Press Release

1 March 2017
RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Key points

- Fund under Management (FUM) up 3% to $80.9 billion (31 December 2015: $78.7 billion)
  - Net inflows of $1.9 billion (2015: net inflows $0.3 billion)
  - Quant alternative FUM increased by 20% due to strong net inflows
  - Positive investment movement of $3.2 billion (2015: $2.4 billion)
  - FX translation effects and other movements of -$2.9 billion (2015: -$3.0 billion)
- Statutory loss before tax for the year ended 31 December 2016 of $272 million (2015: profit before tax of $184 million), driven by the impairment of GLG and FRM goodwill and intangibles of $281 million and $98 million respectively
- Adjusted profit before tax (PBT) of $205 million in 2016 (2015: $400 million), comprising adjusted net management fee PBT of $178 million (2015: $194 million) and adjusted net performance fee PBT of $27 million (2015: $206 million)
- Recommended final dividend of 4.5 cents per share bringing total dividend for the year to 9.0 cents (2015: 10.2 cents). The final dividend is equal to 3.62 pence per share (2015: 3.40 pence), and the total dividend for the year is equal to 7.05 pence per share (2015: 6.87 pence)
- Surplus regulatory capital of $392 million at 31 December 2016 (2015: $453m); $325 million after the impact of the Aalto acquisition which completed on 1 January 2017

Summary financials	Page ref.	**Year ended 31 Dec 2016**	**Year ended 31 Dec 2015**
		$	$
Funds under management (end of period) [1]	4	**80.9bn**	**78.7bn**
Net management fee revenue[2]	17,18,32	691m	759m
Performance fees[3]	19,32	112m	326m
Net revenues		**803m**	**1,085m**
Compensation	19,33	(388m)	(462m)
Other costs (including asset servicing)	19,33	(199m)	(209m)
Net finance expense	20,34	(11m)	(14m)
Adjusted profit before tax[1]	20,31	**205m**	**400m**
Adjusted net management fee profit before tax[1]	21	*178m*	*194m*
Adjusted net performance fee profit before tax[1]	21	*27m*	*206m*
Adjusting items[4]	20,31,32	(477m)	(216m)
Statutory (loss)/profit before tax	17,25	**(272)m**	**184m**
Diluted statutory EPS[5]	36,37	(15.8)c	10.0c
Adjusted diluted EPS[1,5]	36,37	10.4c	21.1c
Adjusted diluted management fee EPS[1,5]	36,37	9.0c	10.2c
Dividend per share		7.05p	6.87p

[1] For definitions and explanations of our alternative performance measures, please refer to page 55. [2] Includes gross management and other fees, distribution costs, and share of post-tax profit of associates. [3] Includes income or gains on investments and other instruments and third party share of gains/losses relating to interests in consolidated funds. [4] The adjusting items in the year which are detailed in Note 2 to the financial statements on page 31, relate to certain non-recurring items or those resulting from acquisition or disposal related activities.[5] The reconciliation of diluted statutory EPS to the adjusted EPS measures is included in Note 9 to the financial statements (page 37).

Luke Ellis, Chief Executive Officer of Man Group, said:

“2016 was a challenging year for the investment management industry and despite respectable relative performance from our strategies, this is reflected in our results.

Against this backdrop, we have made real progress in positioning the firm for the future. We delivered positive net flows, in a year when our industry saw outflows. We had positive alpha across our long only strategies, during a year in which many questioned the benefits of active management. We put in place a revised management structure and continued to control our cost base, and the majority of our performance fee eligible funds ended the year at, or close to, high water mark.

Looking forward to 2017, we have started the year with a good pipeline of interest from clients and encouraging performance across most of our strategies as the new global political environment has created many alpha opportunities, but it remains early days in an uncertain market.

Our focus for 2017 is to build on the hard work of last year and on what makes this business special: the commitment and creativity that drives performance, building deep and meaningful client relationships, investing in our talent and technology, and being disciplined on costs and capital allocation. Although our industry faces some challenges, I believe we are well positioned for the years ahead.”

Dividend and share repurchase

The Board confirms that it will recommend a final dividend of 4.5 cents per share for the financial year to 31 December 2016, giving a total dividend of 9.0 cents per share for the year. The final dividend will be paid at the rate of 3.62 pence per share.

Man’s dividend policy is to 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, the Group expects to generate significant surplus capital over time, primarily from net performance fee earnings. Man's policy is to distribute available capital surpluses to shareholders over time, by way of higher dividend payments and/or share repurchases, while maintaining a prudent balance sheet, after taking into account required capital (including liabilities for future earn-out payments) and potential strategic opportunities. Whilst the Board continues to consider dividends as the primary method of returning capital to shareholders, it will continue to execute share repurchases when advantageous.

In October 2016, the Board decided to carry out a share repurchase programme for up to $100 million to return surplus capital to shareholders. Currently, around $60 million worth of shares have been repurchased and we expect to complete the programme in the coming months.

Dates for the 2016 final dividend

Ex-dividend date	20 April 2017
Record date	21 April 2017
Payment date	12 May 2017

Results presentation, audio webcast and dial in details

There will be a presentation by the management team at 10am (UK time) on 1 March 2017 at our City office; 2 Swan Lane, London, EC4R 3AD. A copy of the presentation will be made available on the Group's website at www.man.com. There will also be a live audio webcast available on https://www.man.com/GB/results which will also be available on demand from later in the day. The dial-in and replay telephone numbers are as follows:

Audio Details
Participant Dial In Number(s)

UK Toll Number:	+44 (0) 20 3003 2666
UK Toll-Free Number:	0808 109 0700
US Toll-Free Number:	1 866 966 5335

7 Day Replay

UK Toll Number:	+44 (0) 20 8196 1998
UK Toll Free Number:	0800 633 8453
US Toll Free Number:	1 866 583 1039

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About Man Group

Man Group is an active investment management firm focused on delivering performance and client solutions through its five investment management businesses: Man AHL; Man Numeric; Man GLG; Man FRM and Man Global Private Markets. Man Group's investment management businesses provide long only, alternative and private markets products on a single and multi-manager basis, leveraging the firm's robust infrastructure to provide a diverse range of strategies across investment approaches, styles and asset classes.

The original business was founded in 1783. Today, Man Group plc is listed on the London Stock Exchange under the ticker EMG.L and is a constituent of the FTSE 250 Index. As at 31 December 2016, Man Group's funds under management were $80.9 billion.

Man Group also supports many awards, charities and initiatives around the world, including sponsorship of the Man Booker literary prizes. Further information can be found at www.man.com.

Forward looking statements and other important information

This document contains forward-looking statements with respect to the financial condition, results and business of Man Group plc. By their nature, forward-looking statements involve risk and uncertainty and there may be subsequent variations to estimates. Man Group plc's actual future results may differ materially from the results expressed or implied in these forward-looking statements.

The content of the websites referred to in this announcement is not incorporated into and does not form part of this announcement. Nothing in this announcement should be construed as or is intended to be a solicitation for or an offer to provide investment advisory services.

FUNDS UNDER MANAGEMENT ANALYSIS

Three months to 31 December 2016

$bn	FUM at 30 September 2016	Sales	Reds	Net inflows/ (Outflows)	Investment movement	FX	Other	FUM at 31 December 2016
Alternative	**46.7**	**2.9**	**(2.7)**	**0.2**	**0.6**	**(1.5)**	**0.3**	**46.3**
Quant	**19.4**	1.1	(0.6)	**0.5**	0.2	(0.5)	-	**19.6**
Discretionary	**14.6**	0.9	(1.2)	**(0.3)**	0.2	(0.4)	(0.2)	**13.9**
Fund of funds	**12.7**	0.9	(0.9)	**-**	0.2	(0.6)	0.5	**12.8**
Long Only	**33.4**	**3.0**	**(3.6)**	**(0.6)**	**2.3**	**(0.9)**	**-**	**34.2**
Quant	**21.4**	1.3	(2.0)	**(0.7)**	0.8	(0.1)	-	**21.4**
Discretionary	**12.0**	1.7	(1.6)	**0.1**	1.5	(0.8)	-	**12.8**
Guaranteed	**0.6**	**-**	**-**	**-**	**-**	**-**	**(0.2)**	**0.4**
Total	**80.7**	**5.9**	**(6.3)**	**(0.4)**	**2.9**	**(2.4)**	**0.1**	**80.9**

Year to 31 December 2016

$bn	FUM at 31 December 2015	Sales	Reds	Net inflows / (Outflows)	Investment movement	FX	Other	FUM at 31 December 2016
Alternative	**44.6**	**11.7**	**(9.1)**	**2.6**	**(0.1)**	**(0.6)**	**(0.2)**	**46.3**
Quant	**16.4**	6.0	(2.3)	**3.7**	(0.3)	(0.2)	-	**19.6**
Discretionary	**16.3**	2.2	(4.1)	**(1.9)**	0.1	(0.2)	(0.4)	**13.9**
Fund of funds	**11.9**	3.5	(2.7)	**0.8**	0.1	(0.2)	0.2	**12.8**
Long Only	**32.8**	**10.0**	**(10.5)**	**(0.5)**	**3.3**	**(1.5)**	**0.1**	**34.2**
Quant	**18.6**	4.3	(3.7)	**0.6**	2.2	(0.1)	0.1	**21.4**
Discretionary	**14.2**	5.7	(6.8)	**(1.1)**	1.1	(1.4)	-	**12.8**
Guaranteed	**1.3**	**-**	**(0.2)**	**(0.2)**	**-**	**-**	**(0.7)**	**0.4**
Total	**78.7**	**21.7**	**(19.8)**	**1.9**	**3.2**	**(2.1)**	**(0.8)**	**80.9**

FUM by Manager

$bn	31 Dec 2015	31 Mar 2016	30 Jun 2016	30 Sep 2016	31 Dec 2016
AHL	**16.9**	**19.2**	**18.8**	**19.0**	**18.3**
AHL Dimension	4.1	4.6	4.5	4.9	5.2
AHL Alpha	3.9	4.5	4.0	4.0	4.1
AHL Diversified (inc. Guaranteed)	4.1	4.6	4.0	3.7	3.4
AHL Evolution	2.7	2.9	2.9	2.8	2.8
Other specialist styles	0.9	1.7	1.8	1.9	1.8
Institutional solutions	-	-	0.8	1.0	1.0
Europe and Asia Plus	1.2	0.9	0.8	0.7	-
Numeric	**19.0**	**19.4**	**19.7**	**22.3**	**23.1**
Global	10.8	10.6	10.2	11.0	12.2
Emerging markets	2.1	2.6	2.8	4.3	4.2
US	4.8	4.9	5.2	5.4	5.0
Alternatives	1.3	1.3	1.5	1.6	1.7
GLG	**30.5**	**27.9**	**26.0**	**26.6**	**26.7**
Alternatives	**16.3**	**15.4**	**14.9**	**14.6**	**13.9**
Europe equity	3.9	4.0	3.8	3.6	3.1
North America equity	1.3	1.1	1.1	1.0	1.2
Other equity	0.5	0.6	0.6	0.6	0.5
Convertibles	4.0	3.6	3.5	3.5	3.3
Market Neutral	0.6	0.5	0.5	0.5	0.5
CLOs and debt	5.1	5.0	4.6	4.5	4.6
Multi-strategy	0.9	0.6	0.8	0.9	0.7
Long only	**14.2**	**12.5**	**11.1**	**12.0**	**12.8**
Japan equity	8.6	7.0	5.9	6.5	7.1
Europe equity*	0.7	0.9	0.8	0.9	0.9
UK equity	0.8	0.7	0.8	0.8	0.7
Other equity*	2.4	2.3	2.0	2.0	1.9
Fixed income	1.7	1.6	1.6	1.8	2.2
FRM	**12.3**	**12.1**	**11.9**	**12.8**	**12.8**
Infrastructure and direct access	3.2	3.9	4.1	5.0	5.3
Segregated	2.6	2.8	3.0	2.9	3.0
Diversified FoHF	4.6	4.2	3.9	3.8	3.6
Thematic FoHF	1.5	0.9	0.8	1.0	0.9
Guaranteed	0.4	0.3	0.1	0.1	-
Total	**78.7**	**78.6**	**76.4**	**80.7**	**80.9**

*Balanced and Stock Market Managed were reclassified from Europe equity to Other equity for presentation purposes at 30 June 2016

Investment Performance

	Total return		Annualised return		
	3 months to 31 Dec 2016	12 months to 31 Dec 2016	3 years to 31 Dec 2016	5 years to 31 Dec 2016	Since inception to 31 Dec 2016
AHL					
AHL Diversified[1]	-1.6%	-7.6%	6.4%	2.7%	12.1%
AHL Alpha[2]	-0.6%	-3.0%	6.5%	3.5%	11.7%
AHL Evolution[3]	2.0%	6.2%	9.6%	13.7%	14.0%
AHL Dimension[4]	1.6%	-1.5%	7.0%	5.2%	5.5%
GLG ALTERNATIVES					
Equity					
Europe					
GLG European Long Short[5]	0.2%	-1.4%	0.2%	2.6%	7.7%
Man GLG European Equity Alternative UCITS[6]	0.0%	-2.2%	-0.7%	2.2%	2.4%
Man GLG European Mid-Cap Equity Alternative[7]	1.5%	4.8%	n/a	n/a	6.7%
UK					
Man GLG Alpha Select UCITS[8]	-0.1%	-1.7%	2.2%	3.7%	1.4%
Global					
Man GLG Value Opportunity [9]	-0.8%	-5.3%	n/a	n/a	-1.9%
Man GLG Select Opportunities [10]	3.6%	11.9%	n/a	n/a	3.3%
Credit					
GLG Global Convertible[11]	1.2%	1.9%	0.9%	4.3%	6.7%
Man GLG Global Convertible UCITS[12]	1.8%	2.8%	2.3%	6.1%	5.7%
GLG Market Neutral[13]	6.0%	14.2%	1.8%	6.6%	12.8%
Man GLG European Distressed[14]	5.3%	0.8%	-0.6%	5.4%	11.3%
Multi-strategy					
Man Multi-Strategy Fund[15]	1.8%	-1.2%	1.2%	2.7%	4.2%
GLG LONG ONLY					
Man GLG Japan Core Alpha Equity[16]	26.2%	5.7%	8.7%	19.8%	4.2%
Man GLG Global Equity[17]	1.2%	-1.0%	1.8%	9.7%	7.4%
Man GLG Strategic Bond[18]	-1.7%	2.8%	1.1%	5.6%	5.8%
Man GLG Undervalued Assets[19]	3.5%	5.3%	6.3%	n/a	7.7%
Man GLG European Equity[20]	2.7%	-0.5%	5.9%	11.8%	5.6%
Man GLG UK Select [21]	2.6%	1.0%	3.4%	10.9%	10.4%
Man GLG Continental European Growth[22]	2.2%	16.5%	18.0%	21.5%	9.2%
Man GLG Global EM Debt Total Return[23]	1.6%	5.8%	n/a	n/a	n/a
MAN MULTI-MANAGER					
FRM Diversified II[24]	0.0%	-3.8%	-0.1%	1.5%	4.2%

Investment performance (Cont'd)

	Total return		Annualised return	
	3 months to 31 Dec 2016	**12 months to 31 Dec 2016**	**3 years to 31 Dec 2016**	**5 years to 31 Dec 2016**
Indices				
World stocks[25]	4.9%	9.4%	7.0%	12.8%
World bonds[26]	-2.7%	3.8%	4.4%	3.6%
Corporate bonds[27]	-7.1%	6.7%	7.4%	5.0%
Hedge fund indices				
HFRI Fund of Funds Composite Index[28]	0.9%	0.5%	1.2%	3.4%
HFRI Fund Weighted Composite Index[28]	1.2%	5.5%	2.4%	4.5%
HFRX Global Hedge Fund Index[28]	1.2%	2.5%	-0.6%	1.6%
HFRI Fund of Funds Conservative Index[28]	1.7%	1.9%	1.8%	3.4%
Style indices				
Barclay BTOP 50 Index [29]	-2.6%	-4.4%	2.1%	1.0%
HFRI Equity Hedge (Total) Index[28]	1.2%	5.5%	2.1%	5.5%
HFRI EH: Equity Market Neutral Index[28]	1.5%	2.2%	3.2%	3.8%
HFRI Macro (Total) Index[28]	-0.5%	1.2%	1.8%	1.0%
HFRI Relative Value (Total) Index[28]	1.9%	7.7%	3.8%	5.7%

Investment performance (Cont'd)

	Total Return		Annualised Return		
NUMERIC LONG ONLY	**3 months to 31 Dec 2016**	**12 months to 31 Dec 2016**	**3 years to 31 Dec 2016**	**5 years to 31 Dec 2016**	**Since inception to 31 Dec 2016**
U.S. Large Cap Equity					
Numeric Core	5.1%	10.8%	9.0%	16.4%	6.8%
Russell 1000®#	3.8%	12.1%	8.6%	14.7%	5.3%
Relative Return	1.3%	-1.3%	0.4%	1.7%	1.5%
Numeric All Cap Core	6.2%	11.4%	7.4%	16.1%	17.6%
Russell 3000®#	4.2%	12.7%	8.4%	14.7%	15.6%
Relative Return	2.0%	-1.3%	-1.1%	1.4%	2.0%
Numeric Large Cap Core	4.1%	9.5%	9.0%	16.6%	8.7%
S&P 500®#	3.8%	12.0%	8.9%	14.7%	7.6%
Relative Return	0.3%	-2.4%	0.1%	1.9%	1.1%
Numeric Value	8.4%	15.5%	9.7%	17.0%	8.7%
Russell 1000 Value®#	6.7%	17.3%	8.6%	14.8%	8.1%
Relative Return	1.7%	-1.8%	1.1%	2.2%	0.6%
Numeric Amplified Core (130/30)	6.4%	10.2%	12.3%	19.7%	9.0%
S&P 500®#	3.8%	12.0%	8.9%	14.7%	7.8%
Relative Return	2.6%	-1.7%	3.4%	5.1%	1.2%
U.S. Small Cap Equity					
Numeric Small Cap Core	9.5%	15.1%	4.9%	15.9%	11.3%
Russell 2000®#	8.8%	21.3%	6.7%	14.5%	9.5%
Relative Return	0.7%	-6.2%	-1.8%	1.4%	1.8%
Numeric Small Cap Growth	6.8%	8.5%	3.3%	15.4%	11.4%
Russell 2000 Growth®#	3.6%	11.3%	5.1%	13.7%	6.1%
Relative Return	3.2%	-2.8%	-1.8%	1.6%	5.3%
Numeric Small Cap Value	13.7%	23.5%	6.9%	16.7%	12.6%
Russell 2000 Value®#	14.1%	31.7%	8.3%	15.1%	9.7%
Relative Return	-0.4%	-8.2%	-1.4%	1.6%	2.9%
Numeric SMID Growth	7.9%	11.7%	5.6%	16.5%	12.9%
Russell 2500 Growth®#	2.6%	9.7%	5.4%	13.9%	9.4%
Relative Return	5.3%	2.0%	0.1%	2.6%	3.5%
Global / Non-U.S. Equity					
Numeric Global Core	4.6%	7.7%	6.1%	n/a	11.1%
MSCI World®#	1.9%	7.5%	3.8%	n/a	7.6%
Relative Return	2.7%	0.2%	2.3%	n/a	3.5%
Numeric Global Small Cap	3.6%	10.0%	n/a	n/a	3.3%
MSCI World Small Cap®#	2.7%	12.7%	n/a	n/a	4.5%
Relative Return	0.8%	-2.7%	n/a	n/a	-1.2%
Numeric Global Core ex US	1.4%	5.6%	2.9%	n/a	2.9%
MSCI World ex US®#	-0.4%	2.7%	-1.6%	n/a	-1.6%
Relative Return	1.7%	2.8%	4.5%	n/a	4.5%
Numeric EAFE Core	1.2%	4.8%	3.1%	n/a	4.4%
MSCI EAFE®#	-0.7%	1.0%	-1.6%	n/a	-0.8%
Relative Return	1.9%	3.8%	4.7%	n/a	5.2%
Numeric International Alpha	2.4%	4.6%	n/a	n/a	-1.5%
MSCI EAFE®#	-0.7%	1.0%	n/a	n/a	-5.0%
Relative Return	3.1%	3.6%	n/a	n/a	3.5%
Numeric International Small Cap	-2.3%	3.3%	3.3%	13.9%	9.2%
MSCI World ex U.S. Small Cap®#	-2.7%	4.3%	1.4%	9.9%	5.1%
Relative Return	0.5%	-1.0%	2.0%	4.0%	4.1%
Numeric Europe Core (EUR)	8.0%	6.4%	9.4%	15.9%	9.3%
MSCI Europe®# (EUR)	6.1%	2.6%	5.9%	10.8%	6.4%
Relative Return	1.9%	3.8%	3.5%	5.2%	2.9%
Numeric Japan Core (YEN)	18.8%	2.9%	8.6%	19.9%	5.2%
MSCI Japan®# (YEN)	15.0%	-0.7%	6.1%	17.6%	3.9%
Relative Return	3.9%	3.6%	2.5%	2.4%	1.3%
Numeric ACWI ex US Low Volatility	-5.3%	2.4%	n/a	n/a	-0.7%
MSCI ACWI ex US®#	-1.3%	4.5%	n/a	n/a	-4.0%
Relative Return	-4.0%	-2.1%	n/a	n/a	3.3%

Investment performance (Cont'd)

NUMERIC LONG ONLY	Total Return		Annualised Return		
	3 months to 31 Dec 2016	12 months to 31 Dec 2016	3 years to 31 Dec 2016	5 years to 31 Dec 2016	Since inception to 31 Dec 2016
Emerging Markets					
Numeric Emerging Markets Alpha	-1.6%	19.7%	4.6%	9.7%	7.1%
MSCI Emerging Markets®#	-4.2%	11.2%	-2.6%	1.3%	0.1%
Relative Return	2.6%	8.5%	7.1%	8.4%	6.9%
Numeric Emerging Markets Core	-2.1%	18.0%	1.7%	n/a	1.7%
MSCI Emerging Markets®#	-4.2%	11.2%	-2.6%	n/a	-1.9%
Relative Return	2.0%	6.8%	4.3%	n/a	3.6%
Numeric Emerging Markets Small Cap	-3.7%	9.9%	n/a	n/a	1.7%
MSCI Emerging Markets Small Cap®#	-6.2%	2.3%	n/a	n/a	-4.8%
Relative Return	2.5%	7.7%	n/a	n/a	6.5%
Numeric Asia Pacific ex-Japan	-4.4%	12.4%	4.5%	n/a	5.9%
Russell Asia Pacific ex-Japan®#	-5.1%	5.7%	0.0%	n/a	0.8%
Relative Return	0.7%	6.7%	4.5%	n/a	5.0%
NUMERIC LONG/SHORT					
Numeric US Market Neutral	7.7%	2.8%	4.2%	3.5%	4.5%
Numeric World Market Neutral	6.3%	5.1%	4.3%	5.5%	1.5%
Numeric Alternative Market Neutral	5.2%	4.5%	3.9%	5.8%	4.3%
Numeric Socially Aware Multi-Strategy	5.3%	4.9%	3.8%	5.0%	5.2%
Numeric Absolute Return	2.8%	4.7%	2.9%	4.8%	4.4%
Numeric Integrated Alpha	3.3%	2.8%	n/a	n/a	4.7%
ML 91-Day T-Bill®	0.1%	0.3%	0.1%	0.1%	n/a

Investment performance is being provided solely in connection with Man Group plc's year end results and for its shareholders. Nothing herein should be construed as or is intended to be a solicitation for or an offer to provide investment advisory services or to invest in any investment products mentioned herein.

Source: Man database, Bloomberg, MSCI and Source. 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.

1) Represented by Man AHL Diversified plc from 26 March 1996 to 29 October 2012, and by Man AHL Diversified (Guernsey) USD Shares – Class A from 30 October 2012 to date. The representative product was changed at the end of October 2012 due to legal and/or regulatory restrictions on Man AHL Diversified plc preventing the product from accessing the Programme's revised target allocations. Both funds are valued weekly; however, for comparative purposes, statistics have been calculated using the best quality price that is available at each calendar month end, using estimates where a final price is unavailable. Where a price, either estimate or final is unavailable on a calendar month end, the price on the closest date prior to the calendar month end has been used.

2) Represented by AHL Alpha plc from 17 October 1995 to 30 September 2012, and by AHL Strategies PCC Limited: Class Y AHL Alpha USD Shares from 1 October 2012 to 30 September 2013. The representative product was changed at the end of September 2012 due to the provisioning of fund liquidation costs in October 2012 for AHL Alpha plc, which resulted in tracking error compared with other Alpha Programme funds. Both funds are valued weekly; however, for comparative purposes, statistics have been calculated using the best quality price that is available at each calendar month end, using estimates where a final price is unavailable. Where a price, either estimate or final is unavailable on a calendar month end, the price on the closest date prior to the calendar month end has been used. Both of the track records have been adjusted to reflect the fee structure of AHL Alpha (Cayman) Limited - USD Shares. From 30 September 2013, the actual performance of AHL Alpha (Cayman) Limited - USD Shares is displayed.

3) Represented by AHL Evolution Limited adjusted for the fee structure (2% p.a. management fee and 20% performance fee) from September 2005 to 31 October 2006; and by AHL Strategies PCC: Class G AHL Evolution USD from 1 November 2006 to 30 November 2011; and by the performance track record of AHL Investment Strategies SPC: Class E AHL Evolution USD Notes from 1 December 2011 to 30 November 2012. From 1 December 2012, the track record of AHL (Cayman) SPC: Class A1 Evolution USD Shares has been shown. All returns shown are net of fees.

4) 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 - F USD Shares Class from 1 June 2014 until 28 February 2015 when AHL Dimension (Cayman) Ltd - A USD Shares Class is used. Representative fees of 1.5% Management Fee and 20% Performance Fee have been applied.

5) Represented by GLG European Long Short Fund - Class D Restricted – EUR until 29 June 2007. From 1 July 2007 the performance of GLG European Long Short Fund - Class D Unrestricted is displayed.

6) Represented by Man GLG European Equity Alternative IN EUR.

7) Represented by Man GLG European Mid-Cap Equity Alternative IN H USD.

8) Represented by Man GLG Alpha Select Alternative IL H EUR.

9) Represented by Man GLG Value Opportunity Class B USD Unrestricted.

10) Represented by Man GLG Select Opportunities Class FN USD Unrestricted.

11) Represented by GLG Global Convertible Fund - Class A – USD.

12) Represented by Man GLG Global Convertible UCITS Fund - Class IL T USD until 7 June 2009. From 8 June 2009 the performance of Man GLG Global Convertible UCITS Fund - Class IM USD is displayed.

13) Represented by GLG Market Neutral Fund - Class Z Restricted – USD until 31 August 2007. From the 1 September 2007 GLG Market Neutral Fund - Class Z Unrestricted – USD is displayed.

14) Represented by Man GLG European Distressed Fund - Class A – USD.

15) Represented by the gross return of Man GLG Multi-Strategy Fund – Class A – USD Shares until 31 December 2012. From 1 January 2013 the performance of Man Multi-Strategy Fund – Class G – USD Shares is displayed.

16) Represented by Man GLG Japan CoreAlpha Fund - Class C converted to JPY until 28 January 2010. From 1 February 2010 Man GLG Japan CoreAlpha Equity Fund - Class I JPY is displayed.

17) Represented by Man GLG Global Equity Fund - Class I T USD to Class I USD (13/05/2011).

18) Represented by Man GLG Strategic Bond Fund Class C.

19) Represented by Man GLG Undervalued Assets Fund - C Accumulation Shares.

20) Represented by Man GLG European Equity Class I T EUR until 6 February 2008. From 7 February 2008 the performance of Man GLG European Equity Class I EUR is displayed.

21) Represented by Man GLG UK Select Fund Class C.

22) Represented by Man GLG Continental European Growth Fund Class C Accumulation Shares.

23) Represented by Man GLG Global Emerging Markets Debt Total Return Class I USD.

24) Represented by FRM Diversified II Fund SPC - Class A USD ('the fund') but 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.

25) Represented by MSCI World Net Total Return Index hedged to USD.

26) Represented by Citigroup World Government Bond Index hedged to USD (total return).

27) Represented by Citigroup High Grade Corp Bond TR.

28) HFRI and HFRX index performance over the past 4 months is subject to change.

29) The historic Barclay BTOP 50 Index data is subject to change.

Please note that the dates in brackets represent the date of the join in the linked track records.

#The reference index listed by Numeric is intended to best represent the strategy's universe. Comparison to an index is for information purposes only.

* Returns are based on the performance of only unrestricted accounts within each strategy. Performance is net-of-fees. Returns of accounts with client restrictions may differ.

Past or projected performance is no indication of future results. Returns may increase or decrease as a result of currency fluctuations. Financial indices are used for illustrative purposes only and are provided for the purpose of making a comparison to general market data as a point of reference and should not be construed as a true comparison to the strategy

CHIEF EXECUTIVE OFFICER'S REVIEW

The market environment was very unforgiving for the first three quarters and Man found it difficult to generate performance for clients and performance fees. This led to disappointing profits. But we are pleased to report a 3% increase in funds under management as we see continued confidence in our strategies, particularly our quant strategies, and I believe the actions we have taken during 2016 stand us in good stead for the year ahead.

Overview

Performance across our business lines was mixed, both on an absolute and relative basis[1]. AHL's momentum strategies had a strong start to the year with the downturn in equity markets in February, but this was more than reversed in the second half of the year with the market turbulence across many asset classes. AHL's strategies rebounded in December, ending the year with good relative performance across the main programmes.

GLG's alternative and long only strategies had a difficult first half of the year, particularly in the days post the Brexit vote in late June, but performance improved in the second half of the year. Alternatives ended the year slightly up on an absolute basis and GLG's credit strategies had strong performance, but overall alternatives underperformed the HFRX. GLG's long only strategies outperformed their benchmarks on an asset weighted basis. Weak performance in the first half for both GLG's alternative and long only strategies led to net outflows of $3.0 billion during the year.

Numeric ended the year with solid outperformance versus benchmark, with strong gains made in the second half of the year, particularly the fourth quarter, which was one of Numeric's strongest quarters on record. FRM's performance was weak on an absolute and relative basis.

Net inflows were $1.9 billion in the year, and funds under management increased by 3% to $80.9 billion, with positive investment movement for the year broadly offset by negative FX and other movements. The Group had a statutory loss before tax of $272 million, driven by the impairment of GLG and FRM's goodwill and intangibles of $379 million. Adjusted management fee profit before tax was down 8% as a result of lower management fee revenue, particularly for GLG. Total adjusted profit before tax was lower compared to 2015, primarily as a result of lower performance fee revenue.

Quant

As AHL is a diversified platform, there were differing returns across its main programmes. AHL Evolution, AHL's trend following strategy in non-traditional markets, continued to perform strongly as one of the best performing large CTAs, ending the year +6.2%. AHL's multi-strategy programme, AHL Dimension, which accounted for 28% of AHL's assets at 31 December 2016, had reasonable performance on a relative basis, ending the year –1.5%. AHL's traditional trend following strategies, which account for around 40% of AHL's funds under management, had a good start to the year, particularly in the first quarter, but the gains were more than reversed in the second half with long fixed income positions causing the majority of the losses. AHL Diversified ended the year –7.6% and AHL Alpha –3.0%.

Numeric had a challenging first half of the year as a result of weaker alpha generation in US stocks, but performance significantly improved in the second half with overall net asset weighted outperformance versus benchmark (net of fees) of 1.4%[2] for the year. Numeric's Emerging Markets strategies were the top outperformers, with strong outperformance of between 6.8% and 8.5%.

Discretionary

2016 was a challenging environment for discretionary investment management, and a difficult year for GLG. This is evident with the $281 million impairment of GLG's goodwill and intangibles, which reflects the lower FUM and management and performance fee revenue. GLG's performance has been variable in recent years and this resulted in continued outflows during 2016, although these did moderate in the fourth quarter as performance improved.

GLG's alternative strategies ended the year slightly up overall, but underperformed the HFRX, with the credit strategies the strongest performers, with several double digit returns. GLG's flagship Equity Long Short strategy had a weak first half, but a better second half, ending the year at –1.4%. The weak performance in the first half led to net outflows for this strategy during the year.

1 Figures shown net of representative management and performance fees. Past performance is not indicative of future performance.

2 Numeric's net asset weighted alpha for the periods stated is calculated using the asset weighted average of the performance relative to the benchmark for all strategy composites available net of the highest rate of management fees charged and, as applicable, performance fees that can be charged.

CHIEF EXECUTIVE OFFICER'S REVIEW (Cont'd)

GLG's long only strategies broadly outperformed relative indices with 2.1% of outperformance on an asset weighted basis. The Japan CoreAlpha strategy had a difficult first half, but performance came back strongly in the second half, ending the year up +5.7% and outperforming the TOPIX by 5.4%. The weak performance in the first half led to net outflows of $1.6 billion during the year for this strategy.

We have already taken steps to improve the consistency of GLG's performance. We appointed Pierre-Henri Flamand as the GLG CIO in September and we restructured the risk team to bring best practices in risk management and technology to bear from across the Group. GLG has also been part of our cost restructuring effort, where we have closed a number of underperforming strategies to improve returns and reduce costs.

2016 was a disappointing year for GLG, and this is reflected in the impairment charge, but the actions we have taken should lead to improvements in 2017.

Fund of funds
FRM products had weak performance for the year, with FRM Diversified II down –3.8%, underperforming the HFRI Fund of Funds Conservative Index by 5.7%. Weak performance led to net outflows across the range of traditional fund of fund strategies. Man's alternative beta offering, a multi-strategy portfolio that leverages the combined expertise of FRM, AHL and Numeric, had strong performance, returning 6.8% in 2016. The impairment of FRM's goodwill and intangibles reflects reduced prospects for revenues from the traditional fund of fund business.

Progress against strategic priorities
Research and innovation
Research and innovation are a priority across all of our investment engines as we seek to generate superior risk adjusted returns for our clients and develop innovative new strategies over time.

In 2016, AHL continued to diversify its offering, with net inflows of $3.7 billion across its range of strategies. AHL's traditional momentum strategies, Diversified and Alpha, now only account for 41% of AHL's FUM, compared to 66% three years ago. AHL launched its new Short Term Trading programme, which whilst it was capacity limited at $200 million, and only offered to a handful of potential clients, it reached capacity within a week, all at full fees. AHL also launched its Institutional Solutions offering, which provides bespoke portfolios for institutional clients with flexible combinations of AHL's different strategies, with $1 billion of assets at the end of the year. AHL continued to focus on research through the Oxford-Man Institute, which expanded its focus on machine and deep learning during the year. This will support the ongoing evolution of quantitative strategies and the value we deliver to clients.

Numeric continued to leverage Man's resources and expertise, and launched a new Emerging Markets Core strategy, which raised $300 million during the year. Numeric also has a number of innovative strategies in development and incubation.

At GLG, we believe we have a sustainable advantage in identifying teams and commercialising new strategies but we need to improve the consistency of GLG's performance. In 2015, we announced the launch of our Emerging Markets Debt strategy. We built out the team during the first half of 2016 and launched three new strategies during the second quarter of the year. Since launch, the strategies have performed well, despite the post Trump EM market sell-off, and have generated inflows of more than $1 billion, and we are seeing ongoing interest from clients.

Strong client relationships
We have made good progress in developing options for growth, both organically and by acquisition, across our different investment engines during the year, to ensure that we maximise and strengthen our client relationships and meet client needs. Gross sales were $21.7 billion during the year, with strong AHL, FRM and Numeric sales being partially offset by lower sales for GLG. Our flows continue to be uneven in nature as our business becomes increasingly institutional, with institutional sales in the year constituting 72% of total sales, and the top ten single inflows accounting for 22% of total sales. Redemptions during the year were $19.8 billion, a 12% reduction compared to 2015.

We had strong net inflows of $4.3 billion for our quant alternative and long only strategies during the year, with quant FUM increasing by 17%. Since becoming part of Man in 2014, Numeric has continued to grow its assets, with over 50% of the total inflows since the acquisition coming from Man client relationships rather than pre-existing Numeric relationships, which is a testament to the quality of the relationships we've built with clients.

CHIEF EXECUTIVE OFFICER'S REVIEW (Cont'd)

At FRM, we continued to see strong client interest in our managed accounts offering and were awarded three additional mandates during the year of $1.5 billion, $700 million, and $300 million respectively. These mandates accompany the $2.7 billion mandate from a large US-based State Pension Plan awarded in 2015 and the $1 billion mandate awarded in 2014. Across these mandates, $2.0 billion funded in 2015, $2.3 billion funded in 2016 and $1.9 billion is expected to fund from 2017 onwards. The growth of FRM's managed accounts offering more than offset the decline in FRM's traditional fund of fund assets, which had net outflows of $1.0 billion during the year.

We also continued to see the trend of clients investing into products across our different investment engines, with 64% of FUM at 31 December 2016 relating to clients invested into products across more than one of our investment engines.

In October, we announced the launch of Man Global Private Markets (Man GPM) with the acquisition of Aalto, a real asset focused investment manager, with around $1.7 billion of funds under management. The acquisition of Aalto, and the launch of Man GPM, creates an exciting opportunity for the Group as we believe there is strong client demand for strategies that deliver solid, long-term returns.

In line with our overall strategy, we continue to look at other possible acquisitions, including in the private markets space to complement Aalto, continuing to ensure we remain disciplined on price, structure and cultural fit.

We continue to focus on growing our business and expanding our client relationships in the US, which was a strong area of growth during the year. In 2016, 29% of gross sales came from the Americas, up from 22% in 2015.

Efficient and effective operations
We remain focused on operating our business as efficiently as possible, particularly in times when the market environment is challenging. We continually assess the level of our cost base across the firm in comparison to our revenue earning capabilities and our options for growth, to ensure management fee profits remain as stable as possible. During 2016, we began to implement a Board approved restructuring plan to make some significant changes to the structure of the business. We have altered our senior management structure, shut down underperforming strategies in our investment management business, and changed the structure of our sales function and the extent of our regional footprint. These restructuring initiatives will cost approximately $21 million, of which $17 million was recognised in 2016 as a compensation related restructuring charge. The total fixed cost savings are expected to be around $20 million per year, which will be realised in 2017.

Capital management
Our balance sheet remains strong and liquid, and our surplus capital stands at around $325 million after the impact of the Aalto acquisition, which completed in January 2017.

People
I would like to thank my senior management team and everyone at Man for their diligence and teamwork in what has been a difficult year for the firm. Your commitment means we are now well positioned to grow the business as we work together to deliver better solutions for our clients.

KEY PERFORMANCE INDICATORS (KPIS)

Our financial KPIs illustrate and measure the relationship between the investment experience of our clients, our financial performance and the creation of shareholder value over time. Our KPIs determine the remuneration of the executive directors and are used regularly to evaluate progress against our four key priorities: research and innovation, strong client relationships, efficient and effective operations, and capital management. Our alternative performance measures are discussed on page 55.

The results of our KPIs this year continue to reflect the difficult market environment, with strong outperformance for Numeric, good relative performance for AHL, but weaker relative performance for GLG alternatives and FRM. Net flows were positive for the year, with net inflows for quant alternative, fund of fund alternative and quant long only, partially offset by net outflows in discretionary alternative and long only strategies. Management fee revenue and profitability were down for the year as a result of lower FUM for GLG and the continued roll off of the guaranteed product FUM.

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 strategies against relevant benchmarks[1]. For Numeric, investment performance is monitored by the net asset weighted outperformance or underperformance (alpha)[2] based on a predetermined benchmark by strategy. The target for the investment performance KPI is to exceed the relevant benchmarks. The key strategies and the relevant benchmarks/reference indices are AHL Diversified versus three key peer asset managers for AHL (the target being to beat two of the three peers), the GLG Alternative Strategies Dollar-Weighted Composite versus HFRX for GLG and FRM Diversified II versus HFRI Fund of Funds Conservative Index for FRM. 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 long-term performance to investors. We achieved two out of the four performance targets with Numeric's positive net alpha in 2016, and the performance of AHL's key strategy exceeding two out of three relevant peer benchmarks. GLG and FRM did not meet their targets as their performance metrics were below their relevant benchmarks.

The second 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 26.1% was within the target range for the year ended 31 December 2016, compared to 27.2% for the year ended 31 December 2015. The margin declined in 2016 primarily as a result of the decline in management fee revenue, driven by the continued roll off of higher margin guaranteed product FUM, and lower management fee revenue for discretionary alternatives and long only strategies due to a decline in FUM during the year. For further information on EBITDA, see page 22.

The third 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 2016 with a net inflow of 2.4%, represented by net inflows into quant alternative, fund of fund alternative and quant long only strategies, partially offset by net outflows from discretionary alternative and long only strategies.

The fourth 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. The target is growth of 0%-20% plus RPI each year. 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 -11.8% was not within the target range for 2016 (target of 0%-20% plus RPI of 2.5%). The adjusted management fee EPS declined due to the impact of lower management fee revenues, as a result of lower revenue from discretionary alternative and long only strategies and the continued roll off of higher margin guaranteed products, partially offset by lower costs. For further information on EPS, see Note 9 to the financial statements.

1 Where “benchmarks” is used, this may refer to an official benchmark set for a fund or in other circumstances, a reference index which is set for performance illustration and comparison purposes only.

2 Numeric’s net asset weighted alpha for the year to 31 December 2016 is calculated using the asset weighted average of the performance relative to the benchmark for all strategy composites available net of the highest management fees and, as applicable, performance fees that can be charged.

CHIEF FINANCIAL OFFICER'S REVIEW

2016 was a turbulent year for asset managers. The environment impacted our financial results, with a statutory loss driven by the impairment of GLG and FRM's goodwill, and lower adjusted profit before tax driven by lower performance fee earnings.

Overview

Despite the difficult market conditions, we are pleased to report organic growth in funds under management (FUM), up 3% to $80.9 billion. The increase was primarily driven by positive investment performance of $3.2 billion, mainly from our long only strategies. In addition, we achieved net inflows of $1.9 billion, mainly into our quant alternative and quant long only strategies, partially offset by material net outflows for our discretionary alternative and long only strategies. These positive movements were partially offset by negative FX and other movements, primarily as a result of the US Dollar strengthening during the year.

Net management fee revenue was $691 million for the year, 9% lower than the previous year. This decline was mainly caused by the drop in management fee revenue for GLG due to the decrease in FUM during the year, as well as the decline in our higher margin guaranteed product FUM, with guaranteed product net management fees declining 59% from $76 million to $31 million in the year. As the guaranteed product FUM is $400 million at 31 December 2016, we expect 2017 to be the last year where the reduction in our guaranteed product business has a significant year on year impact on our overall net management fees.

Performance fee revenues were $81 million, which decreased from $302 million in 2015, with declines across all of our investment managers, in particular for AHL, as the market environment proved difficult for a range of investment strategies.

We remain focused on operating our business as efficiently as possible, whilst also investing in research to build innovative strategies for clients. As discussed in the Chief Executive's Review, in 2016 we began to implement a Board approved restructuring plan to make some significant changes to the structure of the business. These restructuring initiatives will cost approximately $21 million, of which $17 million was recognised in 2016 as a compensation related restructuring charge in adjusting items, and will result in around $20 million of annual fixed cost savings in 2017.

Our statutory loss before tax before tax was $272 million (2015: statutory profit of $184 million). The impairment of the goodwill and intangibles relating to the GLG and FRM businesses, of $281 million and $98 million respectively, was the main cause of the statutory loss. The impairment reflects the impact the challenging market environment has had on the valuation of discretionary investment management and fund of fund businesses. Our adjusted profit before tax was $205 million, down from $400 million in the prior year, and adjusted diluted earnings per share were 10.4 cents (2015: 21.1 cents). The majority of this decline was caused by the drop in our adjusted performance fee profit before tax to $27 million, down from $206 million in 2015. This decline reflects the difficult performance environment in 2016 across our strategies, particularly within quant alternatives. Adjusted management fee profit before tax was $178 million, down from $194 million in 2015. This reflects the $68 million decline in net management fees, partially mitigated by our actions on costs.

Our balance sheet remains strong and liquid with net tangible assets of $633 million or 38 cents per share at 31 December 2016. Our regulatory surplus capital is $392 million at 31 December 2016, and we have a net cash position of $240 million.

The business continues to be strongly cash generative, and our focus remains on generating strong cash flows to either return to shareholders or invest to generate improved future cash flows. In line with this approach, in 2016, we announced a $100 million share repurchase, which we expect to complete in the coming months, and the acquisition of Aalto, which will utilise around $70 million of capital in 2017.

Impairment of GLG and FRM

In 2016, we impaired the GLG and FRM goodwill and intangibles by $281 million and $98 million respectively. During the year, GLG had difficult business performance, with lower FUM, management fees and performance fees. While these trends are partially mitigated by lower future costs due to action we have taken, there was still a material reduction in the carrying value of the GLG business which led to the impairment. For FRM, the impairment reflects reduced prospects for the traditional fund of fund business in light of 2016 performance, rather than declines experienced in the year. In particular, we expect continued margin declines as the business mix moves towards investment solutions. It is worth noting that while we refer to our fund of fund business as FRM today, most of the goodwill relates to Man's historical acquisition of Glenwood in 2000.

CHIEF FINANCIAL OFFICER'S REVIEW (Cont'd)

Funds under management (FUM)

$bn	Alternative: Quant (AHL/ Numeric)	Alternative: Discretionary (GLG)	Alternative: Fund of funds (FRM)	Long only: Quant (AHL/ Numeric)	Long only: Discretionary (GLG)	Total excluding Guaranteed	Guaranteed	Total
FUM at 31 December 2015	**16.4**	**16.3**	**11.9**	**18.6**	**14.2**	**77.4**	**1.3**	**78.7**
Sales	6.0	2.2	3.5	4.3	5.7	21.7	–	21.7
Redemptions	(2.3)	(4.1)	(2.7)	(3.7)	(6.8)	(19.6)	(0.2)	(19.8)
Net inflows/(outflows)	3.7	(1.9)	0.8	0.6	(1.1)	2.1	(0.2)	1.9
Investment movement	(0.3)	0.1	0.1	2.2	1.1	3.2	–	3.2
Foreign currency movement	(0.2)	(0.2)	(0.2)	(0.1)	(1.4)	(2.1)	–	(2.1)
Other movements	–	(0.4)	0.2	0.1	–	(0.1)	(0.7)	(0.8)
FUM at 31 December 2016	**19.6**	**13.9**	**12.8**	**21.4**	**12.8**	**80.5**	**0.4**	**80.9**

Quant alternative (AHL/Numeric)
Quant alternative FUM increased by 20% during the year, largely as a result of strong net inflows across AHL's range of strategies. Sales were $6.0 billion, which included $1.0 billion into Dimension, $900 million into Alpha, $900 million into Diversified, $800 million into Institutional Solutions and $700 million into Pure Momentum. Redemptions were $2.3 billion, which included $700 million from Diversified. The negative investment movement was a result of negative performance for Diversified, Alpha, and Dimension, partially offset by positive performance for Evolution and Numeric's alternative strategies. Negative foreign exchange movements related to the US Dollar strengthening against the Sterling, Euro and Australian Dollar. At 31 December 2016, around 68% of quant alternative FUM was denominated in US Dollars, 17% in Australian Dollars, 6% in Euro, 5% in Japanese Yen and 4% in Sterling.

Discretionary alternative (GLG)
Discretionary alternative FUM decreased by 15% during the year to $13.9 billion. Net outflows of $1.9 billion were mainly from Equity Long Short and Convertibles strategies. Investment movement was marginally positive for the year. Negative foreign exchange movements related primarily to the strengthening of the US Dollar against the Euro and Sterling. At 31 December 2016, around 60% of discretionary alternative FUM was denominated in US Dollars, 37% in Euro, 2% in Japanese Yen and 1% in Sterling. The negative other movements relate to CLO maturities during the year.

Fund of funds (FRM)
Fund of funds FUM increased by $900 million, primarily as a result of net inflows during the year. Sales of $3.5 billion included $1.3 billion of inflows from infrastructure mandates awarded in previous years and $1.0 billion from infrastructure mandates awarded in 2016, and $500 million into segregated portfolios. Redemptions of $2.7 billion included $1.5 billion from traditional fund of fund strategies. The investment movement was broadly flat for the year. The negative foreign exchange movements were primarily due to the strengthening of the US Dollar against the Sterling, Australian Dollar and Euro. At 31 December 2016, 57% of alternative fund of fund FUM was denominated in US Dollars, 24% in Yen, 8% in Australian Dollars, 6% in Sterling and 5% in Euro.

Quant long only (AHL/Numeric)
Quant long only FUM increased by $2.8 billion during the year, as a result of net inflows and positive investment performance for Numeric's strategies, partially offset by net outflows for AHL's quant long only strategies. Net inflows for Numeric's strategies were $1.5 billion, which mainly related to their Emerging Market strategies, which are now close to capacity, and their Global strategies. AHL's remaining long only assets were fully redeemed during the year, with outflows of $900 million. Positive absolute investment performance in quant long only products increased FUM by $2.2 billion during the year, and Numeric's net asset weighted outperformance against applicable benchmarks was 1.4%[1] for the year. The majority of quant long only FUM is denominated in US Dollars.

1 Numeric's net asset weighted alpha for the year to 31 December 2016 is calculated using the asset weighted average of the performance relative to the benchmark for all strategy composites available net of the highest management fees and, as applicable, performance fees that can be charged.

CHIEF FINANCIAL OFFICER'S REVIEW (Cont'd)

Discretionary long only (GLG)
Discretionary long only FUM decreased by 10%, driven by net outflows and negative foreign exchange movements. The net outflows included $1.6 billion of net outflows from Japan CoreAlpha, despite good performance, partially offset by net inflows of $1.1 billion into the new Emerging Market Debt strategies. The positive investment movement was spread broadly across the range of discretionary long only strategies, with Japan CoreAlpha the strongest performer, contributing around half of the positive investment movement. Negative foreign exchange movements related to the strengthening of the US Dollar against Sterling and Euro. At 31 December 2016, 52% of discretionary long only FUM was denominated in Sterling, 20% was in Yen, 18% was in US Dollars and 10% was in Euro.

Guaranteed products
Guaranteed product FUM reduced by $900 million during the year. There were no sales and redemptions totalled $200 million. Investment performance for guaranteed products was broadly flat during the year. Other negative movements relate to maturities of $400 million and de-gearing of $300 million during the year.

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's gross investment exposure or net asset value. 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, internal sales staff who distribute our products, or the teams that manage our operations and infrastructure.

$m	**Year ended 31 December 2016**	Year ended 31 December 2015
Gross management and other fees[1]	**750**	833
Share of post-tax profit of associates	**2**	3
Distribution costs	**(61)**	(77)
Net management fee revenue	**691**	759
Performance fees	**81**	302
Gains on investments[2]	**31**	24
Net revenue	**803**	1,085
Asset servicing	**(33)**	(32)
Fixed compensation	**(182)**	(177)
Variable compensation	**(206)**	(285)
Other costs[1]	**(166)**	(177)
Total costs	**(587)**	(671)
Net finance expense	**(11)**	(14)
Adjusted profit before tax	**205**	400
Adjusting items	**(477)**	(216)
Statutory (loss)/profit before tax	**(272)**	184
Adjusted net management fee profit before tax	**178**	194
Adjusted net performance fee profit before tax	**27**	206
Diluted EPS (statutory)	**(15.8) cents**	10.0 cents
Adjusted net management fee EPS	**9.0 cents**	10.2 cents
Adjusted diluted EPS	**10.4 cents**	21.1 cents

1 Management and other fees also includes $4 million (2015: nil) of management fee revenue, and other costs includes a deduction of $2 million of costs (2015: nil) relating to line-by-line consolidated fund entities for the third-party share (per Group financial statements Note 14.2).

2 Gains on investments includes income or gains on investments and other financial instruments of $52 million (2015: $15 million), less $15 million of third-party share of gains relating to line-by-line consolidated fund entities (2015: plus $9 million of third-party share of losses), less the reclassification of management fee revenue and other costs as above (2015: nil).

CHIEF FINANCIAL OFFICER'S REVIEW (Cont'd)

Management fees and margins
Management fees were $750 million, 10% lower than the previous year. The decrease mainly relates to the decline in net management fee revenue from discretionary alternative and long only strategies due to a decrease in FUM during the year, and the continued roll off of the guaranteed product FUM, partially offset by an increase in management fee revenue from quant strategies. There is $400 million of guaranteed product FUM remaining at 31 December 2016, therefore, there will be less of an impact of declining revenue from these assets in 2017 and beyond.

The Group's total net management fee margin (defined as gross management fees less external distribution costs) decreased by 9 basis points during the year to 87 basis points, compared to 96 basis points in the previous year. The decline in the overall net margin is mainly due to the continued roll off of the higher margin guaranteed product assets, the mix shift within quant and fund of fund alternatives to lower margin institutional assets, and the growth of quant long only FUM, which is at a lower margin. Excluding guaranteed products, the overall net margin decreased by 5 basis points to 83 basis points.

During the year, the quant alternatives net management fee margin reduced by 14 basis points as a result of the continued mix shift towards institutional assets and retail business at a lower margin, and a decline in the higher margin retail back book of assets. During the year, quant alternative sales were at an average margin of 135 basis points and redemptions were at an average margin of 180 basis points. Going forward, it is expected that the quant alternatives margin will gradually decline further as the shift towards institutional assets and lower margin retail business continues.

Net management fee revenue

	Year ended 31 December 2016		Year ended 31 December 2015	
	$m	**Net margin**	$m	Net margin
Quant alternatives	**260**	**1.40%**	234	1.54%
Discretionary alternatives	**138**	**0.93%**	169	0.98%
Fund of fund alternatives	**83**	**0.68%**	81	0.80%
Quant long only	**69**	**0.35%**	59	0.34%
Discretionary long only	**95**	**0.78%**	121	0.79%
Guaranteed	**31**	**4.28%**	76	4.64%
Other income[1]	**13**		16	
Net management fee revenues before share of after tax profit of associates	**689**	**0.87%**	756	0.96%
Share of post-tax profit of associates	**2**		3	
Net management fee revenues	**691**		759	

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

Net management fee margins in the discretionary alternative category reduced by 5 basis points during the year, primarily as a result of redemptions from higher margin strategies.

The net margin for the fund of funds category decreased by 12 basis points compared to 2015, as a result of the continued mix shift towards infrastructure managed account mandates, with net inflows of $1.8 billion during the year, where margins are materially lower. The fund of fund alternatives margin is expected to decline further as the shift towards lower margin managed account mandates continues.

The quant and discretionary long only net management fee margins were broadly stable during the year.

The guaranteed product net management fee margin decreased by 36 basis points compared to the year ended 31 December 2015 due to maturities from higher margin products during the year.

Performance fees (including investment income/gains)
Gross performance fees for the year were $81 million compared to $302 million in 2015, which included $50 million (2015: $218 million) from AHL, $9 million (2015: $37 million) from GLG, $19 million (2015: $40 million) from Numeric and $3 million (2015: $7 million) from FRM. At 31 December 2016, around 34% of AHL open ended products ($5.7 billion) were above performance fee high water mark and 31% ($5.2 billion) was within 5% of high water mark. Of the $7.8 billion performance fee eligible Numeric products, 81% were outperforming the relevant benchmark at 31 December 2016. Around 33% of eligible GLG assets ($3.2 billion) were above high water mark and a further 47% ($4.5 billion) within 5% of earning performance fees. FRM performance fee eligible products were on average approximately 8% below high water mark.

The 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. 94% of AHL FUM is performance fee eligible, of which 79% have performance fees that crystallise annually, 16% daily or weekly, and 5% 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 $31 million (2015: $24 million) primarily relate to gains on seeding investments.

Distribution costs
Distribution costs were $61 million in 2016, primarily relating to investor servicing fees paid to intermediaries for ongoing investor servicing. Servicing fees have decreased by 20% largely due to the continued mix shift towards institutional assets, particularly in the alternatives quant category, and the roll off of guaranteed product FUM.

Asset servicing
Asset servicing costs include custodial, valuation, fund accounting and registrar functions, and vary depending on transaction volumes, the number of funds, and fund NAVs. Asset servicing costs were $33 million (2015: $32 million), equating to around 5.5 basis points of average FUM, excluding Numeric. In 2017, asset servicing costs will increase to around 6 basis points on FUM, excluding Numeric, as a result of further outsourcing in relation to our Asia Pacific business.

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, were $388 million for the year, down by 16% compared to $462 million in 2015. Overall, compensation costs decreased primarily as a result of lower management and performance fee revenues. Variable compensation fell by 28%, slightly more than the reduction in net revenue. The compensation ratio in 2016 increased to 48%, from 43% in 2015, as a result of the lower level of performance fee revenue. The Group's compensation ratio is generally between 40% to 50% of net revenues, depending on the mix and level of revenue. We expect to be at the higher end of the range in years when absolute performance fees are low and the proportion from Numeric and GLG is higher, and conversely we expect to be at the low end of the range when absolute fees are high and the proportion from AHL and FRM is higher.

Other costs
Other costs, excluding adjusting items, were $166 million for the year compared to $177 million for the year to 31 December 2015. These comprise cash costs of $152 million (2015: $161 million) and depreciation and amortisation of $14 million (2015: $16 million). The $9 million reduction in cash costs reflects the continued efforts to remain disciplined on costs, which has resulted in a lower underlying other costs base compared to 2015. Depreciation and amortisation has decreased by 13% this year due to the 2015 charge including a one-off expense of $2 million. Depreciation and amortisation is expected to increase in the next few years due to investment in operating platforms and business infrastructure and planned capital expenditure of between $40 million and $50 million over the next two to three years.

CHIEF FINANCIAL OFFICER'S REVIEW (Cont'd)

Restructuring

During 2016, we began to implement a Board approved restructuring plan to make some significant changes to the structure of the business. We have altered our senior management structure, shut down underperforming strategies in our investment management businesses, and changed the structure of our sales function and the extent of our regional footprint. A compensation related restructuring charge of $17 million was recognised as an adjusting item. These restructuring initiatives will continue into 2017 and will be completed by the end of the year. The total fixed cost savings are expected to be around $20 million per year, which will be realised in 2017.

Net finance expense

Net finance expense, excluding adjusting items, was $11 million for the year (2015: $14 million). The decrease is due to lower ongoing costs for the Group's revolving credit facility, which was renegotiated in June 2015. The revolving credit facility was renegotiated further during the year, reducing from $1,000 million to $500 million, which will lower financing costs going forward.

Adjusted profit before taxes

Adjusted profit before tax is $205 million compared to $400 million for the previous year. The adjusting items in the year of $477 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 and inform the base on which the Group's variable compensation is assessed.

Adjusting items $m	**Year ended 31 December 2016**
Acquisition related professional fees and other integration costs	**(2)**
Impairment of GLG and FRM goodwill and intangibles	**(379)**
Revaluation of contingent consideration creditors	**40**
Unwind of contingent consideration discount	**(19)**
Compensation restructuring costs	**(17)**
Other restructuring costs	**(4)**
Amortisation of acquired intangible assets	**(94)**
Other adjusting items (net)	**(2)**
Total adjusting items (excluding tax)	**(477)**
Recognition of deferred tax asset (refer to following page)	**6**

CHIEF FINANCIAL OFFICER'S REVIEW (Cont'd)

Adjusted net management fee and net performance fee profit before tax

Adjusted net management fee profit before tax was $178 million compared to $194 million in 2015 due to the decrease in gross management fees, partially offset by a decrease in costs. Adjusted net performance fee profit before tax of $27 million (2015: $206 million) for the year reflects the lower performance fees across the business, particularly for AHL.

$m	**Year ended 31 December 2016**	Year ended 31 December 2015
Gross management and other fees[1]	**750**	833
Share of post-tax profit of associates	**2**	3
Less:		
Distribution costs	**(61)**	(77)
Asset services	**(33)**	(32)
Compensation	**(312)**	(351)
Other costs[1]	**(166)**	(177)
Net finance expense	**(2)**	(5)
Adjusted net management fee profit before tax	**178**	194
Performance fees	**81**	302
Gains on investments and other financial instruments[2]	**31**	24
Less:		
Compensation	**(76)**	(111)
Finance expense	**(9)**	(9)
Adjusted net performance fee profit before tax	**27**	206

1 Gross management and other fees also includes $4 million (2015: nil) of management fee revenue, and other costs includes a deduction of $2 million of costs (2015: nil) relating to line-by-line consolidated fund entities for the third-party share (per Group financial statements Note 14.2).

2 Gains on investments includes income or gains on investments and other financial instruments of $52 million (2015: $15 million), less $15 million of third-party share of gains relating to line-by-line consolidated fund entities (2015: plus $9 million of third-party share of losses), less the reclassification of management fee revenue and other costs as above (2015: nil).

Taxation

The tax credit on the statutory loss for the year was $6 million (2015: tax charge of $13 million). This equates to an effective tax rate of 2% (2015: 7%). The GLG and FRM goodwill and intangibles impairment charge is largely not deductible for tax purposes, and as the Group has made a statutory loss, this is the primary cause of the lower tax rate.

Excluding these impairment charges and other adjusting items, the effective tax rate on adjusted profit was 14% (2015: 10%). This rate is higher than the underlying rate on adjusted profit of 13% (2015: 13%), as a result of certain expenses on which no tax relief is received.

The underlying rate represents the statutory tax rates in each jurisdiction in which we operate applied to our geographical mix of profits. The majority of Man's profit is earned in the UK, with significant profits also arising in the US, where our tax rate is effectively nil as a result of available tax losses, and in Switzerland, which has a lower rate than the UK. The principal factors that we expect to influence our future underlying tax rate are: the mix of profits by tax jurisdiction; and changes to applicable statutory tax rates.

Should the earnings profile of the Group in the US increase significantly this could result in the earlier recognition of the US deferred tax asset in full and as a result the tax rate for the Group would change in line with the prevailing corporation tax rate in the US and the proportion of the Group's profits at that time. The underlying tax rate in 2017 is currently expected to remain consistent with 2016, dependent on the factors outlined above.

In the US, we have $210 million of accumulated federal tax losses which we can offset against future profits from US entities and will therefore reduce taxable profits. In addition, we have $485 million of tax deductible goodwill and intangibles, largely relating to the Numeric (2014) and Ore Hill (2008) acquisitions, which are amortised for tax purposes in the US over 15 years, reducing US taxable profit in future periods. We therefore expect not to pay federal tax in the US for a number of years. Based on forecast US taxable profits and consistent with the methodology applied in prior years, the Group has a deferred tax asset on the balance sheet of $25 million, which represents probable tax savings over a three year forecast period due to the utilisation of these losses and future amortisation of intangibles.

This has resulted in a $6 million credit to the tax expense in the year (2015: $11 million credit), which is included as an adjusting item. Further details on this deferred tax asset are given in Note 8 to the Group financial statements.

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 deferred awards. Our adjusted EBITDA/net revenue margin was 27.8% (2015: 38.8%), which can be divided between margin on management fees of 26.1% (2015: 27.2%) and performance fees of 39.8% (2015: 66.0%). The EBITDA management fee margin has decreased due to the continued decline in higher margin guaranteed product FUM, and a shift to lower margin institutional and long only assets. The EBITDA performance fee margin has decreased as a result of a higher percentage of performance fee variable compensation in 2016, as a result of the low level of performance fee revenue for the year.

Reconciliation of adjusted PBT to adjusted EBITDA

$m	**Year ended 31 December 2016**	Year ended 31 December 2015
Adjusted PBT (refer to Note 2 in the financial statements)	**205**	400
Add back:		
Net finance expense	**11**	14
Depreciation	**11**	13
Amortisation of capitalised computer software and placement fees	**5**	6
Current year amortisation of deferred compensation	**55**	53
Less: Deferred compensation awards relating to the current year	**(63)**	(64)
Adjusted EBITDA	**224**	422

The full cash flow statement is given on page 28.

Liquidity
Operating cash flows, excluding working capital movements, were $245 million during the year and cash balances were $389 million at year end, excluding cash relating to consolidated fund entities.

$m	**Year ended 31 December 2016**
Cash at 31 December 2015	**607**
Operating cash flows before working capital movements	**245**
Working capital movements (including seeding)	**(161)**
Payment of dividends	**(158)**
Share repurchase (including costs)	**(35)**
Payment of acquisition related contingent consideration	**(25)**
Other movements	**(47)**
Cash and cash equivalents	**426**
Less cash held by consolidated fund entities	**(37)**
Cash at 31 December 2016	**389**

Working capital movements principally relate to a decrease in the variable compensation payable, as we reduced compensation in 2016 to reflect lower performance revenue, and an increase in seeding investments, partially offset by a decrease in performance fee receivables at the year-end.

In October, we renegotiated our revolving credit facility, reducing its size from $1,000 million to $500 million, and extended the maturity to 2021 (with one remaining one-year extension option). The facility remains available and undrawn. The management of liquidity and capital are explained in Note 13 to the Group financial statements.

CHIEF FINANCIAL OFFICER'S REVIEW (Cont'd)

Balance sheet

The Group's balance sheet is strong and liquid. Cash has decreased during the year largely as a result of dividends on ordinary shares ($158 million), net increase in seeding investments ($116 million), the share repurchase and associated costs ($35 million), and contingent consideration payments ($25 million), partially offset by other cash inflows from operating activities. Goodwill and other intangibles have decreased in 2016 primarily due to amortisation and impairment of $473 million.

Summarised balance sheet $m	**31 December 2016**	31 December 2015
Cash and cash equivalents	**426**	607
Fee and other receivables	**257**	303
Total liquid assets	**683**	910
Payables	**(704)**	(750)
Net liquid assets	**(21)**	160
Investments in fund products and other investments	**685**	581
Pension asset	**27**	48
Investments in associates	**31**	30
Leasehold improvements and equipment	**44**	44
Total tangible assets	**766**	863
Borrowings	**(149)**	(149)
Net deferred tax asset/(liability)	**16**	(10)
Net tangible assets	**633**	704
Goodwill and other intangibles	**1,041**	1,511
Shareholders' equity	**1,674**	2,215

Seeding investments

Man uses capital to invest in new product launches to assist in the growth of the business. At 31 December 2016, the Group's seeding investments were $642 million (refer to Note 14 in the financial statements), which have increased from $526 million at 31 December 2015. The increase is mainly due to new seeding investments during the year, primarily in relation to the new AHL Oxon strategy and a number of new GLG strategies.

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 2016, surplus regulatory capital over the regulatory capital requirements was $392 million.

The decrease in the Group financial resources of $68 million in the year primarily relates to the $100 million share repurchase programme, which commenced in October.

The decrease in the Group financial resources requirement of $7 million primarily relates to a lower capital requirement on performance fee receivable balances, partially offset by a higher requirement for the increase in seeding investments.

Group's regulatory capital position

$m	**31 December 2016**	31 December 2015
Permitted share capital and reserves	**1,530**	2,087
Less deductions (primarily goodwill and other intangibles)	**(995)**	(1,485)
Available Tier 1 Group capital	**535**	602
Lower Tier 2 capital – subordinated debt	**149**	149
Other Tier 2 capital	**2**	3
Group financial resources	**686**	754
Less financial resources requirement	**(294)**	(301)
Surplus capital	**392**	453

As at 31 December 2016 there has been no change to the Internal Capital Guidance scalar that is applied as part of the calculation of the financial resources requirement.

CHIEF FINANCIAL OFFICER'S REVIEW (Cont'd)

Dividends and share repurchases

Man's dividend policy is to 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 capital surpluses will be distributed to shareholders over time, by way of higher dividend payments and/or share repurchases, while maintaining a prudent balance sheet, after taking into account required capital (including liabilities for future earn-out payments) and potential strategic opportunities.

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

In October 2016, we commenced a $100 million share repurchase programme, which was 35% complete as at 31 December 2016. The repurchase programme is expected to be completed in the coming months, and details are given in Note 21 to the financial statements.

The Board is proposing a final dividend for 2016 of 4.5 cents per share, which together with the interim dividend of 4.5 cents per share, equates to the adjusted net management fee EPS for 2016 of 9.0 cents per share. The reconciliation of adjusted net management fee EPS to the statutory loss is provided in Note 9 to the financial statements.

The proposed final dividend equates to around $75 million, which is more than covered by the Group's available liquidity and regulatory capital resources. As at 31 December 2016, the Group's cash, less those balances ring-fenced for regulatory purposes, amounted to $361 million and the undrawn committed revolving credit facility was $500 million, as set out in Note 13 to the Group financial statements. The Group regulatory capital surplus, after these distributions, was $392 million at the year-end. Man Group plc's distributable reserves were $1.8 billion before payment of the proposed final dividend, which is sufficient to pay dividends for a number of years, and as profits are earned in the future the Company can receive dividends from its subsidiaries to further increase distributable reserves.

GROUP INCOME STATEMENT

$m	Note	**Year ended 31 December 2016**	Year ended 31 December 2015
Revenue:			
Gross management and other fees	3	**746**	833
Performance fees	3	**81**	302
		827	1,135
Income or gains on investments and other financial instruments	14.1	**52**	15
Third-party share of (gains)/losses relating to interests in consolidated funds	14.2	**(15)**	9
Revaluation of contingent consideration	2	**40**	(62)
Distribution costs	4	**(61)**	(77)
Asset servicing	4	**(33)**	(32)
Amortisation of acquired intangible assets	2,11	**(94)**	(92)
Compensation	5	**(405)**	(462)
Other costs	6	**(176)**	(181)
Impairment of goodwill and acquired intangibles	2,11	**(379)**	(41)
Share of post-tax profit of associates	18	**2**	3
Finance expense	7	**(32)**	(34)
Finance income	7	**2**	3
(Loss)/profit before tax		**(272)**	184
Tax credit/(expense)	8	**6**	(13)
Statutory (loss)/profit attributable to owners of the Parent Company		**(266)**	171
(Loss)/earnings per share:	9		
Basic (cents)		**(15.8)**	10.1
Diluted (cents)		**(15.8)**	10.0

GROUP STATEMENT OF COMPREHENSIVE INCOME

$m	**Year ended 31 December 2016**	Year ended 31 December 2015
Statutory (loss)/profit attributable to owners of the Parent Company	**(266)**	171
Other comprehensive (expense)/income:		
Remeasurements of post-employment benefit obligations	**(17)**	(21)
Current tax credited on pension scheme	**4**	4
Deferred tax credited on pension scheme	**3**	2
Items that will not be reclassified to profit or loss	**(10)**	(15)
Available-for-sale investments:		
Transfer to Group income statement upon sale or impairment	**–**	(1)
Cash flow hedges:		
Valuation losses taken to equity	**(35)**	(9)
Transfer to Group income statement	**23**	18
Deferred tax credited on cash flow hedge movements	**2**	2
Net investment hedge	**1**	14
Foreign currency translation	**(7)**	(21)
Recycling of FX revaluation to the Group income statement on liquidation of subsidiaries	**2**	(1)
Items that may be reclassified subsequently to profit or loss	**(14)**	2
Other comprehensive expense (net of tax)	**(24)**	(13)
Total comprehensive (expense)/income attributable to owners of the Parent Company	**(290)**	158

GROUP BALANCE SHEET

$m	Note	At 31 December 2016	At 31 December 2015
Assets			
Cash and cash equivalents	13	**426**	607
Fee and other receivables	15	**257**	303
Investments in fund products and other investments	14	**794**	598
Pension asset		**27**	48
Investments in associates	18	**31**	30
Leasehold improvements and equipment	19	**44**	44
Goodwill and acquired intangibles	11	**1,024**	1,497
Other intangibles	12	**17**	14
Deferred tax assets	8	**63**	59
		2,683	3,200
Non-current assets held for sale	14	**263**	188
Total assets		**2,946**	3,388
Liabilities			
Trade and other payables	16	**647**	660
Provisions	17	**51**	58
Current tax liabilities	8	**6**	32
Third-party interest in consolidated funds	14	**240**	136
Borrowings	13	**149**	149
Deferred tax liabilities	8	**47**	69
		1,140	1,104
Non-current liabilities held for sale	14	**132**	69
Total liabilities		**1,272**	1,173
Net assets		**1,674**	2,215
Equity			
Capital and reserves attributable to owners of the Parent Company	21	**1,674**	2,215

GROUP CASH FLOW STATEMENT

$m	Note	**Year ended 31 December 2016**	Year ended 31 December 2015
Cash flows from operating activities			
Statutory (loss)/profit		**(266)**	171
Adjustments for:			
Income tax		**(6)**	13
Net finance expense		**30**	31
Share of post-tax profit of associates		**(2)**	(3)
Revaluation of contingent consideration		**(40)**	62
Depreciation of leasehold improvements and equipment		**11**	13
Amortisation of acquired intangible assets		**94**	92
Amortisation of other intangible assets		**4**	5
Share-based payment charge		**18**	18
Fund product based payment charge		**37**	35
Impairment of goodwill and acquired intangibles		**379**	41
Defined benefit pension plans (including contributions)		**(5)**	(27)
Other non-cash movements		**40**	16
		294	467
Changes in working capital:			
Decrease in receivables		**87**	101
Increase in other financial assets[1]		**(63)**	(118)
Decrease in payables		**(185)**	(30)
Cash generated from operations		**133**	420
Interest paid		**(11)**	(16)
Income tax paid		**(38)**	(49)
Cash flows from operating activities		**84**	355
Cash flows from investing activities			
Purchase of leasehold improvements and equipment		**(11)**	(5)
Purchase of other intangible assets		**(8)**	(7)
Acquisition of subsidiaries and other intangibles, net of cash acquired		**–**	(38)
Payment of contingent consideration in relation to acquisitions		**(25)**	(46)
Transfer of cash in relation to the acquisition of Aalto[2]		**(18)**	–
Interest received		**2**	2
Dividends received from associates		**1**	3
Cash flows from investing activities		**(59)**	(91)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**5**	7
Purchase of own shares by the Employee Trusts and Partnerships		**(18)**	(33)
Share repurchase programme (including costs)		**(35)**	(176)
Dividends paid to Company shareholders		**(158)**	(193)
Cash flows from financing activities		**(206)**	(395)
Net decrease in cash		**(181)**	(131)
Cash at the beginning of the year		**607**	738
Cash at year end[3]	13	**426**	607

Notes:

1 Includes $16 million (2015: $21 million) of restricted net cash inflows relating to consolidated fund entities (Note 14).

2 Relates to cash paid into an intermediary holding account in advance of the 1 January 2017 acquisition of Aalto.

3 Includes $37 million (2015: $21 million) of restricted cash relating to consolidated fund entities (Note 14).

GROUP STATEMENT OF CHANGES IN EQUITY

$m	Equity attributable to owners of the Parent Year ended 31 December 2016			Equity attributable to owners of the Parent Year ended 31 December 2015		
	Share capital and capital reserves	**Revaluation reserves and retained earnings**	**Total equity**	Share capital and capital reserves	Revaluation reserves and retained earnings	Total equity
At beginning of the year	**1,200**	**1,015**	**2,215**	1,193	1,241	2,434
Statutory (loss)/profit	**–**	**(266)**	**(266)**	–	171	171
Other comprehensive expense	**–**	**(24)**	**(24)**	–	(13)	(13)
Total comprehensive (expense)/income for the year	**–**	**(290)**	**(290)**	–	158	158
Share-based payments	**5**	**16**	**21**	7	15	22
Purchase of own shares by the Employee Trusts	**–**	**(13)**	**(13)**	–	(30)	(30)
Share repurchase programme (including costs)	**–**	**(101)**	**(101)**	–	(176)	(176)
Dividends	**–**	**(158)**	**(158)**	–	(193)	(193)
At year end (Note 21)	**1,205**	**469**	**1,674**	1,200	1,015	2,215

The proposed final dividend would reduce shareholders' equity by $75 million (2015: $81 million) subsequent to the balance sheet date (Note 10).

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

In preparing the financial information in this statement the Group has applied policies which are in accordance with the International Financial Reporting Standards as adopted by the European Union at 31 December 2016. Details of the Group's accounting policies can be found in the Group's Annual Report for the year ended 31 December 2015. The financial information included in this statement does not constitute the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016, upon which the auditors have issued an unqualified report, will shortly be delivered to the Registrar of Companies.

The Annual Report and the Notice of the Company's 2017 Annual General Meeting (AGM) will be posted to shareholders on 15 March 2017. The Annual General Meeting will be held on Friday 5 May 2017 at 10am at Man Group's offices at Riverbank House, 2 Swan Lane, London EC4R 3AD.

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 by the Group 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 eleven funds for the year ended 31 December 2016 (2015: nine), as detailed in Note 14. An understanding of the aggregate funds under management (FUM) and the fees earned from 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.

Impact of new accounting standards

There were no new or amended accounting standards adopted by Man in the current year which had a significant impact.

2. ADJUSTED PROFIT BEFORE TAX

Statutory (loss)/profit before tax is adjusted to give a better understanding of the underlying profitability of the business. The directors consider that in order to assess underlying operating performance, the Group's profit period on period is most meaningful when considered on a basis which excludes acquisition and disposal related items (including non-cash items such as amortisation of acquired 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 and inform the base on which the Group's variable compensation is assessed. 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 2016**	Year ended 31 December 2015
Statutory (loss)/profit before tax		**(272)**	184
Adjusting items[1]:			
Acquisition and disposal related			
Impairment of goodwill and acquired intangibles	11	**379**	41
Amortisation of acquired intangible assets	11	**94**	92
Revaluation of contingent consideration	22	**(40)**	62
Unwind of contingent consideration discount	7	**19**	17
Other costs – professional fees and other integration costs	6	**2**	4
Recycling of FX revaluation to the Group income statement on liquidation of subsidiaries	6	**2**	(1)
Compensation – restructuring	5	**17**	–
Other costs – restructuring	6	**4**	7
Litigation, regulatory and other settlements	6	**–**	(6)
Adjusted profit		**205**	400
Tax on adjusted profit[2]		**(28)**	(39)
Adjusted profit after tax		**177**	361

Note:

1. Tax on adjusting items is $28 million (2015: $15 million), which relates to amortisation of acquired intangible assets of $15 million (2015: $14 million), impairment of acquired intangible assets of $9 million (2015: nil), compensation restructuring costs of $3 million (2015: nil) and other restructuring costs of $1 million (2015: $1 million).
2. The difference of $34 million (2015: $26 million) between tax on statutory (loss)/profit and tax on adjusted profit is made up of a tax credit of $28 million (2015: $15 million credit) on adjusting items (as above) and a tax credit of $6 million (2015: $11 million) relating to the recognition of a deferred tax asset which is classified as an adjusting item (Note 8).

Details of the 2016 GLG and FRM goodwill and acquired intangibles impairments of $281 million and $98 million, respectively, are further detailed in Note 11 (2015: impairment of $41 million relating to FRM). Amortisation of acquired intangible assets primarily relates to the investment management agreements recognised on the acquisition of GLG and Numeric.

The revaluation of contingent consideration is an adjustment to the fair value of expected acquisition earn-out payments. The credit of $40 million in the current year primarily relates to Numeric, with a $28 million fair value decrease in the contingent consideration largely as a result of a decrease in forecast management fees on long only products and a decrease in forecast net inflows, partially offset by higher than forecast FUM due to higher sales than expected for 2016. The revaluation expense in 2015 largely relates to Numeric ($61 million), primarily as a result of higher management fee margins than previously forecast, as well as higher than forecast FUM due to flows and performance in 2015. The unwind of the discount on contingent consideration in 2016 primarily relates to Numeric ($18 million), with the remainder arising from the FRM, Pine Grove, and BAML fund of funds contingent consideration and is included within finance expense (Note 7). In 2015, this related to the contingent consideration of Numeric, FRM, Pine Grove, BAML fund of funds, NewSmith and Silvermine.

In 2016, the acquisition related professional fees and other integration costs of $2 million relate to expenses incurred in association with the acquisition of Aalto which completed on 1 January 2017. The prior year cost of $4 million related to the acquisitions of the Silvermine, NewSmith, BAML fund of funds and Numeric businesses.

In each of 2016 and 2015, some of the Group's foreign subsidiaries were liquidated, which had accumulated foreign currency translation reserves at the date of liquidation of $2 million (loss) and $1 million (gain), respectively. Upon liquidation of these subsidiaries the related foreign currency translation loss/gain was recycled to the Group income statement.

Compensation restructuring costs of $17 million in 2016 relate to termination expenses incurred due to the restructuring of certain areas of the business. Compensation costs incurred as part of restructuring are accounted for in full at the time the obligation arises, and include payments in lieu of notice, enhanced termination costs, and accelerated share-based and fund product based charges.

Other restructuring costs of $4 million in 2016 largely relate to a reassessment of our onerous property lease provision relating to Riverbank House (our main London office and headquarters) due to the finalisation of a contractual market-linked rental increase and a reassessment of the related sub-tenancy projections. The market-linked increase was effective for rental periods from November 2015 and estimation of this for the year ended 31 December 2015 resulted in a similar restructuring charge. The Riverbank House premises onerous lease was recorded as an adjusting item upon initial recognition.

The credit of $6 million to litigation, regulatory and other settlements in 2015 related to an insurance recovery of costs incurred in association with legal claims, which were included as an adjusting item in previous years.

3. REVENUE

Fee income is Man's primary source of revenue, which is derived from the investment management agreements that are 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.

Rebates relate to repayments of management and performance fees charged, typically in association with institutional investors, and are presented net within gross management and other fees and performance fees in the Group income statement.

Analysis of FUM, margins and performance is provided in the Chief Financial Officer's Review on pages 15 to 24.

4. DISTRIBUTION COSTS AND ASSET SERVICING

Distribution costs are paid to external intermediaries for their marketing and investor servicing, largely in relation to retail investors. Distribution costs are therefore variable with FUM and the associated management fee revenue. Distribution costs are expensed over the period in which the service is provided. Distribution costs have decreased largely as a result of the continued mix shift towards institutional FUM and the roll-off of guaranteed product FUM.

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 vary based on FUM, transaction volumes, the number of funds, and fund NAVs. The cost is recognised in the period in which the service is provided.

5. COMPENSATION

$m	**Year ended 31 December 2016**	Year ended 31 December 2015
Salaries	**159**	158
Variable cash compensation	**141**	212
Share-based payment charge	**18**	18
Fund product based payment charge	**37**	35
Social security costs	**23**	33
Pension costs	**10**	6
Compensation costs – before adjusting items	**388**	462
Restructuring (Note 2)	**17**	–
Total compensation costs	**405**	462

Compensation is the Group's largest cost and an important component of Man's ability to retain and attract talent. 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.

Total compensation costs excluding adjusting items have decreased by 16% compared to 2015, largely due to the decrease in management and performance fee revenues year on year, as reflected in decreased variable cash compensation and associated social security costs. Salaries are in line with prior year as a result of an increase in headcount due to continued investment in the business, which has been offset by a more favourable hedged pound sterling to USD rate in 2016 (1.51) compared to the hedged rate in 2015 (1.66).

Compensation costs before adjusting items are 48% of net revenue (2015: 43%). Net revenue is defined as gross management and other fees, performance fees, income or gains on investments and other financial instruments, and share of post-tax profit of associates, less distribution costs. Salaries and variable cash compensation are charged to the Group income statement in the period in which the service is provided, and include partner drawings. The compensation ratio has increased as a result of the lower level of performance fee revenue.

6. OTHER COSTS

$m	**Year ended 31 December 2016**	Year ended 31 December 2015
Occupancy	**34**	34
Technology and communications	**27**	34
Temporary staff, recruitment, consultancy and managed services	**19**	20
Legal fees and other professional fees	**18**	17
Benefits	**15**	13
Travel and entertainment	**11**	12
Audit, accountancy, actuarial and tax fees	**8**	8
Insurance	**6**	7
Marketing and sponsorship	**6**	6
Other cash costs, including irrecoverable VAT	**10**	10
Total other costs before depreciation and amortisation and adjusting items	**154**	161
Depreciation and amortisation	**14**	16
Other costs – before adjusting items	**168**	177
Acquisition and disposal related (Note 2)	**4**	3
Restructuring (Note 2)	**4**	7
Litigation, regulatory and other settlements (Note 2)	**–**	(6)
Total other costs	**176**	181

Other costs, before depreciation and amortisation and adjusting items, are $154 million in 2016, compared to $161 million in the prior year, which reflects the impact of the more favourable hedged pound sterling to USD rate in 2016 and continued efforts to remain disciplined on costs.

7. FINANCE EXPENSE AND FINANCE INCOME

$m	**Year ended 31 December 2016**	Year ended 31 December 2015
Finance expense:		
Interest payable on borrowings (Note 13)	**(9)**	(9)
Revolving credit facility costs and other (Note 13)	**(4)**	(8)
Total finance expense – before adjusting items	**(13)**	(17)
Unwind of contingent consideration discount (Note 2)	**(19)**	(17)
Total finance expense	**(32)**	(34)
Finance income:		
Interest on cash deposits and US Treasury bills	**2**	3
Total finance income	**2**	3

The reduction in the revolving credit facility costs and other compared to 2015 reflects the reduction and renegotiation of the revolving credit facility in both June 2015 and October 2016 (Note 13).

8. TAXATION

$m	**Year ended 31 December 2016**	Year ended 31 December 2015
Analysis of tax (credit)/expense:		
Current tax:		
UK corporation tax on (losses)/profits	**18**	37
Foreign tax	**5**	15
Adjustments to tax charge in respect of previous years	**(6)**	(17)
Total current tax	**17**	35
Deferred tax:		
Origination and reversal of temporary differences	**(17)**	(11)
Recognition of US deferred tax asset	**(6)**	(11)
Total deferred tax	**(23)**	(22)
Total tax (credit)/expense	**(6)**	13

Man is a global business and therefore operates across many different tax jurisdictions. Income and expenses are allocated to these different jurisdictions based on transfer pricing methodologies set in accordance with the laws of the jurisdictions in which Man operates and international guidelines as laid out by the OECD. 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 2% (2015: 7%) differs from the applicable underlying statutory tax rates principally as a result of the impairment of the GLG and FRM goodwill and intangibles being largely non-deductible for tax purposes, which is partially offset by the incremental recognition of the US deferred tax asset of $6 million (2015: $11 million) and the reassessment of tax exposures in Europe and Asia-Pacific during the year. The effective tax rate is otherwise consistent with this earnings profile. The effective tax rate on adjusted profits (Note 2) is 14% (2015: 10%).

Accounting for tax involves a level of estimation uncertainty given the application of tax law requires a degree of judgement, which tax authorities may dispute. Tax liabilities are recognised based on the best estimates of probable outcomes, with regard to external advice where appropriate. The principal factors which may influence our future tax rate are changes to tax regulation in the territories in which we operate, the mix of income and expenses by jurisdiction, and the timing of recognition of available tax losses.

The current tax liabilities, as shown on the Group balance sheet, of $6 million (2015: $32 million) comprise a gross current tax liability of $9 million (2015: $35 million) net of a current tax asset of $3 million (2015: $3 million).

The tax credit on Man's total loss before tax is lower (2015: expense on profit before tax is lower) than the amount that would arise using the theoretical effective tax rate applicable to the profits/(losses) of the consolidated companies as follows:

$m	**Year ended 31 December 2016**	Year ended 31 December 2015
(Loss)/profit before tax	**(272)**	184
Theoretical tax (credit)/expense at UK rate: 20.00% (2015: 20.25%)	**(54)**	37
Effect of:		
Overseas tax rates compared to UK	**11**	(8)
Adjustments to tax charge in respect of previous periods	**(7)**	(17)
Impairment of goodwill and other adjusting items (Note 2)	**43**	9
Share-based payments	**2**	(2)
Recognition of US deferred tax asset	**(6)**	(11)
Other	**5**	5
Tax (credit)/expense	**(6)**	13

The effect of overseas tax rates compared to the UK includes the impact of the 0% effective tax rate of our US business, which made a loss for the year as a result of goodwill and intangibles impairment.

In the current year the adjustments to the tax charge in respect of previous periods largely relates to a $6 million credit due to the reassessment of tax exposures in Europe and Asia-pacific. In 2015, adjustments in respect of previous periods primarily related to the reassessment of tax exposures in the UK and Switzerland.

The impairment of goodwill and other adjusting items reflects that there is no tax relief for the impairment of goodwill recognised in jurisdictions outside the US.

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.

Movements in deferred tax are as follows:

$m	**Year ended 31 December 2016**	Year ended 31 December 2015
Deferred tax liability		
At 1 January	**(69)**	(83)
Credit to the Group income statement	**22**	14
Deferred tax liability at 31 December	**(47)**	(69)
Deferred tax asset		
At 1 January	**59**	47
Credit to the Group income statement	**1**	8
Credit to other comprehensive income and equity	**3**	4
Deferred tax asset at 31 December	**63**	59

The deferred tax liability of $47 million (2015: $69 million) largely relates to deferred tax arising on acquired intangible assets.

The deferred tax asset comprises:

$m	**Year ended 31 December 2016**	Year ended 31 December 2015
US tax losses	**25**	19
Defined benefit pension schemes	**11**	9
Employee share schemes	**10**	15
Tax allowances over depreciation	**9**	11
Other	**8**	5
Deferred tax asset at 31 December	**63**	59

The deferred tax asset income statement credit of $1 million (2015: $8 million) relates to the recognition of the deferred tax asset in respect of US losses of $6 million (2015: $11 million), a decrease in the deferred tax asset on employee share schemes of $3 million (2015: $2 million decrease), a decrease in the deferred tax asset arising on tax allowances over depreciation of $2 million (2015: $3 million) and no change in the deferred tax asset on other temporary differences (2015: $2 million increase in deferred tax asset). The credit to other comprehensive income and equity of $3 million (2015: $4 million) relates to movements in the pension accrual, unrealised cash flow hedge balance and employee share schemes.

The Group has accumulated deferred tax assets in the US of $192 million (2015: $172 million). The increase of $20 million is principally as a result of an increase in deferred tax assets due to goodwill and intangibles impairment. These assets principally comprise accumulated operating losses from existing operations of $103 million (2015: $105 million) and future amortisation of goodwill and intangibles assets generated from acquisitions of $72 million (2015: $59 million) that will be available to offset future taxable profits in the US. From the maximum available deferred tax assets of $192 million (2015: $172 million), a deferred tax asset of $25 million has been recognised on the Group balance sheet (2015: $19 million), representing amounts which can be offset against probable future taxable profits, an increase of $6 million from that recognised at 31 December 2015. 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 $167 million (2015: $153 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. The gross amount of losses for which a deferred tax asset has not been recognised is $160 million (2015: $172 million), which will expire over a period of 12 to 20 years.

9. EARNINGS PER ORDINARY SHARE (EPS)

The calculation of basic EPS is based on post-tax loss of $266 million (2015: profit of $171 million), and ordinary shares of 1,679,099,266 (2015: 1,694,081,544), 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 on issue is adjusted to assume conversion of all dilutive potential ordinary shares, being ordinary shares of 1,695,995,147 (2015: 1,714,925,166).

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

	Year ended 31 December 2016		Year ended 31 December 2015	
	Total number (million)	**Weighted average (million)**	Total number (million)	Weighted average (million)
Number of shares at beginning of year	**1,700.8**	**1,700.8**	1,756.3	1,756.3
Issues of shares	**2.6**	**1.9**	3.5	1.9
Repurchase of own shares	**(23.5)**	**(2.3)**	(59.0)	(42.0)
Number of shares at period end	**1,679.9**	**1,700.4**	1,700.8	1,716.2
Shares owned by Employee Trusts	**(19.6)**	**(21.3)**	(22.1)	(22.1)
Basic number of shares	**1,660.3**	**1,679.1**	1,678.7	1,694.1
Share awards under incentive schemes		**15.9**		17.1
Employee share options		**1.0**		3.7
Diluted number of shares		**1,696.0**		1,714.9

The reconciliation from EPS to adjusted EPS is provided below:

	Year ended 31 December 2016			Year ended 31 December 2015		
	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
(Loss)/earnings per ordinary share	**(266)**	**(15.8)**	**(15.8)**	171	10.1	10.0
Effect of potential ordinary shares[1]	**–**	**–**	**0.1**	–	–	–
Items for which EPS has been adjusted (Note 2)	**477**	**28.4**	**28.1**	216	12.7	12.6
Tax adjusting items (Note 2)	**(34)**	**(2.1)**	**(2.0)**	(26)	(1.5)	(1.5)
Adjusted EPS	**177**	**10.5**	**10.4**	361	21.3	21.1
Less adjusted net performance fee profit before tax	**(27)**	**(1.6)**	**(1.6)**	(206)	(12.1)	(12.1)
Tax on adjusted net performance fee profits	**3**	**0.2**	**0.2**	20	1.2	1.2
Adjusted management fee EPS	**153**	**9.1**	**9.0**	175	10.4	10.2

Note:

1. As their inclusion would decrease the loss per share, potential ordinary shares have not been treated as dilutive and have therefore been excluded from the diluted statutory EPS calculation.

10. DIVIDENDS

$m	**Year ended 31 December 2016**	Year ended 31 December 2015
Ordinary shares		
Final dividend paid for the year to 31 December 2015 – 4.8 cents (2014: 6.1 cents)	**83**	104
Interim dividend paid for the six months to 30 June 2016 – 4.5 cents (2015: 5.4 cents)	**75**	89
Dividends paid	**158**	193
Proposed final dividend for the year to 31 December 2016 – 4.5 cents (2015: 4.8 cents)	**75**	81

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. Details of the Group's dividend policy are included in Note 21.

11. GOODWILL AND ACQUIRED INTANGIBLES

$m	Goodwill	Investment management agreements	Distribution channels	Brand names	Total	Goodwill	Investment management agreements	Distribution channels	Brand names	Total
	Year ended 31 December 2016					Year ended 31 December 2015				
Net book value at beginning of the year	**907**	**545**	**23**	**22**	**1,497**	936	595	26	25	1,582
Acquisition of business[1]	**–**	**–**	**–**	**–**	**–**	22	35	–	1	58
Amortisation	**–**	**(86)**	**(4)**	**(4)**	**(94)**	–	(85)	(3)	(4)	(92)
Impairment expense[2]	**(319)**	**(54)**	**(3)**	**(3)**	**(379)**	(41)	–	–	–	(41)
Currency translation	**–**	**–**	**–**	**–**	**–**	(10)	–	–	–	(10)
Net book value at year end	**588**	**405**	**16**	**15**	**1,024**	907	545	23	22	1,497
Allocated to cash generating units as follows:										
AHL	**454**	**–**	**–**	**–**	**454**	454	–	–	–	454
GLG	**–**	**238**	**16**	**11**	**265**	222	352	23	17	614
FRM	**–**	**28**	**–**	**1**	**29**	97	36	–	1	134
Numeric	**134**	**139**	**–**	**3**	**276**	134	157	–	4	295

Notes:

1. Acquisition of business relates to Silvermine, NewSmith and the BAML fund of funds businesses for the year ended 31 December 2015.
2. The impairment expense in the year of $379 million relates to GLG ($281 million) and FRM ($98 million). The 2015 impairment of $41 million relates to FRM.

Goodwill

Goodwill represents the excess of consideration transferred over the fair value of 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, has an indefinite useful life, is not subject to amortisation and is tested for impairment annually, or whenever events or circumstances indicate that the carrying amount may not be recoverable.

Investment management agreements (IMAs), distribution channels and brand names

IMAs, 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 their expected useful lives, which are between three and 13 years (IMAs and brands), and nine and 12 years (distribution channels).

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. Further details of these are provided below.

Calculation of recoverable amounts for cash generating units

An impairment expense 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 (CGUs). 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 2016 use cash flow projections based on the Board approved financial plan for the year to 31 December 2017 and a further two years of projections (2018 and 2019), 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.

During H2 2016, the directors reassessed the allocation methodology for the Group's shared costs which are not directly attributable to an individual CGU, in order to ensure that this best represents the proportionate share of costs attributable to the value of each. Under the previous allocation methodology, under certain stressed scenarios, CGUs may have been disproportionately affected by the performance of other CGUs. This exercise involved assessment of the fixed cost margins of each CGU prior to acquisition by Man, and subsequently allocating other shared items (e.g. interest and depreciation) to each CGU based on their proportionate net contribution to the profits of the Group. This has resulted in a value in use output for each CGU which the directors feel best represents each CGU's individual performance and contribution to the Group. Had we applied the revised shared costs allocation methodology at year end 31 December 2015 there would have been no change in the impairment assessment performed (no impairment recognised).

The value in use calculations for AHL, FRM and GLG continue to be presented on a post-tax basis, consistent with the prior year, given most comparable market data is available on a post-tax basis. The Numeric CGU value in use calculation has also been presented on a post-tax basis, compared with pre-tax for the year ended 31 December 2015, in order to aid comparability between the CGUs. In determining the value of Numeric's future tax obligations, we have considered the forecast consumption of available US tax losses (Note 8). The value in use calculations presented on a post-tax basis are not significantly different to their pre-tax equivalent.

The assumptions applied in the value in use calculation are derived from past experience and assessment of current market inputs. 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 market beta derived from consideration of Man's beta, similar alternative asset managers, and the asset management sector as a whole. The terminal value is calculated based on the projected closing FUM at 31 December 2019 and applying a mid-point of a range of historical multiples to the forecast cash flows associated with management and performance fees.

The recoverable amount of each CGU has been assessed at 31 December 2016. The key assumptions applied to the value in use calculations for each of the CGUs are provided below.

Key assumptions:	AHL	GLG	FRM	Numeric
Compound average annualised growth in FUM (over three years)	12%	3%	1%	9%
Discount rate				
– Management fees[1]	11%	11%	11%	11%
– Performance fees[2]	17%	17%	17%	17%
Terminal value (mid-point of range of historical multiples)[3]				
– Management fees	13.0x	13.0x	5.3x	14.0x
– Performance fees	5.5x	5.5x	2.1x	6.0x

Notes:

1. The pre-tax equivalent of the net management fees discount rate is 13%, 13%, 13% and 15% for each of the AHL, GLG, FRM and Numeric CGUs, respectively.
2. The pre-tax equivalent of the net performance fees discount rate is 20%, 20%, 20% and 22% for each of the AHL, GLG, FRM and Numeric CGUs, respectively.
3. The implied terminal growth rates for the AHL, GLG, FRM and Numeric CGUs are 2%, 2%, -10% and 4%, respectively.

The results of the valuations are further explained in the following sections, including sensitivity tables which show 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.

AHL cash generating unit

The AHL value in use calculation at 31 December 2016 indicates a value of $2.5 billion, with around $2.0 billion of headroom over the carrying value of the AHL business. Therefore, no impairment charge is deemed necessary at 31 December 2016 (2015: nil). The valuation at 31 December 2016 is around $1.2 billion lower than the value in use calculation at 31 December 2015, primarily due to lower opening FUM as a result of lower than forecast performance of quant alternative products in 2016, as well as a reduction in forecast investment performance and an increase in shared costs as a result of reassessment of the Group's shared costs allocations (as previously detailed).

Sensitivity analysis:	Compound average annualised growth in FUM[1]		Discount rates (post-tax) Management fee/ Performance fee		Multiples (post-tax) Management fee/ Performance fee	
Key assumption stressed to:	14%	-2%	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) ($m)	2,455	(1)	2,050[2]	1,934[2]	2,224[3]	1,758[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 $58 million.
3. An increase/decrease of $233 million.

GLG cash generating unit

The GLG value in use calculation at 31 December 2016 indicates a value of $289 million, which suggests an impairment of $281 million (2015: nil) based on the carrying value of the GLG business. The valuation at 31 December 2016 is around $600 million lower than the value in use calculation at 31 December 2015, primarily due to a lower opening FUM as a result of lower performance and net flows compared to that previously forecast, as well as a weakening of industry growth forecasts during the year, partially offset by a decrease in shared costs as a result of the reassessment of the Group's shared costs allocations.

The GLG CGU impairment of $281 million impairs the total GLG goodwill balance of $222 million, and further impairs the other acquired intangibles balances relating to investment management agreements, distribution channels and brands by a total of $59 million.

Sensitivity analysis:	Compound average annualised growth in FUM		Discount rates (post-tax) Management fee/ Performance fee		Multiples (post-tax) Management fee/ Performance fee	
Key assumption stressed to:	5%	1%	10%/16%	12%/18%	14.0x/6.5x	12.0x/4.5x
Modelled headroom/(impairment) ($m)	(244)	(305)	(274)[1]	(288)[1]	(256)[2]	(306)[2]

Notes:

1. An increase/decrease of $7 million.
2. An increase/decrease of $25 million.

FRM cash generating unit

The FRM value in use calculation at 31 December 2016 indicates a value of $39 million, which suggests an impairment of $98 million based on the carrying value of the FRM business. The valuation at 31 December 2016 is $160 million lower than the value in use calculation at 31 December 2015, primarily as a result of the faster than previously anticipated 2016 and forecast FUM mix shift towards lower margin infrastructure mandates and reduced prospects for the traditional fund of funds business, partially offset by a decrease in shared costs as a result of the reassessment of the Group's shared costs allocations.

The FRM CGU impairment of $98 million erodes the total FRM goodwill balance of $97 million, and further impairs the other acquired intangibles balances relating to investment management agreements and brands by a total of $1 million.

Sensitivity analysis:	Compound average annualised growth in FUM		Discount rates (post-tax) Management fee/ Performance fee		Multiples (post-tax) Management fee/ Performance fee	
Key assumption stressed to:	3%	-1%	10%/16%	12%/18%	6.3x/3.1x	4.3x/1.1x
Modelled headroom/(impairment) ($m)	(91)	(104)	(97)[1]	(99)[1]	(96)[2]	(100)[2]

Notes:

1. An increase/decrease of $1 million.
2. An increase/decrease of $2 million.

Impairment of $41 million was recognised in relation to the FRM goodwill for the year ended 31 December 2015, largely as a result of lower sales and higher redemptions of fund of funds products than anticipated.

Numeric cash generating unit

The Numeric value in use calculation at 31 December 2016 indicates a value of $469 million, with around $190 million of headroom over the carrying value of the Numeric business. Therefore, no impairment charge is deemed necessary at 31 December 2016 (2015: nil). The valuation at 31 December 2016 is around $140 million higher than the value in use calculation at 31 December 2015, primarily as a result of higher opening FUM due to higher sales of long only products than forecast and a decrease in shared costs as a result of the reassessment of the Group's shared costs allocations, partially offset by a decrease in the forecast management fees on new sales and net inflows on long only products.

Sensitivity analysis:	Compound average annualised growth in FUM[1]		Discount rates (post-tax) Management fee/ Performance fee		Multiples (post-tax) Management fee/ Performance fee	
Key assumption stressed to:	11%	-1%	10%/16%	12%/18%	15.0x/7.0x	13.0x/5.0x
Modelled headroom/(impairment) ($m)	246	(1)	202[2]	180[2]	222[3]	160[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 $11 million.
3. An increase/decrease of $31 million.

The Numeric CGU goodwill headroom has increased despite a decrease in the Numeric contingent consideration creditor (Note 2), which is as a result of the Numeric earn-out not being influenced by the Group's shared costs allocations, which are determined solely for goodwill impairment purposes.

12. OTHER INTANGIBLES

	Year ended 31 December 2016			Year ended 31 December 2015		
$m	**Capitalised computer software**	**Placement fees**	**Total**	Capitalised computer software	Placement fees	Total
Net book value beginning of the year	**11**	**3**	**14**	8	5	13
Additions	**9**	**–**	**9**	6	1	7
Disposals/redemptions	**(1)**	**(1)**	**(2)**	–	(1)	(1)
Amortisation	**(3)**	**(1)**	**(4)**	(3)	(2)	(5)
Net book value at year end	**16**	**1**	**17**	11	3	14

Capitalised computer software includes 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. 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.

13. CASH, LIQUIDITY AND BORROWINGS

	31 December 2016			31 December 2015		
$m	**Total**	**Less than 1 year**	**Greater than 3 years**	Total	Less than 1 year	Greater than 3 years
Borrowings: 2024 fixed rate reset callable guaranteed subordinated notes	**149**	**–**	**149**	149	–	149
Cash and cash equivalents[1]	**389**	**389**	**–**	586	586	–
Undrawn committed revolving loan facility	**500**	**–**	**500**	1,000	–	1,000
Total liquidity	**889**	**389**	**500**	1,586	586	1,000

Note:

1 Excludes $37 million (2015: $21 million) of restricted cash held by consolidated fund entities (Note 14.2).

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, 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.

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.

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.

Cash and cash equivalents at year end comprises $222 million (2015: $250 million) of cash at bank on hand, $102 million (2015: $336 million) in short-term deposits and $65 million (2015: nil) of US Treasury bills. Cash ring-fenced for regulated entities totalled $28 million (2015: $35 million). 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 on-demand deposit bank accounts and short-term bank deposits, and is invested in short-term US Treasury bills. At 31 December 2016, the $324 million cash balance (excluding US Treasury bills and cash held by consolidated fund entities) is held with 18 banks (2015: $586 million with 22 banks). The single largest counterparty bank exposure of $88 million is held with an BBB+ rated bank (2015: $100 million with an A+ rated bank). At 31 December 2016, balances with banks in the AA ratings band aggregate to $109 million (2015: $239 million) and balances with banks in the A ratings band aggregate to $127 million (2015: $293 million).

During October 2016, the Group reduced $500 million of the $1 billion syndicated revolving loan facility. The remaining $500 million facility was undrawn at 31 December 2016. The previous committed revolving credit facility of $1,525 million was refinanced during 2015 and replaced with a new committed syndicated revolving loan facility of $1 billion (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. Before the first anniversary in June 2016, the banks were asked to extend the maturity date of the facility by a year and banks with participations totalling 98% of the facility accepted the request. As a result of the maturity extension and following the cancellation of $500 million of the facility, $10 million is scheduled to mature in June 2020, with the remainder maturing in June 2021. To maintain maximum flexibility, the facility does not include financial covenants.

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.

In respect of Man's monetary assets and liabilities which earn/incur interest indexed to floating rates, as at 31 December 2016 a 50bp increase/ decrease in these rates, with all other variables held constant, would have resulted in a $1 million increase/decrease (2015: $2 million increase or $1 million decrease) in net interest income.

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 $3 million (2015: $2 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 certain 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 2016 is a liability of $18 million (2015: $7 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 (Note 21). The fair value of derivatives held in relation to the Group's net investment hedges at 31 December 2016 is an asset of $1 million (2015: nil). Any ineffective portion of these hedges is recognised immediately in profit or loss, and is included within income or gains on investments and other financial instruments.

14. INVESTMENTS IN FUND PRODUCTS AND OTHER INVESTMENTS

	31 December 2016					
$m	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Available-for-sale financial assets**	**Total investments in fund products and other investments**	**Net non-current assets held for sale**	**Total investments**
Loans to fund products	**–**	**26**	**–**	**26**	**–**	**26**
Investments in fund products	**275**	**–**	**–**	**275**	**131**	**406**
Other investments	**–**	**–**	**3**	**3**	**–**	**3**
Investments in line-by-line consolidated funds	**490**	**–**	**–**	**490**	**–**	**490**
	765	**26**	**3**	**794**	**131**	**925**

	31 December 2015					
$m	Financial assets at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Total investments in fund products and other investments	Net non-current assets held for sale	Total investments
Loans to fund products	–	41	–	41	–	41
Investments in fund products	224	–	–	224	119	343
Other investments	–	–	4	4	–	4
Investments in line-by-line consolidated funds	329	–	–	329	–	329
	553	41	4	598	119	717

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 2016**	31 December 2015
Investments in fund products	14.1	**275**	224
Less those used to hedge deferred compensation awards	14.1	**(75)**	(71)
Consolidated net investments in funds – held for sale	14.2	**131**	119
Consolidated net investments in funds – line-by-line consolidation	14.2	**285**	213
Loans to funds	14.3	**26**	41
Seeding investments portfolio		**642**	526

14.1. 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 investments in fund products. Investments in fund products are classified at fair value through profit or loss, with movements in fair value of $55 million for the year ended 31 December 2016 (2015: $14 million) being recognised through income or gains on investments and other financial instruments. Purchases and sales of investments are recognised on trade date.

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, events or circumstances indicate that the NAVs are not reflective of fair value. The fair value hierarchy of financial assets is disclosed in Note 22.

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 $186 million (2015: $170 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 $72 million at 31 December 2016 (2015: $55 million).

Fund investments for deferred compensation arrangements

At 31 December 2016, investments in fund products included $75 million (2015: $71 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 selection of Man fund products. 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 fund products. The associated 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.

14.2. 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. In 2016, eleven (2015: nine) investments in funds have met the control criteria and have therefore been consolidated, either classified as held for sale or consolidated on a line-by-line basis as detailed below.

Held for sale

Where the Group acquires the controlling stake and actively markets the products to third-party investors, allowing the Group to redeem their share, and it is considered highly probable that it will relinquish control within one year from the date of initial investment, the investment in the controlled fund is classified as held for sale. The seeded fund is recognised on 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 2016**	31 December 2015
Non-current assets held for sale	**263**	188
Non-current liabilities held for sale	**(132)**	(69)
Investments in fund products held for sale	**131**	119

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 14.1). 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. Three investments in funds which were classified as held for sale in 2015 have been consolidated on a line-by-line basis for the year ending 31 December 2016 (2015: two held for sale funds at 31 December 2014).

Line-by-line consolidation
The investments relating to the six funds (2015: three) 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 2016**	31 December 2015
Balance Sheet		
Cash and cash equivalents	**37**	21
Transferrable securities[1]	**490**	329
Trade and other payables	**(2)**	(1)
Net assets of line-by-line consolidated fund entities	**525**	349
Third-party interest in consolidated funds	**(240)**	(136)
Net investment held by Man	**285**	213
Income statement		
Net gains/(losses) on investments[2]	**45**	(16)
Management fee expenses[3]	**(9)**	(4)
Performance fee expenses[3]	**(2)**	–
Other costs[4]	**(3)**	–
Net gains/(losses) of line-by-line consolidated fund entities	**31**	(20)
Third-party share of (gains)losses relating to interests in consolidated funds	**(15)**	9
Gains/(losses) attributable to net investment held by Man	**16**	(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 and performance fees paid by the funds to Man during the year, and is eliminated within gross management and other fees in the Group income statement. The management fees elimination includes $4 million in relation to the third-party share of these investments and therefore represents externally generated management fees (2015: nil).
4. Includes $2 million in relation to the third-party share of these investments and therefore represents costs incurred externally (2015: nil).

14.3. 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 $33 million (2015: $75 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 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 syndicated 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 2016 is $4 million (2015: $7 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.

14.4. 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 14.2.

Man's maximum exposure to loss from unconsolidated structured entities is the sum total of any investment held, fee receivables, accrued income, and loans to the fund entities, and is $420 million for the year ended 31 December 2016 (2015: $450 million). Man's interest in, and exposure to, unconsolidated structured entities is as follows:

Year ended 31 December 2016	**Total FUM ($bn)**	**Less infrastructure mandates and consolidated fund entities[1] ($bn)**	**Total FUM unconsolidated structured entities ($bn)**	**Number of funds**	**Gross management fee margin[2] (%)**	**Fair value of investment held ($m)**	**Fee receivables and accrued income ($m)**	**Loans to funds ($m)**	**Maximum exposure to loss ($m)**
Alternative									
Quant (AHL/Numeric)	**19.6**	**–**	**19.6**	**78**	**1.5**	**68**	**45**	**5**	**118**
Discretionary (GLG)	**13.9**	**0.5**	**13.4**	**66**	**1.0**	**130**	**21**	**–**	**151**
Fund of funds (FRM)	**12.8**	**5.0**	**7.8**	**94**	**0.7**	**4**	**17**	**–**	**21**
Long only									
Quant (AHL/Numeric)	**21.4**	**0.1**	**21.3**	**109**	**0.4**	**8**	**32**	**–**	**40**
Discretionary (GLG)	**12.8**	**0.1**	**12.7**	**33**	**1.0**	**50**	**15**	**–**	**65**
Guaranteed	**0.4**	**–**	**0.4**	**25**	**5.1**	**–**	**4**	**21**	**25**
Total	**80.9**	**5.7**	**75.2**	**405**		**260**	**134**	**26**	**420**

Year ended 31 December 2015	Total FUM ($bn)	Less infrastructure mandates and consolidated fund entities[1] ($bn)	Total FUM unconsolidated structured entities ($bn)	Number of funds	Gross management fee margin[2] (%)	Fair value of investment held ($m)	Fee receivables and accrued income ($m)	Loans to funds ($m)	Maximum exposure to loss ($m)
Alternative									
Quant (AHL/Numeric)	16.4	0.1	16.3	68	1.7	38	86	–	124
Discretionary (GLG)	16.3	0.2	16.1	66	1.0	150	43	–	193
Fund of funds (FRM)	11.9	2.9	9.0	107	0.9	4	18	–	22
Long only									
Quant (AHL/Numeric)	18.6	–	18.6	102	0.3	2	34	–	36
Discretionary (GLG)	14.2	–	14.2	32	1.0	4	20	–	24
Guaranteed	1.3	–	1.3	36	5.1	1	9	41	51
Total	78.7	3.2	75.5	411		199	210	41	450

Notes:

1. For infrastructure mandates 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.
2. 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 14.3, 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.

15. FEE AND OTHER RECEIVABLES

$m	**31 December 2016**	31 December 2015
Fee receivables	**30**	63
Prepayments and accrued income	**128**	171
Derivative financial instruments	**2**	2
Other receivables	**97**	67
	257	303

Fee and other receivables are initially recorded 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. The majority of 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 2016, $8 million (2015: $12 million) of other receivables are expected to be settled after 12 months.

Details of derivatives used to hedge foreign exchange risk are included in Note 13. Other derivative financial instruments, which consist primarily of foreign exchange contracts, are measured at fair value through profit or loss. All derivatives are held with external banks with ratings of BBB+ (2015: A) or higher and mature within one year. During the year, there were $4 million net realised and unrealised gains arising from derivatives (2015: $12 million). The notional value of all derivative financial assets is $58 million (2015: $144 million).

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 2016, the amount included in other receivables is $16 million (2015: $26 million). The unsettled fund payable is recorded in trade and other payables (Note 16).

16. TRADE AND OTHER PAYABLES

$m	**31 December 2016**	31 December 2015
Accruals	**253**	322
Trade payables[1]	**3**	7
Contingent consideration	**161**	206
Derivative financial instruments	**22**	8
Other payables[1]	**208**	117
	647	660

Note:

1. In the prior period the $25 million payable relating to the OEICs fund business was presented within trade payables, however, it has been reclassified to other payables in the year in order to better reflect the nature of this balance. This is consistent with the classification of the OEICs fund receivables balance, as included within other receivables in Note 15.

Accruals primarily relate to compensation accruals. Contingent consideration relates to the amounts payable in respect of acquisitions (Note 22). Other payables include the remaining October 2016 announced share repurchase liability of $65 million (Note 21), payables relating to the OEIC funds business of $17 million (2015: $25 million) and servicing fees payable to distributors.

Details of derivatives used to hedge foreign exchange risk are included in Note 13. The notional value of derivative financial liabilities at 31 December 2016 is $334 million (2015: $342 million). All derivative contracts mature within one year.

Trade and other payables are initially recorded at fair value and subsequently measured at amortised cost. Included in trade and other payables at 31 December 2016 are balances of $155 million (2015: $178 million) which are expected to be settled after more than 12 months, which largely relate to contingent consideration. Man's policy is to meet its contractual commitments and pay suppliers according to agreed terms.

17. PROVISIONS

$m	Onerous property lease contracts	Litigation	Restructuring	Total
As 1 January 2016	**32**	**24**	**2**	**58**
Charged/(credited) to the income statement:				
Charge in the year	**3**	**–**	**–**	**3**
Exchange differences	**(5)**	**–**	**–**	**(5)**
Additional provisions	**1**	**–**	**–**	**1**
Used during the year/settlements	**(4)**	**–**	**(2)**	**(6)**
At 31 December 2016	**27**	**24**	**–**	**51**

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. All provisions are current, other than onerous property lease contracts as outlined below, given the Group does not have the unconditional right to defer settlement.

The $3 million charge for onerous property lease contracts is included as an adjusting item as outlined in 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 two to 19 years, with all onerous property lease contracts therefore non-current.

Provisions for restructuring are recognised when the obligation arises, following communication of the formal plan.

18. 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:

	Year ended 31 December 2016			Year ended 31 December 2015		
$m	**Nephila Capital Ltd**	**Other**	**Total**	Nephila Capital Ltd	Other	Total
At beginning of the year	**28**	**2**	**30**	28	2	30
Share of post-tax profit/(loss)	**3**	**(1)**	**2**	3	–	3
Dividends received	**(1)**	**–**	**(1)**	(3)	–	(3)
At year end	**30**	**1**	**31**	28	2	30

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. Man has not provided any financial support to associates during the year to 31 December 2016 (2015: nil).

Commission income relating to sales of Nephila Capital Limited products totalled $12 million for the year ended 31 December 2016 (2015: $14 million), and is included within gross management and other fees in the Group income statement.

19. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

	Year ended 31 December 2016			Year ended 31 December 2015		
$m	**Leasehold Improvements**	**Equipment**	**Total**	Leasehold improvements	Equipment	Total
Net book value at beginning of the year	**32**	**12**	**44**	38	14	52
Additions	**3**	**8**	**11**	2	5	7
Disposals	**–**	**–**	**–**	(1)	(1)	(2)
Depreciation expense	**(6)**	**(5)**	**(11)**	(7)	(6)	(13)
Net book value at year end	**29**	**15**	**44**	32	12	44

All leasehold improvements and equipment are recorded 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 (up to 24 years) and for equipment is between three and ten years.

20. DEFERRED COMPENSATION ARRANGEMENTS

Man operates equity-settled share-based payment schemes as well as fund product based compensation arrangements.

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, $55 million (2015: $53 million) relating to share-based payment and deferred fund product plans is included within compensation costs (Note 5), consisting of share-based payments of $18 million (2015: $18 million) and deferred fund product plans of $37 million (2015: $35 million). The unamortised deferred compensation at year end is $43 million (2015: $49 million) and has a weighted average remaining vesting period of 1.9 years (2015: 2.1 years).

21. CAPITAL MANAGEMENT

Investor confidence is an important element in the sustainability of our business. That confidence comes, in part, from the strength of our capital base. Man has maintained significant surplus capital and available liquidity throughout the recent periods of market volatility. Details of the Group's syndicated revolving loan facility, which provides additional liquidity, are provided in Note 13. 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 Group plc's distributable reserves are $1.8 billion (2015: $1.9 billion) before payment of the proposed final dividend (Note 10). Further details of the Group's regulatory capital position are included in the Chief Financial Officer's review.

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 capital surpluses will be distributed to shareholders over time, by way of higher dividend payments and/or share repurchases, while maintaining a prudent balance sheet, after taking into account required capital (including liabilities for future earn-out payments) and potential strategic opportunities. Further details are provided within the Chief Financial Officer's Review.

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 from the proceeds, net of tax.

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 (2015: $3^{3/7}$ 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 2016 $35 million (2015: $175 million) of shares were repurchased at an average price of 119.7 pence (2015: 195.6 pence), buying back 23.5 million shares (2015: 59.0 million shares), which increased the statutory loss per ordinary share (Note 9) by approximately 0.1% (2015: accretive impact on EPS of approximately 2%). This relates to partial completion of the anticipated $100 million share repurchase as announced in October 2016. As at 28 February 2017, Man Group had an unexpired authority to repurchase up to 216,367,549 of its ordinary shares. A special resolution will be proposed at the forthcoming Annual General Meeting (AGM), pursuant to which the Company will seek authority to repurchase up to 250,436,551 of its ordinary shares, representing 14.99% of the issued share capital at 28 February 2017. Should the Company's issued share capital as at the date of the AGM be lower than the issued share capital as at 28 February 2017 (being the latest practicable date prior to publication) the directors will limit the Company's use of this authority to 14.99% of the Company's issued share capital as at the date of the AGM.

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 2016			Year ended 31 December 2015		
	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	**1,700,811,013**	**50,000**	**59**	1,756,290,714	50,000	61
Purchase and cancellation of own shares	**(23,474,213)**	**–**	**(1)**	(58,996,084)	–	(2)
Issue of ordinary shares: Partnership Plans and Sharesave	**2,584,094**	**–**	**–**	3,516,383	–	–
At 31 December	**1,679,920,894**	**50,000**	**58**	1,700,811,013	50,000	59

Share capital and reserves

$m	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Reorganisation reserve	Total
At 1 January 2016	**59**	**14**	**4**	491	632	1,200
Purchase and cancellation of own shares	**(1)**	**–**	**1**	–	–	–
Issue of ordinary shares: Partnership Plans and Sharesave	**–**	**5**	**–**	–	–	5
At 31 December 2016	**58**	**19**	**5**	491	632	1,205
At 1 January 2015	**61**	**7**	**2**	491	632	1,193
Purchase and cancellation of own shares	**(2)**	**–**	**2**	–	–	–
Issue of ordinary shares: Partnership Plans and Sharesave	**–**	**7**	**–**	–	–	7
At 31 December 2015	**59**	**14**	**4**	491	632	1,200

Revaluation reserves and retained earnings

$m	Profit and loss account	Own shares held by Employee Trusts	Cumulative translation adjustment[1]	Cash flow hedge reserve[1]	Available-for-sale reserve	Total
At 1 January 2016	**1,105**	**(62)**	**(25)**	**(5)**	**2**	**1,015**
Currency translation difference	**–**	**10**	**(14)**	**–**	**–**	**(4)**
Share-based payments charge	**17**	**–**	**–**	**–**	**–**	**17**
Current tax credited on share-based payments	**1**	**–**	**–**	**–**	**–**	**1**
Deferred tax debited on share-based payments	**(2)**	**–**	**–**	**–**	**–**	**(2)**
Purchase of own shares by the Employee Trusts	**–**	**(13)**	**–**	**–**	**–**	**(13)**
Disposal of own shares by the Employee Trusts	**(22)**	**22**	**–**	**–**	**–**	**–**
Transfer to Group income statement	**–**	**–**	**–**	**23**	**–**	**23**
Fair value losses on cash flow hedges	**–**	**–**	**–**	**(35)**	**–**	**(35)**
Deferred tax credited on cash flow hedge movements	**–**	**–**	**–**	**2**	**–**	**2**
Revaluation of defined benefit pension scheme	**(17)**	**–**	**–**	**–**	**–**	**(17)**
Current tax credited on pension scheme	**4**	**–**	**–**	**–**	**–**	**4**
Deferred tax credited on pension scheme	**3**	**–**	**–**	**–**	**–**	**3**
Share repurchases	**(101)**	**–**	**–**	**–**	**–**	**(101)**
Dividends	**(158)**	**–**	**–**	**–**	**–**	**(158)**
Statutory loss	**(266)**	**–**	**–**	**–**	**–**	**(266)**
At 31 December 2016	**564**	**(43)**	**(39)**	**(15)**	**2**	**469**

$m	Profit and loss account	Own shares held by Employee Trusts	Cumulative translation adjustment[1]	Cash flow hedge reserve[1]	Available-for-sale reserve	Total
At 1 January 2015	1,330	(62)	(14)	(16)	3	1,241
Currency translation difference	–	3	(11)	–	–	(8)
Share-based payments charge	15	–	–	–	–	15
Purchase of own shares by the Employee Trusts	–	(30)	–	–	–	(30)
Disposal of own shares by the Employee Trusts	(27)	27	–	–	–	–
Transfer to Group income statement	–	–	–	18	(1)	17
Fair value losses on cash flow hedges	–	–	–	(9)	–	(9)
Deferred tax credited on cash flow hedge movements	–	–	–	2	–	2
Revaluation of defined benefit pension scheme	(21)	–	–	–	–	(21)
Current tax credited on pension scheme	4	–	–	–	–	4
Deferred tax credited on pension scheme	2	–	–	–	–	2
Share repurchases	(176)	–	–	–	–	(176)
Dividends	(193)	–	–	–	–	(193)
Statutory profit	171	–	–	–	–	171
At 31 December 2015	1,105	(62)	(25)	(5)	2	1,015

Note:

1 Details of the Group's hedging arrangements are provided in Note 13.

22. 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:

	31 December 2016				31 December 2015			
$m	**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 14)	**3**	**207**	**68**	**278**	4	162	62	228
Investments in line-by-line consolidated funds(Note 14)	**–**	**490**	**–**	**490**	–	329	–	329
Derivative financial instruments (Note 15)	**–**	**2**	**–**	**2**	–	2	–	2
	3	**699**	**68**	**770**	4	493	62	559
Financial liabilities held at fair value:								
Derivative financial instruments (Note 16)	**–**	**22**	**–**	**22**	–	8	–	8
Contingent consideration (Note 16)	**–**	**–**	**161**	**161**	–	–	206	206
	–	**22**	**161**	**183**	–	8	206	214

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 daily or weekly 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 $1 million (2015: $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, with a larger liquidity adjustment 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 values of non-current assets and liabilities held for sale (Note 14.2) are equal to the carrying values of $263 million (2015: $188 million) and $132 million respectively (2015: $69 million), and would be classified within Level 2. In 2015, non-current assets and liabilities held for sale would have been classified as Level 2 ($108 million) and Level 3 ($11 million). The fair value of borrowings (Note 13) is $157 million (2015: $157 million) and would have been classified as Level 1.

The basis of measuring the fair value of Level 3 investments is outlined in Note 14.1. The movements in Level 3 financial assets and financial liabilities measured at fair value are as follows:

	Year ended 31 December 2016		Year ended 31 December 2015	
$m	**Financial assets at fair value through profit or loss**	**Financial liabilities at fair value through profit or loss**	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss
Level 3 financial assets/(liabilities) held at fair value				
At beginning of the year	62	(206)	42	(145)
Assets reclassified from held for sale	11	–	–	–
Purchases	8	–	25	(23)
Total gains in the Group statement of comprehensive income	1	20	9	(79)
Profit/(loss) included in income statement	1	20	9	(79)
Included in other comprehensive income	–	–	–	–
Sales or settlements	(14)	25	(14)	41
At year end	68	(161)	62	(206)
Total gains/(losses) for the year included in the Group statement of comprehensive income for assets/(liabilities) held at year end	1	20	9	(79)

The financial liabilities in Level 3 primarily relate to the contingent consideration payable at 31 December 2016 to the former owners of Numeric ($150 million), with the remaining $11 million relating to contingent consideration for other smaller acquisitions. In 2015, these largely related to the contingent consideration payable in relation to the Numeric and FRM acquisitions.

	Year ended 31 December 2016			Year ended 31 December 2015		
$m	**Numeric**	**Other**	**Total**	Numeric	Other	Total
Contingent consideration payable						
At beginning of the year	**164**	**42**	**206**	110	35	145
Purchases	**–**	**–**	**–**		23	23
Revaluation of contingent consideration	**(28)**	**(12)**	**(40)**	61	1	62
Unwind of contingent consideration	**18**	**1**	**19**	12	5	17
Finance expense	**–**	**1**	**1**		–	–
Sales or settlements	**(4)**	**(21)**	**(25)**	(19)	(22)	(41)
At year end	**150**	**11**	**161**	164	42	206

The Numeric 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 option 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 (5 September 2014). 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, net management fee margins, performance, operating margins and the growth in FUM, as applicable. The post-tax discount rates applied are 11% for management fees and 17% for performance fees.

The most significant inputs into the valuations at 31 December 2016 are as follows:

	Numeric
Weighted average net management fee margin (over the remaining earn-out period)	0.4%
Compound average annualised growth in FUM (over the remaining earn-out period)	9%

A 0.1% increase/decrease in the weighted average net management fee margin would result in a $59 million increase/decrease in the contingent consideration creditor at 31 December 2016. A 1% increase/decrease in the compound average annualised growth in FUM (over the remaining earn-out period) would result in a $5 million increase/decrease in the contingent consideration creditor at 31 December 2016.

Increases/(decreases) in the fair value of the contingent consideration creditor would have a corresponding (expense)/gain in the Group income statement.

23. POST BALANCE SHEET EVENTS

On 1 January 2017, the Board completed the acquisition of Aalto Invest Holding AG (‘Aalto’), with an estimated acquisition fair value of approximately $78 million. Aalto is a US and Europe-based real asset focused investment manager with $1.8 billion of funds under management at 1 January 2017. The estimated acquisition fair value largely represents goodwill in the acquired business, and also includes other acquired intangible assets such as investment management agreements. The acquisition consideration is structured to align Aalto’s interests with those of Man, and comprises an upfront payment of $25 million and four earn-out payments. The earn-out payments are dependent on levels of run rate management fees measured following one, four, six and eight years from completion, and are capped at $207 million in aggregate.

24. 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 such matters to have a material adverse effect on the financial position of the Group.

ALTERNATIVE PERFORMANCE MEASURES

Introduction

We assess the performance of the group using a variety of alternative performance measures. We discuss the Group's results on an 'adjusted' basis as well as a statutory basis. The rationale for using adjusted measures is explained below.

We also explain financial performance using measures that are not defined under IFRS and are therefore termed 'non-GAAP' measures. These non-GAAP measures are explained below. The alternative performance measures we use may not be directly comparable with similarly titled measures by other companies.

Funds under management (FUM) (non-GAAP measure)
FUM is the assets that the Group manages for investors in fund entities. FUM is a key indicator of our performance as an investment manager and our ability to remain competitive and build a sustainable business. FUM is measured based on management fee earning capacity. Average FUM multiplied by our net management fee margin (see below) equates to our management fee earning capacity. Funds under management are shown by product groupings that have similar margin and investor characteristics (as shown on page 4). Management focus on the movements in FUM split between the following categories:

- **Net inflows/outflows** (non-GAAP measure)

  Net inflows/outflows are a measure of our ability to attract and retain investor capital. Net flows are calculated as sales less redemptions. Further details are included on page 14.

- **Investment movement** (non-GAAP measure)

  Investment movement is a measure of our ability to manage the performance of our funds for our investors. It is calculated as the fund performance of each strategy multiplied by the FUM in that strategy. Further details are included on page 14.

- **FX and other movements** (non-GAAP measure)

  Some of the Group's FUM is denominated in currencies other than USD. FX movements represent the impact of translating non-USD denominated FUM into USD. Other movements principally relate to maturities and leverage movements.

- **Net management fee margins** (non-GAAP measure)
  Margins are an indication of the revenue margins negotiated with our institutional and retail investors net of any distribution costs paid to intermediaries. The net management fee margin is calculated as net management fee revenue (gross management fee revenue and income from associates less distribution costs) divided by average FUM. Details of the current year net management fee margins are included on page 18.

Adjusted profit before tax and adjusted earnings per share

Adjusted profit before tax reflects the recurring revenues and costs that drive the Group's underlying profitability. The directors consider that in order to assess underlying operating performance, the Group's profit period on period is most meaningful when considered on a basis which excludes acquisition and disposal related items, impairment of assets, restructuring costs and certain non-recurring gains or losses. This therefore reflects the recurring revenues and costs that drive the Group's cash flows and inform the base on which the Group's variable compensation is assessed.

The reconciliation of statutory profit before tax to adjusted profit before tax is shown on page 31. The reconciliation of diluted statutory EPS to the adjusted EPS measures is included on page 37.

- **Adjusted net management fee profit before tax and adjusted net management fee EPS**

  Adjusted profit before tax is split between adjusted net management fee profit before tax and adjusted net performance fee profit before tax to separate out the variable performance fee related earnings of the business from the underlying management fee earnings of the business. Adjusted net management fee profit before tax is calculated as adjusted profit before tax excluding net performance fee profit before tax. The detailed calculation of adjusted net management fee profit before tax is shown on page 21.

  Man's dividend policy is disclosed on page 24. Dividends paid to shareholder (or adjusted net management fee EPS) are determined based on the adjusted net management fee profit before tax.

  Adjusted net 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.

  The reconciliation of diluted statutory EPS to adjusted net management fee EPS is included on page 37.

- **Adjusted net performance fee profit before tax**

  The detailed calculation of adjusted net performance fee profit before tax is shown on page 21.

Adjusted EBITDA

As the Group has a number of non-cash items in the income statement, it is important to focus on cash earnings to measure the true earnings generation of the Group. Adjusted EBITDA represents our profitability excluding non-cash items. The table on page 22 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 deferred awards.

- **Adjusted management fee EBITDA margin**

  The adjusted management fee EBITDA margin is a measure of the underlying profitability of the Group. It is calculated as a percentage of net management fee revenues (gross management fee revenue and income from associates less cash distribution costs). Further details on this measure are included on page 14.

Compensation ratio

The compensation ratio measures our compensation costs relative to our revenues. The Group's compensation ratio is generally between 40% to 50% of net revenues, depending on the mix and level of revenue. It is calculated as total compensation divided by net revenues (gross management fee revenue and income from associates less cash distribution costs). Details of the current year compensation ratio are included on page 19.