40.7%	\$1,194,922	Mar-21

Notes:

- 1 Please see Note 1 in Table R7 for further details of the maximum opportunity for 2015.
- 2 The awards to be made in 2016 in respect of the financial year ended 31 December 2015 are calculated according to performance against a balanced scorecard, as shown in Tables R5 and R6. The monetary value of these awards will be converted into a number of shares using the USD/GBP rates and mid-market share price quoted on the award date. The awards will be granted as conditional awards of shares and will vest three to five years after grant, subject to the DEIP rules. Details of awards made under the DEIP in relation to performance in 2013 and 2014 can be found in Table R16.



2.11 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 2015 and the prior year.

Single total figure of remuneration for non-executive directors (audited)

Table R9

All figures in GBP	Total fees	
	2015	2014
Jon Aisbitt	450,000	450,000
Phillip Colebatch ¹	112,789	115,000
John Cryan ¹	69,423	0
Andrew Horton	80,000	80,000
Matthew Lester	95,000	95,000
Dev Sanyal	80,000	80,000
Nina Shapiro	75,000	75,000

Note:

- John Cryan was appointed a member of the Board and Remuneration Committee on 15 January 2015 and became Chairman of the Remuneration Committee in succession to Phillip Colebatch with effect from the end of the 2015 AGM on 8 May. He stood down as a member and Chairman of the Committee with effect from 1 July 2015 following his appointment as co-CEO of Deutsche Bank. Phillip Colebatch resumed the Chairmanship of the Committee from that date.

2.12 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 R10

	CEO		All Staff	
	2015	2014	% change	% change ¹
	All figures in \$'000s			
Salary	1,000	1,000	0	5 ²
Taxable benefits	60	56	7	(1)
Short-term variable	2,500	2,500	0	(4) ³

Notes:

- Figures are calculated on a per capita basis.
- This is the percentage change in US dollar terms which includes an adverse exchange rate movement. If based on the underlying currencies in which staff are paid, the salary per capita remained unchanged.
- For staff, short-term variable remuneration includes both variable cash compensation and deferred awards relating to the current year.

2.13 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 R11

	2015 \$m	2014 \$m	% change
Total employee expenditure ¹	462	391	18
Shareholder distributions ²	369	278	33

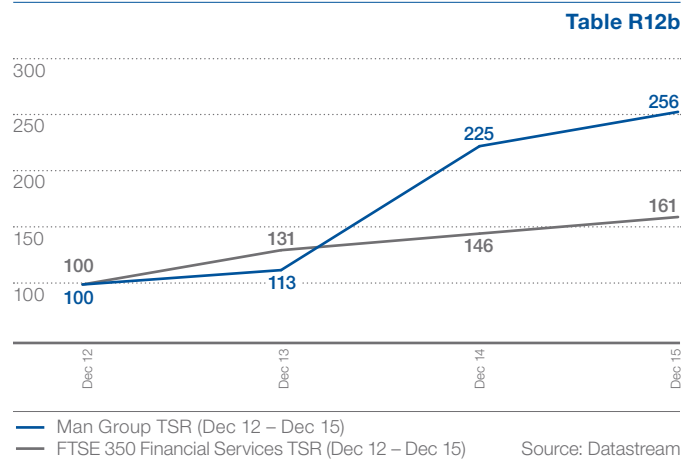
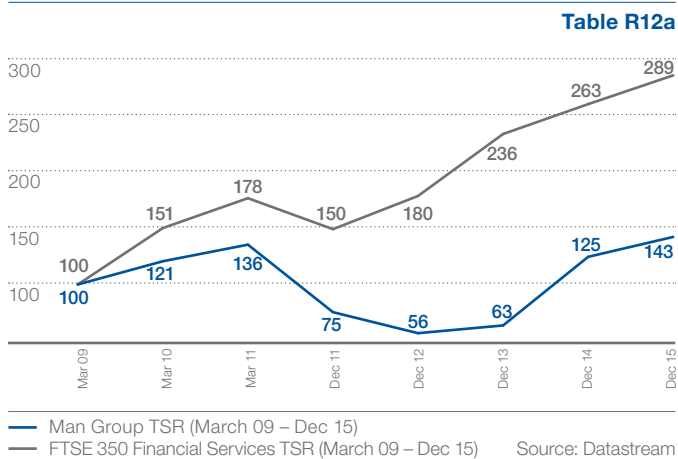
Notes:

- Remuneration paid to or receivable by all employees (i.e. accounting cost). Refer to Note 7 to the financial statements for further details.
- Distributions to shareholders (dividends paid of \$193 million and repurchase of shares of \$176 million in the year).

DIRECTORS' REMUNERATION REPORT CONTINUED

2.14 Review of past performance

The performance graphs below compare the Company's total shareholder return performance against the FTSE 350 Financial Services Index. The graphs cover both the required reporting period (Table R12a) and the three-year period since the current CEO and CFO were appointed (Table R12b). Man Group 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 Group's direct competitors are unlisted and equivalent information for these firms is not available.



Historical CEO remuneration

Table R13

Accounting period ended		31 March 2010	31 March 2011 ¹	31 December 2011 ²	31 December 2012	31 December 2013	31 December 2014	31 December 2015
CEO single figure (\$'000s)	E Roman	n/a	n/a	n/a	n/a	3,397	5,068	5,367
	P Clarke	6,299	8,173	6,437	1,048	978	n/a	n/a
Short-term variable award (as a percentage of maximum opportunity) ³	E Roman	n/a	n/a	n/a	n/a	70%	100%	83.3%
	P Clarke	n/a	n/a	n/a	n/a	0%	n/a	n/a
Long-term variable award (as a percentage of maximum opportunity) ⁴	E Roman	n/a	n/a	n/a	n/a	17%	40%	40.7%
	P Clarke	n/a	n/a	n/a	n/a	0%	n/a	n/a

Notes:

- Salary and benefits are for 12 months and bonus for 9 months.
- Salary and benefits are for 9 months and bonus for 12 months.
- 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.
- 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.

2.15 Payments for loss of office and payments to past directors (audited)

There were no remuneration payments made for loss of office or remuneration payments made to former executive directors during the year.

Conditional share awards granted under the Deferred Bonus Share and Option Plan (DBSOP) to former directors Peter Clarke and Kevin Hayes, as reported under Table R19 in the annual report on remuneration for the financial year ended 31 December 2013, vested on 12 March 2015. Consequently, Peter Clarke received a transfer of 879,683 shares and Kevin Hayes received a transfer of 293,223 shares (which numbers include shares representing dividend accrual over the vesting period).

During the year, the DBSOP option granted to Peter Clarke in 2011 over 3,629,238 shares and the DBSOP option granted to Kevin Hayes in 2011 over 777,693 shares each lapsed. Consequently, there are no outstanding options or awards held by Kevin Hayes, and only the DBSOP options granted to Peter Clarke in 2010 and 2012 (as reported under Table R19 in the annual report on remuneration for the financial year ended 31 December 2013) remain outstanding. As each of these options is now currently exercisable, no further disclosure in respect of these options will be made until such time as the options are exercised or lapse.



2.16 Directors' interests

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

Table R14

	Number of ordinary shares ¹ 31 December 2015 ²	Number of ordinary shares ¹ 31 December 2014
Executive directors		
Emmanuel Roman ³	18,745,969	18,745,969
Jonathan Sorrell	596,061	544,361
Non-executive directors		
Jon Aisbitt	1,681,251	1,681,251
Phillip Colebatch	10,000	10,000
John Cryan ⁴	–	–
Andrew Horton	50,000	50,000
Matthew Lester	22,692	22,692
Dev Sanyal	67,191	64,287
Nina Shapiro	28,258	28,258

Notes:

- All of the above interests are beneficial.
- There has been no change in the directors' interests in the ordinary shares of Man Group plc from 31 December 2015 up to 23 February 2016, being the latest practicable date prior to the publication of this report.
- Emmanuel Roman also holds 50,000 Deferred Sterling shares of £1 each. These shares are held to satisfy a requirement of the Companies Act 2006 and carry no voting rights or rights to distributions.
- John Cryan was appointed to the Board as a non-executive director on 15 January 2015.

The market price of the Company's shares at the end of 31 December 2015 was 175.5 pence. The highest and lowest daily closing share prices during the 12 month financial period were 217.6 pence and 139.8 pence respectively.

Executive directors' shareholdings measured against their respective shareholding requirement as at 31 December 2015

Table R15

Executive directors	Shares owned outright ¹	Value of shareholding ² (USD)	Salary (USD)	Shareholding requirement as a % of salary	Current shareholding as a % of salary	Requirement met?
Emmanuel Roman	18,745,969	48,480,225	1,000,000	200%	4848%	Yes
Jonathan Sorrell	596,061	1,541,514	718,750 ³	100%	214%	Yes

Notes:

- Details of unvested share awards can be found in Tables R16 to R19.
- Shareholdings valued at 31 December 2015 share price of £1.755 and an exchange rate of £1=\$1.4736.
- Pro-rata requirement based on Jonathan Sorrell's salary increase from \$625,000 p.a. to \$750,000 p.a. with effect from 1 April 2015.

DIRECTORS' REMUNERATION REPORT CONTINUED

2.16 Directors' interests continued

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

Conditional share awards under the Deferred Executive Incentive Plan (DEIP)¹ – subject to service conditions (audited) Table R16

Executive director	Date of grant	1 January 2015	Granted during year ²	Dividends accruing ³	31 December 2015
Emmanuel Roman	Mar-14 ⁴	369,692	–	16,974	386,666
	Mar-15 ⁵	–	484,902	22,263	507,165
Jonathan Sorrell	Mar-14 ⁴	231,056	–	10,608	241,664
	Mar-15 ⁵	–	303,063	13,914	316,977

Notes:

- The Company's obligations for the conditional awards granted under the DEIP are hedged by the Employee Trust.
- The award values included in Table R6 in the Directors' remuneration report for the financial year ended 31 December 2014 were converted into the number of shares shown above using the GBP/USD rate of 1.4944 and a share price of £1.932, being the mid-market share price on 11 March 2015. These awards attract dividend accruals. Further details of the Deferred Executive Incentive Plan can be found in section 2.10 of this report.
- On 15 May 2015 dividend accruals of 18,993 and 11,871 shares were added to Emmanuel Roman and Jonathan Sorrell's awards respectively based on a Sterling dividend of 3.95 pence. On 2 September 2015, dividend accruals of 20,244 and 12,651 shares were added to Emmanuel Roman and Jonathan Sorrell's awards respectively based on a Sterling dividend of 3.47 pence.
- Award vests in three equal instalments in March 2017, March 2018 and March 2019.
- Award vests in three equal instalments in March 2018, March 2019 and March 2020.

Conditional share award under the Deferred Bonus Share and Option Plan (DBSOP)¹ – subject to service conditions (audited) Table R17

Executive director	Date of grant	1 January 2015	Granted during year	Dividends accruing ²	31 December 2015
Jonathan Sorrell	Mar-13	1,160,690	–	53,297	1,213,987

Notes:

- The Company's obligations for conditional awards granted under the DBSOP are hedged by the Employee Trust. These awards attract dividend accruals.
- On 15 May 2015 dividend accruals of 25,800 shares were added to Jonathan Sorrell's awards based on a Sterling dividend of 3.95 pence. On 2 September 2015, dividend accruals of 27,497 shares were added based on a Sterling dividend of 3.47 pence.

Options granted under the Man Group Deferred Share and Fund Product Plans – subject to service conditions (audited) Table R18

Executive director		Date of grant	1 January 2015	Exercised during period	31 December 2015	Earliest exercise date	Latest exercise date
Jonathan Sorrell ¹	Deferred Share Plan (DSP)	Mar-12	97,738	97,738	–	n/a	n/a
	Fund Product Plan (FPP) ²	Mar-12	1,063	1,063	–	n/a	n/a

Notes:

- Jonathan Sorrell was granted nil-cost options under the above Plans prior to his appointment as a director.
- Award granted over a number of fund units in Man GLG Multi-Strategy UCITS product.

Options granted under the Man Group Sharesave Scheme (audited) Table R19

Executive director	Date of grant	1 January 2015	Number of options		Option price	Earliest exercise date	Latest exercise date
			Granted during year	31 December 2015			
Jonathan Sorrell	Aug-12	23,076	–	23,076	65.0p	Oct-17	Mar-18
	Sept-14	16,833	–	16,833	90.0p	Oct-19	Mar-20

2.17 Retirement benefits

Emmanuel Roman and Jonathan Sorrell are not eligible for any defined benefits under the Man Group plc Pension Plan.



IMPLEMENTATION OF DIRECTORS' REMUNERATION POLICY FOR 2016

2.18 Base salary

Salaries are reviewed annually following the year end taking into account market benchmarks for executives of comparable status, responsibility and skill.

Manny's salary has not changed since he joined the firm over five years ago. As evidenced by Man's relative and absolute TSR, since Manny was appointed CEO three years ago (see graph in table R12b), the Company has performed well and the management team he has led has transformed the business. A review by the Committee shows that Manny's total compensation is one of the lowest in the UK and US listed peer group. Manny is already a very significant shareholder in the Company. Accordingly, the Committee concluded that the most effective way to recognise Manny's personal contribution, his low relative total compensation in relation to performance and the fact that his salary had not been adjusted for over five years was to award Manny a 10% salary increase. The Committee has therefore recommended and the Board has agreed that Manny's salary be increased from \$1,000,000 to \$1,100,000 per annum with effect from 1 January 2016.

Base salary of executive directors

Table R20

Base salary at	Jonathan Sorrell	Emmanuel Roman
1 January 2015	\$625,000 ¹	\$1,000,000
1 January 2016	\$750,000	\$1,100,000 ²

Notes:

- 1 Jonathan Sorrell's base salary increased from \$625,000 p.a. to \$750,000 p.a. with effect from 1 April 2015.
- 2 Manny Roman's base salary increased from \$1,000,000 p.a. to \$1,100,000 p.a. with effect from 1 January 2016.

2.19 Short-term annual cash bonus for 2016

The objectives for the 2016 bonus set by the Committee are around:

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

The Remuneration Committee considers that the disclosure in advance of quantified objectives may provide an unfair advantage to Man Group's competitors, most of whom are not listed and are not required to disclose this information. Details of the 2016 objectives set by the Board and the achievements of each of the executive directors will be included in the Directors' Remuneration report for the year ended 31 December 2016.

DIRECTORS' REMUNERATION REPORT CONTINUED

2.20 Long-term deferred bonus for 2016 performance under the Deferred Executive Incentive Plan

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

Balanced scorecard of financial and non-financial metrics¹

Table R21

Financial KPIs	Definition	Target
Investment performance (25%)	<ul style="list-style-type: none"> Measure net performance of four managers (represented by key funds) vs. respective benchmarks. Key funds/benchmark: <ul style="list-style-type: none"> Man AHL Diversified/two of three competitors. Numeric asset-weighted net return/composite benchmark. GLG Alternative Strategies Dollar Weighted Composite/HFRX. FRM Diversified II/HFRI FoF: Conservative Index. 	<ul style="list-style-type: none"> Relevant period: performance is measured over the reporting year (first to last trading days of the year). Criteria type: binary outcome. Criteria for each fund over the relevant period: <ul style="list-style-type: none"> If Net Performance \leq Benchmark Performance, criteria is not met. If Net Performance $>$ Benchmark Performance, criteria is met. Weighting: each fund is ascribed a 1/4 weighting
Net flows (25%)	<ul style="list-style-type: none"> Measure net FUM flows annually. Net Flows are defined as, over a reporting year: <ul style="list-style-type: none"> $(\text{Gross Sales} - \text{Redemptions}) / \text{Start of Year FUM}$, expressed in %. 	<ul style="list-style-type: none"> Relevant period: net flows are measured over the reporting year. Criteria type: sliding scale. Criteria for the relevant period: <ul style="list-style-type: none"> If Net Flows $\leq 0\%$, criteria is not met. If Net Flows $\geq 10\%$, criteria is met in full. If $0\% < \text{Net Flows} < 10\%$, criteria is met proportionally.
Adjusted² management fee EBITDA margin (15%)	<ul style="list-style-type: none"> Measure management fee EBITDA margin. Adjusted management fee EBITDA margin defined as, over a reporting year, adjusted management fee EBITDA/Net Revenues. 	<ul style="list-style-type: none"> Relevant period: Adjusted management fee EBITDA margin is measured over the reporting year. Criteria type: sliding scale. Criteria for the relevant period: <ul style="list-style-type: none"> If adjusted management fee EBITDA margin $\leq 25\%$, criteria is not met. If adjusted management fee EBITDA margin $\geq 40\%$, criteria is met in full. If $25\% < \text{adjusted management fee EBITDA margin} < 40\%$, criteria is met proportionally.
Adjusted² management fee EPS growth (15%)	<ul style="list-style-type: none"> Measure adjusted management fee EPS growth, i.e. growth in minimum ordinary dividend per share. Adjusted management fee EPS growth defined as: <ul style="list-style-type: none"> $(\text{Current Year Adjusted Management Fee EPS} / \text{Previous Year Adjusted Management Fee EPS}) - 1$, expressed in %. 	<ul style="list-style-type: none"> Relevant period: Adjusted management fee EPS growth is measured over the reporting year. Criteria type: sliding scale. Criteria for the relevant period: <ul style="list-style-type: none"> If adjusted management fee EPS growth $\leq 0\%$ plus RPI, criteria is not met. If adjusted management fee EPS growth $\geq 20\%$ plus RPI, criteria is met in full. If $0\% \text{ plus RPI} < \text{adjusted management fee EPS growth} < 20\% \text{ plus RPI}$, criteria is met proportionally.
Non-financial metrics		
Culture and talent (20%)	<ul style="list-style-type: none"> 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:

- The performance period for 2017 awards will be the three-year performance period 2014 to 2016 and will be assessed at the end of the 2016 financial year. For the financial metrics, performance will be measured for each of the years and then averaged. The non-financial metric is assessed over the three-year performance period.
- 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 show the underlying profitability of the business.



2.21 Non-executive director remuneration policy for 2016

There has been no increase in fees for the Chairman since his appointment in 2007 or for non-executive directors since 2009. The Board has agreed that the Senior Independent Director fee will increase to £15,000 p.a. with effect from the date of the 2016 AGM.

Non-executive directors' fees for 2016

Table R22

All figures in GBP Position	2016	2015	% increase
Chairman of the Board	450,000	450,000	0
Board fee ¹	65,000	65,000	0
Senior Independent Director	13,276²	10,000	32.76
Audit and Risk Committee chair	30,000	30,000	0
Other Audit and Risk Committee members	15,000	15,000	0
Remuneration Committee chair	25,000	25,000	0
Other Remuneration Committee members	10,000	10,000	0

Notes:

- 1 Includes Nomination Committee membership (all non-executive directors are members of the Nomination Committee).
- 2 Pro-rated to take account of the increase in fee with effect from the date of the 2016 AGM.

For and on behalf of the Board

Phillip Colebatch

Remuneration Committee Chairman
24 February 2016



DIRECTORS' REMUNERATION REPORT CONTINUED

3. DIRECTORS' REMUNERATION POLICY

3.1. Executive directors' remuneration policy

Aligning the interests of the executive directors with those of shareholders and with Man Group's strategic goals is central to Man Group's remuneration policy.

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 approved at and which was effective from the 2015 AGM, on 8 May 2015. The remuneration policy has been included in this Annual Report in full (using updated data in the scenario charts) to provide the context within which the Committee has conducted its work during the year and has been updated for the inclusion of clawback provisions in respect of incentive awards.

Executive directors' remuneration policy

Table R23

Function	Operation	Opportunity	Performance metrics
Base salary Based on experience and individual contribution to leadership and Company strategy	Salaries are reviewed annually following 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, market practice and total compensation opportunity.	Continued good performance.
Pension 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.
Benefits 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.
Sharesave 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.



Executive directors' remuneration policy continued

Table R23

Function	Operation	Opportunity	Performance metrics
<p>Executive Incentive Plan <i>Short-term annual cash bonus</i></p> <p>To incentivise and reward strong performance against annual financial and non-financial targets</p>	<p>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.</p> <p>Awards are normally paid in cash.</p> <p>Clawback provisions apply for gross misconduct.</p>	<p>The maximum award is 300% of salary.</p>	<p>The bonus is based on the Remuneration Committee's assessment of executive directors' performance over a financial year against objectives, which cover:</p> <ol style="list-style-type: none"> 1. Strategy, structure and people 2. P&L performance and sales 3. Financial health 4. Risk, compliance and reputation 5. External stakeholder engagement <p>The outcome of performance against these objectives will be reported in the Directors' remuneration report for the financial year in consideration.</p>
<p>Executive Incentive Plan <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>Deferred shares are awarded subject to an assessment based on the three prior years' performance against financial and non-financial objectives set at the start of that three year performance period. Performance is measured for each of the three reporting years and then averaged.</p> <p>Transitional arrangements of one, two and three-year performance periods will apply for new executive directors, to ensure that they do not receive an award based on performance pre-dating their hire.</p> <p>For any deferred shares awarded, the vesting period is set at a further three to five years after the end of the relevant performance period. This creates, with the performance and vesting periods combined, a total time horizon of six to eight years. During the three to five year vesting period, the value of any shares awarded will be fully aligned with and dependent on shareholder experience and value over that time.</p> <p>The number of shares subject to an award is increased by reference to any dividends paid between the grant and vesting date of an award. Such shares vest only when the shares subject to an award vest.</p> <p>Malus provisions may apply for misstatement or misconduct. Clawback provisions apply for Gross Misconduct.</p>	<p>The deferred awards will be determined in relation to performance measured against the balanced scorecard metrics set out in the performance metrics column.</p> <p>The maximum deferred award opportunity will gradually increase to 525% of salary as follows:</p> <ul style="list-style-type: none"> - 2016 awards: 408% - 2017 awards: 467% - 2018 awards: 525% <p>This staged increase ensures that the incentive opportunity for performance years completed prior to the date on which the policy change became effective is not increased retroactively.</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"> - Investment performance 25% - Net flows 25% - Adjusted management fee EBITDA margin 15% - Adjusted management fee EPS growth 15% <p>The remaining 20% of an award is based on the Remuneration Committee's assessment of performance against non-financial criteria including culture and talent.</p> <p>The Remuneration Committee initially assesses executive director performance against the metrics outlined above to determine the percentage of award earned for the performance period. It then has full discretion to decide the multiple of salary (between 0% up to the maximum set out in the Opportunity column) to which the percentage of award determined by the metrics should be applied. In deciding this multiple, it takes account of any performance issues not included in the DEIP metrics and any other relevant factors such as overall corporate performance, shareholder return and experience, internal relationships and the current public and private fund manager competitor landscape. Under no circumstances can the maximum set out in the Opportunity column be exceeded.</p> <p>The Remuneration Committee may adjust the weighting or definition of the above performance 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, the Financial Conduct Authority Remuneration Code of practice on remuneration policies, the AIFM Remuneration Code, and to leading investor representative body guidelines (including the Investment Association, ISS and the PLSA).

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 of an individual, exercising the discretion available under the UKLA Listing Rules (see details in the paragraph 'Approach to recruitment remuneration').

3.2 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 performance metrics are in line with the long-term strategic focus of the Company and will be reviewed as required in line with any changes in strategic direction.

3.3 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. However, in line with market practice in alternative investment funds, their incentive payouts are uncapped.

Employee remuneration includes base salary, benefits, an annual performance bonus and, for senior contributors, long-term 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 to reinforce asset gathering and retention whilst aligning interests on costs.

3.4 Shareholding guidelines

In order to align the interests of executive directors and shareholders, Man Group requires its executive directors to maintain a proportion of Man Group shares calculated with reference to their base salary. 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, as explained in Table R23, the long-term deferred bonus element of the Executive Incentive Plan has been designed so that executive directors have the potential to build up over time a significant holding of unvested shares, subject to ongoing service, which are fully aligned with shareholder experience and value. However, these shares are not taken into account in the calculation of the level of directors' holdings measured against our shareholding guidelines which require the holding of totally unrestricted and disposable shares.

3.5 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 current 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 incoming Chairman has a contract with the Company which provides that his appointment is terminable on six months' notice. 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 46 and 48](#) of this 2015 Annual Report, and their current fee levels are provided in the Directors' remuneration report on [page 81](#). 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 R24

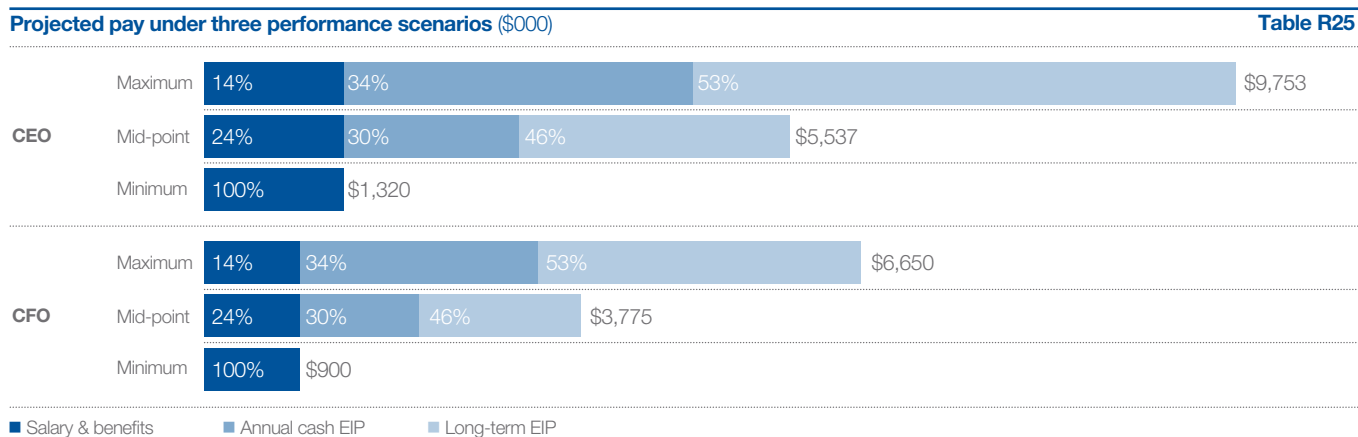
Function	Operation	Opportunity	Performance metrics
Fees To attract and retain non-executive directors of the highest calibre and experience relevant to Man Group	Fees are reviewed annually by the Board at the year end taking into account market benchmarks for non-executives of companies of similar size and complexity to Man Group with consideration of sector relevance. 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. 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.	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.	None.



3.6 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 2017 reward opportunities for executive directors in respect of the 2016 performance year, and the potential split between the different elements of remuneration under three different performance scenarios: 'minimum', 'mid-point' and 'maximum'.

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



Assumptions used:

- The 'minimum' scenario reflects base salary, pension and benefits as disclosed in the Single Figure of Total Remuneration (i.e. fixed remuneration) which are the only elements of the executive directors' remuneration packages not linked to performance during the year under review.
- The 'mid-point' scenario reflects fixed remuneration as above, plus a bonus payout of 150% of salary for the short-term award (being half of the maximum short-term award) and a deferred bonus award of 233.5% of salary (being half of the maximum deferred award).
- The 'maximum' scenario reflects fixed remuneration as above, plus a full bonus payout of the maximum of 300% of salary for the short-term annual cash bonus award and the maximum of 467% of salary for the deferred bonus award.
- The illustrations are based on initial award value and do not, therefore, reflect potential share price appreciation or any dividends received over the deferral periods.

3.7 Approach to recruitment remuneration

External appointment

Approach to recruitment remuneration			Table R26
Component	Approach	Maximum grant value	
Base salary	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	
Pension	Pension contributions or an equivalent cash supplement will normally be set in line with existing policy.	n/a	
Benefits	Benefits may include (but are not limited to) private medical insurance, life assurance, permanent health insurance, Group income protection and any necessary relocation expenses.	n/a	
Sharesave	New appointees will be eligible to participate in any all-employee share schemes the Company offers.	n/a	
Executive Incentive Plan <i>Short-term annual cash bonus</i>	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.	300% of salary	
Executive Incentive Plan <i>Long-term deferred bonus</i>	New appointees may be granted awards under the long-term deferred bonus on the same terms as other executive directors, as described in the policy table. The performance periods used for determining the awards will be gradually increased until the new appointee has completed three full financial years at Man Group.	525% of salary	

3.7 Approach to recruitment remuneration continued

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 Group 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 those incentive arrangements and the likelihood of those conditions being met. In defining the size of this 'buy out' 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 'buy out' 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 made 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 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.

3.8 Non-executive directors

When recruiting a new non-executive director, the Board will utilise the policy as set out in Table R24 on page 84. 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.

3.9 Service contracts and exit payment policy

Service contracts

Table R27

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 director agree otherwise. Unless the Company decides otherwise both executive directors 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 director being in employment and not under notice at the payment date.
Long-term deferred bonus and other awards	The treatment of deferred bonuses and other long-term awards is governed by the relevant Plan rules as explained below.



3.9 Service contracts and exit payment policy continued

To protect Man 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 Company. 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 long-term deferred awards 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 awards

Table R28

Reason for leaving	Timing of vesting	Calculation of vesting/payment
Good leaver ¹	Follows normal vesting schedule (except in the case of death where the Remuneration Committee may allow early vesting).	Awards vest on a time pro rata basis under the long-term deferred bonus of the Executive Incentive Plan. No time pro-rating applies under the Deferred Bonus Share and Option Plan ² .
Any other reason	All awards lapse.	

Notes:

- 1 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.
- 2 Jonathan Sorrell was granted a conditional share award under the Deferred Bonus Share and Option Plan in March 2013.

3.10 External appointments

With the approval of the Board in each case, and subject to the overriding requirements of the Company, 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 for the relevant year.

3.11 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.

3.12 Consideration of shareholder views

The Remuneration Committee takes into account shareholder views received in relation to remuneration 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 Group's remuneration policy against the guidelines of key institutional shareholders and their representative bodies.

The above remuneration policy was discussed with a number of Man Group's major shareholders and certain shareholder voting bodies in early 2015 and reflects the views expressed in that consultation.

DIRECTORS' REPORT

The Directors present their report, together with the audited consolidated financial statements, for the year ended 31 December 2015 (the 'year').

Man Group plc is incorporated as a public limited company and is registered in England with the registered number 08172396 (the "Company"). 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 46 to 48. Ian Livingston and Richard Berliand were appointed as non-executive directors following the year end on 1 January and 19 January 2016 respectively. All of the other directors served for the duration of the year with the exception of John Cryan who was appointed as a non-executive director on 15 January 2015.

Details of the directors' interests in the Company's shares are given on page 77 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 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 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 (AGM). In accordance with the Articles, one-third of the Board must retire by rotation at each AGM 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 AGM.

The Articles give each director the power to appoint any person to be his alternate, such appointment being subject to Board approval where the proposed alternate is not an existing director of the Company.

Directors' indemnities and insurance cover

The Company has maintained qualifying third-party indemnity provisions for the benefit of its directors during the year and these remain 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 movements in issued share capital, together with the rights and obligations attaching to the Company's shares, are set out in Note 23 to the financial statements. This Note also provides information on the Company's unexpired authority to purchase its own shares and details of the shares purchased by the Company during the year.

Substantial voting interests

As at 31 December 2015 the Company had been notified of the following voting interests in the ordinary share capital of the Company in accordance with DTR 5 of the FCA's Disclosure and Transparency Rules (DTR 5). Percentages are shown as notified, calculated with reference to the Company's disclosed share capital as at the date of the movement triggering the notification.

Shareholder	Number of shares notified to the Company	Percentage of issued share capital
Odey Asset Management LLP	107,786,770	5.91%
Société Générale Option Europe, Société Générale Acceptance N.V., and Société Générale Issuer ¹	67,993,182	4.00%
TIAA-CREF Investment Management LLC and Teachers Advisors, Inc. ²	67,877,246	3.99%

Notes:

- As at 31 December 2015, Société Générale Option Europe, Société Générale Acceptance N.V., and Société Générale Issuer (together, 'Société Générale') had notified 67,993,182 voting rights attached to the Company's issued share capital. The majority of these (59,969,151) related to cash-settled derivatives with no voting rights which are however required to be notified to the Company under DTR 5.3.1R(1)(b), being financial instruments with a similar economic effect to qualifying financial instruments. The remaining 8,024,031 consisted of direct and indirect interests in voting rights attached to shares in the Company.
- As at 31 December 2015, TIAA-CREF Investment Management LLC ('TIAA-CREF') had notified 32,356,401 voting rights attached to the Company's issued share capital. Teachers Advisors, Inc., which is affiliated with TIAA-CREF, had notified 35,520,845 such voting rights.

No changes to the above were disclosed to the Company in accordance with DTR 5 during the period 1 January to 22 February 2016 inclusive.

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 to any prorating that may be applicable.

Independent auditor

The Company's auditor, Deloitte LLP, has indicated its willingness to continue in office and a resolution to reappoint Deloitte LLP as auditor of the Company will be proposed at the 2016 AGM.



Carbon emissions reporting

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

Around 78% (2014: 82%) of our overall emissions relate to purchased electricity and gas usage across our various geographical locations, with the remaining 22% (2014: 18%) relating to air travel. All emissions are reported in tonnes of carbon dioxide equivalents (CO₂e).

Man Group's emissions by scope

Scope	Source	Tonnes of CO ₂ e emissions	
		Year ended 31 December 2015	Year ended 31 December 2014
Scope 1	Natural gas	380	326
Scope 2	Electricity	8,142	7,411
Scope 3	Air travel	2,472	1,753
Total		10,994	9,490

Reported emissions have been calculated using an intensity metric which will enable us to monitor emissions independent of activity. As Man Group 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 have. Therefore, emissions per employee are the most appropriate metric for our business, as shown in the table below. The average number of employees in 2015 was 1,106 (2014: 1,001).

Emissions per employee

Scope	Tonnes of CO ₂ e emissions	
	Year ended 31 December 2015	Year ended 31 December 2014
Scope 1	0.3	0.3
Scope 2	7.4	7.4
Scope 3	2.2	1.8
Emissions per employee	9.9	9.5

As expected, natural gas and energy emissions (Scope 1 and Scope 2) have increased in line with the increase in employees in the year. Air travel emissions (Scope 3) have increased overall and per employee in 2015 primarily as a result of levels of acquisition-related integration activity during the year.

Methodology

For practical reasons, emissions data was gathered for the first nine months of each year 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 16 employees (2014: nine employees).

Where Man is the landlord of a property and electricity costs are incurred on 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 Group's reportable emissions above.

Disclosures of emissions related to business travel are restricted to flight costs as a result of the CO₂e emission convertible data relating to other means of transport (i.e. taxis) not being available.

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, where applicable to the Company, can be found in the following sections of the Annual Report for the year ended 31 December 2015 which are incorporated into the Directors' report by reference:

	Pages
Future developments in the business	10-25
Research and development activities	18-25
Dividend	33, 107, 139-40
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For and on behalf of the Board

Rachel Rowson

Company Secretary
24 February 2016



DIRECTORS' RESPONSIBILITY STATEMENT

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

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. 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 and the profit or loss of the Company and Group for that period.

In preparing the Parent Company 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 Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

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 Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on 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 46 to 48](#), confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face;
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's and Group's position, performance, business model and strategy; and
- there is no relevant audit information of which the Group's auditor is 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 auditor is aware of that information.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAN GROUP PLC

Opinion on financial statements of Man Group plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group income statement, the Group statement of comprehensive income, the Group and Parent Company Balance sheets, the Group cash flow statement, the Group and Parent Company Statement of changes in equity and the related Notes 1 to 32 for the Group and 1 to 7 for the Parent Company. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within Note 1 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report on page 34.

We have nothing material to add or draw attention to in relation to:

- the directors' confirmation on page 34 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 36-37 that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in Note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the director's explanation on page 34 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.



Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
<p>Impairment of goodwill</p> <p>As at 31 December 2015, total goodwill on the balance sheet amounted to \$907m (2014: \$936m), which equates to 27% (2014: 28%) of total assets.</p> <p>The Group's assessment of whether there is an impairment of goodwill within each of the four identified cash generating units ("CGUs" or investment engines) is a judgemental process. This requires estimates concerning future cash flows, multiples, growth rates based upon management's view of future business prospects, investment performance and the associated discount rates.</p> <p>At the half year there was a material impairment to the goodwill of the FRM CGU of \$41m; therefore this CGU has been a particular area of focus. In addition, as a result of the acquisition of Numeric in 2014 and its growth and integration within the wider business during 2015, management have reassessed their cost allocation model to reflect the costs allocated to the different CGUs. The cost allocations are necessarily subjective and accordingly this creates audit risk.</p> <p>See Note 13 to the financial statements which gives further detail in relation to the Goodwill balance.</p>	<p>We used our modelling experts to assess the principles and integrity of the goodwill model to determine whether it was structured appropriately.</p> <p>We worked with our valuation specialists to challenge the key assumptions used in the goodwill model including the discount rate and the multiples applied to the separate CGUs by comparing these assumptions against industry benchmarks.</p> <p>We compared the discount rate used by the Group to reflect its cost of capital to that used by entities with similar risk profiles and independently recalculated the Group's cost of capital.</p> <p>We considered the accuracy of the cash flow forecasts based on our understanding of the future prospects of the business by:</p> <ul style="list-style-type: none"> – following a series of discussions with key management across each of the CGUs; – performing a retrospective review of the accuracy of previous forecasts; – agreeing key historical inputs to audited data; and – by challenging management where any conflicting evidence was obtained. <p>We performed an independent sensitivity analysis over key assumptions to determine the impact of changes to those assumptions to the value in use of each CGU, and hence to identify if such changes would trigger a potential impairment.</p> <p>As an additional data point, we recalculated management's reconciliation of the total valuation of the CGUs to the market value of the Group based upon the share price at year end.</p> <p>Further, we discussed the basis of the cost reallocation with management and performed an independent analysis over a sample of the business units in question to assess whether the revised allocation was appropriate.</p>
<p>Revenue recognition</p> <p>To record management and performance fee transactions, the Group has numerous manual processes in place. In addition, there are multiple service providers that add to the intricacy of the process.</p> <p>Furthermore, the accuracy and completeness of the management and performance fees depend on the effective communication of any changes to underlying agreements between several parties.</p> <p>As a result of the complexity of the transactions and multiple interactions required, there is no standardised process across the Group. This creates a risk that revenue is not recorded or not recognised in line with the latest governing documents.</p> <p>Further explanation is included within Note 3 to the financial statements.</p>	<p>We performed detailed walkthroughs of the revenue control processes and tested the design and implementation of key controls identified during this process.</p> <p>We have substantively tested in excess of 500 revenue samples by independently assessing the fee based on underlying legal documents and independent valuation reports, and comparing this to the fee recorded by management.</p> <p>We performed additional procedures on the underlying legal documents given to us by management to determine whether they were the most up-to-date documents for the time period tested.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAN GROUP PLC CONTINUED

Risk	How the scope of our audit responded to the risk
<p>Completeness and accuracy of revenue rebates and distribution costs</p> <p>Revenue is recorded net of rebates due to investors whilst fees paid to intermediaries for distribution services are recorded within distribution costs.</p> <p>The Group has relationships with more than 1,000 intermediaries and clients. The recording of these balances is based on highly manual processes and is reliant on effective communication between multiple areas of the business on a case by case basis when agreements are reached. Hence there is an increased risk of error within this balance, specifically that the liability is not recorded.</p> <p>Additionally, many of the accruals are aged, as it can take a long period of time to finalise negotiations. As a result, there is an increased risk that the liabilities recorded are not valid.</p>	<p>We performed detailed walkthroughs of the rebate and commission control processes and assessed the design and implementation of the current control environment.</p> <p>For a sample of clients, we have independently recalculated the rebate and/or distribution fees based on underlying legal documents and supporting valuations. We have assessed the year end listing of rebate and distribution cost liabilities to determine whether any appear unfounded. For a sample of investors and intermediaries, we have determined whether an accrual should be recognised at year end based on agreements with the client to check the completeness of the year end accrual. Furthermore, we have tested all distribution payments made during January that individually exceed \$50,000 to determine whether they have been recorded in the correct period.</p>
<p>Consolidation of the Group's investments</p> <p>The Group holds investments in a number of funds which it manages, as described in Note 16. The accounting for the investments requires judgment in determining whether power and control exists and hence whether investments are held on the balance sheet at fair value or are consolidated, as required by IFRS 10 Consolidated Financial Statements. As a result of this assessment, \$213m (2014: \$0m) in net assets have been consolidated on a line by line basis within the Group's balance sheet, \$119m (2014: \$153m) recorded as net non-current assets held for sale and \$269m (2014: \$307m) as investments in fund products and other investments. Together, these items represent 27% (2014: 19%) of the Group's net assets.</p> <p>See Note 16 to the financial statements which gives further detail in relation to the Group's investments.</p>	<p>We performed a walkthrough of the processes by which the Group controls these investment decisions and how these investments are subsequently monitored for consolidation triggers and recorded. We also tested the design and implementation of the key controls in operation during the year.</p> <p>We independently assessed whether a sample of funds held at year end should be consolidated. This included 100% testing of the funds included in the listing maintained by management of those funds considered to be most "at risk" of potential consolidation. We assessed each fund included in the listing referred to above by considering the size of the holding per custodian statements as well as the contractual arrangements. In particular we focussed on investments in collateralised loan obligations ("CLOs") where control is not necessarily dictated by percentage ownership of equity shares.</p>
<p>Last year our audit report included three other risks which are not included in our audit report this year: IFRS 12 disclosure requirements for investments in funds (which was a new reporting requirement in 2014 and has now been implemented), acquisition accounting (as there have been no significant acquisitions during the year) and taxation (as the tax provisions have largely been finalised and methodology for the recognition of the deferred tax asset was analysed in detail in the prior year).</p> <p>In addition, we have included a new risk in 2015 relating to revenue rebates and distribution costs. This is a complex area of accounting and is highly manual, thus susceptible to error. Management implemented a number of new processes and controls around the monitoring and recording of these costs during the year, hence there was increased audit effort in considering these new processes.</p> <p>The description of risks above should be read in conjunction with the significant issues considered by the Audit and Risk Committee discussed on page 59.</p> <p>These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.</p> <p>Our application of materiality</p> <p>We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.</p>	<p>We determined materiality for the Group to be \$22.0 (2014: \$19.5m). As performance fees are variable and can fluctuate significantly year on year, we have taken an average of the current year and prior year adjusted profit before tax (in order to create a more stable basis) and calculated materiality to be five per cent of this figure. The adjusted profit before tax number is explained in Note 2 to the financial statements, and the calculated materiality is below 1% of equity. Adjusted profit before tax is a relevant benchmark as it is a key figure used by analysts in assessing the performance of the business.</p> <p>We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of \$440,000 (2014: \$400,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.</p> <p>An overview of the scope of our audit</p> <p>Our group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. This is consistent with the approach adopted in the prior year. Based on that assessment, we focused our group audit scope primarily on the audit work at seven geographical locations. This included the full audit of fifteen subsidiaries across the UK, the US, Switzerland, Australia, Ireland, the Cayman Islands and the Channel Islands. A further fourteen subsidiaries across the UK, the Channel Islands and the US were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These seven geographical locations represent the principal business units and account for 96% (2014: 98%) of the Group's total assets, 99% (2014:</p>



97%) of the Group's revenue and 98% (2014: 96%) of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the twenty nine subsidiaries was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from \$370,000 to \$22m (2014: \$250,000 to \$19m). At the Parent Company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior member of the group audit team visits each of the locations where the group audit scope was focused at least once a year. During the current year visits were made to New York, Boston, Switzerland and Australia. Books and records for subsidiaries located within Ireland, the Cayman Islands and the Channel Islands are maintained within the UK and are audited by the group audit team.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and 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 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
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit and Risk Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

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 and 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 annual report to identify material inconsistencies with the audited 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.

Mark FitzPatrick (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
24 February 2016

GROUP INCOME STATEMENT

\$m	Note	Year ended 31 December 2015	Year ended 31 December 2014
Revenue:			
Gross management and other fees	3	833	810
Performance fees	3	302	340
		1,135	1,150
Income or gains on investments and other financial instruments	4	15	27
Third-party share of losses relating to interests in consolidated funds	16.3	9	–
Revaluation of contingent consideration	2	(62)	17
Distribution costs	5	(77)	(104)
Asset servicing	6	(32)	(27)
Amortisation of acquired intangible assets	13	(92)	(72)
Compensation	7	(462)	(394)
Other costs	8	(181)	(202)
Impairment of FRM goodwill	13	(41)	–
Share of after tax profit of associates	20	3	9
Loss on disposal of subsidiaries and other interests	2	–	(4)
Finance expense	9	(34)	(19)
Finance income	9	3	3
Profit before tax		184	384
Taxation expense	10	(13)	(19)
Statutory profit for the year attributable to owners of the Parent Company		171	365
Earnings per share:	11		
Basic (cents)		10.1	20.8
Diluted (cents)		10.0	20.5
Adjusted profit before tax	2	400	481

GROUP STATEMENT OF COMPREHENSIVE INCOME

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Statutory profit for the year attributable to owners of the Parent Company	171	365
Other comprehensive (expense)/income:		
Remeasurements of post-employment benefit obligations	(21)	(21)
Current tax credited on pension revaluation	4	4
Deferred tax credited on pension revaluation	2	–
Items that will not be reclassified to profit or loss	(15)	(17)
Available for sale investments:		
Transfers from Group statement of comprehensive income upon sale or impairment	(1)	–
Cash flow hedges:		
Valuation losses taken to equity	(9)	(16)
Transfer to Group income statement	18	(17)
Deferred tax credited on cash flow hedge movements	2	3
Net investment hedge	14	13
Foreign currency translation	(21)	(24)
Recycling of FX revaluation on liquidation of subsidiaries	(1)	–
Items that may be subsequently reclassified to profit or loss	2	(41)
Other comprehensive expense for the year (net of tax)	(13)	(58)
Total comprehensive income for the year attributable to owners of the Parent Company	158	307



GROUP BALANCE SHEET

FINANCIAL STATEMENTS

\$m	Note	At 31 December 2015	At 31 December 2014
Assets			
Cash and cash equivalents	15	607	738
Fee and other receivables	17	303	396
Investments in fund products and other investments	16	598	307
Pension asset	24	48	45
Investments in associates	20	30	30
Leasehold improvements and equipment	21	44	52
Goodwill and acquired intangibles	13	1,497	1,582
Other intangibles	14	14	13
Deferred tax assets ¹	10	59	47
		3,200	3,210
Non-current assets held for sale	16	188	186
Total assets		3,388	3,396
Liabilities			
Trade and other payables	18	660	581
Provisions	19	58	65
Current tax liabilities		32	51
Third-party interest in consolidated funds	16	136	–
Borrowings	15	149	149
Deferred tax liabilities ¹	10	69	83
		1,104	929
Non-current liabilities held for sale	16	69	33
Total liabilities		1,173	962
Net Assets		2,215	2,434
Equity			
Capital and reserves attributable to the owners of the Parent Company	23	2,215	2,434

Note:

¹ The deferred tax assets and deferred tax liabilities, which were presented on a net basis on the face of the Group balance sheet in the Annual Report for the year ended 31 December 2014, have been reclassified in the comparative to provide the gross figures as included in [Note 10](#).

The financial statements were approved by the Board of Directors and authorised for issue on 24 February 2016 and signed on its behalf by:

Emmanuel Roman
Chief Executive Officer

Jonathan Sorrell
Chief Financial Officer



GROUP CASH FLOW STATEMENT

\$m	Note	Year ended 31 December 2015	Year ended 31 December 2014
Cash flows from operating activities			
Profit for the period		171	365
Adjustments for:			
Income tax		13	19
Net finance expense		31	16
Share of after tax profits of associates		(3)	(9)
Revaluation of contingent consideration		62	(17)
Loss on disposal of subsidiaries and other interests		–	4
Reassessment of the litigation provision		–	(6)
Depreciation and impairment of leasehold improvements and equipment		13	21
Amortisation of acquired intangible assets		92	72
Amortisation of other intangible assets		5	16
Share-based payment expense		18	11
Fund product based payment charge ¹		35	30
Impairment of FRM goodwill		41	–
Defined benefit pension plans (including repayments/(contributions))		(27)	3
Other non-cash movements		16	(16)
		467	509
Changes in working capital:			
Decrease in receivables		101	12
Increase in other financial assets ^{2,3}		(118)	(139)
Decrease in payables		(30)	(242)
Cash generated from operations		420	140
Interest paid		(16)	(3)
Income tax paid		(49)	(13)
Cash flows from operating activities		355	124
Cash flows from investing activities			
Purchase of leasehold improvements and equipment		(5)	(3)
Purchase of other intangible assets		(7)	(9)
Acquisition of subsidiaries and other intangibles, net of cash acquired		(38)	(227)
Payment of contingent consideration in relation to acquisitions		(46)	(8)
Interest received		2	3
Dividends received from associates		3	10
Cash flows from investing activities		(91)	(234)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		7	2
Proceeds from borrowings (net of costs)		–	149
Purchase of own shares by the Employee Trusts and Partnerships		(33)	(16)
Share repurchase programme (including costs)		(176)	(116)
Dividends paid to Company shareholders		(193)	(163)
Cash flows from financing activities		(395)	(144)
Net decrease in cash		(131)	(254)
Cash at the beginning of the year		738	992
Cash at year end³	15	607	738

Notes:

- 1 In the current year the fund product based payment charge has been separately identified as a non-cash charge, a change in presentation within operating cash flows compared to the prior year when this was included within changes in working capital. The directors consider that this better reflects the nature of these movements.
- 2 For the comparative period 'Purchase of investments in fund products for deferred compensation awards and other investments' and 'Net proceeds from sale of investments in fund products for deferred compensation awards and other investments' have been reclassified from investing activities to 'Increase in other financial assets' within operating activities. The directors consider that this better reflects the nature of these cash flows and matches these with the related underlying transactions.
- 3 Includes \$21 million (2014: nil) of restricted cash relating to consolidated fund entities (Note 16).



GROUP STATEMENT OF CHANGES IN EQUITY

FINANCIAL STATEMENTS

	Equity attributable to owners of the Parent Year ended 31 December 2015			Equity attributable to owners of the Parent Year ended 31 December 2014		
	Share capital and capital reserves	Revaluation reserves and retained earnings	Total equity	Share capital and capital reserves	Revaluation reserves and retained earnings	Total equity
\$m						
At beginning of the year	1,193	1,241	2,434	1,191	1,216	2,407
Profit for the year	–	171	171	–	365	365
Other comprehensive (expense)/income	–	(13)	(13)	–	(58)	(58)
Total comprehensive income for the year	–	158	158	–	307	307
Share-based payments	7	15	22	2	11	13
Purchase of own shares by the Employee Trusts	–	(30)	(30)	–	(14)	(14)
Share repurchase programme (including costs)	–	(176)	(176)	–	(116)	(116)
Dividends	–	(193)	(193)	–	(163)	(163)
At year end (Note 23)	1,200	1,015	2,215	1,193	1,241	2,434

The proposed final dividend would reduce shareholders' equity by \$81 million (2014: \$106 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 23](#).

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 (IFRSs) 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, if any of new accounting standards and amendments applicable to the year ended 31 December 2015 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 135](#). 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 2015 ([Note 32](#)). Subsidiaries are entities (including structured 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 direct the relevant activities, exposure to significant variable returns and the ability to utilise power to affect those returns. 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 as 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 and 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 the 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. Man assesses such relationships on an ongoing basis to determine whether each fund entity is controlled and therefore consolidated into the Group's results. 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, where Man does not hold an investment in the fund entity the characteristics of control are not met, and that for most fund entities: the existence of independent boards of directors at the fund entities; rights which allow for the removal of the investment manager/advisor; the influence of investors; limited exposure to variable returns; and the arm's length nature of Man's contracts with the fund entities, indicate that Man does not control the fund entities and their associated assets, liabilities and results should not be consolidated into the Group financial statements. Assessment of the control characteristics for all relationships with fund entities led to the consolidation of nine fund entities for the year ended 31 December 2015 (2014: five), as detailed in [Note 16](#). 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 [pages 28 and 30](#).

Judgemental areas and accounting estimates

The determination of fair values for contingent consideration in relation to recent acquisitions and the valuation of goodwill and acquired intangibles ([Note 13](#)), whether the Group controls certain funds through its investments in fund products and is required to consolidate them ([Note 16.3](#)) and classification of adjusting items ([Note 2](#)) are the most significant areas of judgement and have 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 59](#).

Going concern

Man's business activity is discussed on [pages 1 to 42](#), together with the significant risk factors ([pages 34 to 37](#)). Man's liquidity and capital positions are set out in [Note 15](#) and [23](#) 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 held at fair value through profit or loss or available-for-sale. The directors have also made a longer term viability statement, as set out on [page 34](#).

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 Group's systems of internal controls, including financial reporting controls, comply with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'. The Corporate governance report is provided on [pages 49 to 56](#).

1. BASIS OF PREPARATION CONTINUED

Significant accounting policies schedule

Policy	Note	Page
Revenue	3	102
Taxation	10	105-106
Goodwill and acquired intangibles	13	108
Investments in fund products	16	114-116
Deferred compensation arrangements	22	119
Pension benefits	24	123-124

Impact of new accounting standards

A number of amendments to existing standards and interpretations have been issued, some of which are mandatory for the year beginning 1 January 2015, with the remaining becoming effective in future periods.

The Annual Improvements to IFRSs 2010–2012 and 2011–2013 Cycle were adopted by Man in the current year, which have not had a significant impact.

There are no new or revised standards and interpretations issued (as endorsed by the EU) but not yet effective which are expected to have a significant impact on the Group financial statements of Man.

2. ADJUSTED PROFIT BEFORE TAX

Statutory profit before tax is adjusted to give a better 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 acquisition and disposal related items (including non-cash items such as amortisation of purchased intangible assets and deferred tax movements relating to the recognition of tax losses in the US), impairment of assets, restructuring costs, and certain non-recurring gains or losses, which therefore reflects 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, maintaining an appropriate symmetry between losses and gains and the reversal of any accruals previously classified as adjusting items. These are explained in detail either below or in the relevant note.

\$m	Note	Year ended 31 December 2015	Year ended 31 December 2014
Statutory profit before tax		184	384
Adjusting items:			
Litigation, regulatory and other settlements	8	(6)	24
Reassessment of the litigation provision		–	(6)
Acquisition and disposal related:			
Amortisation of acquired intangible assets	13	92	72
Impairment of FRM goodwill	13	41	–
Revaluation of contingent consideration	13	62	(17)
Unwind of contingent consideration discount	9	17	7
Other costs – professional fees and other integration costs	8	4	9
Compensation – restructuring	7	–	3
Recycling of FX revaluation to the Group income statement on liquidation of subsidiaries	8	(1)	–
Loss on disposal of subsidiaries and other interests		–	4
Other costs – restructuring	8	7	1
Adjusted profit before tax		400	481
Tax on adjusted profit ¹		(39)	(46)
Adjusted profit after tax		361	435

Note:

¹ The difference of \$26 million (2014: \$27 million) between tax on statutory profit and tax on adjusted profit is made up of a tax credit of \$15 million (2014: \$19 million credit) on adjusting items and a tax credit of \$11 million (2014: \$8 million) relating to the recognition of a deferred tax asset which is classified as an adjusting item (Note 10).

The credit of \$6 million to litigation, regulatory and other settlements in 2015 relates to an insurance recovery of prior year costs incurred in association with legal claims, which were included as an adjusting item in previous years, and the 2014 charge relates to legal claims which are partially linked to this recovery. In 2014 the \$6 million reduction in the litigation provision relates to reassessment of potential legal claims (Note 19).

Amortisation of acquired intangibles primarily relates to investment management contracts and brands recognised on the acquisition of GLG, FRM and Numeric. Amortisation charges relating to Numeric of \$18 million are included for a full year in 2015, and \$7 million relates to the newly acquired Silvermine, NewSmith and BAML fund of funds business intangibles (Note 13).

The FRM goodwill was impaired by \$41 million during the first half of the year, largely as a result of lower sales and higher redemptions of fund of funds products than anticipated (Note 13).

NOTES TO THE GROUP FINANCIAL STATEMENTS

CONTINUED

2. ADJUSTED PROFIT BEFORE TAX CONTINUED

The revaluation of contingent consideration is an adjustment to the fair value of expected acquisition earn-out payments. The charge of \$62 million in the current year primarily relates to Numeric, with a \$61 million increase in the contingent consideration creditor as a result of increased management fee margins compared to forecast, as well as higher than forecast FUM due to flows and performance in 2015. The revaluation credit in 2014 relates to FRM, primarily as a result of lower than anticipated net management fee run rates since acquisition.

The unwind of the discount on contingent consideration in 2015 primarily relates to Numeric (\$12 million), with the remainder arising from the FRM, Silvermine, NewSmith, BAML fund of funds and Pine Grove contingent consideration, and is included within finance expense ([Note 9](#)).

Acquisition related professional fees and other integration costs of \$4 million relate to the acquisitions of the Silvermine, NewSmith, BAML fund of funds and Numeric businesses. In 2014 the acquisition related compensation and other costs relate to staff termination, legal and other advisory fees relating to the Numeric and Pine Grove transactions, as well as the costs of integrating our operating platforms. 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.

In 2015, some of the Group's foreign subsidiaries were liquidated, which had accumulated foreign currency translation reserves of \$1 million at the date of liquidation. Upon liquidation of these subsidiaries the related foreign currency translation gain was recycled to the Group income statement. The \$4 million loss on disposal of subsidiaries and other interests in 2014 is the result of the Group selling two of its subsidiaries to local management in May 2014.

Other restructuring costs principally relate to an increase in the onerous property lease provision relating to Riverbank House (our main London office and headquarters), as a result of a contractual market-linked rental increase triggered in 2015, consistent with treatment of this onerous lease as an adjusting item upon initial recognition. In 2014, the \$1 million of restructuring costs relates to an onerous lease on our New York property.

3. REVENUE

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 net asset value (NAV) or 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 has crystallised. 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 NAV of the fund products. For AHL, GLG and FRM strategies, 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. Numeric performance fees are earned only when performance is in excess of a predetermined strategy benchmark (positive alpha), with performance fees being generated for each strategy either based on achieving positive alpha (which resets at a predetermined interval, i.e. every one to three years) or exceeding high water mark.

4. INCOME OR GAINS ON INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS

The net gains on investments and other financial instruments primarily relate to gains on seeding investments.

5. DISTRIBUTION COSTS

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Distribution costs	77	104

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

Distribution costs of \$77 million (2014: \$104 million) comprise investor servicing fees of \$74 million (2014: \$89 million) and product placement fees of \$3 million (2014: \$15 million). Servicing fees, which are paid to intermediaries for ongoing investor servicing and are expensed as incurred, have decreased primarily as a result of the continued mix shift towards institutional assets, particularly in the quant alternatives category, and the roll-off of guaranteed product FUM. Placement fees, which are paid for product launches or sales and are capitalised and amortised over the expected investment holding period ([Note 14](#)), have reduced due to limited new payments in recent years and the roll-off of amortisation of the previously capitalised balances.



6. ASSET SERVICING

Asset servicing includes custodial, valuation, 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 FUM, and vary depending on transaction volumes, the number of funds, and fund NAVs.

7. COMPENSATION

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Salaries	158	136
Variable cash compensation	212	174
Share-based payment charge	18	12
Fund product based payment charge	35	30
Social security costs	33	33
Pension costs	6	6
Compensation costs – before adjusting items	462	391
Acquisition related costs (Note 2)	–	3
Total compensation costs	462	394

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 of the relevant business units. In the medium term the active management of headcount can reduce fixed compensation, if required.

Compensation costs in total are \$462 million (2014: \$391 million), before adjusting items, or 43% of net revenue (2014: 36%). Net revenue is defined as gross management and other fees, performance fees, income or gains on investments and other financial instruments, share of after tax profit of associates, less distribution costs. Salaries and variable cash compensation are charged to the Group income statement in the year in which they are incurred, and include partner drawings.

The increase in total compensation costs is due to the increase in headcount as a result of the Silvermine and NewSmith acquisitions ([Note 13](#)), as well as inclusion of Numeric and Pine Grove for the full year in 2015, a less favourable hedged Pounds sterling to USD rate in 2015 (1.66) compared to the hedged rate in 2014 (1.52), and higher GLG performance related compensation. The compensation structure for the GLG equity long short strategies teams is based on gross profits, which in 2015 were in excess of performance fees generated by the strategies given they started the year below high water mark. Additionally, compensation costs include an increased year-on-year charge of \$5 million as a result of the 2014 change in application of the accounting policy for deferred compensation, which impacts the charges relating to deferred share and fund awards granted from 2015 onwards.

The accounting for share-based and fund product based compensation arrangements is detailed in [Note 22](#). The unamortised deferred compensation at year end is \$49 million (2014: \$22 million), largely increasing as a result of the change in application of accounting policy for deferred awards which weights the related vesting expense more in the future compared to previously, which has a weighted average remaining vesting period of 2.1 years (2014: 1.3 years).

Pension costs relate to Man's defined contribution and defined benefit plans ([Note 24](#)).

NOTES TO THE GROUP FINANCIAL STATEMENTS

CONTINUED

8. OTHER COSTS

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Occupancy	34	33
Technology and communication	34	32
Temporary staff, recruitment, consultancy and managed services	20	25
Legal fees and other professional fees	17	13
Benefits	13	12
Travel and entertainment	12	9
Audit, accountancy, actuarial and tax fees	8	8
Insurance	7	7
Marketing and sponsorship	6	6
Other cash costs, including irrecoverable VAT	10	5
Total other costs before depreciation and amortisation and adjusting items	161	150
Depreciation and amortisation	16	24
Other costs – before adjusting items	177	174
Acquisition and disposal related (Note 2)	4	9
Litigation, regulatory and other settlements (Note 2)	(6)	24
Reassessment of litigation provision (Note 2)	–	(6)
Restructuring (Note 2)	7	1
Recycling of FX revaluation on liquidation of subsidiaries	(1)	–
Total other costs	181	202

Other costs, before depreciation and amortisation and adjusting items, are \$161 million in the year, compared to \$150 million in the prior year, which reflects the impact of the less favourable hedged Pounds sterling to USD rate in 2015 and, to a lesser extent, a full year of other costs relating to prior year acquisitions and a portion of the Silvermine and NewSmith businesses acquired in 2015 (Note 13), partially offset by continued efforts to remain disciplined on costs which has resulted in a lower underlying other costs base compared to 2014.

Auditors' remuneration, including advisory and professional services, is disclosed in more detail in the Corporate governance section on page 60.

9. FINANCE EXPENSE AND FINANCE INCOME

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Finance income:		
Interest on cash deposits and US Treasury bills	3	3
Total finance income	3	3
Finance expense:		
Interest payable on borrowings	(9)	(3)
Revolving credit facility costs and other (Note 15)	(8)	(9)
Total finance expense – before adjusting items	(17)	(12)
Unwind of contingent consideration discount (Note 2)	(17)	(7)
Total finance expense	(34)	(19)

Interest payable on borrowings has increased for the year ended 31 December 2015 due to the inclusion of a full year of interest expense on the notes issued in September 2014 (Note 15).

**10. TAXATION**

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Analysis of tax charge/(credit) for the year:		
Current tax:		
UK corporation tax on profits of the period	37	54
Foreign tax	15	17
Adjustments to tax charge in respect of previous periods	(17)	(30)
Total current tax	35	41
Deferred tax:		
Origination and reversal of temporary differences	(11)	(14)
Recognition of US deferred tax asset	(11)	(8)
Total deferred tax	(22)	(22)
Total tax charge	13	19

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 the US. The current effective tax rate of 7% (2014: 5%) differs from the underlying rate principally as a result of the incremental recognition of a US deferred tax asset of \$11 million (2014: \$8 million), as detailed on [page 106](#), and the reassessment of tax exposures in Europe during the year, partly offset by the impairment of the FRM 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 10% (2014: 10%).

The tax on Man's total profit before tax is lower 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 2015	Year ended 31 December 2014
Profit before tax	184	384
Theoretical tax charge at UK rate: 20.25% (2014: 21.50%)	37	83
Effect of:		
Overseas tax rates compared to UK	(8)	(20)
Adjustments to tax charge in respect of previous periods	(17)	(30)
Impairment of goodwill and other adjusting items	9	(1)
Share-based payments	(2)	(3)
Recognition of US deferred tax asset	(11)	(8)
Other	5	(2)
Total tax charge	13	19

In the current year the adjustments to the tax charge in respect of previous periods largely relates to the reassessment of tax exposures in the UK and Switzerland. In 2014 this primarily related to the release of \$25 million due to reassessment of tax exposures associated with our Asia Pacific operations.

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.



NOTES TO THE GROUP FINANCIAL STATEMENTS

CONTINUED

10. TAXATION CONTINUED

Movements in deferred tax are as follows:

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Deferred tax liability		
At 1 January	(83)	(97)
Credit to the income statement	14	14
Deferred tax liability at 31 December	(69)	(83)
Deferred tax asset		
At 1 January	47	39
Credit to the income statement	8	8
Credit directly to equity	4	2
Other currency differences	-	(2)
Deferred tax asset at 31 December	59	47

The deferred tax liability of \$69 million (2014: \$83 million) relates to deferred tax arising on acquired intangible assets.

The deferred tax asset of \$59 million (2014: \$47 million) principally relates to US tax losses and intangible assets of \$19 million (2014: \$8 million), defined benefit pension schemes of \$9 million (2014: \$8 million), employee share schemes of \$15 million (2014: \$17 million), and tax allowances over depreciation of \$11 million (2014: \$14 million). The deferred tax asset income statement credit of \$8 million (2014: \$8 million) relates to the recognition of the deferred tax asset in respect of US losses of \$11 million (2014: \$8 million), a decrease in the deferred tax asset on employee share schemes of \$2 million (2014: \$7 million increase), a decrease in the deferred tax asset arising on tax allowances over depreciation of \$3 million (2014: \$4 million) and an increase in the deferred tax asset on other temporary differences of \$2 million (2014: \$3 million decrease in deferred tax liability). The credit to other revenue reserves of \$4 million (2014: \$2 million) relates to movements in the pension accrual and unrealised cash flow hedge balance.

The Group has accumulated deferred tax assets in the US of \$172 million (2014: \$191 million). These assets principally comprise accumulated operating losses from existing operations and future amortisation of goodwill and intangibles assets generated from acquisitions that will be available to offset future taxable profits in the US. In the prior year, \$8 million of these was recognised for the first time, triggered by the acquisition of Numeric, which gave rise to a higher degree of certainty that the US business will earn taxable profits in future periods. A deferred tax asset of \$19 million has been recognised on the Group balance sheet in the current year, representing amounts which can be offset against probable future taxable profits, an increase of \$11 million from that recognised at 31 December 2014. Probable future taxable profits are considered to be forecast profits for the next three years only, consistent with the Group's business planning horizon. As a result of the recognised deferred tax asset and the remaining unrecognised available US deferred tax assets of \$153 million (2014: \$183 million), Man does not expect to pay federal tax on any taxable profits it may earn in the US for a number of years. Accordingly, any movements in this US tax asset are classified as an adjusting item in [Note 2](#).

11. EARNINGS PER ORDINARY SHARE (EPS)

The calculation of basic EPS is based on post-tax profit of \$171 million compared to a profit of \$365 million in the prior year, and ordinary shares of 1,694,081,544 (2014: 1,754,177,715), 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 1,714,925,166 (2014: 1,778,702,369).

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

	Year ended 31 December 2015		Year ended 31 December 2014	
	Total number (million)	Weighted average (million)	Total number (million)	Weighted average (million)
Number of shares at beginning of year	1,756.3	1,756.3	1,823.7	1,823.7
Issues of shares	3.5	1.9	1.4	1.1
Repurchase of own shares	(59.0)	(42.0)	(68.8)	(45.9)
Number of shares at period end	1,700.8	1,716.2	1,756.3	1,778.9
Shares owned by Employee Trusts	(22.1)	(22.1)	(21.1)	(24.8)
Basic number of shares	1,678.7	1,694.1	1,735.2	1,754.1
Share awards under incentive schemes		17.1		21.2
Employee share options		3.7		3.4
Diluted number of shares		1,714.9		1,778.7

**11. EARNINGS PER ORDINARY SHARE (EPS) CONTINUED**

The reconciliation from EPS to adjusted EPS is given below:

	Year ended 31 December 2015			Year ended 31 December 2014		
	Basic and diluted post-tax earnings \$m	Basic earnings per share cents	Diluted earnings per share cents	Basic and diluted post-tax earnings \$m	Basic earnings per share cents	Diluted earnings per share cents
Earnings per share	171	10.1	10.0	365	20.8	20.5
Items for which EPS has been adjusted (Note 2)	216	12.7	12.6	97	5.5	5.4
Tax adjusting items (Note 2)	(26)	(1.5)	(1.5)	(27)	(1.5)	(1.5)
Adjusted earnings per share	361	21.3	21.1	435	24.8	24.4
Adjusted net performance fee profit before tax	(206)	(12.1)	(12.1)	(283)	(16.2)	(15.9)
Tax on adjusted net performance fee profits	20	1.2	1.2	27	1.7	1.6
Adjusted management fee earnings per share	175	10.4	10.2	179	10.3	10.1

12. DIVIDENDS

	Year ended 31 December 2015	Year ended 31 December 2014
\$m		
Ordinary shares		
Final dividend paid for the year to 31 December 2014 – 6.1 cents (2013: 5.3 cents)	104	95
Interim dividend paid for the six months to 30 June 2015 – 5.4 cents (2014: 4.0 cents)	89	68
Dividends paid during the year	193	163
Proposed final dividend for the year to 31 December 2015 – 4.8 cents (2014: 6.1 cents)	81	106

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

13. GOODWILL AND ACQUIRED INTANGIBLES

	Year ended 31 December 2015			Year ended 31 December 2014		
	Goodwill	IMCs and other acquired intangibles ¹	Total	Goodwill	IMCs and other acquired intangibles ¹	Total
\$m						
Cost:						
At beginning of the year	2,359	924	3,283	2,231	726	2,957
Acquisition of business ²	22	36	58	137	198	335
Currency translation	(10)	–	(10)	(8)	–	(8)
Other adjustment ³	–	–	–	(1)	–	(1)
At year end	2,371	960	3,331	2,359	924	3,283
Amortisation and impairment:						
At beginning of the year	(1,423)	(278)	(1,701)	(1,423)	(206)	(1,629)
Amortisation	–	(92)	(92)	–	(72)	(72)
Impairment ⁴	(41)	–	(41)	–	–	–
At year end	(1,464)	(370)	(1,834)	(1,423)	(278)	(1,701)
Net book value at year end	907	590	1,497	936	646	1,582
Allocated to cash generating units as follows:						
AHL	454	–	454	461	–	461
GLG	222	392	614	201	431	632
FRM	97	37	134	140	36	176
Numeric	134	161	295	134	179	313

Notes:

- Includes investment management contracts (IMCs), brand names and distribution channels.
- Acquisition of business relates to Silvermine, NewSmith and the BAML fund of funds business for the year ended 31 December 2015, and to Numeric and Pine Grove in 2014.
- The 2014 other adjustment of \$1 million relates to the disposal of goodwill as a result of the sale of a subsidiary to local management during the year.
- The 2015 impairment of \$41 million relates to FRM.

NOTES TO THE GROUP FINANCIAL STATEMENTS

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13. GOODWILL AND ACQUIRED INTANGIBLES CONTINUED

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. 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, distribution channels and brand names

Investment management contracts (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 three and 13 years.

Allocation of goodwill to cash generating units

For statutory accounting impairment review purposes, the Group has identified four cash generating units (CGUs): AHL, GLG, FRM and Numeric. Silvermine Capital Management LLC (Silvermine) and NewSmith LLP (NewSmith) were acquired during the year, and have been incorporated into the GLG CGU. The BAML fund of funds IMCs purchased during the year have been allocated to the FRM CGU. Further details of these are provided below.

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. The value in use calculation gives a higher valuation compared to a fair value less cost to sell approach, as this would exclude some of the revenue synergies available to Man through its ability to distribute products using its well established distribution channels, which may not be fully available to other market participants.

The value in use calculations at 31 December 2015 use cash flow projections based on the Board approved financial plan for the year to 31 December 2016 and a further two years of projections (2017 and 2018) 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. In order to determine the value in use of each CGU, it is necessary to notionally allocate the majority of the Group's cost base, relating to operations, product structuring, distribution and support functions, which are managed on a centralised basis.

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 and terminal value multiples applied to the modelled cash flows. The assumptions are derived from past experience and consideration of current market inputs. 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 AHL, GLG, FRM and Numeric sections below. The terminal value is calculated based on the projected closing FUM at 31 December 2018 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 consideration of Man's beta, similar alternative asset managers', and the asset management sector as a whole.

The Numeric CGU value in use calculation, presented for the first time in the year ended 31 December 2015, has been determined on a pre-tax basis. We consider that this is the most appropriate basis for Numeric given the complexity involved in determining the value of Numeric's future tax obligations, given we do not expect to pay federal tax in the US for a number of years (Note 10). The value in use calculations for AHL, FRM and GLG continue to be presented on a post-tax basis, consistent with the year ended 31 December 2014.

The recoverable amount of each CGU has been assessed at 31 December 2015. The key assumptions applied to the value in use calculations for each of the CGUs are shown in the table below, and the results of the valuations are further explained in the following sections.

	AHL	GLG	FRM	Numeric
Compound average annualised growth in FUM (over three years)	18%	6%	8%	13%
Discount rate ¹				
– Net management fees	11% ²	11% ²	11% ²	13%
– Net performance fees	17% ³	17% ³	17% ³	20%
Terminal value (mid-point of range of historical multiples) ^{1,4}				
– Management fees	13.0x	13.0x	12.0x	12.0x
– Performance fees	5.5x	5.5x	5.0x	4.8x

Notes:

- These are presented on a post-tax basis for the AHL, GLG and FRM CGUs, and on a pre-tax basis for the Numeric CGU, in line with the value in use calculations.
- The pre-tax equivalent of the net management fees discount rates is 13% for each of the AHL, GLG and FRM CGUs.
- The pre-tax equivalent of the net performance fees discount rates is 20% for each of the AHL, GLG and FRM CGUs.
- The implied terminal growth rates for the AHL, GLG, FRM and Numeric CGUs are 1%, 2%, 2% and 4%, respectively.



13. GOODWILL AND ACQUIRED INTANGIBLES CONTINUED

AHL cash generating unit

The AHL value in use calculation at 31 December 2015 indicates a value of \$3.7 billion, with around \$3.2 billion of headroom over the carrying value of the AHL business. Therefore, no impairment charge is deemed necessary at 31 December 2015 (2014: nil). The valuation at 31 December 2015 is around \$0.7 billion higher than the value in use calculation at 31 December 2014, primarily as a result of increased opening FUM as a result of lower than forecast redemptions and higher performance fees on this FUM base, partially offset by a decrease in alternatives margins as a result of the continued mix shift towards lower margin alternatives products.

The table below shows scenarios whereby the key assumptions are changed to stressed assumptions, indicating the modelled headroom or impairment that would result. Each assumption, or set of assumptions, is stressed in isolation. 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 ¹		Discount rates (post-tax)		Multiples (post-tax)	
			Management fee/Performance fee		Management fee/Performance fee	
Stressed to:	22%	-3%	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) (\$m)	4,289	(1)	3,338 ²	3,188 ²	3,620 ³	2,904 ³

Notes:

- 1 The compound average annualised growth in FUM has been stressed in a downside scenario to determine the point at which impairment would arise.
- 2 An increase/decrease of \$75 million.
- 3 An increase/decrease of \$358 million.

GLG cash generating unit

The GLG value in use calculation at 31 December 2015 indicates a value of \$900 million, with around \$270 million of headroom over the carrying value of the GLG business. Therefore, no impairment charge is deemed necessary at 31 December 2015 (2014: nil). The valuation at 31 December 2015 is around \$100 million higher than the value in use calculation at 31 December 2014, primarily due to a change in FUM mix, with higher opening alternatives FUM as a result of higher sales than previously forecast, which attracts a higher margin, and lower opening long only FUM as a result of higher redemptions than expected.

The table below shows scenarios whereby the key assumptions are changed to stressed assumptions, indicating the modelled headroom or impairment that would result. Each assumption, or set of assumptions, is stressed in isolation. 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 ¹			Discount rates (post-tax)		Multiples (post-tax)	
				Management fee/Performance fee		Management fee/Performance fee	
Stressed to:	8%	4%	0%	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) (\$m)	495	(1)	(359)	288 ²	250 ²	345 ³	193 ³

Notes:

- 1 The compound average annualised growth in FUM has been stressed in a downside scenario to determine both the point at which impairment would arise and 0%.
- 2 An increase/decrease of \$19 million.
- 3 An increase/decrease of \$76 million.

FRM cash generating unit

For the six months to 30 June 2015 an impairment of \$41 million was recognised in relation to the FRM goodwill, largely as a result of lower sales and higher redemptions of fund of funds products than anticipated.

The FRM value in use calculation at 31 December 2015 indicates a value of \$200 million, with around \$50 million of headroom over the carrying value of the FRM business. Therefore, no further impairment charge is deemed necessary at 31 December 2015. The valuation at 31 December 2015 is higher than the value in use calculation at 30 June 2015, primarily as a result of an increase in FUM due to higher sales than previously forecast, as well as an increase in management fee margins on new sales.

The table overleaf shows scenarios whereby the key assumptions are changed to stressed assumptions, indicating the modelled headroom or impairment that would result. Each assumption, or set of assumptions, is stressed in isolation. The results of these sensitivities make no allowance for actions that management would take if such market conditions persisted.



NOTES TO THE GROUP FINANCIAL STATEMENTS

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13. GOODWILL AND ACQUIRED INTANGIBLES CONTINUED

	Compound average annualised growth in FUM ¹			Discount rates (post-tax)		Multiples (post-tax)	
				Management fee/ Performance fee		Management fee/ Performance fee	
Stressed to:	10%	6%	0%	10%/16%	12%/18%	13.0x/6.0x	11.0x/4.0x
Modelled headroom/(impairment) (\$m)	122	(1)	(135)	59 ²	49 ²	70 ³	38 ³

Notes:

- 1 The compound average annualised growth in FUM has been stressed in a downside scenario to determine both the point at which impairment would arise and 0%.
- 2 An increase/decrease of \$5 million.
- 3 An increase/decrease of \$16 million.

For the year ended 31 December 2014 there was no impairment charge.

Numeric cash generating unit

The Numeric value in use calculation at 31 December 2015 indicates a value of \$330 million, with around \$30 million of headroom over the carrying value of the Numeric business. Therefore, no impairment charge is deemed necessary at 31 December 2015 (2014: nil).

The table below shows scenarios whereby the key assumptions are changed to stressed assumptions, indicating the modelled headroom or impairment that would result. Each assumption, or set of assumptions, is stressed in isolation. 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 ¹			Discount rates (pre-tax)		Multiples (pre-tax)	
				Management fee/ Performance fee		Management fee/ Performance fee	
Stressed to:	15%	11%	0%	12%/19%	14%/21%	13.0x/5.8x	11.0x/3.8x
Modelled headroom/(impairment) (\$m)	70	(1)	(160)	41 ²	27 ²	58 ³	10 ³

Notes:

- 1 The compound average annualised growth in FUM has been stressed in a downside scenario to determine both the point at which impairment would arise and 0%.
- 2 An increase/decrease of \$7 million.
- 3 An increase/decrease of \$24 million.

Acquisition of Silvermine

On 20 January 2015, Man acquired the entire issued share capital of Silvermine, a Connecticut-based leveraged loan manager with \$3.8 billion of funds under management at the date of acquisition across nine active collateralised loan obligation ("CLO") structures. The consideration to Silvermine owners is comprised of \$26 million in cash up-front, including \$3 million for acquired working capital, and two deferred amounts, payable following the first (up to \$17 million) and fifth (up to \$30 million) anniversaries of closing, based on run rate management fees at the time (valued at \$15 million). The deferred consideration payable is equivalent to an earn-out and deemed to be a financial liability measured initially at fair value, with any subsequent fair value movements recognised through the Group income statement.

Values for the acquired business at the date of acquisition are set out below.

\$m	Book value	Fair value adjustments	Provisional value
Fees and other receivables	4	–	4
Intangible assets	–	17	17
Trade and other payables	(1)	–	(1)
Net assets acquired	3	17	20
Goodwill on acquisition			21
Net assets acquired including goodwill			41
Purchase consideration:			
Cash consideration			26
Contingent consideration			15
Total consideration			41

The fair value adjustments relate to the recognition of investment management contracts of \$16 million and brand of \$1 million. These intangible assets are recognised at the present value of the expected future cash flows generated from the assets and are amortised on a straight-line basis over their expected lives of five and ten years respectively. Goodwill primarily represents the increased footprint in the US and a presence within the CLO market, as well as Silvermine's skilled workforce.

Acquisition costs incurred as a result of the Silvermine transaction have been expensed and do not form part of goodwill, and are classified as an adjusting item (Note 2).



13. GOODWILL AND ACQUIRED INTANGIBLES CONTINUED

The pre-tax profit for the Silvermine business since acquisition date is \$8.7 million. If Silvermine had been acquired at the beginning of the financial year, the pre-tax profit for Silvermine would have been \$9.2 million. Silvermine revenue for the period since the acquisition date is \$16.6 million, and if the acquisition had taken place at the beginning of the financial year, the revenue would have been \$17.5 million.

Acquisition of NewSmith

On 24 April 2015, Man acquired the investment management business of NewSmith, an equity investment manager with \$1.2 billion of funds under management at the date of acquisition.

Provisional values for the acquired business at the date of acquisition are set out below.

\$m	Book value	Fair value adjustments	Provisional value
Cash and cash equivalents	1	–	1
Fees and other receivables	3	–	3
Intangible assets	–	12	12
Trade and other payables	(1)	–	(1)
Net assets acquired	3	12	15
Goodwill on acquisition			–
Net assets acquired including goodwill			15
Purchase consideration:			
Cash consideration			10
Contingent consideration			5
Total consideration			15

The fair value adjustments relate to the recognition of investment management contracts of \$12 million. These intangible assets are recognised at the present value of the expected future cash flows generated from the assets and are amortised on a straight-line basis over their expected life of four years.

Acquisition costs incurred as a result of the NewSmith transaction have been expensed and do not form part of goodwill, and are classified as an adjusting item (Note 2).

The pre-tax profit for the NewSmith business since acquisition date is \$5 million, which includes management fee revenues of \$6 million and performance fees of \$4 million.

BAML fund of funds acquisition

In April and May 2015 Man made an asset purchase for the BAML fund of fund investment management contracts valued at \$7 million. These are recognised at the present value of the expected future cash flows generated from the assets and are amortised on a straight-line basis over their expected life of three years.

14. OTHER INTANGIBLES

\$m	Year ended 31 December 2015			Year ended 31 December 2014		
	Placement fees	Capitalised computer software	Total	Placement fees	Capitalised computer software	Total
Cost:						
At beginning of the year	66	58	124	74	69	143
Additions	1	6	7	–	9	9
Reclassifications ¹	–	(4)	(4)	–	–	–
Redemptions/disposals	(4)	(4)	(8)	(8)	(20)	(28)
At year end	63	56	119	66	58	124
Aggregate amortisation and impairment:						
At beginning of the year	(61)	(50)	(111)	(54)	(63)	(117)
Redemptions/disposals	3	4	7	6	16	22
Reclassifications ¹	–	4	4	–	–	–
Amortisation	(2)	(3)	(5)	(13)	(3)	(16)
At year end	(60)	(45)	(105)	(61)	(50)	(111)
Net book value at year end	3	11	14	5	8	13

Note:

1 Relate to reclassifications of nil net book value assets from capitalised computer software to computer hardware (Note 21).

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14. OTHER INTANGIBLES CONTINUED

Placement fees

Placement fees are paid to distributors for fund product launches or sales. The majority of placement fees paid up-front 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 benefits from the investor in each product, estimated to be five years on a straight-line basis. The placement fee intangible is assessed for impairment annually. Amortisation expense, including any accelerated charges arising from redemptions, is included in distribution costs in the Group income statement.

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.

15. CASH, LIQUIDITY AND BORROWINGS

Liquidity and borrowings

Total liquidity resources aggregate to \$1,586 million at 31 December 2015 (2014: \$2,263 million) and comprise cash and cash equivalents of \$586 million (2014: \$738 million), excluding \$21 million of cash held relating to consolidated fund entities (Note 16), and the undrawn committed revolving credit facility of \$1,000 million (2014: \$1,525 million). Cash and cash equivalents at year end comprises \$250 million (2014: \$291 million) of cash at bank on hand, and \$336 million (2014: \$447 million) in short-term deposits, net of overdrafts of nil (2014: nil). Cash ring-fenced for regulated entities totalled \$35 million (2014: \$24 million).

Liquidity resources support ongoing 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 30.1), 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 held in short-term bank deposits and on-demand deposit bank accounts. At 31 December 2015 the \$586 million cash balance (excluding cash held by consolidated fund entities) is held with 22 banks (2014: \$738 million with 22 banks). The single largest counterparty bank exposure of \$100 million is held with an A+ rated bank (2014: \$100 million with an AA- rated bank). At 31 December 2015, balances with banks in the AA ratings band aggregate to \$239 million (2014: \$284 million) and balances with banks in the A ratings band aggregate to \$293 million (2014: \$453 million).

In September 2014 Man issued \$150 million ten year fixed rate reset callable guaranteed subordinated notes (Tier 2 notes), with associated issuance costs of \$1 million. The Tier 2 notes were issued with a fixed coupon of 5.875% until 15 September 2019. The notes may be redeemed in whole at Man's option on 16 September 2019 at their principal amount, subject to FCA approval. If the notes are not redeemed at this time then the coupon will reset to the five year mid-swap rate plus 4.076% and the notes will be redeemed on 16 September 2024 at their principal amount.

	31 December 2015				
	Total	Less than 1 year	2 years	3 years	Greater than 3 years
\$m					
Borrowings: 2024 fixed rate reset callable guaranteed subordinated notes	149	-	-	-	149
Cash and cash equivalents ¹	586	586	-	-	-
Undrawn committed revolving credit facility	1,000	-	-	-	1,000
Total liquidity	1,586	586	-	-	1,000
	31 December 2014 (\$m)				
	Total	Less than 1 year	2 years	3 years	Greater than 3 years
Borrowings: 2024 fixed rate reset callable guaranteed subordinated notes	149	-	-	-	149
Cash and cash equivalents	738	738	-	-	-
Undrawn committed revolving credit facility	1,525	-	70	120	1,335
Total liquidity	2,263	738	70	120	1,335

Note:

1 Excludes \$21 million of restricted cash held by consolidated fund entities (Note 16).



15. CASH, LIQUIDITY AND BORROWINGS CONTINUED

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 2015, the fair value of borrowings is \$157 million (2014: \$154 million).

The committed revolving credit facility of \$1,525 million was refinanced during 2015 and replaced with a new committed syndicated revolving loan facility of \$1,000 million which was undrawn at 31 December 2015. The new facility was put in place as a five year facility and includes the option for Man to request the banks to extend the maturity date by one year on each of the first and second anniversaries. The participant banks have the option to accept or decline Man's request. The facility is currently scheduled to mature in June 2020. To maintain maximum flexibility, the revolving credit facility does not include financial covenants.

Disclosures in relation to financial guarantees and commitments are included in [Note 30](#).

Foreign exchange and interest rate risk

Man is subject to risk from changes in interest rates and foreign exchange rates on monetary assets and liabilities. A 10% strengthening/weakening of the USD against all other currencies, with all other variables held constant, would have resulted in a foreign exchange loss/gain of \$2 million (2014: \$6 million loss/gain), with a corresponding impact on equity. This exposure is based on USD balances held by non-USD functional currency entities and non-USD balances held by USD functional currency entities within the Group. In respect of Man's monetary assets and liabilities which earn/incur interest indexed to floating rates, as at 31 December 2015 a 50bp increase/decrease in interest rates, with all other variables held constant, would have resulted in a \$2 million increase or a \$1 million decrease (2014: \$2 million increase or \$1 million decrease) in net interest income.

In limited circumstances, the Group uses derivative financial instruments to hedge its risk associated with foreign exchange movements. Where fixed foreign currency denominated costs are hedged, the associated derivatives may be designated as cash flow hedges. Effective unrealised gains or losses on these instruments are recognised within the cash flow hedge reserve in equity and, when realised, these are reclassified to the Group income statement in the same line as the hedged item. The realisation of foreign currency operating cash flows and the associated forward foreign currency derivative contracts generally arise on a monthly basis. The fair value of derivatives held in relation to the Group's cash flow hedges at 31 December 2015 is \$7 million (2014: \$15 million). The Group also hedges its exposure to net investments in foreign operations through forward foreign exchange contracts where appropriate, with any effective gains or losses recognised in other comprehensive income and accumulated in the cumulative translation adjustment reserve within equity. The fair value of derivatives held in relation to the Group's net investment hedges at 31 December 2015 is nil (2014: \$3 million). Any ineffective portion of these hedges is recognised immediately in profit or loss, and is included within the income or gains on investments and other financial instruments.

16. INVESTMENTS IN FUND PRODUCTS AND OTHER INVESTMENTS

	31 December 2015					
	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 and other investments comprise:						
Loans to fund products	–	–	41	41	–	41
Other investments in fund products	224	–	–	224	119	343
Other investments	–	4	–	4	–	4
Investments in funds relating to line-by-line consolidated funds	329	–	–	329	–	329
	553	4	41	598	119	717
	31 December 2014					
\$m	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
Investments in fund products and other investments comprise:						
Loans to fund products	–	–	94	94	–	94
Other investments in fund products	207	2	–	209	153	362
Other investments	–	4	–	4	–	4
	207	6	94	307	153	460

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16. INVESTMENTS IN FUND PRODUCTS AND OTHER INVESTMENTS

CONTINUED

Man's seeding investments are included in various Group balance sheet line items. In summary, the total seeding investments portfolio is made up as follows:

\$m	Note	31 December 2015	31 December 2014
Loans to funds	16.1	41	94
Other investments in fund products	16.2	224	209
Less those used to hedge deferred compensation awards	16.2	(71)	(68)
Consolidated investments in funds – held for sale	16.3	119	153
Consolidated investments in funds – line-by-line consolidation	16.3	213	–
Seeding investments portfolio		526	388

16.1. 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 is \$75 million (2014: \$80 million). Loans to fund products have decreased compared to the prior year as guaranteed product FUM has decreased together with the associated leveraging. The liquidity requirements of guaranteed products together with commitments to provide financial support ([Note 30](#)) 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 at 31 December 2015 is \$7 million (2014: \$14 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.

16.2. Other investments in fund products

Man uses capital to invest in our fund products as part of our ongoing business to build our product breadth and to trial investment research developments before we market the products to investors. These seeding investments are generally held for less than one year. Where 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 income or gains 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 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 anticipated redemption horizon of the fund product. The valuation of the underlying assets within each fund product is determined by external valuation service providers 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 NAVs reported by the external valuation service providers are reliable and appropriate. Man makes adjustments to these NAVs where the anticipated redemption horizon 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 28](#).

Investments in fund products expose Man to market risk and therefore this process is subject to limits consistent with the Board's risk appetite. The largest single investment in fund products is \$170 million (2014: \$51 million). The market risk from seeding investments is modelled using a value at risk methodology using a 95% confidence interval and one year time horizon. The value at risk is estimated to be \$55 million at 31 December 2015 (2014: \$26 million).

Fund investment for deferred compensation arrangements

At 31 December 2015 investments in fund products included \$71 million (2014: \$68 million) of fund products related to deferred compensation arrangements. Employees are subject to mandatory deferral arrangements and as part of these arrangements employees can elect to have their deferral in 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 gains or losses during the vesting period recognised as income or gains on investments and other financial instruments in the Group income statement.



16. INVESTMENTS IN FUND PRODUCTS AND OTHER INVESTMENTS CONTINUED

16.3. Consolidation of investments in funds

Seed capital invested into funds may at times be significant, and therefore the fund may be deemed to be controlled by the Group (Note 1). The fund is consolidated into the Group's results from the date control commences until it ceases. The Group's seeding investment portfolio has grown during 2015. In 2015 nine (2014: five) investments in funds have met the control criteria and therefore been consolidated (Note 32), either classified as held for sale or consolidated on a line-by-line basis as detailed below.

Held for sale

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. 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 are as follows:

\$m	31 December 2015	31 December 2014
Non-current assets held for sale	188	186
Non-current liabilities held for sale	(69)	(33)
Investments in fund products held for sale	119	153

Investments 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 16.2). 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 as below. Two investments in funds which were classified as held for sale in 2014 have been consolidated on a line-by-line basis for the year ending 31 December 2015. We expect these seed investments will be sold in the short-term.

Management fee income earned from fund entities classified as held for sale was \$1 million for the year ended 31 December 2015 (2014: \$1 million).

Line-by-line consolidation

The investments relating to the three funds (2014: nil) which are controlled and are consolidated on a line-by-line basis are included within the Group balance sheet and income statement as follows:

\$m	31 December 2015
Balance Sheet	
Cash and cash equivalents	21
Transferrable securities ¹	329
Accounts payable	(1)
Net assets of line-by-line consolidated fund entities	349
Third-party interest in consolidated funds	(136)
Net investment held by Man	213
Income statement	
Net losses on investments ²	(16)
Management fee expenses ³	(4)
Net losses of line-by-line consolidated fund entities	(20)
Third-party share of losses relating to interests in consolidated funds	9
Losses attributable to net investment held by Man	(11)

Notes:

1 Included within Investments in fund products and other investments.

2 Included within Income or gains on investments and other financial instruments.

3 Relates to management fees paid by the funds to Man during the year, and is eliminated within gross management and other fees in the Group income statement.

NOTES TO THE GROUP FINANCIAL STATEMENTS

CONTINUED

16. INVESTMENTS IN FUND PRODUCTS AND OTHER INVESTMENTS

CONTINUED

16.4. Structured entities

A structured entity is an entity designed so that its activities are not governed by way of voting rights, for example where contractual arrangements are the dominant factor in affecting an investor's returns. Man has evaluated all exposures and concluded that where Man holds an investment, loan, fees receivable, guarantee or commitment with an investment fund or a collateralised loan obligation, this represents an interest in a structured entity. The activities of these entities are governed by investment management agreements or, in the case of a collateralised loan obligation, the indenture.

The key considerations in assessing whether the Group controls a structured entity, and therefore should be consolidated into the Group's financial statements, are outlined in [Note 1](#). Consolidated structured entities are detailed in [Note 16.3](#).

Man's maximum exposure to loss from unconsolidated structured entities is the sum total of any investment held, fees receivable and loans to the fund entities, and is \$303 million for the year ended 31 December 2015 (2014: \$394 million). Man's interest in and exposure to unconsolidated structured entities is as follows:

Year ended 31 December 2015	Total FUM (\$bn)	Less Managed Accounts and consolidated fund entities ¹ (\$bn)	Total FUM unconsolidated structured entities (\$bn)	No. of funds	Gross management fee margin ² (%)	Fair value of investment held (\$m)	Fees receivable (\$m)	Loans to funds (\$m)	Maximum exposure to loss (\$m)
Alternative									
Quant (AHL/Numeric)	16.4	0.1	16.2	114	1.7	38	33	–	71
Discretionary (GLG)	16.3	0.2	16.1	370	1.0	150	8	–	158
Fund of funds (FRM)	11.9	2.9	9.0	238	0.9	4	10	–	14
Long only									
Quant (AHL/Numeric)	18.6	–	18.6	105	0.3	2	3	–	5
Discretionary (GLG)	14.2	–	14.3	131	1.0	4	4	–	8
Guaranteed	1.3	–	1.3	36	5.1	1	5	41	47
Total	78.7	3.2	75.5	994		199	63	41	303
<hr/>									
Year ended 31 December 2014	Total FUM (\$bn)	Less Managed Accounts and consolidated fund entities ² (\$bn)	Total FUM unconsolidated structured entities (\$bn)	No. of funds	Gross management fee margin ² (%)	Fair value of investment held (\$m)	Fees receivable (\$m)	Loans to funds (\$m)	Maximum exposure to loss (\$m)
Alternative									
Quant (AHL/Numeric)	12.9	–	12.9	87	2.2	40	85	1	126
Discretionary (GLG)	14.5	0.1	14.4	439	1.4	114	7	–	121
Fund of funds (FRM)	10.8	1.8	9.0	141	0.9	6	12	–	18
Long only									
Quant (AHL/Numeric)	16.7	–	16.7	10	0.3	2	3	–	5
Discretionary (GLG)	16.0	–	16.0	112	0.9	4	9	–	13
Guaranteed	2.0	–	2.0	48	5.2	–	18	93	111
Total	72.9	1.9	71.0	837		166	134	94	394

Notes:

- For managed accounts where we do not act as investment manager or advisor Man's role in directing investment activities is diminished and therefore these are not considered to be structured entities.
- Gross management fee margins are the categorical weighted average. Performance fees can only be earned after a high water mark is achieved. For performance fee eligible funds, performance fees are within the range of 10% to 20%.

Support by way of loans provided to unconsolidated structured entities is detailed in [Note 16.1](#), and is included within the maximum exposure to loss above. Furthermore, on occasion Man agrees to purchase illiquid investments from the funds at market rates in order to facilitate investor withdrawals. Man has not provided any other non-contractual support to unconsolidated structured entities. Further information about risks relating to investment funds can be found in Principal risks and mitigants on [pages 36 and 37](#).

**17. FEE AND OTHER RECEIVABLES**

\$m	31 December 2015	31 December 2014
Fee receivables	63	134
Prepayments and accrued income	171	204
Derivative financial instruments	2	3
Other receivables	67	55
	303	396

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' net asset values are 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 are overdue or delinquent at year end. At 31 December 2015, \$12 million (2014: \$8 million) of other receivables are expected to be settled after 12 months.

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 redemptions receivable from funds and payable to customers. At 31 December 2015 the amount included in other receivables is \$26 million (2014: \$19 million). The unsettled fund payable is recorded in trade and other payables.

Details of derivatives used to hedge foreign exchange risk are included in [Note 15](#). Other derivative financial instruments, which consist primarily of foreign exchange contracts, are measured at fair value through profit or loss.

The notional value of all derivative financial assets is \$134 million (2014: \$280 million). All derivatives are held with external banks with ratings of A or higher and mature within one year. During the year, there were \$12 million net realised and unrealised gains arising from derivatives (2014: \$3 million net losses). Derivatives are classified as Level 2 under Man's fair value hierarchy ([Note 28](#)).

18. TRADE AND OTHER PAYABLES

\$m	31 December 2015	31 December 2014
Accruals	322	289
Trade payables	32	35
Deferred consideration	206	150
Derivative financial instruments	8	15
Other payables	92	92
	660	581

Accruals primarily relate to compensation accruals. Trade payables include payables relating to the OEIC funds business of \$25 million at 31 December 2015 (2014: \$20 million). Deferred consideration relates to the amounts payable in respect of acquisitions ([Note 28](#)). 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 2015 are balances of \$178 million (2014: \$109 million) that are expected to be settled after more than 12 months, which relate to deferred consideration. Man's policy is to meet its contractual commitments and pay suppliers according to agreed terms.

Details of derivatives used to hedge foreign exchange risk are included in [Note 15](#). Derivative financial instruments, which consist primarily of foreign exchange contracts, are measured at fair value through profit or loss.

The notional value of derivative financial liabilities at 31 December 2015 is \$331 million (2014: \$358 million). All derivative contracts mature within one year.

NOTES TO THE GROUP FINANCIAL STATEMENTS

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19. PROVISIONS

\$m	Onerous property lease contracts	Litigation	Restructuring	Total
As 1 January 2015	34	24	7	65
Charged/(credited) to the income statement:				
Charge in the year	7	–	–	7
Unwinding of discount	1	–	–	1
Exchange differences	(2)	–	–	(2)
Used during the year/settlements	(8)	–	(5)	(13)
At 31 December 2015	32	24	2	58

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The \$7 million charge for onerous property lease contracts relates to an increase in the Riverbank House onerous property lease provision as a result of a contractual market-linked rental increase (Note 2). Provisions for onerous property lease contracts represent the present value of the future lease payments that the Group is presently obliged to make under non-cancellable onerous operating lease contracts, less the future benefit expected to be generated from these, including sub-lease revenue where applicable. The unexpired terms of the onerous leases range from one to 20 years.

Provisions for restructuring are recognised when the obligation arises, following communication of the formal plan.

20. INVESTMENTS IN ASSOCIATES

Associates are entities in which Man holds an interest and over which it has significant influence but not control, and are accounted for using the equity method. In assessing significant influence Man considers the investment held and its power to participate in the financial and operating policy decisions of the investee through its voting or other rights.

Under the equity method associates are carried 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 interests in these entities. An impairment assessment of the carrying value of associates is performed annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, and any impairment is expensed in the Group income statement.

Man's investments in associates are as follows:

\$m	Year ended 31 December 2015			Year ended 31 December 2014		
	Nephila Capital Ltd	OFI MGA	Total	Nephila Capital Ltd	OFI MGA	Total
% ownership	18.75%¹	20%		18.75% ¹	20%	
At beginning of the year	28	2	30	28	3	31
Share of post-tax profit	3	–	3	9	–	9
Dividends received	(3)	–	(3)	(9)	(1)	(10)
At year end	28	2	30	28	2	30

Note:

¹ 18.75% represents Man's ownership of class B common shares. Man's participation in the profits of Nephila is governed by the share class rights and therefore does not relate proportionately to the ownership interest held. Man considers that this equity interest, Man's ability to veto Nephila's annual business plan, and the presence of a Man member on the Nephila board of directors provides Man with the power to participate in the financial and operating policy decisions, and equates to significant influence.

Nephila Capital Limited is an alternative investment manager based in Bermuda specialising in the management of funds which underwrite natural catastrophe reinsurance and invest in insurance-linked securities and weather derivatives, and OFI MGA is a French asset manager. Both Nephila Capital Limited and OFI MGA have a 31 December year end. Man has not provided any financial support to associates during the year to 31 December 2015 (2014: nil).

Commission income relating to sales of Nephila Capital Limited products totalled \$14 million for the year ended 31 December 2015 (2014: \$15 million), and is included within gross management and other fees in the Group income statement.

**21. LEASEHOLD IMPROVEMENTS AND EQUIPMENT**

\$m	Year ended 31 December 2015			Year ended 31 December 2014		
	Leasehold improvements	Equipment	Total	Leasehold improvements	Equipment	Total
Cost						
At beginning of the year	114	103	217	119	114	233
Acquisition of business	–	–	–	2	–	2
Additions	2	5	7	1	2	3
Disposals	(2)	(6)	(8)	(8)	(13)	(21)
Reclassifications ¹	–	4	4	–	–	–
At year end	114	106	220	114	103	217
Accumulated depreciation:						
At beginning of the year	(76)	(89)	(165)	(78)	(87)	(165)
Charge for year	(7)	(6)	(13)	(6)	(15)	(21)
Accelerated depreciation	–	–	–	–	–	–
Disposals	1	5	6	8	13	21
Reclassifications ¹	–	(4)	(4)	–	–	–
At year end	(82)	(94)	(176)	(76)	(89)	(165)
Net book value at year end	32	12	44	38	14	52

Note:

1 Relate to reclassifications of nil net book value assets from capitalised computer software (Note 14) to computer hardware.

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 three and ten years.

22. 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 can be found in the Directors' remuneration report on pages 64 to 87.

For compensation plans whereby 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 over the vesting period, with a corresponding liability. The total amount to be expensed is determined by reference to the fair value of the awards, which is remeasured at each reporting date, and equates to the fair value of the underlying fund products at settlement date.

During the year, \$53 million (2014: \$42 million) is included within compensation costs relating to share-based payment and deferred fund product plans, consisting of equity-settled share-based payments of \$18 million (2014: \$11 million), cash-settled share-based payments totalling nil (2014: \$1 million), and deferred fund product plans of \$35 million (2014: \$30 million).

22.1 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 in the year, of \$37 million (2014: \$21 million).

The Employee Trusts are fully consolidated into Man and shares held are treated as treasury shares for EPS purposes (Note 11). The shares held by the Employee 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 2015 the net assets of the Employee Trusts amounted to \$80 million (2014: \$82 million). These assets include 22,077,638 (2014: 21,113,109) ordinary shares in the Company, \$11 million notional value options over Man shares (2014: \$32 million), and \$29 million of fund units (2014: \$33 million) to deliver against the future obligations. 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 2015 on each of the 21,509,210 ordinary shares registered in its name at the relevant date for eligibility for the interim dividend (2014 interim dividend: waived on all 21,217,345 shares) and all of the final dividend for the year ended 31 December 2014 on each of 21,473,372 of the ordinary shares registered in its name at the relevant date for eligibility for the final dividend (2013 final dividend: waived on all 26,925,242 shares).

22.2 Share-based payments

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 total amount to be expensed over the vesting period is determined by reference to the fair value of the share awards and options at grant date. 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 on historical observable data. Changes to the original estimates, if any, are included in the Group income statement, with a corresponding adjustment to equity.



NOTES TO THE GROUP FINANCIAL STATEMENTS

CONTINUED

22. DEFERRED COMPENSATION ARRANGEMENTS CONTINUED

Share options

The fair values of share options granted during the year and the assumptions used in the calculations are as follows:

	Sharesave share option schemes
Grant dates	11/09/2015
Weighted average share price at grant date (\$) (£1.6)	2.5
Weighted average exercise price at grant date (\$) (£1.3)	2.0
Share options granted in the period	1,891,097
Vesting period (years)	3-5
Expected share price volatility (%)	45
Dividend yield (%)	6
Risk-free rate (%)	0.9
Expected option life (years)	3.2
Number of options assumed to vest	1,448,912
Average fair value per option granted (\$)	0.7

The expected share price volatility is based on historical volatility over the past ten 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.

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

	Year ended 31 December 2015		Year ended 31 December 2014	
	Number	Weighted average exercise price (\$ per share)	Number	Weighted average exercise price (\$ per share)
Share options outstanding at beginning of the year	50,973,919	4.2	53,140,223	4.3
Granted	1,891,097	2.0	2,302,961	1.5
Forfeited	(4,959,775)	4.1	(4,225,115)	3.7
Exercised	(1,869,973)	1.0	(244,150)	1.0
Share options outstanding at year end	46,035,268	4.3	50,973,919	4.2
Share options exercisable at year end	41,535,779	4.6	43,271,313	4.7

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

	31 December 2015			31 December 2014		
	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	45,987,250	4.0	4.8	26,604,713	3.7	3.5
5.01–7.00	48,018	5.9	0.5	24,369,206	5.1	4.3
	46,035,268			50,973,919		

Share awards

The fair values of share awards granted during the year and the assumptions used in the calculations are as follows:

	Deferred share plan	Deferred Executive Incentive Plan
Grant dates	12/3/2015-23/12/2015	12/3/2015
Weighted average share price at grant date (\$)	2.9	2.9
Share awards granted in the year	11,770,093	787,965
Vesting period (years)	1-5	3-5
Average fair value per share award granted (\$)	2.9	2.9



22. DEFERRED COMPENSATION ARRANGEMENTS CONTINUED

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

	Year ended 31 December 2015 Number	Year ended 31 December 2014 Number
Share awards outstanding at beginning of the year	22,218,804	25,682,204
Granted	12,558,058	12,035,895
Forfeited	(849,476)	(1,738,473)
Exercised	(9,666,096)	(13,760,822)
Share awards outstanding at year end	24,261,290	22,218,804
Share awards exercisable at year end	1,754,140	2,030,681

23. 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 market volatility. 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 Risk and Finance Committee and the Board.

Man's dividend policy is that we will pay out at least 100% of adjusted net management fee earnings per share in each financial year by way of ordinary dividend. In addition, Man expects to generate significant surplus capital over time, primarily from net performance fee earnings. Available surpluses, after taking into account our required capital (including accruals for future earn-out payments), potential strategic opportunities and a prudent buffer, will be distributed to shareholders over time, by way of higher dividend payments and/or share repurchases. Whilst the Board considers dividends as the primary method of returning capital to shareholders, it will continue to execute share repurchases when advantageous.

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^{3/7} US cents per share (2014: 3^{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 2015, \$175 million shares were repurchased at an average price of 195.6p, buying back 59.0 million shares (2014: 68.8 million shares), which had an accretive impact on EPS of approximately 2%. \$1 million of costs were incurred relating to the repurchase, largely relating to stamp duty. As at 23 February 2016, Man Group had an unexpired authority to repurchase up to 247,247,179 of its ordinary shares. A special resolution will be proposed at the forthcoming Annual General Meeting, pursuant to which the Company will seek authority to repurchase up to 254,951,571 of its ordinary shares, representing 14.99% of the issued share capital at 23 February 2016.



NOTES TO THE GROUP FINANCIAL STATEMENTS

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23. CAPITAL MANAGEMENT CONTINUED

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 USD. 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.

Issued and fully paid share capital

	Year ended 31 December 2015			Year ended 31 December 2014		
	Ordinary shares Number	Unlisted deferred Sterling shares Number	Nominal value \$m	Ordinary shares Number	Unlisted deferred Sterling shares Number	Nominal value \$m
At 1 January	1,756,290,714	50,000	61	1,823,733,081	50,000	63
Issue of ordinary shares:						
– Purchase and cancellation of own shares	(58,996,084)	–	(2)	(68,835,247)	–	(2)
– Partnership Plans and Sharesave	3,516,383	–	–	1,392,880	–	–
At 31 December	1,700,811,013	50,000	59	1,756,290,714	50,000	61

Share capital and reserves

	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Reorganisation reserve	Total
At 1 January 2015	61	7	2	491	632	1,193
Purchase and cancellation of own shares	(2)	–	2	–	–	–
Share awards/options	–	7	–	–	–	7
At 31 December 2015	59	14	4	491	632	1,200
At 1 January 2014	63	5	–	491	632	1,191
Purchase and cancellation of own shares	(2)	–	2	–	–	–
Share awards/options	–	2	–	–	–	2
At 31 December 2014	61	7	2	491	632	1,193

**23. CAPITAL MANAGEMENT CONTINUED****Revaluation reserves and retained earnings**

\$m	Available-for-sale reserve	Cash flow hedge reserve ¹	Own shares held by Employee Trusts	Cumulative translation adjustment ¹	Profit and loss account	Total
At 1 January 2015	3	(16)	(62)	(14)	1,330	1,241
Currency translation difference	–	–	3	(11)	–	(8)
Share-based payments charge for the year	–	–	–	–	15	15
Purchase of own shares by the Employee Trusts	–	–	(30)	–	–	(30)
Disposal of own shares by the Employee Trusts	–	–	27	–	(27)	–
Deferred tax credited on cash flow hedge movements	–	2	–	–	–	2
Fair value losses taken to equity	–	(9)	–	–	–	(9)
Revaluation of defined benefit pension scheme	–	–	–	–	(21)	(21)
Current tax credited to reserves – pension scheme	–	–	–	–	4	4
Deferred tax credited to reserves – pension scheme	–	–	–	–	2	2
Transfer to Group income statement	(1)	18	–	–	–	17
Share repurchases	–	–	–	–	(176)	(176)
Dividends	–	–	–	–	(193)	(193)
Profit for the year	–	–	–	–	171	171
At 31 December 2015	2	(5)	(62)	(25)	1,105	1,015

\$m	Available-for-sale reserve	Cash flow hedge reserve ¹	Own shares held by Employee Trusts	Cumulative translation adjustment ¹	Profit and loss account	Total
At 1 January 2014	3	14	(110)	4	1,305	1,216
Currency translation difference	–	–	7	(18)	–	(11)
Share-based payments charge for the year	–	–	–	–	9	9
Deferred tax credited to reserves – share-based payments	–	–	–	–	2	2
Purchase of own shares by the Employee Trusts	–	–	(14)	–	–	(14)
Disposal of own shares by the Employee Trusts	–	–	55	–	(55)	–
Deferred tax credited on cash flow hedge movements	–	3	–	–	–	3
Fair value losses taken to equity	–	(16)	–	–	–	(16)
Revaluation of defined benefit pension scheme	–	–	–	–	(21)	(21)
Current tax credited to reserves – pension scheme	–	–	–	–	4	4
Transfer to Group income statement	–	(17)	–	–	–	(17)
Share repurchases	–	–	–	–	(116)	(116)
Dividends	–	–	–	–	(163)	(163)
Profit for the year	–	–	–	–	365	365
At 31 December 2014	3	(16)	(62)	(14)	1,330	1,241

Note:

1 Details of the Group's hedging arrangements are provided in [Note 15](#).**24. PENSION BENEFITS**

Man operates 12 (2014: 12) defined contribution plans and two (2014: 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 \$9 million for the year to 31 December 2015 (2014: \$8 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 2015, the UK plan comprised 91% (31 December 2014: 91%) of the Group's total defined benefit pension obligations.

NOTES TO THE GROUP FINANCIAL STATEMENTS

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24. PENSION BENEFITS CONTINUED

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.

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 latest funding valuation of the UK Plan was carried out by independent qualified actuaries as at 31 December 2014 and indicated a deficit of £11 million, after including £59 million of assets in the Reservoir Trust. To remove the funding deficit, Man agreed to make a cash payment of £11.8 million to the UK Plan during 2015 along with a further payment in March 2018 of up to £69.0 million from the Reservoir Trust to cover any remaining funding deficit. Cash contributions of £15.4 million were made to the UK Plan in the year to 31 December 2015 (including £3.6 million of top-up payments to the Reservoir Trust in line with the requirements of the Reservoir Trust). If the contributions currently agreed are insufficient to pay the benefits due, Man will need to make further contributions.

For the UK Plan, the Group has concluded that it has no requirement to adjust the balance sheet to recognise either a current surplus or a minimum funding requirement on the basis that the Group has an unconditional right to a refund of a current or projected future surplus at some point in the future for the UK Plan.

For the Swiss Plan, there is a small asset restriction at the 2015 year end. The Swiss Plan holds some of its assets in an "employer contribution reserve", which can be used to reduce the Group's future contributions into the Plan. As the employer contribution reserve is less than the measured surplus as at 31 December 2015, the surplus has been restricted to the value of the employer contribution reserve.

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.

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 as a lump sum or have this paid as a pension.

In 2015 two changes were made to the structure of the benefits provided by the Swiss Plan, which led to the recognition of past service credits totalling \$4 million in the Group's income statement.

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

\$m	31 December 2015	31 December 2014
Present value of funded obligations	(422)	(438)
Fair value of plan assets	471	483
Surplus	49	45
Amount not recognised due to asset ceiling - Swiss plan (see above)	(1)	-
Net pension asset in the Group balance sheet at year end	48	45

Our economic capital model includes capital in respect of a possible deficit in the pension plans.

**24. PENSION BENEFITS CONTINUED****Pensions: actuarial information**

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

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Present value of funded obligations at beginning of the year	438	413
Currency translation difference	(20)	(29)
Current service cost (employer portion)	3	2
Interest cost	14	17
Employee contributions	1	1
Remeasurements due to:		
– changes in financial assumptions	(4)	61
– changes in demographic assumptions	8	–
– experience adjustments	–	(2)
Actual benefit payments	(12)	(14)
Past service costs	(4)	–
Curtailements and settlements	(2)	(11)
Present value of funded obligations at year end	422	438

Changes in the fair value of plan assets are as follows:

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Fair value of plan assets at beginning of the year	483	484
Currency translation difference	(23)	(32)
Interest income on plan assets	16	21
Actual return on plan assets less interest on plan assets	(16)	38
Employer contributions/(repayments)	24	(7)
Employee contributions	1	1
Benefits paid	(12)	(14)
Assets distributed on curtailments and settlements	(2)	(8)
Fair value of plan assets at year end	471	483

The plan assets primarily relate to investments in bonds, liability-driven investments (LDIs) and diversified growth funds. The government bond assets and diversified growth funds have prices quoted in active markets and the absolute return bonds and LDI are primarily unquoted. At 31 December 2015, around 60% of the plan assets relate to those with quoted prices and 40% with unquoted prices (2014: around 70% quoted and 30% unquoted). The actual return on plan assets for the year to 31 December 2015 was nil (2014: \$59 million).

The change in the net asset/(liability) recognised in the Group balance sheet is as follows:

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Net pension asset at start of the year	45	71
Total pension credit	3	5
Amount recognised outside profit and loss	(21)	(21)
Employer contributions/(repayments)	24	(7)
Currency translation difference	(3)	(3)
Net pension asset at end of the year	48	45

The amounts recognised in the Group income statement are as follows:

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Current service cost (employer portion)	3	2
Interest on net pension asset	(2)	(4)
Past service cost	(4)	–
Gains on settlement/curtailment	–	(3)
Total credit	(3)	(5)

There are no contributions expected to be paid during the year ending 31 December 2016.

NOTES TO THE GROUP FINANCIAL STATEMENTS

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24. PENSION BENEFITS CONTINUED

The amounts recognised in other comprehensive income are as follows:

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Net actuarial gains/(losses) in the year due to		
– changes in financial assumptions	4	(61)
– changes in demographic assumptions	(8)	–
– experience adjustments on benefit obligations	–	2
Actual return on plan assets less interest on plan assets	(16)	38
Adjustment to recognise the effect of the asset ceiling	(1)	–
Amount recognised in other comprehensive income	(21)	(21)

The change in the asset ceiling is as follows:

\$m	Year ended 31 December 2015	Year ended 31 December 2014
Opening asset ceiling	–	–
Net interest on asset ceiling	–	–
Losses	1	–
Closing asset ceiling	1	–

The most significant actuarial assumptions used in the valuations of the two plans are:

	UK plan		Swiss plan	
	31 December 2015 % pa	31 December 2014 % pa	31 December 2015 % pa	31 December 2014 % pa
Discount rate	3.7	3.6	1.2	1.1
Price inflation	3.3	3.0	1.3	1.4
Future salary increases	3.3	3.0	1.3	1.4
Interest crediting rate	–	–	1.2	1.1
Social security increases	–	–	1.0	1.0
Pension in payment increases	3.7	3.6	–	–
Deferred pensions increases	5.0	5.0	–	–

At 31 December 2015, mortality rates in the UK plan are assumed to be in line with 100% of the S2NA Light tables for all members with pensions of more than £50,000 pa at 31 December 2014 and S2NA tables for all other members (2014: 100% of the S1NA tables for all members). These mortality tables are assumed to be projected by year of birth with allowance for future improvements in longevity in line with the 2015 CMI projections with a long term rate of improvement of 1.25% pa for males and females (2014: in line with the 2014 CMI projections with a long-term rate of improvement of 1.25% pa for males and 1% pa for females).

At both 31 December 2014 and 31 December 2015 mortality rates in the Swiss plan are assumed to be in line with the Swiss BVG 2010 generational tables.

Illustrative life expectancies are set out in the table below (the UK Plan life expectancies are based on the S2NA tables).

	UK plan		Swiss plan	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Life expectancy of male aged 60 at accounting date	27.1	27.0	26.3	26.3
Life expectancy of male aged 60 in 20 years	28.9	29.0	28.1	28.1
Life expectancy of female aged 60 at accounting date	29.3	29.1	28.9	28.9
Life expectancy of female aged 60 in 20 years	31.3	30.7	30.6	30.6



24. PENSION BENEFITS CONTINUED

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 2015:

\$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	13	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 20 years.

The assets held by the two plans as at 31 December 2015 are as follows:

	UK plan		Swiss plan	
	\$m	%	\$m	%
Swiss equities	–	–	5	12
Non-Swiss equities	–	–	7	17
Index linked government bonds	36	9	–	–
Absolute return bonds	48	11	–	–
Swiss bonds	–	–	7	16
Non-Swiss bonds	–	–	11	26
Property	–	–	7	15
Hedge funds	–	–	1	3
LDI	111	26	–	–
Diversified growth funds	108	25	–	–
Cash	34	8	2	6
Other	–	–	2	5
Reservoir Trust (fund of hedge funds)	92	21	–	–
Total assets	429	100	42	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. The matching portfolio is invested primarily in government and corporate bonds (the latter through the "Absolute return bonds" holding), and liability driven investment (LDI) funds. These are primarily intended to match the movement in the UK Plan's funding liabilities, and therefore remove most of the interest rate risk and some of the inflation rate risk (on a Technical Provisions basis).

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 (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.

25. 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, distribution and support functions means that operating costs are not allocated to constituent parts of the investment management businesses. As a result, performance is assessed, resources are allocated and other strategic and financial management decisions are determined 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.



NOTES TO THE GROUP FINANCIAL STATEMENTS

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26. GEOGRAPHICAL DISCLOSURE

\$m	Year ended 31 December 2015		Year ended 31 December 2014	
	Non-current assets	Revenues by fund location	Non-current assets	Revenues by fund location
Bermuda	33	92	32	86
Cayman Islands	1	383	–	425
Cook Islands	–	71	–	63
Ireland	–	212	–	234
United Kingdom and the Channel Islands	81	151	76	208
United States of America	1,382	87	1,433	34
Other countries	88	139	136	100
	1,585	1,135	1,677	1,150

Disclosure of revenue by geographic location is based on the registered domicile of the fund entity paying Man fees. Revenue from any single fund during the year did not exceed 10% of total revenues. Non-current assets above are allocated based on where the assets are located, and include investments in associates, leasehold improvements and equipment, and goodwill and other intangible assets.

Average number of directors, employees and partners

The table below provides average headcount by location for the current and prior year.

	Year ended 31 December 2015	Year ended 31 December 2014
United Kingdom and the Channel Islands	681	640
Switzerland	118	150
US	199	105
Other countries	108	106
Average number of directors, employees and partners	1,106	1,001

27. FOREIGN CURRENCIES

The majority of revenues, assets, liabilities and funding are denominated in USD and therefore Man's presentation currency is USD.

For consolidated entities that have a functional currency other than USD, the assets and liabilities 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. Resulting exchange differences 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.



28. 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 2015				31 December 2014			
	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 16)	4	162	62	228	4	167	42	213
Investments in funds relating to consolidated fund entities (Note 16)	–	329	–	329	–	–	–	–
Derivative financial instruments (Note 17)	–	2	–	2	–	3	–	3
	4	493	62	559	4	170	42	216
Financial liabilities held at fair value:								
Derivative financial instruments (Note 18)	–	8	–	8	–	15	–	15
Contingent consideration (Note 18)	–	–	206	206	–	–	145	145
	–	8	206	214	–	15	145	160

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 \$2 million (2014: \$2 million) have been applied to gated, suspended, side-pocketed or otherwise illiquid Level 3 investments. The range of liquidity premium adjustments is from 12% to 33% 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 16.3) are equal to the carrying values of \$188 million (2014: \$186 million) and \$69 million respectively (2014: \$33 million), and would be classified within Level 2 (\$108 million) and Level 3 (\$11 million). In 2014 non-current assets and liabilities held for sale would have been classified as Level 2.

NOTES TO THE GROUP FINANCIAL STATEMENTS

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28. FAIR VALUE OF FINANCIAL ASSETS/LIABILITIES CONTINUED

The basis of measuring the fair value of Level 3 investments is outlined in Note 16.2. The movements in Level 3 financial assets and financial liabilities measured at fair value are as follows:

\$m	Year ended 31 December 2015			Year ended 31 December 2014		
	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
Level 3 financial assets held at fair value						
At beginning of the year	42	–	42	66	1	67
Purchases	25	–	25	2	–	2
Total gains in the Group statement of comprehensive income	9	–	9	5	–	5
Included in profit for the year	9	–	9	5	–	5
Included in other comprehensive income	–	–	–	–	–	–
Sales or settlements	(14)	–	(14)	(14)	(1)	(15)
Transfers into Level 3	–	–	–	–	–	–
Transfers out of Level 3	–	–	–	(17)	–	(17)
At year end	62	–	62	42	–	42
Total gains for the year included in the Group statement of comprehensive income for assets held at year end	9	–	9	5	–	5

\$m	Year ended 31 December 2015		Year ended 31 December 2014	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Level 3 financial liabilities held at fair value				
At beginning of the year		145		44
Purchases		23		118
Total charges/(gains) in the Group statement of comprehensive income		79		(7)
Included in profit for the year		79		(7)
Included in other comprehensive income		–		–
Settlements		(41)		(10)
Other adjustments		–		–
At year end		206		145
Total charges/(gains) for the year included in the Group statement of comprehensive income for liabilities held at year end		79		(7)

The financial liabilities in Level 3 primarily relate to the contingent consideration payable at 31 December 2015 to the former owners of Numeric (\$164 million), with the remaining \$42 million relating to contingent consideration for other smaller acquisitions. In 2014 these largely relate to the contingent consideration payable in relation to the Numeric and FRM acquisitions.

For Numeric the contingent consideration relates to an ongoing 18.3% equity interest of Numeric management in the business and profit interests of 16.5%, pursuant to a call and put option arrangement. The call and put options structure means that it is virtually certain that Man will elect to, or be obliged to, purchase the interests held by Numeric management at five (call option) or five and a half (put option) years post-closing. The maximum aggregate amount payable by Man in respect of the option consideration is capped at \$275 million.

The fair values are based on discounted cash flow calculations, which represent the expected future profits of each business as per the earn-out arrangements. The fair values are determined using a combination of inputs, such as weighted average cost of capital, high water mark levels, net management fee margins, performance, operating margins and the growth in FUM, as applicable. The discount rates applied are 11% for management fees and 17% for performance fees.

The most significant inputs into the valuations are as follows:

	Year ended 31 December 2015 Numeric
Weighted average net management fee margin (over the remaining earn-out period)	0.5%
Compound growth in average FUM (over the remaining earn-out period)	12%

**28. FAIR VALUE OF FINANCIAL ASSETS/LIABILITIES CONTINUED**

Changes in inputs would result in the following decrease/(increase) of the contingent consideration creditor:

\$m	Year ended 31 December 2015 Numeric
Weighted average net management fee margin:	
0.1% increase	34
0.1% decrease	(34)
Compound growth in average FUM:	
1% increase	6
1% decrease	(6)

Increases/(decreases) in the fair value of the contingent consideration creditor would have a corresponding (expense)/gain in the Group income statement.

29. RELATED PARTY TRANSACTIONS

Related parties comprise key management personnel and associates. All transactions with related parties were carried out on an arm's length basis. Refer to Note 20 for details of income earned from associates. Management fees earned from fund entities in which Man holds a controlling interest are detailed in Note 16. Contingent consideration payable to Numeric management is detailed in Note 28.

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. The average key management headcount for the year to 31 December 2015 has increased by around 9% from 2014. Key management compensation is reported in the table below.

Key management compensation	Year ended 31 December 2015 \$'000	Year ended 31 December 2014 \$'000
Salaries and other short-term employee benefits ¹	33,152	27,895
Share-based payments	4,408	4,522
Fund product based payment charge	6,095	6,426
Pension costs	405	426
Termination benefits	-	765
Total	44,060	40,034

Note:

1 Includes salary, benefits (including cash pension allowance) and cash bonus.

30. FINANCIAL GUARANTEES AND COMMITMENTS**30.1 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 2015 covers investments in existing fund products totalling \$19 million (2014: \$34 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.

30.2 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 (2014: \$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 (2014: nil).

30.3 Intra-day and overnight credit facilities

Man guarantees the obligations under a \$500 million intra-day (2014: \$500 million) and \$25 million overnight credit facilities (2014: \$25 million), used to settle the majority of the Group's banking arrangements. As at 31 December 2015, the exposure under the intra-day facility is nil (2014: nil) and the overnight facility exposure is nil (2014: nil). The fair value of these commitments has been determined to be nil (2014: nil).

NOTES TO THE GROUP FINANCIAL STATEMENTS

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30. FINANCIAL GUARANTEES AND COMMITMENTS CONTINUED

30.4 Operating lease commitments

Operating lease commitments due within one year totalled \$29 million (2014: \$35 million), \$70 million from one to five years (2014: \$93 million) and \$261 million due after five years (2014: \$289 million). The commitments include non-cancellable offsetting sublease arrangements, totalling \$90 million (2014: \$82 million) for commitments less than five years and \$52 million (2014: \$73 million) for commitments over five years. Rent and associated expenses for all leases are recognised on a straight-line basis over the life of the respective lease.

The operating lease commitments primarily include the agreements for lease contracts for the headquarters at Riverbank House, London (expiring in 2035), the UK Data Centres (Woking expiring in 2019 and Redhill expiring in 2025), and our main New York office (expiring in 2022), which aggregate to \$340 million (2014: \$362 million).

31. OTHER MATTERS

Man Group is subject to various other 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.

32. GROUP INVESTMENTS

Details of the Group's subsidiaries, which have been consolidated into the Group's results, are provided below, with details of investments in associates provided in [Note 20](#). The country of operation is the same as the country of incorporation, the year end is 31 December, and effective group interest represents both the percentage held and voting rights, unless otherwise stated.

Principal operating subsidiaries	Direct or indirect	Country of incorporation	Effective group interest %
Asset management			
Man Investments Limited	Indirect	UK	100
AHL Partners LLP ¹	Indirect	UK	100
Man Investments AG	Indirect	Switzerland	100
Man Investments Inc	Indirect	US	100
Man Investments (CH) AG	Indirect	Switzerland	100
GLG Partners LP	Indirect	UK	100
Numeric Investors LLC ²	Indirect	US	100
Group services company			
E D & F Man Limited	Indirect	UK	100
Group treasury and holding company			
Man Investments Finance Limited	Indirect	UK	100
Group holding and other subsidiaries			
Man Group plc		UK	100
Man Strategic Holdings Limited	Direct	UK	100
Man Group Holdings Limited	Indirect	UK	100
Man Group UK Limited	Indirect	UK	100
GLG Partners Limited	Indirect	UK	100
Laurel Heights LLP ¹	Indirect	UK	100
Man Investments Australia Limited	Indirect	Australia	100
Man Australia LP	Indirect	Australia	100
FA Sub 3 Limited	Indirect	BVI	100
GLG Holdings Limited	Indirect	BVI	100
Mount Granite	Indirect	BVI	100
GLG Partners (Cayman) Limited	Indirect	Cayman	100
GLG Partners Intermediate GP Ltd	Indirect	Cayman	100
Man Investments (Shanghai) Limited	Indirect	China	100
Man Group Japan Limited	Indirect	Guernsey	100
FRM Investment Management Limited	Indirect	Guernsey	100
GLG Partners Hong Kong Limited	Indirect	Hong Kong	100
Man Investments (Hong Kong) Limited	Indirect	Hong Kong	100
GLG Partners Asset Management Limited	Indirect	Ireland	100
RBH Holdings (Jersey) Limited	Indirect	Jersey	100
Man (Europe) AG	Indirect	Liechtenstein	100
Man Fund Management Netherlands BV	Indirect	Netherlands	100
E. D. & F. Man Investments B.V.	Indirect	Netherlands	100

32. GROUP INVESTMENTS CONTINUED

Group holding and other subsidiaries	Direct or indirect	Country of incorporation	Effective group interest %
Man Investments Middle East Limited	Indirect	UAE	100
Man Australia GP Limited	Indirect	UK	100
Man Fund Management UK Limited (previously GLG Partners Investment Funds Ltd)	Indirect	UK	100
Financial Risk Management Limited	Indirect	UK	100
Man Investments Holdings Limited	Indirect	UK	100
Man Mash Limited	Indirect	UK	100
Man Valuation Services Limited	Indirect	UK	100
GLG Partners GP LLC	Indirect	US	100
Man Investments Finance Inc.	Indirect	US	100
Seabrook Holding Inc	Indirect	US	100
Man Investments Holding Inc.	Indirect	US	100
Man Investments (USA) Corp.	Indirect	US	100
Man Investments USA Holdings Inc.	Indirect	US	100
Man Washington Inc.	Indirect	US	100
GLG Capital Management LLC	Indirect	US	100
Man Litchfield Inc.	Indirect	US	100
GLG LLC	Indirect	US	100
Man UK Strategies Limited	Indirect	UK	100
Numeric Holdings LLC ²	Indirect	US	82
Silvermine Capital Management LLC	Indirect	US	100
Man NewSmith Japan Limited	Indirect	Japan	100
FRM Investment Management GP (USA) LLC (previously Pine Grove Asset Management GP LLC)	Indirect	US	100
FRM Investment Management (USA) LLC (previously Pine Grove Asset Management LLC)	Indirect	US	100
Man Group Services Limited	Indirect	UK	100
Man Solutions Limited (previously GLG Partners International Ltd)	Indirect	UK	100
Empyrean Re Limited	Indirect	Bermuda	100
Lavender Heights LLP	Indirect	US	100
Knox Pines Limited	Indirect	BVI	100
Mount Garnet Limited	Indirect	BVI	100
FRM Investments (USA) LLC	Indirect	US	100
GLG Inc.	Indirect	US	100
GLG Holdings Inc.	Indirect	US	100
GLG Partners Inc.	Indirect	US	100
GLG Partners Services LP	Indirect	Cayman	100
GLG Partners Services Limited	Indirect	Cayman	100
Man Fund Management (Guernsey) Limited	Indirect	Guernsey	100
Man Fund Management Limited	Indirect	Ireland	100
GLG Partners UK Group Ltd	Indirect	UK	100
GLG Partners UK Holdings Ltd	Indirect	UK	100
GLG Partners UK Ltd	Indirect	UK	100
FRM Thames Fund General Partner 1 Limited	Indirect	Cayman	100
RMF Co-Investment Limited (Class A & B)	Indirect	Cayman	100
Man Principal Strategies Corp	Indirect	US	100
Numeric Midco LLC ²	Indirect	US	82
Man GLG Credit Advisers AG	Indirect	Switzerland	100
FRM Holdings Limited	Indirect	Jersey	100
FA Sub 2 Limited	Indirect	BVI	100
E. D. & F. Man Investments Limited	Indirect	Jersey	100
E. D. & F. Man Capital Investments Limited	Indirect	Jersey	100
Man Financial Australia Pty Limited (in liquidation)	Indirect	Australia	100
Man Investments (UK) Limited (in liquidation)	Indirect	UK	100
Man-AHL (USA) Limited (in liquidation)	Indirect	UK	100
Man Investments (Luxembourg) S.A. (in liquidation)	Indirect	Luxembourg	100
Empyrean Re (Canada) Inc. (in liquidation)	Indirect	Canada	100
Man Corporate Services (Ireland) Limited (in liquidation)	Indirect	Ireland	100
Man Investments (Singapore) Pte. Ltd (in liquidation)	Indirect	Singapore	100
FCA Guernsey Limited (in liquidation)	Indirect	Guernsey	100
Man Bluesky Limited (in liquidation)	Indirect	UK	100

Notes:

1 The financial year end is 31 March.

2 Numeric Management hold an 18.3% equity interest in the business as part of the acquisition deferred consideration, which is deemed to be a financial liability (Note 28).



NOTES TO THE GROUP FINANCIAL STATEMENTS

CONTINUED

32. GROUP INVESTMENTS CONTINUED

Consolidated structured entities

The following investment funds, which the Group is deemed to control, have been consolidated ([Note 16](#)):

Strategy	Country of incorporation/ principal place of operation	% of net asset value held
Man Numeric Market Neutral ¹	Ireland	60
Man Alternative Beta Strategies ¹	Cayman	100
Man Numeric International Small Cap ¹	Cayman	100
Man GLG Unconstrained Emerging Equity ¹	Ireland	45
Man GLG International Equity ¹	Cayman	100
GLG CLO II ¹	Ireland	34
Man GLG Select Opportunities fund ²	Cayman	58
Man AHL Target Risk ²	Ireland	62
Man Systematic Directional Equities Alternative ²	Ireland	64

Notes:

- 1 Classified as non-current assets and liabilities held for sale ([Note 16.3](#)).
- 2 Consolidated on a line-by-line basis ([Note 16.3](#)).



PARENT COMPANY FINANCIAL INFORMATION

FINANCIAL STATEMENTS

BALANCE SHEET

\$m	Note	At 31 December 2015	At 31 December 2014
Fixed assets			
Investment in subsidiaries	<u>2</u>	2,439	2,439
Current assets			
Debtors	<u>3</u>	198	5
Creditors – amounts falling due within one year			
Other creditors and accruals	<u>4</u>	(5)	(176)
Net current liabilities		193	(171)
Creditors – amounts falling after more than one year			
Borrowings	<u>5</u>	(149)	(149)
Total assets less current liabilities		2,483	2,119
Capital and reserves			
Called up share capital		59	61
Share premium account		14	7
Capital Reserve		4	2
Merger reserve		491	491
Profit and loss account		1,915	1,558
Total shareholders' funds		2,483	2,119

The financial statements of the Company (registered number: 08172396) were approved by the Board of directors and authorised for issue on 24 February 2016, and were signed on its behalf by:

Emmanuel Roman
Chief Executive Officer

Jonathan Sorrell
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

\$m	Called up share capital	Share Premium account	Capital reserve	Merger reserve	Profit and loss account	Total
At 1 January 2014	63	5	–	491	1,858	2,417
Issue of ordinary share capital	–	2	–	–	–	2
Repurchase of shares	(2)	–	2	–	(116)	(116)
Loss for the financial year	–	–	–	–	(21)	(21)
Dividends	–	–	–	–	(163)	(163)
At 31 December 2014	61	7	2	491	1,558	2,119
Issue of ordinary share capital	–	7	–	–	–	7
Repurchase of shares	(2)	–	2	–	(176)	(176)
Profit for the financial year	–	–	–	–	726	726
Dividends	–	–	–	–	(193)	(193)
At 31 December 2015	59	14	4	491	1,915	2,483

The allotted and fully paid share capital of the Company is detailed in [Note 23](#) of the Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The separate financial statements of the Company are presented as required by the Companies Act 2006.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 as issued by the Financial Reporting Council. The transition is not considered to have had a material effect on the financial statements, and no restatement of prior year comparatives is required as a result of the adoption of FRS 101 in the current year.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions. Where required, equivalent disclosures are given in the Group financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in [Note 1](#) to the Group financial statements except as noted below.

The Company's financial statements are prepared on a going concern basis. For further details, refer to [Note 1](#) to the Group financial statements.

Result for the year

The profit after tax for the year was \$726 million (2014: \$21 million loss). During the year the Company received dividend income of \$750 million from subsidiaries (2014: nil). In accordance with Section 408 of the Act, a separate profit and loss account has not been presented for the Company. Details of audit fees are included on [page 60](#).

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the spot rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates, are recognised in the profit and loss account.

Dividends

Dividend distributions to the Company's shareholders are recognised 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 as income in the period in which they are received. Refer to [Note 12](#) to the Group financial statements for details of dividends paid during the year.

2. INVESTMENTS IN SUBSIDIARIES

\$m	31 December 2015	31 December 2014
Shares in Group undertakings At 1 January and 31 December	2,439	2,439

The Company's shares in subsidiary undertakings are stated in the balance sheet of the Company at cost less provision for any impairment incurred. A complete list of the Company's direct and indirect subsidiaries are provided in [Note 32](#) to the Group financial statements.

3. DEBTORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

\$m	31 December 2015	31 December 2014
Current tax asset	6	5
Amounts owed by Group undertakings	192	-
	198	5

4. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

\$m	31 December 2015	31 December 2014
Amounts owed to Group undertakings	2	173
Other creditors	3	3
	5	176



5. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Borrowings relate to the 2024 fixed rate reset callable guaranteed subordinated notes issued by the Company, as detailed in [Note 15](#) to the Group financial statements.

6. DIRECTORS' REMUNERATION

Details of the individual directors' emoluments and interests are disclosed in the Directors' remuneration report on [pages 64 to 87](#). The directors of the Company were paid by another Group company in the year.

7. STATUTORY AND OTHER INFORMATION

Shares in the Company are awarded to directors and employees through the Group's share schemes. Details relating to these share grants are provided in the Directors' remuneration report on [pages 64 to 87](#).



FIVE YEAR RECORD

\$m	12 months to 31 December 2015	12 months to 31 December 2014	12 months to 31 December 2013	12 months to 31 December 2012 (Restated) ³	9 months to 31 December 2011
Income statement					
Profit before adjusting items	400	481	297	275	262
Adjusting items ¹	(216)	(97)	(241)	(1,023)	(69)
Pre-tax profit/(loss)	184	384	56	(748)	193
Taxation	(13)	(19)	16	(39)	(34)
Profit/(loss) for the period	171	365	72	(787)	159
Earnings per share (diluted)	10.0	20.5	2.9	(45.8)	7.6
Balance sheet (\$m)					
Net cash	458	589	992	1,141	573
Net assets	2,215	2,434	2,407	2,910	4,060
Other statistics					
Post-tax return on equity (%)	7.5	15.8	2.1	(23.2)	4.6
Ordinary dividends per share (cents)	10.2	10.1	7.9	22.0	16.5
Funds under management (\$bn)	78.7	72.9	54.1	57.0	58.4
Average headcount ²	1,106	1,001	1,163	1,458	1,596
Sterling/US Dollar exchange rates					
Average	0.6544	0.6072	0.6388	0.6307	0.6233
Period end	0.6786	0.6419	0.6040	0.6158	0.6435

Notes:

- 1 Statutory profit/(loss) before tax is adjusted to give a fuller understanding of the underlying profitability of the business. See [Note 2](#) to the Group financial statements.
- 2 The average headcount includes partners.
- 3 Restated for the impact of the adoption of IAS 19 (Revised) in 2013.

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

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)

The Man 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)

Man's register of shareholders is maintained by Equiniti, the Company's Registrars. Many aspects of managing your shares 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.

Dividends

Final dividend for the year ended 31 December 2015

3.40 pence per share

The directors have recommended a final dividend of 3.40 pence per share in respect of the year ended 31 December 2015. Payment of this dividend is subject to approval at the 2016 Annual General Meeting (AGM). Key dates relating to this dividend are given below:

Ex-dividend date	21 April 2016
Record date	22 April 2016
DRIP election date	22 April 2016
AGM (to approve final dividend)	6 May 2016
Payment date	13 May 2016
CREST accounts credited with DRIP shares	18 May 2016
DRIP share certificates received	19 May 2016

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 (including accruals for future earn-out payments), potential strategic opportunities and a prudent buffer, will be distributed to shareholders over time, by way of higher dividend payments and/or share repurchases. During 2015 the Company undertook a share repurchase programme pursuant to which \$175 million of surplus capital was returned to shareholders. As announced at the time of our 2015 year end results, the Board has decided to retain all of the Group's current surplus capital, but will review this decision throughout 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 dividend confirmation will 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 0371 384 2112¹, who will be able to assist.
- 2. Overseas payment service²:** 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 0371 384 2112¹.
- 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 the Man 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 0371 384 2268¹. 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 2015, Equiniti must have received your instruction by 5.00pm on 22 April 2016. Instructions received after this date will be applied to the next dividend payment.

Notes:

- 1 Lines are open from 8.30am to 5.30pm, each business day.
- 2 Please note that a payment charge will be deducted from each individual payment before conversion to your local currency.



SHAREHOLDER INFORMATION CONTINUED

Dividends paid in the 2015/16 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 2015	O/17	02/09/2015	3.47	13/08/15	14/08/15	152.23	03/09/15
Final dividend for the year ended 31 Dec 2014	O/16	15/05/2015	3.95	23/04/15	24/04/15	176.998	15/05/15

Dividend history

To help shareholders with their tax affairs, details of dividends paid in the 2015/16 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.

Changes to tax on dividend income

HM Revenue & Customs have announced that, from 6 April 2016, the dividend tax credit is being replaced with a tax-free dividend allowance of £5,000 per annum. As such, the tax voucher that previously accompanied your dividend will be replaced with a dividend confirmation. For further information, and to see how you might be affected by the changes, please refer to the HMRC website.

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 the Man 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 0371 384 2112¹ or Text tel 0371 384 2255¹, quoting Ref No 874. Callers from outside the UK should telephone +44 121 415 7592.

Share dealing service

Equiniti 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). To use Equiniti's telephone dealing service, please call 03456 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.

Don't fall victim to share fraud!

Even seasoned investors have been caught out by sophisticated share or investment scams where smooth-talking fraudsters cold call from 'boiler rooms' 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. All shareholders are advised to be extremely wary of any

unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. It is estimated that £200 million is lost in this way in the UK each year, with an average loss of £20,000 per investor. The Financial Conduct Authority (FCA) provides helpful information about such scams on its website, including practical tips on how to protect your savings and how to report a suspected investment scam. Man encourages its shareholders to read the information on the site which can be accessed at www.fca.org.uk/consumers/scams.

How your details are protected from cybercrime

Man takes the protection of its shareholders' personal data from the ever-increasing threat of cybercrime very seriously. Shareholder details are maintained by Equiniti, our Registrars, who safeguard this information to the highest standards, based on the 20 core critical controls recommended by the Centre for the Protection of National Infrastructure (CPNI). These can be viewed at www.cpni.gov.uk/advice/cyber/Critical-controls. Equiniti's security measures include multiple levels of firewall, no wireless access to the corporate network, and regular external vulnerability scans and system penetration tests.

Company contact details

Registered office

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Telephone: 020 7144 1000

Fax: 020 7144 1923

Web: www.man.com

Registered in England and Wales with registered no: 08172396

Investor Relations

investor@man.com

Head of Investor Relations – Andrea Waters

Company Secretariat

shareholder@man.com

Company Secretary – Rachel Rowson

Company advisers

Independent auditor

Deloitte LLP

Corporate brokers

Bank of America Merrill Lynch

Credit Suisse

Goldman Sachs

Public relations

RLM Finsbury

Registrars

Equiniti

Note:

¹ Lines are open from 8.30am to 5.30pm, each business day.





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