



# **Jupiter Fund Management plc**

Preliminary Announcement 2010 (unaudited)

18 March 2011



**PRELIMINARY ANNOUNCEMENT 31 DECEMBER 2010 (UNAUDITED)**

18 March 2011

	<b>Year ended 31 December 2010</b>	Year ended 31 December 2009
<b>EBITDA* (£m)</b>	124.6	91.2
<b>Profit before tax (£m)</b>	42.4	7.2
<b>Assets under management (£bn)</b>	24.1	19.5
<b>Net inflows (£bn)</b>	2.3	1.8
<b>Final ordinary dividend (p/share)</b>	4.7	-

**Business highlights**

- EBITDA\* increased 37 per cent. to £124.6m for the year ended 31 December 2010.
- AUM increased to £24.1bn at 31 December 2010.
- Net inflows of £2.3bn for the year ended 31 December 2010.
- 63 per cent. of mutual funds above benchmark over three years.
- Net debt of £62.7m and a leverage ratio of 0.5x.

**Edward Bonham Carter, Chief Executive, commented:**

"2010 was another successful year for Jupiter with a strong performance for both clients and shareholders. More than 50 per cent. of our mutual funds by AUM were ranked in the first quartile in terms of three year investment performance. Strong net sales of £2.3bn in the year combined with improving market levels to increase AUM from £19.5bn to £24.1bn. These strong sales and AUM numbers form a healthy backdrop to our increase in full year EBITDA to £124.6m from £91.2m.

Our Listing on the London Stock Exchange in June 2010 was an important step in the Group's development. It strengthened our ability to retain and attract talented employees, provided shareholders with liquidity and transparency and enabled us to reduce our debt substantially, thus positioning the business for further growth.

While volatility is set to remain a key feature for the markets in 2011, we are confident that our targeted approach to developing our distribution channels and product set, together with investment outperformance, sees us well positioned to deliver further growth for clients and generate value for our shareholders."

\* Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is a non-GAAP measure which the Group uses to assess its performance. It is defined as operating earnings excluding the effect of depreciation and the charge for options over pre-Listing shares.

**Contacts:****Investors****Media****Jupiter**

Philip Johnson  
+44 (0)20 7314 4807

Alicia Wyllie  
+44 (0)20 7314 5573

**Financial Dynamics**

Ed Gascoigne-Pees  
+44 (0)20 7269 7132

Andrew Walton  
+44 (0)20 7269 7204

**Analyst presentation**

Jupiter will host an analyst presentation to discuss the results at 9.30am on Friday 18<sup>th</sup> March. The presentation will be held at Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB.

Those analysts wishing to attend are asked to contact Justine Cording at Financial Dynamics on +44 (0)20 7269 7265 or at [justine.cording@fd.com](mailto:justine.cording@fd.com). The presentation will be accessible via a conference call for those unable to attend in person.

There will be a live webcast of the presentation. This will be available on the Jupiter website at [www.investorsjupiteronline.co.uk](http://www.investorsjupiteronline.co.uk).

The Preliminary Announcement will be available at [www.investorsjupiteronline.co.uk](http://www.investorsjupiteronline.co.uk) and copies may also be obtained from the registered office of the Company at 1 Grosvenor Place, London SW1X 7JJ.

## **FORWARD-LOOKING STATEMENTS**

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This announcement contains forward-looking statements with respect to the financial condition, results of operations and businesses of the Group. Such statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this announcement. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast.

## CHAIRMAN'S STATEMENT

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These are our first full year results since our Listing on the London Stock Exchange last summer. We delivered strong performance in 2010. More than 50 per cent. of our mutual funds, by AUM, were ranked in the first quartile in terms of three year investment performance at the year end. Net sales of £2.3bn combined with market levels ending the year in positive territory to lift AUM from £19.5bn to £24.1bn. This underpinned EBITDA for the year of £124.6m. Full details of our performance and results are set out in the financial review and in the financial statements which follow.

### Listing

The Listing, launched in volatile markets, was nonetheless very well supported. We were pleased to broaden our shareholder base, with the participation of many new investors who saw the value and growth potential in our business model and in the strategy set out in our Listing prospectus. At the same time, the Listing enabled us to simplify and strengthen our capital structure, exchanging high coupon preference capital for ordinary equity thereby substantially reducing net debt. This has provided a solid platform for future performance.

At the time of the Listing we indicated that we expected to pay a final dividend in respect of 2010, following announcement of our results. The Board has recommended a dividend of 4.7p per ordinary share.

### Governance

Over the past two years we have reviewed and strengthened our governance arrangements, both at Board and executive level. Our past growth, future aspirations and obligations to clients, counterparties and regulators all dictate the need for very high standards of governance. Ensuring we meet those standards is a continuing process, on which we intend to remain very focused. Ahead of the Listing, we welcomed Liz Airey and Lorraine Trainer as new non-executive directors. Liz is our Senior Independent Director and Chair of the Audit Committee; Lorraine will become Chair of the Remuneration Committee following our AGM in May, taking over from me. At Listing the number of executive directors on the Board reduced, with Adrian Creedy and Anthony Nutt stepping down but continuing as members of the Executive Committee. Jonathan Carey also stepped down at Listing and retired in December after more than 23 years of distinguished service with the Group. Chris Parkin, who had joined the Board following the 2007 MBO as a nominee of TA Associates, also retired from the Board at Listing. TA Associates continue to be a significant shareholder and Mike Wilson and Richard Morris remain as TA representatives on the Board.

### Employees

The quality and performance of our people is of the highest importance for Jupiter. The Group's success is dependent on its ability to recruit, motivate and retain talented individuals whose skills are often very much in demand in a competitive market, and to that end we need to maintain a competitive remuneration policy that also aligns the interests of clients, shareholders and staff. Since Listing we have worked hard to develop and implement the remuneration policy set out in our Prospectus, and to ensure that it is consistent with the above objectives and compliant with the FSA's Remuneration Code. 2010's strong corporate performance was underpinned by the great commitment and professionalism of our staff in all roles, and on behalf of the Board I would like to thank all of them for their contribution.

### Outlook

Looking ahead, the market for our investment products and services is large and growing steadily. We see considerable opportunities for growth which we intend to pursue, both in our core UK retail market and in the other markets and geographies in which we have been building capacity.

Jamie Dundas  
Chairman

## CHIEF EXECUTIVE'S STATEMENT

### Introduction

Stock markets endured significant volatility in 2010. Concerns over European sovereign debts and GDP growth drove markets down during the first half of the year, while the re-emergence of quantitative easing in the US, combined with robust corporate earnings, boosted sentiment as the end of the year approached. The FTSE 100 Index ended the year at 5,900, some 9 per cent. above the 2009 close of 5,413.

During 2010, we saw a number of changes that have strengthened our business. Our Listing on the London Stock Exchange in June allowed us to restructure our balance sheet, redeem our outstanding non-bank debt and pay down some bank debt. It was also pleasing to have developed our investment team with several key hires, enabling us to launch funds in areas we believe will help provide growth, such as convertible bonds and emerging markets. Furthermore, we undertook a rationalisation of our support functions by outsourcing our unit trust administration to IFDS (International Financial Data Services) who have provided our unit trust administration systems for many years. This led us to consolidate our UK office onto one site during the first quarter of 2011.

### Business overview

We believe the key to our continued success lies primarily in the strength of our investment culture. This has enabled us to attract, nurture and retain talented fund managers for the long term. Despite the competitive nature of the industry, 17 of our 39 fund managers have stayed with the Group for over 10 years.

Giving these talented individuals freedom to pursue their own individual investment approaches has, we believe, helped many of them build strong reputations and industry recognition in their respective sectors and enabled us to build our track record of medium to long term investment outperformance. Over the three years to 31 December 2010, 22 of our mutual funds representing approximately 66 per cent. of mutual fund AUM, delivered first and second quartile investment performance, up from 19 mutual funds representing approximately 60 per cent. of mutual fund AUM at the end of 2009. We have also seen an encouraging improvement in our one year performance record with 55 per cent. of mutual fund AUM above median at the end of the year under review, an increase from 46 per cent. at the end of 2009.

This outperformance helped drive net inflows of £2.3bn which, together with investment appreciation, lifted our AUM 24 per cent. from £19.5bn at the end of 2009 to £24.1bn at the end of 2010, which compares favourably with the 9 per cent. rise in the FTSE 100 over the same period. Such a result is pleasing given the volatile market backdrop and lower net retail sales across the industry, amidst uncertainty over the UK political and tax environment. Some £1.9bn of these inflows were delivered by our mutual fund operation, with our UK fund of funds range particularly popular among fund buyers. We also benefited from three product launches during the year, an increased contribution from our international flows and positive inflows from our institutional product.

### Financial result

Profit before tax for the period was £42.4m, £35.2m ahead of 2009's £7.2m. Net revenue for the period was £230.5m, 27 per cent. ahead of the £182.1m achieved in 2009. Administrative expenses of £115.1m were £22.8m higher than 2009 primarily as a result of increased variable compensation costs.

EBITDA was £124.6m for the year, 37 per cent. ahead of the £91.2m we achieved in 2009, reflecting both strong growth in net management fees from higher market levels and net inflows. Our EBITDA margin rose to 54 per cent. (2009: 50 per cent.), primarily as a result of the scalability of our business model; while net revenues increased, fixed costs remained stable.

### Dividend

The recommended final dividend of 4.7p per ordinary share will result in a charge of £20.7m in 2011's result.

### Strategy

Our focus remains on providing active management to a broad range of investors. We intend to grow by applying our investment skills efficiently across a wide range of products and broadening our offering where we feel we can add value for clients and where there is scope for meaningful inflows. Ageing populations and the decline in state-funded and corporate provision of pensions provide an attractive opportunity for us and the challenge is to capture the revenue opportunity to the benefit of shareholders via a scalable operating model.

### Outlook

As the recent turmoil in the Middle East and last week's devastating tragedy in Japan serve to demonstrate, the future is always uncertain. These events, which are still unfolding, only compound the difficulty and danger of forecasting. Nonetheless, high debt levels in the Western world combined with above average unemployment makes an anaemic economic recovery in mature economies the likely outcome. Rising resource prices and inflationary pressures in the high growth economies are increasing the probability of stagflationary conditions in the mature countries.

As this week has demonstrated, such issues can cause significant short term volatility and markets are likely to remain range bound over the medium term as a result. These conditions, which have predominated over the past decade, present investors with challenges and opportunities. While greater volatility is to be expected, equities look more attractive than other asset classes, such as property and cash. Our fund managers, with a strong reputation for successful stock picking, have the potential to outperform equity indices, just as many did throughout the last 10 years, by investing in those companies that will grow our clients' assets over the medium term through varying economic conditions.

Edward Bonham Carter  
Chief Executive

## FINANCIAL REVIEW

### Overview

We finished the year with our overall AUM at an all-time high, record net inflows and increased EBITDA of £124.6m, driven by higher revenues alongside modest fixed costs growth. This EBITDA performance combined with reduced financing costs after the Listing to drive profit before tax up substantially on the prior year.

	2010	2009
<b>Assets under management (£bn)</b>	24.1	19.5
<b>Net inflows (£bn)</b>	2.3	1.8
<b>Net revenue (£m)</b>	230.5	182.1
<b>EBITDA (£m)</b>	124.6	91.2
<b>EBITDA margin (per cent.)</b>	54	50
<b>Profit before tax (£m)</b>	42.4	7.2
<b>Final dividend (p/share)</b>	4.7	-

The Board has authorised a partial debt repayment of £80.0m post year end. Following the repayment, the Group's outstanding bank debt will be £203.0m, reduced from a balance of £363.0m at the start of 2010.

### Sales

We achieved £2.3bn of net inflows into our funds during the year ended 31 December 2010, and continued our trend of positive net sales of UK mutual funds for every quarter from 1 January 2000.

<b>Net inflows/(outflows) by product</b>	<b>2010 £m</b>	<b>2009 £m</b>
Mutual funds	1,886	1,747
Segregated mandates	383	(129)
Private clients	121	286
Investment trusts	(46)	(32)
Hedge funds	(24)	(68)
<b>Total</b>	<b>2,320</b>	<b>1,804</b>

Mutual funds were the main product contributor with net sales of £1.9bn, reflecting net inflows into our Fund of funds and European ranges, increasing sales from our International distribution channels and the launch effect from the Jupiter Absolute Return unit trust and the Jupiter Global Convertible and Jupiter Strategic Total Return SICAV products.

During the year, segregated fund net inflows were £0.4bn, driven by new mandate wins and additional assets from existing customers. Private clients flows of £0.1bn were behind the previous year, primarily as a result of the one-off effects associated with hiring new managers during 2009. Investment trusts saw a £46m outflow related to the restructuring of the Jupiter Dividend & Growth Trust plc. None of the investment trusts which we manage reaches the end of its planned life before 2014.

### AUM

As at 31 December 2010, we had increased our AUM to £24.1bn (31 December 2009: £19.5bn).

<b>AUM by product</b>	<b>2010 £m</b>	<b>2009 £m</b>
Mutual funds	18,418	14,692
Segregated mandates	3,259	2,754
Private clients	1,693	1,355
Investment trusts	527	546
Hedge funds	181	175
<b>Total</b>	<b>24,078</b>	<b>19,522</b>

The Group's AUM is predominantly made up of mutual funds, which at 31 December 2010 increased to £18.4bn (31 December 2009: £14.7bn), representing 76 per cent. of total AUM (31 December 2009: 75 per cent.). We were the fifth largest fund manager of UK retail mutual funds by AUM at 31 December 2010.

## Investment performance

Investment performance has remained strong for the majority of our funds and products. At 31 December 2010, 22 mutual funds representing approximately 66 per cent. of mutual funds, by AUM, had delivered first and second quartile investment performance over a three year period (31 December 2009: 19 mutual funds representing approximately 60 per cent. of mutual fund AUM). We saw an encouraging improvement in the one year record, as 55 per cent. of mutual funds at the year end were above median (31 December 2009: 46 per cent.)

## EBITDA

EBITDA was £124.6m for the period (2009: £91.2m), 37 per cent. up on the prior year, primarily as a result of the scalability of our business model as net revenues rose sharply alongside a modest increase in fixed costs. As a result, the Group's EBITDA margin rose to 54 per cent. (2009: 50 per cent.). The Group's disclosed EBITDA includes a £2.0m charge in relation to the closure of our West Malling office after the outsourcing of our unit trust administration (UTA) operations to IFDS in August.

## Net Revenue

	<b>2010</b>	2009
	<b>£m</b>	£m
Net management fees	204.7	158.4
Net initial charges and commissions	20.1	18.5
Net performance fees	5.7	5.2
<b>Total</b>	<b>230.5</b>	<b>182.1</b>

Net revenue for the period was £230.5m (2009: £182.1m), 27 per cent. ahead of 2009. This was mainly due to an increase of 29 per cent. in net management fees, reflecting 20 per cent. higher average FTSE 100 levels at 5,465 (2009: 4,541) and the contribution from net inflows over the last two years. The net management fee margin for the year was 98 basis points, slightly above the full year 2009 margin. This was due to the increased proportion of mutual funds as a percentage of average AUM (76 per cent. versus 74 per cent. in 2009), as these assets typically tend to have a higher margin. However, we expect net management fee margins to decline slowly over time, as distributors take an increasing share of fees and the Retail Distribution Review alters industry pricing structures, although the rate and angle of decline is uncertain.

Net initial charges and commissions increased by £1.6m to £20.1m (2009: £18.5m), reflecting higher levels of gross sales and redemptions versus 2009, driving higher box profits. Performance fees of £5.7m (2009: £5.2m) are in line with the previous year. Approximately £3.2bn of our AUM attracts a performance fee, the majority of which has a calculation period in the second half of the financial year.

	<b>2010</b>	2009
Average FTSE 100	5,465	4,541
Average AUM (£bn)	21.1	16.3
Net management fee margin (bps)	98	97

## Administrative expenses

	<b>2010</b>	2009
	<b>£m</b>	£m
Fixed staff costs	39.1	38.4
Other expenses	35.7	28.1
<b>Total fixed costs</b>	<b>74.8</b>	<b>66.5</b>
Variable staff costs	32.5	25.8
Charge for options over pre-Listing shares	7.8	-
<b>Total administrative expenses</b>	<b>115.1</b>	<b>92.3</b>

Administrative expenses of £115.1m were £22.8m higher than 2009 as a result of increased variable compensation costs arising from improved profitability in 2010 and charges for options over pre-Listing shares. Fixed staff costs of £39.1m remained stable (2009: £38.4m), with headcount reduced by 75 in August as a result of outsourcing of UTA operations to IFDS. This has improved operational scalability within the business and moved our fixed cost base to being more aligned with our activity levels. Occupancy costs were increased by £2.0m for a provision for the closure of our West Malling office after the UTA outsource in 2010 but were also reduced in 2009 by a non-recurring lease provision release of £2.4m which relates to 4 Grosvenor Place. Excluding these two items, underlying fixed costs of £72.8m (2009: £68.9m) were 6 per cent. up on the prior year.

Variable staff costs increased in line with the higher profitability of the business in 2010. Variable compensation as a proportion of pre-variable compensation operating earnings was 21 per cent. (2009: 21 per cent.). This excludes a £7.8m charge for 2010 in respect of options granted prior to the Listing over the remaining shares in the pool established for employees at the time of the MBO in June 2007. Over time, we expect the variable compensation ratio outlined above to rise to the high twenty per cents over the medium-term as the incentive schemes put in place as part of our Listing build to maturity.

## Other gains/losses

Other gains were £1.7m, arising from a £1.0m one-off gain on the part disposal of our stake in Cofunds and a small net increase in the market value of our seed capital investments. This is £0.7m lower than the £2.4m in 2009.

### Amortisation of intangible assets

Amortisation of £39.8m (2009: £39.8m) included £38.7m (2009: £38.7m) relating to intangible assets acquired as part of the MBO on 19 June 2007. These assets relate to the acquired Investment management contracts and the Jupiter brand name, and are amortised on a straight line basis over seven and ten years respectively.

### Exceptional costs

The Financial Services Compensation Scheme (FSCS) announced on 20 January 2011 that a second interim levy for 2010/11 would be imposed on the industry for the costs of major investment failures such as Keydata Investment Services Limited. The cost to the Group is £5.2m and the full amount has been recognised in 2010. This charge did not arise from any action taken or omission by the Group.

The Group also recognised an exceptional cost for the year of £1.6m (2009: £nil) which related to expenses associated with Listing. Of the overall cost of Listing of £15.7m, £10.3m relating to the issue of new equity which was written off against the share premium account and £3.8m of loan amendment fees are included within finance expense in the income statement.

### Finance expense

Finance expenses decreased by £17.4m to £29.0m (2009: £46.4m). This includes £12.5m of non-recurring expenses relating to the MBO capital structure and £3.8m of expenses incurred to modify the terms of the bank loan in order to facilitate the Listing. After our Listing, finance costs have only been incurred on our £283.0m bank loan. Interest on this is paid at a margin of 3.75 per cent. over 3 month LIBOR, although the Group fixed its interest rate on £70m of the debt via swaps over three and four year periods with effect from 1 November 2010.

### Profit before tax (PBT)

PBT for the year was £42.4m (2009: £7.2m). This increase was driven by increased operating earnings and a reduction in finance expenses in the second half of the year.

### Tax expense

The effective tax charge for 2010 is 23 per cent. (2009: tax credit 19 per cent). The effective tax rate for 2010 is lower than the standard rate of corporation tax of 28 per cent. due to the offset of brought forward capital losses on gains made on disposal of investments during the year and the effect of restating closing deferred tax balances in light of the forthcoming changes to the standard rate of corporation tax. The impact of these on the effective tax rate was magnified by PBT being a relatively low number in 2010 due to the pre-Listing finance charges.

### EPS

The Group's basic and diluted EPS measures were 10.8p and 7.6p respectively in 2010. Comparisons with the prior period are not meaningful because of the different capital structures and the Listing consequences.

The Board has also developed an underlying earnings per share measure which it believes provides a more useful representation of the Group's trading performance as the statutory EPS measures are affected by various accounting treatments, including the Listing, the unwind of the MBO capital structure and management's share vesting and lock-in agreements.

<b>Underlying EPS*</b>	<b>2010</b>	2009
	<b>£m</b>	£m
Profit before tax	42.4	7.2
Adjustments:		
Amortisation of acquired intangibles	38.7	38.7
Charge for options over pre-Listing shares	7.8	-
Exceptional Listing cost	1.6	-
FSCS Levy exceptional cost	5.2	-
Pre-Listing loan amendment fees	3.8	-
Finance expense relating to pre-Listing capital structure	12.5	26.8
	<u>69.6</u>	<u>65.5</u>
Underlying profit before tax	<u>112.0</u>	<u>72.7</u>
Tax effect (at statutory rate 28 per cent.)	(31.4)	(20.4)
<b>Underlying profit after tax</b>	<u><b>80.6</b></u>	<u><b>52.3</b></u>
Actual shares on post vesting basis (m)	457.7	457.7
<b>Underlying EPS</b>	<u><b>17.6p</b></u>	<u><b>11.4p</b></u>

\*Underlying EPS is a non-GAAP measure which the Group uses to assess its performance

The 2010 underlying EPS was 17.6p (2009: 11.4p). This increase is the result of the improved trading performance of the Group.

## Cash and net debt

During 2010, the Group's cash decreased by £3.1m to £220.3m (2009: £223.4m) as cash generated from operating activities was used for the payment of £50m of Preferred Finance Securities capital and interest in March 2010 and £50m of bank debt at Listing.

The primary proceeds of the Listing and associated capital restructuring have strengthened our balance sheet to a level we believe will be beneficial to the business, clients and shareholders over the long term. As at 31 December 2010, the Group's net debt level had reduced to £62.7m (2009: £139.6m), which comprised the gross outstanding bank debt of £283.0m and gross cash of £220.3m. When net debt is compared with EBITDA, this produces a leverage ratio which has fallen to 0.5 times as at 31 December 2010.

The Group's bank facility remains attractive in the light of current available financing in both rate and terms. It contains no financial covenants and is not due for repayment until June 2015. Despite this long time horizon, we believe it would be sensible to pay down the debt in tranches ahead of 2015; there are no penalties for early repayment. The Group will continue to monitor the level of debt in combination with the level of cash generated.

## Seed capital investments

The Group deploys seed capital into funds to assist them in building a track record from launch or to give small but strongly performing funds sufficient scale to attract external money. As at 31 December 2010, we had a total investment of £53.2m in our own funds (2009: £50.9m). These investments are shown on the Group's balance sheet under the appropriate heading for the relevant level of ownership in each fund. The Group only invests into liquid funds and chooses to hedge market and currency risk on the majority of its holdings of seed capital investments, with 99 per cent. of seed capital hedged or invested in absolute return products. As a result, the value of these investments are stable and readily available to improve the Group's cash balances and liquidity if required.

## Shareholders' equity

Share capital before the Listing of £60m comprised £1.25m A shares, £31m Tier 1 preference shares, £24m Tier 2 preference shares and £3.75m B shares. The Tier 2 preference shares and the B shares were classified as loans and borrowings under IFRS as their underlying characteristics were those of debt instruments.

Immediately prior to Listing, the Company's share capital was restructured with the A shares and B shares being subdivided into 50 shares of 2p each and converted into, and re-designated as, ordinary shares. The Tier 1 preference shares and Tier 2 preference shares were subdivided into 50 shares of 2p each. Of these, a proportion was converted into ordinary shares such that the value was equal to the aggregate entitlement of the Tier 1 and Tier 2 preference shares at the date of Listing, including the catch-up entitlement of £10.4m on the Tier 1 preference shares and the accrued cumulative fixed dividend of £8.0m on the Tier 2 preference shares. The Tier 1 catch-up entitlement represents a transaction solely within equity and is therefore not recorded in the financial statements, other than as a deduction to net profit attributable to ordinary equity holders of the parent in calculating Earnings per Share. The settlement of the £8.0m accrued cumulative fixed dividend on the Tier 2 preference shares with ordinary shares has been recognised in other reserves as part of the capital reorganisation. The remainder of the sub-divided Tier 1 and Tier 2 preference shares representing the balance of the pre-Listing legal share capital of £54.1m were converted into and re-designated as deferred shares. Subsequent to Listing, the deferred shares were purchased for an aggregate cost of £1 and cancelled, and the £54.1m re-designated as capital redemption reserve. On Listing a further 133.5 million new ordinary shares were issued and 29.7m new ordinary shares were issued as consideration for the acquisition of a portion of the Preferred Finance Securities, with an associated £266.0m of share premium being recognised. £10.3m of Listing expenses are deducted from this in order to derive the share premium account balance of £255.7m.

As at 31 December 2010, 130.2m ordinary shares beneficially owned by senior employees were subject to restrictions which, in some circumstances, require the Group to repurchase the shares at their nominal value. The liability to repay the nominal value is shown within loans and borrowings. The shares on which these restrictions are attached vest over the next four years. These shares are held within the Group's Employee Benefit Trust and, together with a further 16.7m shares held for the purpose of satisfying share option obligations to employees, are treated as own shares with a cost of £2.9m being deducted from equity in the own shares reserve.

The available for sale reserve increase results from the positive revaluation of available for sale assets held by the Group. The foreign currency translation reserve is used to show the exchange movement on translation of subsidiary undertakings. The increase in retained earnings during 2010 is a result of the profit recognised through the income statement.

## Dividend

The Board recommends a final dividend for the year of 4.7p per share to ordinary shareholders, which is also the total payment for the year. Although we did not pay an interim dividend in 2010 because of the timing of the Listing, we would have expected our theoretical split to have been one-third / two-thirds between the interim and final dividend. We intend to implement a progressive dividend policy, with dividends determined taking into account historic and anticipated profits, cash flow and balance sheet position, with the split between the interim and final dividend weighted towards the final dividend.

This payment is subject to shareholders' approval at the Annual General Meeting and, if approved will be paid on 24 May 2011 to shareholders on the register on 15 April 2011.

**CONSOLIDATED INCOME STATEMENT**

**For the year ended 31 December 2010**

	Note	2010 £m	2009 £m
Revenue		271.1	214.6
Commissions and fees payable		(40.6)	(32.5)
Net revenue	3	230.5	182.1
Administrative expenses	4	(115.1)	(92.3)
Operating earnings		115.4	89.8
Other gains		1.7	2.4
Amortisation of intangible assets		(39.8)	(39.8)
<b>Operating profit before exceptional items</b>		<b>77.3</b>	<b>52.4</b>
Exceptional costs	5	(6.8)	-
<b>Operating profit</b>		<b>70.5</b>	<b>52.4</b>
Finance income		0.9	1.2
Finance expense	6	(29.0)	(46.4)
<b>Profit before taxation</b>		<b>42.4</b>	<b>7.2</b>
Income tax (expense)/credit	7	(9.9)	1.4
<b>Profit for the financial period attributable to owners of the parent</b>		<b>32.5</b>	<b>8.6</b>
<b>Earnings per share</b>			
Basic	14	10.8p	10.6p
Diluted	14	7.6p	3.2p

**STATEMENT OF OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2010

	2010 £m	2009 £m
<b>Profit for the year</b>	32.5	8.6
<b>Other comprehensive income:</b>		
Exchange movements on translation of subsidiary undertakings	0.2	(2.9)
Changes in the fair value of available for sale assets	10.3	-
<b>Other comprehensive income/(loss) for the period</b>	10.5	(2.9)
<b>Total comprehensive income for the period attributable to owners of the parent</b>	43.0	5.7

**CONSOLIDATED BALANCE SHEET****As at 31 December 2010**

	Notes	2010 £m	2009 £m
<b>NON-CURRENT ASSETS</b>			
Goodwill	8	341.2	341.2
Intangible assets	9	142.4	181.7
Property, plant and equipment	10	1.1	1.6
Available for sale investments	12	20.2	13.2
Deferred tax assets	11	11.0	13.0
Trade and other receivables		11.2	14.4
<b>Total non-current assets</b>		<u>527.1</u>	<u>565.1</u>
<b>CURRENT ASSETS</b>			
Investments in associates	12	13.6	27.6
Financial assets at fair value through profit or loss	12	45.3	23.3
Derivative financial instruments	12	0.9	-
Current income tax assets		-	10.2
Trade and other receivables		110.5	71.3
Cash and cash equivalents		220.3	223.4
<b>Total current assets</b>		<u>390.6</u>	<u>355.8</u>
<b>TOTAL ASSETS</b>		<u>917.7</u>	<u>920.9</u>
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>			
Share capital	16	9.2	32.3
Share premium	17	255.7	-
Capital redemption reserve	19	54.1	-
Own share reserve	19	(2.9)	-
Other reserve	19	8.0	-
Available for sale reserve	19	10.3	-
Foreign currency translation reserve	19	7.5	7.3
Retained earnings	19	48.8	6.9
<b>TOTAL EQUITY</b>		<u>390.7</u>	<u>46.5</u>
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	15	281.5	627.7
Trade and other payables		17.1	27.3
Deferred income tax liabilities	11	39.6	54.4
<b>Total non-current liabilities</b>		<u>338.2</u>	<u>709.4</u>
<b>CURRENT LIABILITIES</b>			
Financial liabilities at fair value through profit or loss	12	7.0	-
Trade and other payables		170.6	156.3
Provisions		2.0	-
Current income tax liabilities		9.2	-
Derivative financial instruments	12	-	8.7
<b>Total current liabilities</b>		<u>188.8</u>	<u>165.0</u>
<b>TOTAL LIABILITIES</b>		<u>527.0</u>	<u>874.4</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>917.7</u>	<u>920.9</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2010

Attributable to the owners of the parent

	Ordinary share capital £m	Share premium £m	Deferred share capital £m	Capital redemption reserve £m	Own share reserve £m	Other reserve £m	Available for sale reserve £m	Foreign currency translation reserve £m	Retained earnings £m	Total £m
<b>Balance at 1 January 2009</b>	<b>32.3</b>	-	-	-	-	-	-	<b>10.2</b>	<b>(1.9)</b>	<b>40.6</b>
<b>Comprehensive income</b>										
Profit for the year	-	-	-	-	-	-	-	-	8.6	8.6
<b>Other comprehensive income</b>										
Currency translation differences	-	-	-	-	-	-	-	(2.9)	-	(2.9)
Total other comprehensive income	-	-	-	-	-	-	-	(2.9)	-	(2.9)
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	<b>(2.9)</b>	<b>8.6</b>	<b>5.7</b>
<b>Transactions with owners</b>										
Proceeds from shares issued	-	-	-	-	-	-	-	-	0.3	0.3
Share issue expenses	-	-	-	-	-	-	-	-	(0.4)	(0.4)
Share based payments	-	-	-	-	-	-	-	-	0.3	0.3
<b>Total transactions with owners</b>	-	-	-	-	-	-	-	-	<b>0.2</b>	<b>0.2</b>
<b>Balance at 31 December 2009</b>	<b>32.3</b>	-	-	-	-	-	-	<b>7.3</b>	<b>6.9</b>	<b>46.5</b>
<b>Comprehensive income</b>										
Profit for the year	-	-	-	-	-	-	-	-	32.5	32.5
<b>Other comprehensive income</b>										
Currency translation differences	-	-	-	-	-	-	-	0.2	-	0.2
Changes in the fair value of available for sale assets	-	-	-	-	-	-	10.3	-	-	10.3
Total other comprehensive income	-	-	-	-	-	-	10.3	0.2	-	10.5
<b>Total comprehensive income</b>	-	-	-	-	-	-	<b>10.3</b>	<b>0.2</b>	<b>32.5</b>	<b>43.0</b>
B shares conversion	3.7	-	-	-	(2.9)	-	-	-	-	0.8
Tier 1 preference share conversion	(30.5)	-	30.5	-	-	-	-	-	-	-
Tier 2 preference share conversion	0.4	-	23.6	-	-	8.0	-	-	-	32.0
Acquisition of Preferred Finance Securities	0.6	48.4	-	-	-	-	-	-	-	49.0
New ordinary shares issued	2.7	217.6	-	-	-	-	-	-	-	220.3
Share issue expenses	-	(10.3)	-	-	-	-	-	-	-	(10.3)
Cancellation of deferred shares	-	-	(54.1)	54.1	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-	-	-	1.6	1.6
Share based payments	-	-	-	-	-	-	-	-	7.8	7.8
<b>Total transactions with owners</b>	<b>(23.1)</b>	<b>255.7</b>	-	<b>54.1</b>	<b>(2.9)</b>	<b>8.0</b>	-	-	<b>9.4</b>	<b>301.2</b>
<b>Balance at 31 December 2010</b>	<b>9.2</b>	<b>255.7</b>	-	<b>54.1</b>	<b>(2.9)</b>	<b>8.0</b>	<b>10.3</b>	<b>7.5</b>	<b>48.8</b>	<b>390.7</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the year ended 31 December 2010**

	Notes	2010 £m	2009 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	116.6	57.8
Finance expense paid		(56.2)	(24.4)
Income tax paid		(1.7)	(16.2)
<b>Net cash inflows from operating activities</b>		<b>58.7</b>	<b>17.2</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(0.9)	(0.5)
Proceeds from sale of property, plant and equipment		-	0.2
Purchase of intangible assets		(0.5)	(0.6)
Proceeds from sale of available for sale investments		4.3	-
Finance income received		0.8	1.1
Dividend income received		-	0.1
<b>Net cash inflows from investing activities</b>		<b>3.7</b>	<b>0.3</b>
<b>Cash flows from financing activities</b>			
Net proceeds on issue of ordinary shares		220.3	-
Net proceeds on issue of B shares		-	0.1
Proceeds from issue of Tier 1 preference shares		-	0.3
Net proceeds from issue of Tier 2 preference shares		-	0.3
Net (payments)/proceeds on redemption of the Preferred Finance Securities		(192.9)	2.3
Repayment of bank loans		(80.0)	(12.0)
Listing and equity issuance expenses		(11.9)	-
<b>Net cash outflows from financing activities</b>		<b>(64.5)</b>	<b>(9.0)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2.1)</b>	<b>8.5</b>
Cash and cash equivalents at beginning of year		223.4	216.4
Exchange loss on cash and cash equivalents		(1.0)	(1.5)
<b>Cash and cash equivalents at end of year</b>		<b>220.3</b>	<b>223.4</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1) BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and IFRIC Interpretations ("IFRS as adopted by the EU") and with the provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies have been applied consistently to all periods presented in the financial statements.

The financial statements have been prepared on a going concern basis using the historical cost convention modified by the revaluation of certain available for sale financial assets, financial assets and financial liabilities (including derivative financial instruments) that have been measured at fair value through profit or loss. After reviewing the Group's current plans and forecasts and financing arrangements, as well as the current trading activities of the Group, the Directors consider that the Group has adequate resources to continue operating for the foreseeable future.

#### i) New standards and interpretations not applied

The Group has continued to apply the accounting policies used for its 2009 accounts and as disclosed in the Company's Listing prospectus. The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2011 or later periods, but the Group has decided not to early adopt them:

Not yet endorsed		Effective for period beginning on or after
IFRS 9	Financial Instruments on Classification and Measurement	1 January 2013
IAS 24 revised	Related Party Disclosures	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2011
Endorsed and available for early adoption		
IFRIC 14 amendment	Prepayments of a Minimum Funding Requirement	1 January 2011

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application, except for IFRS 9 "Financial Instruments on Classification and Measurement", which is the first part of a new standard on classification and measurement of financial instruments that will replace IAS 39. IFRS 9 has three measurement categories: amortised cost, fair value through profit and loss and fair value through other comprehensive income. All equity instruments are measured at fair value but fair value movements can be taken to profit or loss or other comprehensive income based on an irrevocable one time instrument by instrument designation. A debt instrument is valued at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest; otherwise it is at fair value through profit or loss. Accordingly, investments classified as available for sale in the consolidated balance sheet will have to be classified as financial assets at fair value through profit or loss or for equities only at fair value through other comprehensive income. IFRS 9 has not yet been endorsed by the European Union. The impact of the new standard will be determined by the Group's decision as to how it wishes to reclassify its available for sale assets.

Other future developments include the International Accounting Standards Board (IASB) undertaking a comprehensive review of existing IFRSs which, in June 2010, it prioritised into those IFRSs that it expects to issue by 30 June 2011. The IASB also plans to issue new standards on Offsetting, Consolidation, Fair value measurement, the presentation of Other comprehensive income and Revenue recognition. The Group will consider the financial impact of these new standards as they are finalised.

#### ii) Operating earnings

Operating earnings is net revenue less administrative expenses and does not include investment income and returns, other gains or amortisation of intangible assets. These are items which the Group considers are not indicative of the ongoing income and costs of its operations. The Group believes that operating earnings, while not a GAAP measure, gives relevant information on the profitability of the Group and its ongoing operations. Operating earnings may not be comparable with similarly titled measures used by other companies.

#### iii) Change of Company name

The Company changed its name from Jupiter Investment Management Holdings Limited to Jupiter Fund Management plc on 1 June 2010 and re-registered as a public company on the same date in preparation for Listing on the London Stock Exchange.

## 2) SEGMENT REPORTING

The Group has a single operating segment: Investment management.

The Group acts as an investment manager to authorised unit trusts, SICAVs, investment trusts, pension funds, private clients, hedge funds and other specialist funds and has offices in the United Kingdom, Bermuda, Germany, Jersey, and Singapore.

The Group offers different fund products through different distribution channels. All financial, business and strategic decisions are made centrally by the Board of Directors (the "Board"), which determines the key performance indicators of the Group. Information is reported to the chief operating decision maker, the Board on a single segment basis. Whilst the Group has the ability to analyse its underlying information in different ways, this information is not used by the Board to make decisions on an aggregated basis. The information used to allocate resources and assess performance is reviewed for the Group as a whole. On this basis, the Group considers itself to be a single-segment investment management business.

### Geographical information

	2010 £m	2009 £m
<b>Revenue by location of clients</b>		
UK	208.2	163.3
Continental Europe	15.5	10.9
Bermuda	6.6	7.7
Rest of the world	0.2	0.2
<b>Total revenue by location</b>	<u>230.5</u>	<u>182.1</u>

The net revenue information above is based on the location of the customer. The Group did not have any single customer or distributor contributing more than 10 per cent. of net revenues during the year (2009: nil).

Management monitors the operating earnings of its business segment for the purposes of making decisions about resource allocation and performance assessment.

## 3) NET REVENUE

	2010 £m	2009 £m
Management fees	238.6	185.2
Initial charges and commissions	26.8	24.2
Performance fees	5.7	5.2
Fees and commission expense	(40.6)	(32.5)
<b>Total net revenue</b>	<u>230.5</u>	<u>182.1</u>

## 4) ADMINISTRATIVE EXPENSES

	2010 £m	2009 £m
Fixed staff costs	39.1	38.4
Other expenses	35.7	28.1
<b>Total fixed costs</b>	<u>74.8</u>	<u>66.5</u>
Variable staff costs	32.5	25.8
Charge for options over pre-Listing shares	7.8	-
<b>Total administrative expenses</b>	<u>115.1</u>	<u>92.3</u>

Variable staff costs comprise payments to employees relating to bonuses, share based payments and profit sharing based on performance fees earned by the Group and associated social security costs. All other employee costs are considered to be fixed staff costs and include salaries and wages, related benefits and social security costs of employees.

## 5) EXCEPTIONAL COSTS

The Group recognised an exceptional cost for the year of £1.6m (2009: £nil) which relates to expenses associated with the Listing. A further cost of £10.3m (2009: £nil) relating to the issue of new equity which was written off against the share premium account. Together with £3.8m of loan amendment fees disclosed within finance expenses, these comprise a total of £15.7m Listing costs.

The Financial Services Compensation Scheme announced on 20 January 2011 that a levy would be imposed on the Investment Management industry for the costs of major investment failures relating to Keydata Investment Services Limited, Wills & Co and other investment intermediary firms. This resulted in an exceptional cost to the Group of £5.2m (2009: £nil) in 2010. This charge does not arise from any act or omission of the Group.

6) FINANCE EXPENSE

	2010 £m	2009 £m
Interest payable on bank borrowings	19.9	23.1
Amortisation of senior debt issue costs	2.3	1.4
Interest on Preferred Finance Securities	10.9	24.1
Finance cost (dividends) on Tier 2 preference shares	1.6	2.7
Bank facility fees	0.1	0.2
Loan amendment costs	3.8	1.1
Other finance costs	-	0.3
Fair value movement on interest rate swaps	(9.6)	(6.5)
<b>Total finance expense</b>	<u>29.0</u>	<u>46.4</u>

**Interest rate swaps**

In 2007, the Group entered into a £300m amortising interest rate swap agreement with The Royal Bank of Scotland plc, at an interest rate of 6.2475 per cent. The notional amount of the swap was £275m from 26 November 2008 until 26 February 2009, £225 m until 26 May 2009 and £212.5m until maturity on 26 August 2010.

In November 2010, the Group entered into two swap transaction agreements with Credit Suisse for periods of three and four years. Under the terms of the agreements, the Group has agreed to pay a fixed interest rate of 1.33 per cent. on a notional amount of £35m and 1.6175 per cent. on a further notional amount of £35m, settling quarterly.

**Preferred Finance Securities**

Interest was payable on the Preferred Finance Securities at the rate of 10 per cent. per annum from the date of issue on 19 June 2007. Interest was due to be paid to the holders on 31 March each year otherwise compound interest was charged on the 31 March balance each year until payment had been made. During the period, the Preferred Finance Securities were paid down on two occasions. A payment of £25.4m of the capital balance outstanding was made to holders on 31 March 2010 and on Listing a further £167.5m was repaid. The remaining £49.0m was acquired by the Company in consideration of the issue of ordinary shares (see share capital note below).

**Tier 2 preference shares**

The Tier 2 preference shares carried the right to a fixed preferential dividend at a rate of 10 per cent. of the issue price per share (£1) accruing daily from the date of issue. The dividend accrued up to 31 December each year was payable annually on 31 March otherwise compound dividend entitlements were charged on the missed Tier 2 preference share dividends each year until payment has been made. The Tier 2 preference shares were classified as loans and borrowings under IFRS and the related dividend entitlement presented as a finance expense. In June 2010, the Tier 2 preference shares, including all dividends due to the payment date, were converted into ordinary and deferred shares (see share capital note).

7) INCOME TAX EXPENSE / (CREDIT)

a) Tax expense/(credit) for the period	2010 £m	2009 £m
<b>Current taxation</b>		
UK corporation tax:		
Current period	21.4	2.1
Prior period adjustment	(0.3)	(6.6)
	<u>21.1</u>	<u>(4.5)</u>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences (note 11)	(10.6)	3.1
Prior period	(0.6)	-
<b>Total tax expense/(credit)</b>	<u>9.9</u>	<u>(1.4)</u>

The UK corporation tax rate for the period ended 31 December 2010 was 28 per cent. (2009: 28 per cent.).

The tax charge in the period is lower (2009: lower) than the standard rate of corporation tax in the UK and the differences are explained below:

b) Factors affecting tax expense/(credit) for the period	2010 £m	2009 £m
Profit before taxation	<u>42.4</u>	<u>7.2</u>
Taxation at the standard corporation tax rate	11.9	2.0
Other permanent differences	(1.9)	(1.7)
Non taxable income	(0.3)	(0.9)
Disallowable expenses	2.0	1.2
Adjustment to tax charge in respect of prior periods (current tax)	(0.3)	(6.7)
Adjustment to tax charge in respect of prior periods (deferred income tax)	(0.6)	4.7
Impact of tax rate change on deferred tax balances	(0.9)	-
<b>Total tax expense/(credit)</b>	<u>9.9</u>	<u>(1.4)</u>

In the year ended 31 December 2010, subsidiaries of the Group had unused capital tax losses, for which no deferred income tax asset has been recognised in the balance sheet, amounting to £nil (2009: £5.2m).

**8) GOODWILL**

On 19 June 2007, the Group acquired the entire share capital of Comasman Limited (formerly Commerz Asset Management (UK) plc) which gave rise to a goodwill asset being recognised.

	<b>2010</b>	2009
	<b>£m</b>	£m
<b>Goodwill arising on acquisition of Comasman Limited</b>		
Cost		
At 1 January	341.2	341.2
<b>Total Goodwill at 31 December</b>	<b>341.2</b>	<b>341.2</b>

No additional goodwill was acquired in the period (2009: £nil).

**9) INTANGIBLE ASSETS**

	<b>2010</b>	2009
	<b>£m</b>	£m
Computer software	2.6	3.2
Investment management contracts and trade name arising on acquisition of Comasman Limited	139.8	178.5
<b>Total intangible assets at 31 December</b>	<b>142.4</b>	<b>181.7</b>

On 19 June 2007, the Group acquired the entire share capital of Comasman Limited (formerly Commerz Asset Management (UK) plc). This acquisition gave rise to the recognition of an intangible asset relating to investment management contracts and trade name of the Group. The other intangible assets relates to computer software.

The amortisation charge for the year was £39.8m for investment management contracts, brand name and software in the period (2009: £39.8m). No additional investment management contracts were acquired in the period (2009: £nil).

**10) PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group acquired property, plant and equipment with a value of £0.9m (2009: £0.5m). Property, plant and equipment with a net book value of £nil (2009: £0.2m) were disposed of during the year. The net book value of property, plant and equipment at 31 December 2010 was £1.1m (2009: £1.6m).

## 11) DEFERRED TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2010 £m	2009 £m
Deferred income tax assets:		
to be recovered within 12 months	-	2.4
to be recovered after more than 12 months	11.0	10.6
	<u>11.0</u>	<u>13.0</u>
Deferred income tax liabilities:		
to be recovered within 12 months	-	(11.3)
to be recovered after more than 12 months	(39.6)	(43.1)
	<u>(39.6)</u>	<u>(54.4)</u>

Deferred tax assets have been recognised on the basis that they are expected to be recoverable in future periods.

	Intangible assets £m	Interest costs £m	Retention bonus £m	Deferred income/ expenses £m	Debt issue costs £m	Share based payments £m	Others £m	Total £m
At 31 December 2009								
Assets	-	0.6	2.0	5.8	-	-	4.6	13.0
Liabilities	(50.0)	-	-	-	(1.8)	-	(2.6)	(54.4)
<b>At 1 January 2010</b>	<u>(50.0)</u>	<u>0.6</u>	<u>2.0</u>	<u>5.8</u>	<u>(1.8)</u>	<u>-</u>	<u>2.0</u>	<u>(41.4)</u>
Assets	-	-	2.2	5.0	-	3.2	0.6	11.0
Liabilities	(38.0)	-	-	-	(1.1)	-	(0.5)	(39.6)
<b>At 31 December 2010</b>	<u>(38.0)</u>	<u>-</u>	<u>2.2</u>	<u>5.0</u>	<u>(1.1)</u>	<u>3.2</u>	<u>0.1</u>	<u>(28.6)</u>

Movements in temporary differences between the balance sheet dates have been reflected in the statement of other comprehensive income, the consolidated income statement or the consolidated statement of changes in equity, as follows:

	Intangible assets £m	Interest costs £m	Retention bonus £m	Deferred income/ expenses £m	Debt issue costs £m	Share based payments £m	Others £m	Total £m
At 1 January 2009	(60.8)	7.4	6.4	6.8	(2.2)	-	4.0	(38.4)
(Charged)/ credited to the income statement	10.8	(6.8)	(4.4)	(1.0)	0.4	-	(2.0)	(3.0)
<b>At 31 December 2009 and at 1 January 2010</b>	<u>(50.0)</u>	<u>0.6</u>	<u>2.0</u>	<u>5.8</u>	<u>(1.8)</u>	<u>-</u>	<u>2.0</u>	<u>(41.4)</u>
(Charged)/ credited to the income statement	12.0	(0.6)	0.2	(0.8)	0.7	1.6	(1.9)	11.2
(Charged)/credited to equity	-	-	-	-	-	1.6	-	1.6
<b>At 31 December 2010</b>	<u>(38.0)</u>	<u>-</u>	<u>2.2</u>	<u>5.0</u>	<u>(1.1)</u>	<u>3.2</u>	<u>0.1</u>	<u>(28.6)</u>

Other temporary differences primarily relate to unrealised movements on investments, economic hedging transactions at fair value and differences between depreciation and capital allowances.

## 12) FINANCIAL INSTRUMENTS

### Financial instruments by category

The carrying value of the financial instruments of the Group at 31 December is shown below:

#### As at 31 December 2009

	Loans and receivables	Designated as financial assets at fair value through profit or loss	Available for sale
<b>Financial assets</b>			
Available for sale investments	-	-	13.2
Investment in associates	-	27.6	-
Financial assets at fair value through profit or loss	-	23.3	-
Trade and other receivables (excluding prepayments and deferred acquisition and commission costs)	55.0	-	-
Cash and cash equivalents	223.4	-	-
<b>Total financial assets</b>	<b>278.4</b>	<b>50.9</b>	<b>13.2</b>
	Financial liabilities at fair value through profit and loss – held for trading	Other financial liabilities at amortised cost	
<b>Financial liabilities</b>			
Loans and borrowings	-	627.7	
Trade and other payables (excluding deferred income)	-	144.2	
Derivative financial instruments	8.7	-	
<b>Total financial liabilities</b>	<b>8.7</b>	<b>771.9</b>	

#### As at 31 December 2010

	Loans and receivables	Designated as financial assets at fair value through profit or loss	Available for sale
<b>Financial assets</b>			
Available for sale investments	-	-	20.2
Investment in associates	-	13.6	-
Financial assets at fair value through profit or loss	-	45.3	-
Derivative financial instruments	-	0.9	-
Trade and other receivables (excluding prepayments and deferred acquisition and commission costs)	83.1	-	-
Cash and cash equivalents	220.3	-	-
<b>Total financial assets</b>	<b>303.4</b>	<b>59.8</b>	<b>20.2</b>
	Financial liabilities at fair value through profit and loss – held for trading	Other financial liabilities at amortised cost	
<b>Financial liabilities</b>			
Loans and borrowings	-	281.5	
Financial liabilities at fair value through profit or loss	7.0	-	
Trade and other payables (excluding deferred income)	-	144.6	
<b>Total financial liabilities</b>	<b>7.0</b>	<b>426.1</b>	

Included within Financial liabilities at fair value through profit and loss are the Group's non-controlling interests.

## 13) DIVIDENDS

There were no interim dividends paid in 2010. A final dividend of £20.7m (4.7p per share) in respect of the year ended 31 December 2010 will be proposed at the AGM on 18 May 2011.

#### 14) EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit or loss for the period attributable to ordinary equity holders of the parent, after the deduction, by the weighted average number of ordinary shares outstanding during the period, less the weighted average number of own shares held. Both calculations are performed after taking retrospective account of the restructuring of the Company's share capital.

Diluted earnings per share amounts are calculated by dividing the net profit or loss for the period attributable to ordinary equity holders of the parent, after the deduction of the catch up entitlement of £10.4m on the Tier 1 preference share conversion, by the weighted average number of ordinary shares outstanding during that period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	<b>2010</b>	2009
	<b>£m</b>	£m
Net profit attributable to ordinary equity holders of the parent for basic earnings, after the deduction of the catch up entitlement of £10.4m on the Tier 1 preference share conversion	22.1	8.6
	22.1	8.6

After the Listing the number of ordinary shares in issue is 457.7m. For the purposes of calculating EPS, the share capital of the parent is calculated as the weighted average number of ordinary shares in issue over the periods reported. The weighted average number of ordinary shares outstanding during the period used for the purposes of calculating EPS is as follows:

	<b>2010</b>	2009
	<b>Number</b>	Number
	<b>m</b>	m
<b>Weighted average:</b>		
Issued share capital	368.7	268.8
Less own shares held (conditional awards)	(164.2)	(187.5)
	204.5	81.3
Weighted average number of ordinary shares after share restructuring for the purpose of basic earnings per share		
Add back weighted average number of dilutive shares	88.2	187.5
	292.7	268.8
Weighted average number of ordinary shares after share restructuring for the purpose of diluted earnings per share		

The weighted average number of own shares is deducted from the weighted average number of ordinary shares. 'Own shares' are shares held in an Employee Benefit Trust for the benefit of employees under the vesting, lock-in and other incentive arrangements in place.

	<b>2010</b>	2009
	<b>p</b>	p
Basic	10.8	10.6
Diluted	7.6	3.2

**15) LOANS AND BORROWINGS**

	2010 £m	2009 £m
Bank loan	278.9	356.6
Preferred Finance Securities	-	243.5
Tier 2 preference shares	-	24.0
Amounts due in respect of shares subject to vesting conditions	2.6	3.6
<b>Total borrowings</b>	<b>281.5</b>	<b>627.7</b>

**Bank loan**

The Group has a syndicated loan which is repayable on or before 19 June 2015. The facility agent for the loan is The Royal Bank of Scotland plc. The loan is secured by a charge over the assets of a subsidiary company, Jupiter Asset Management Group Limited (JAMG). The restrictions which arise under the terms of the loan facility prevent intercompany loans between certain subsidiaries and prohibit assets being sold, leased or disposed of other than in the ordinary course of business.

A portion of the proceeds of the Listing and the Group's pre-existing cash resources were used to repay £80m of the bank loan on 24 June 2010. The current loan balance repayable of £283.0m (2009: £363.0m) is disclosed net of £4.1m (2009: £6.4m) in respect of unamortised debt issue costs. Interest was payable at a rate per annum of 3 month LIBOR plus a margin of 2.125 per cent. until the Listing and is now payable at a rate per annum of 3 month LIBOR plus a margin of 3.75 per cent.

Under the facility agreement, the Group also has access to a revolving credit facility of £10m. This was not utilised during the year.

**Interest rate swaps**

In November 2010, the Group entered into two swap transaction agreements with Credit Suisse for periods of three and four years respectively. Under the terms of the agreements, the Group has agreed to pay a fixed interest rate of 1.33 per cent. for £35m and 1.6175 per cent. for another £35m settling quarterly. At 31 December 2010, the fair value of the arrangements was a profit position of £0.9m.

The interest rate swap arrangement with The Royal Bank of Scotland which the Group entered into in 2007 came to an end on 26 August 2010. Under the terms of the agreement, the Group had agreed to pay a fixed interest rate of 6.2475 per cent. settling quarterly.

**Preferred Finance Securities**

During the period, the Preferred Finance Securities were paid down on two occasions. A payment of £25.4m of the capital balance outstanding was made to holders on 31 March 2010 and on Listing a further £167.5m was repaid. The remaining £49.0m was acquired by the Company in consideration of the issue of ordinary shares (see share capital note below).

**Tier 2 preference shares and B shares**

Immediately prior to the Listing, each of the remaining Tier 2 preference shares was subdivided into 50 shares and a proportion were re-designated and converted into ordinary shares with the balance being converted into deferred shares. Each B share was subdivided into 50 shares of 2p each and each subdivided share was converted into and re-designated as an ordinary share (see share capital note below).

**Amounts due in respect of shares subject to vesting conditions**

Conditions were attached to certain of the B shares which would in some circumstances have required the Company to repurchase the shares at the original cost of issue; these conditions were carried over to certain of the ordinary shares, which resulted from the conversion of the B shares and the liability recognised in loans and borrowings. As at 31 December 2010, 130.2m (2009: £nil) ordinary shares were subject to these restrictions.

16) SHARE CAPITAL

	2010 Number m	2009 Number m
<b>Authorised</b>		
Ordinary shares 2p each	457.7	-
A shares of £1 each	-	1.3
Tier 1 preference shares of £1 each	-	31.0
	<u>457.7</u>	<u>32.3</u>
<b>Issued, allotted and fully paid</b>		
Ordinary shares 2p each	457.7	-
A shares of £1 each	-	1.3
Tier 1 preference shares of £1 each	-	31.0
	<u>457.7</u>	<u>32.3</u>
<b>As at 31 December</b>		
	<u>457.7</u>	<u>32.3</u>
	2010 £m	2009 £m
<b>Authorised</b>		
Ordinary shares 2p each	9.2	-
A shares of £1 each	-	1.3
Tier 1 preference shares of £1 each	-	31.0
	<u>9.2</u>	<u>32.3</u>
<b>Issued, allotted and fully paid</b>		
Ordinary shares 2p each	9.2	-
A shares of £1 each	-	1.3
Tier 1 preference shares of £1 each	-	31.0
	<u>9.2</u>	<u>32.3</u>
<b>As at 31 December</b>		
	<u>9.2</u>	<u>32.3</u>

Share capital before Listing of £60m comprised £1.25m A shares, £31m Tier 1 preference shares, £24m Tier 2 preference shares and £3.75m B shares. The Tier 2 preference shares and the B shares were classified as loans and borrowings under IFRS due to their underlying characteristics being those of debt instruments.

Immediately prior to Listing, the Company's share capital was restructured with the A shares and B shares being subdivided into 50 shares of 2p each and converted into, and re-designated as, ordinary shares. The Tier 1 preference shares and Tier 2 preference shares were subdivided into 50 shares of 2p each. Of these, a proportion was converted into ordinary shares such that the value was equal to the aggregate entitlement of the Tier 1 and Tier 2 preference shares at the date of Listing, including the catch-up entitlement of £10.4m on the Tier 1 preference shares and the accrued cumulative fixed dividend of £8.0m on the Tier 2 preference shares. The Tier 1 catch-up entitlement represents a transaction solely within equity and is therefore not recorded in the financial statements, other than as a deduction to net profit attributable to ordinary equity holders of the parent in calculating earnings per share. The settlement of the £8.0m accrued cumulative fixed dividend on the Tier 2 preference shares with ordinary shares has been recognised in other reserves as part of the capital reorganisation. The remainder of the sub-divided Tier 1 and Tier 2 preference shares representing the balance of the pre-Listing legal share price of £54.1m were converted into and re-designated as deferred shares. Subsequent to Listing, the deferred shares were purchased for an aggregate cost of £1 and cancelled, and the £54.1m re-designated as capital redemption reserve. On Listing a further 133.5 million new ordinary shares were issued and 29.7m new ordinary shares were issued as consideration for the acquisition of a portion of the Preferred Finance Securities, with an associated £266.0m of share premium being recognised. £10.3m of Listing expenses are deducted from this in order to derive the share premium account balance of £255.7m.

In the course of preparing the year end financial statements it has been determined that the following adjustment should be made to the share capital and reserves shown in the Half Yearly Report to reflect the above reorganisation.

	As reported in the Half Year Report £m	Pre-Listing Adjustment £m	Restatement of Half Year Report £m
Share premium	328.1	(72.5)	255.6
Deferred share capital	-	54.1	54.1
Other reserves	-	8.0	8.0
Retained earnings	7.4	10.4	17.8
	<u>335.5</u>	<u>-</u>	<u>335.5</u>

During the second half of the year, allowable deductions of £0.1m which were accrued against the share premium accounts were no longer considered payable which increased the share premium account to £255.7m as at 31 December 2010. The deferred shares were purchased and cancelled on 22 December 2010 and the deferred share capital was transferred to the capital redemption reserve.

**17) SHARE PREMIUM ACCOUNT**

	<b>2010</b>	2009
	<b>£m</b>	£m
Balance at 1 January	-	-
Premium arising on issue of ordinary shares on acquisition on Preferred Finance Securities	48.4	-
Premium arising on issue of ordinary shares to new subscribers	217.6	-
Less: expenses arising on issue of equity shares	<u>(10.3)</u>	-
<b>31 December</b>	<u><u>255.7</u></u>	<u><u>-</u></u>

The share premium account represents amounts received on the issue of share capital in excess of nominal value and is not a distributable reserve.

**18) DEFERRED SHARE CAPITAL**

	<b>2010</b>	2009
	<b>£m</b>	£m
At 1 January	-	-
Tier 1 preference shares conversion	30.5	-
Tier 2 preference shares conversion	23.6	-
Cancellation of deferred shares	<u>(54.1)</u>	-
<b>At 31 December</b>	<u><u>-</u></u>	<u><u>-</u></u>

19) RESERVES

i) Capital redemption reserve

	2010 £m	2009 £m
At 1 January	-	-
Cancellation of deferred shares	54.1	-
<b>At 31 December</b>	<b>54.1</b>	<b>-</b>

ii) Own shares reserve

	2010 £m	2009 £m
At 1 January	-	-
B shares conversion	(2.9)	-
<b>At 31 December</b>	<b>(2.9)</b>	<b>-</b>

As at 31 December 2010, 130.2m (2009: £nil) ordinary shares beneficially owned by senior employees were subject to restrictions which, in some circumstances, require the Group to repurchase the shares at their nominal value, and this liability is shown within loans and borrowings. The shares on which these restrictions are attached vest over the next four years. These shares are held within the Group's Employee Benefit Trust and together with a further 16.7m shares held for the purpose of satisfying share option obligations to employees, are treated as own shares with a cost of £2.9m.

iii) Other reserves

	2010 £m	2009 £m
At 1 January	-	-
Tier 2 preference share conversion	8.0	-
<b>At 31 December</b>	<b>8.0</b>	<b>-</b>

iv) Available for sale reserve

	2010 £m	2009 £m
At 1 January	-	-
Changes in fair value of available for sale assets	10.3	-
<b>At 31 December</b>	<b>10.3</b>	<b>-</b>

The available for sale reserve relates to the uplift in the fair value of the Group's holdings in investments classified as available for sale.

v) Foreign currency translation reserve

	2010 £m	2009 £m
At 1 January	7.3	10.2
Exchange movement on translation of subsidiary undertakings	0.2	(2.9)
<b>At 31 December</b>	<b>7.5</b>	<b>7.3</b>

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

vi) Retained earnings

	2010 £m	2009 £m
At 1 January	6.9	(1.9)
Profit for the year	32.5	8.6
Deferred tax on share based payments	1.6	-
Proceeds from shares issued	-	0.3
Share based payments	7.8	0.3
Share issue expenses	-	(0.4)
<b>At 31 December</b>	<b>48.8</b>	<b>6.9</b>

**20) CASH FLOW FROM OPERATING ACTIVITIES**

	<b>2010</b>	2009
	<b>£m</b>	£m
<b>Cash flows from operating activities</b>		
Profit on ordinary activities before taxation	42.4	7.2
Adjustments for:		
Depreciation	1.4	1.4
Amortisation	39.8	39.8
Net amortisation of initial charges and initial commissions	(2.5)	(3.8)
Share based payments	7.8	0.3
Gains on derivative financial instruments	(9.6)	(6.5)
Losses on total return swap	6.2	8.2
Fair value gains on financial assets at fair value through profit or loss	(10.2)	(10.7)
Finance income	(0.8)	(1.2)
Finance expense	38.6	52.9
Foreign exchange losses/(gains)	0.6	(0.1)
Increase/(decrease) in provisions	2.0	(2.3)
Exceptional costs	6.8	-
Changes in working capital:		
Increase in trade and other receivables	(29.7)	(21.5)
Increase in trade and other payables	25.2	17.4
Financial assets at fair value through profit or loss	(4.2)	(20.5)
Fair value loss on investment in associates	0.5	0.4
Fair value losses/(gains) on liabilities at fair value through profit or loss	2.3	(3.2)
<b>Cash generated from operations</b>	<u>116.6</u>	<u>57.8</u>

**21) FINANCIAL INFORMATION AND POSTING OF ACCOUNTS**

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2009 or 2010, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the signing by the Board of Directors and the Auditors. The Auditors have reported on the 2009 accounts; their report was unqualified, unmodified and did not contain statements under section 498(2) or 498(3) of the Companies Act 2006. The unaudited Preliminary Announcement for the year ended 31 December 2010 is subject to completion of the audit and may also change should a significant adjusting event occur before the approval of the Annual Report and Accounts for 2010.

The audited Annual Report and Accounts for 2010 are expected to be posted to shareholders by no later than 13 April 2011. Copies of the Annual Report and Accounts for 2010 may be obtained from that date by writing to the Company Secretary, Jupiter Fund Management plc, 1 Grosvenor Place, London SW1X 7JJ. The Annual General Meeting of the Company will be held on 18 May 2011 and notice will be circulated to all shareholders at least 20 working days before the meeting.

## RISK MANAGEMENT FRAMEWORK

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The Board is accountable for risk and is responsible for oversight of the risk management process. The Board has ultimate responsibility for the risk strategy of the Group and for determining an appropriate risk appetite and tolerance levels within which the Group must operate. The Board seeks to align its risk appetite with the Group's overall business strategy and capital resources, and carries out a regular review of the Group's risk management framework and risk controls. The Executive Committee has responsibility for the operation of the Group's risk management framework. The Risk Committee, chaired by the Chief Financial Officer with representation from all areas of the business, provides executive oversight of risk management.

## KEY RISKS AND MITIGATIONS

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### Managing risk

As an active asset management business we are exposed to a range of risks, some of which are inherent in our business. In order to succeed as an active asset manager, we are in the business of seeking a return on risks taken on behalf of our clients. Risks, if not managed properly, increase the possibility that we will not be able to meet our objectives.

The senior management team, supported by its management functions, takes the lead role in ensuring that appropriate controls are in place across the business to maintain the quality standards expected by clients and regulators. It is the responsibility of all employees to ensure that the control culture is embedded within our working practices.

Individual risks are managed in a variety of different ways depending on the nature of the risks and their potential impacts to mitigate adverse consequences. We continuously look to upgrade our risk control processes and technological support tools to increase their effectiveness and reduce any potential impact on the business.

The main risks facing our business and the ways in which we mitigate them are set out below:

### Market risk

We hold investments as both principal and agent. Market risk arises from market movements which can cause a fall in the value of principal investments and a decline in the value of assets under management. Revenues and new business are also at risk from a loss of confidence in markets that can affect investors in a period of falling markets.

As principal, our assets are predominantly held in short-dated cash deposits such that principal exposure to financial markets is limited. Seed capital investments in our own funds are monitored within internally set limits and, to minimise market risk, are hedged where appropriate. The Executive Committee regularly reviews all principal investments.

As an agent there is exposure in respect of the assets we manage on behalf of our clients and the related revenue. At an overall level, our geographically diversified, broad product range enables us to provide clients with solutions tailored to a variety of market conditions and serves to diversify individual market dependencies.

### Investment performance risk

Investment performance risk is the risk that portfolios will not meet their investment objectives. We adhere to a clearly defined investment process which seeks to meet investment targets within stated risk parameters. Individual portfolio performance, valuations and risk profiles are monitored by fund managers and management on a regular basis, allowing issues to be identified and mitigated. We use tools and governance principles within our investment risk framework and we review performance that lies outside expectations.

Fund performance is monitored as part of the investment performance risk management process and is formally overseen by a Monitoring Committee and the Portfolio Review Committee, both of which meet quarterly.

### Liquidity risk

As with market risk, we face liquidity risk issues on two levels, the corporate level and fund level.

At the corporate level, we face the risk that either the Group as a whole or the individual entities within it may not have access to sufficient liquid funds to trade solvently or meet trading liabilities. The major liability facing the Group is its fixed term debt facility which expires in June 2015 and which the Group would currently be unable to repay out of its liquid assets. This particular risk is mitigated by the conditions attaching to the loan, whereby there are no financial covenants which would force a repayment prior to maturity. However, the Group does have an ongoing liability to meet the interest costs associated with the loan. Business wide, the Group has a policy of holding sufficient cash or cash equivalents to allow it to meet a minimum period of fixed cost expenditure as well as regularly monitoring its cash generative profitability against both fixed costs and interest costs.

At the fund level, we face the risk that cash flows cannot be generated to meet investor redemptions or other obligations as they arise. Liquidity issues can also arise as a result of market conditions or through inherently illiquid investments. To mitigate this risk within client portfolios, we seek to match, where possible, the liquidity of a portfolio's underlying investments with its liquidity requirements. We actively monitor the market for indicators of declines in liquidity to enable pre-emptive actions to be taken. We also review products and portfolios to identify capacity constraints.

### Credit risk

We face credit risk as a result of counterparty exposure in the management of the Group's liquid assets. In order to manage this risk we actively monitor counterparty creditworthiness and operate within limits expressed in terms of value and term to maturity. We seek to diversify our exposure across different counterparties. All counterparties are reviewed on a regular basis and limits are amended following any relevant changes to their financial performance. We actively monitor market data and rating agency outputs in assessing counterparties.

### **Operational Risk**

Operational risk is the risk of loss caused by weakness or failure in the Group's systems and controls. These include risks arising from failing properly to manage key outsourced relationships.

We are reliant on technology and qualified professionals to maintain our infrastructure. Our technology is partly outsourced and our platform utilises well-established, tested technology from outsourcers judged to be financially stable and able to provide the required level of service. Outsourced suppliers are an important part of our business model and we work with our outsourced suppliers to maintain the quality and continuity of service. Detailed due diligence is undertaken before entering into new arrangements and performance is reviewed on an ongoing basis.

We rely on efficient and well-controlled processes. The potential impact and likelihood of processes failing and operational risks materialising is assessed by the head of each operational area on a regular basis, and where these likelihoods are felt to be outside of our appetite for risk, management actions and/or control improvements are identified in order to bring each potential risk back to within acceptable levels.

Continuity and business resumption planning is in place across the business. Alternative premises equipped with all key portfolio management and support systems are accessible by the firm within four hours of our normal business premises becoming unavailable.

All third parties to whom we outsource material aspects of our business are subject to ongoing oversight, ensuring that we can maintain assurance that they are of the required standard.

### **Distribution Risk**

Distribution risks arise from relationship management across different distribution channels and products. We distribute through three principal channels, namely: retail clients, intermediated through banks, brokers and independent advisers; institutional clients, often advised by consultants; and private clients. The broad range of distribution channels and a diversified client base mitigates against a key dependency on any particular channel or client.

### **People risk**

Jupiter is a human capital business and our staff are a significant component of successfully executing our strategy. We believe that high levels of employee engagement and equity ownership drive business outperformance and we strive to ensure we have an attractive working environment and a competitive remuneration structure. We also externally develop, monitor and maintain succession planning for all key roles throughout the organisation.

### **Product risk**

Product risk arises from the complexity inherent within our product range and in the development of new products to meet changes in client demand. Product risk can also arise from changes in the legal and regulatory landscape. We have dedicated product development resource, as well as an inter-disciplinary new product approval and product review procedure.

Product risk can also arise from capacity constraints where demand for a particular product can exceed the availability of suitable investments capable of delivering the desired strategy and return. We actively monitor potential capacity constraints and mitigate these by restricting the product to new investment.

### **Key contracts**

The Group has the following key contracts with third parties for the provision of certain services:

- IFDS provides a number of services, including dealing and registration processing, box management, agent and distributor
- Facility Agreement: The Group entered into a facility agreement with The Royal Bank of Scotland plc on 17 March 2007. Further details of this agreement can be found in the loans and borrowings note in the Financial Statements.