

## Tax information

### **Apportionment of base cost of Man Group shares for UK capital gains tax purposes**

The comments below are intended as a general guide only and are based on current United Kingdom tax law and HM Revenue and Customs ("HMRC") practice as at 3 December 2007. The comments below relate only to shareholders who are resident and, if they are individuals, ordinarily resident in the United Kingdom for tax purposes and who hold (or held, as the case may be) their Old Ordinary Shares, New Ordinary Shares, B Shares and C Shares beneficially as investments and not on trading account.

Capitalised terms used in this general guide bear the meanings as set out in the circular to Shareholders dated 22 October 2007 (the "Circular") unless stated otherwise. Circular.

***Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult an appropriate professional adviser.***

On 26th November 2007, Man Group's ordinary shares of 3 US cents each ("Old Ordinary Shares") were consolidated into New Ordinary Shares of 3.4285 (3 & 3/7ths) US cents each ("New Ordinary Shares") in the ratio of seven New Ordinary Shares for every eight Old Ordinary Shares held. On the same date Shareholders were issued with one B Share or C Share for each Old Ordinary Share that they held at the Record Time.

As explained in Part 9 (*Taxation in relation to the Return of Cash*) of the Circular, for UK capital gains tax purposes (including for the purposes of UK corporation tax on chargeable gains), a shareholder's original base cost in his or her shareholding of Old Ordinary Shares must be apportioned between his or her corresponding shareholdings of New Ordinary Shares, B Shares and C Shares. The gain or loss made by a shareholder on any disposal of New Ordinary Shares, B Shares or C Shares (including by way of redemption) will be determined by reference to the base cost that is apportioned to the shares that are disposed of. The apportionment must be made by reference to the respective market values of the New Ordinary Shares, B Shares and C Shares on the first day on which market prices were quoted or published for the New Ordinary Shares, which was 26th November 2007. The respective market values must be determined under sections 272 and 273 of the Taxation of Chargeable Gains Act 1992 ("TCGA").

Shareholders who elected, or were deemed to have elected, for the Dividend Alternative should note that part of their base cost in respect of their Old Ordinary Shares will be apportioned to and will remain attributable to their C Shares in respect of which the Single Dividend is paid. Such shareholders should refer to Section 1(b) of Part 9 of the Circular for further information in this respect.

The New Ordinary Shares were first listed on 26th November 2007. On that date, the market value of each New Ordinary Share (determined under Section 272 of TCGA) was 510.25 pence<sup>1</sup>.

1 Source: *The Daily Official List of the London Stock Exchange*

*Calculated as the closing bid price plus one quarter of the spread on 26th November 2007*

The B Shares and C Shares are unlisted and their market value must be determined in accordance with Section 273 of TCGA. In the case of C Shares issued under the Dividend Alternative and B Shares issued under the Immediate Capital Alternative, the return of cash was made on 10 December 2007 and for the purposes of this guidance the Company considers that the market value of such shares on 26th November 2007 should be equal to \$1.40 converted into sterling on that date. The closing US dollar: GB sterling rate on 26th November 2007 was US\$ 2.0679 = £1<sup>2</sup>, and therefore the sterling equivalent of \$1.40 was 67.7 pence.

2 Source: *Financial Times - closing mid market rate for US\$:£ on 26th November 2007*

**NB - The market value of the B Shares and C Shares on 26th November 2007 is not the same as the amount actually returned to shareholders under the Dividend Alternative and the Immediate Capital Alternative, which was converted to sterling in the period up to 6th December 2007 in accordance with the Circular, and fixed as 67.7999 pence per share.**

In the case of B Shares issued under the Deferred Capital Alternative, the redemption is not expected to take place until July 2008. In determining the market value of such B Shares as at 26th November 2007, it may therefore be appropriate to reduce the sterling equivalent to take into account the time value of money. The effect of this would be to reduce the proportion of base cost allocated to those B Shares and to increase the base cost retained in the New Ordinary Shares by a corresponding amount. The Company has not sought any clearance or guidance from HMRC on whether HMRC will accept, or require, such a reduction to be made. For guidance, however, as at 26th November 2007, the US\$ 6 month interest rate was 4.89% per annum<sup>3</sup>, which is equivalent to approximately 3% for the period between 26th November 2007 and July 2008.

3 Source: *Financial Times - US\$ 6 month LIBOR rate = 4.89375% on 26th November 2007*

Shareholders who acquired their shareholding of Old Ordinary Shares through a single original transaction should (before the application of any indexation, allowable losses, taper relief or any other adjustments) apportion their base cost in respect of that shareholding of Old Ordinary Shares as to approximately 86.83% to their New Ordinary Shares and approximately 13.17% to their B Shares or C Shares. This is based on a market value on 26th November 2007 of 510.25 pence per New Ordinary Share and 67.7 pence per B or C share<sup>4</sup>, calculated as follows:

*Percentage of base cost of shareholding of Old Ordinary Shares to be apportioned to shareholding of New Ordinary Shares:*

$$7/8 \times 510.25 / (7/8 \times 510.25 + 67.7) = \mathbf{86.83\%}$$

*Percentage of base cost of shareholding of Old Ordinary Shares to be apportioned to shareholding of B or C Shares:*

$$67.7 / (7/8 \times 510.25 + 67.7) = 13.17\%$$

*4 As noted above, it may be appropriate to use a lower market value for B Shares issued under the Deferred Capital Alternative, taking into account the time before redemption is expected to occur, i.e. replacing the value of 67.7 pence per share in the calculation above with a discounted value.*

The above apportionments take account of the 7 for 8 consolidation of the ordinary share capital, as well as the issue of B Shares and C Shares. Shareholders should note that as every 7 New Ordinary Shares represent the consolidation of 8 Old Ordinary Shares, the base cost of 7 New Ordinary Shares is therefore derived from 86.83% of the original base cost of 8 Old Ordinary Shares.

For shareholders who receive a cash payment in respect of a fractional entitlement to New Ordinary Shares, the amount of the cash payment should be deducted from the base cost of the corresponding Old Ordinary Shares before apportionment.

Shareholders who acquired their Old Ordinary Shares through more than one original transaction may be required to treat their Old Ordinary Shares for capital gains tax purposes as two or more separate shareholdings of Old Ordinary Shares, or "sub-shareholdings". Each sub-shareholding will have its own base cost, which would need to be apportioned between the New Ordinary Shares and B Shares or C Shares corresponding to that sub-shareholding. The apportionment would involve the same percentages as set out above being applied to the base cost of the sub-shareholding. Shareholders should note that the rules concerning sub-shareholdings are complex, and it is therefore recommended that shareholders who acquired their Old Ordinary Shares through more than one original transaction consult an appropriate professional adviser.

Examples of the CGT apportionment calculation are shown below.

The examples shown below are hypothetical examples, for the purposes of illustration only, and are unlikely to reflect the CGT apportionment calculation for any actual shareholder.

Example 1:

**Shareholders who are in any doubt as to their base cost in respect of any Old Ordinary Share should consult an appropriate professional adviser.**

Simple hypothetical example (assuming a single original purchase of Old Ordinary Shares and no indexation, allowable losses or incidental expenses, taper relief or any other adjustments)

800 Old Ordinary Shares were purchased for, say, 400p each - Total cost = £3,200

800 Old Ordinary Shares become 700 New Ordinary Shares plus 800 B/C Shares\*

Respective market values on 26th November 2007:

New Ordinary Shares	700	x	510.25p	=	£3,571.75	(86.83%)
B/C Shares	800	x	67.70p	=	£541.60	(13.17%)
Total value					£4,113.35	(100%)

Therefore:

The base cost of the 700 New Ordinary Shares is:	86.83%	x	£3,200	=	£2,778.56
The base cost of the 800 B and/or C Shares is:	13.17%	x	£3,200	=	£421.44
These amounts together equal the base cost of the Old Ordinary Shares					£3,200.00

*\* As noted above, it may be appropriate to use a lower market value for B Shares issued under the Deferred Capital Alternative, taking into account the time before redemption is expected to occur.*

Example 2:

A hypothetical example involving multiple Alternatives (assuming a single original purchase of Old Ordinary Shares and no indexation, allowable losses or incidental expenses, taper relief or any other adjustments)

Suppose, 8000 Old Ordinary Shares were purchased for, say, 400p each - Total cost = £32,000

Assume the election was made as follows:

Dividend Alternative	2000 Shares
Immediate Capital Alternative	4000 Shares
Deferred Capital Alternative	2000 Shares

8000 Old Ordinary Shares become 7000 New Ordinary Shares plus 8000 B/C Shares

Respective market values on 26th November 2007:

New Ordinary Shares	7000	x	510.25p	=	£35,717.50	(86.92%)
C Shares (Dividend Alternative)	2000	x	67.70p	=	£1,354.00	(3.29%)
B Shares (Immediate Capital Alternative)	4000	x	67.70p	=	£2,708.00	(6.59%)
B Shares (Deferred Capital Alternative)	2000	x	65.67p	=	£1,313.40	(3.20%)
Total value					£41,092.90	(100%)

Therefore:

The base cost of the 7000 New Ordinary Shares is:	86.92%	x	£32,000	=	£27,814.40
The base cost of the 2000 C Shares is:	3.29%	x	£32,000	=	£1,052.80
The base cost of the 4000 Immediate B Shares is:	6.59%	x	£32,000	=	£2,108.80
The base cost of the 2000 Deferred B Shares is:	3.20%	x	£32,000	=	£1,024.00
These amounts together equal the base cost of the Old Ordinary Shares					£32,000.00

*\* Applying a discount of 3% to B Shares issued under the Deferred Capital Alternative compared to the Immediate Capital Alternative to take account of the time value of money between 26th November 2007 and the expected redemption date in July 2008.*

**Shareholders who are in any doubt as to their base cost in respect of any Old Ordinary Share should consult an appropriate professional adviser.**