

**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009**

GlobeOp® Financial Services S.A. ("GlobeOp®" or "the Company", LSE:GO.), a leading independent provider of business process outsourcing, financial technology services and analytics to the hedge fund industry and other targeted sectors of the financial services industry, today announces its preliminary results for the year ended 31 December 2009.

**Highlights**

- Assets under Administration (AuA) grew 24% in 2009 to \$109 billion as at 31 December 2009 and were up 30% during second half of the year
- \$33 billion of AuA added from new middle, back-office and fund administration (MBA) clients and new funds
- Added strategic new business in new sectors
- Aggregated client returns were positive for every month of the year
- Revenues of \$156.5 million
- Adjusted Operating Profit\* of \$36.8 million
- Recognition of previously reported legal provision - \$27 million after-tax impact, \$43.5 million pre-tax
- Cash of \$42.6 million as at 31 December 2009
- Improving adjusted operating profit margin – 27.1% in second half of 2009 versus 20.0% in first half
- Final dividend increased 23% versus 2008 to 1.35 pence per share

	<u>2009</u>	<u>2008</u>
<b>Financial Information</b>		
Revenues.....	\$156.5m	\$185.2m
Operating (loss) profit <sup>+</sup> .....	(\$19.3)m	\$38.2m
(Loss) profit before tax <sup>+</sup> .....	(\$19.2)m	\$38.7m
(Loss) earnings per share—diluted.....	(\$0.06)	\$0.21
<b>Key Performance Indicators</b>		
Adjusted operating profit*.....	\$36.8m	\$50.0m
Adjusted operating profit margin.....	23.5%	27.0%
Profit before tax and exceptionals*.....	\$24.3m	\$37.3m
Profit before tax and exceptionals as a percentage of revenues.....	15.5%	20.2%
End of period AuA related to MBA revenues (in billions)*.....	\$109bn	\$88bn

\* see explanatory note in financial review discussion below

+ includes the settlement of legal actions and insurance reimbursements related to water damage to a company facility. See financial review discussion below for details

**Commenting on the results, Hans Hufschmid, Chief Executive Officer, said:**

"I am pleased to report another solid set of full year results for GlobeOp. Despite extremely difficult market conditions, we have not only weathered the storm, but emerged stronger. AuA grew 24% in 2009 to \$109bn with \$33bn added in new business from existing and new clients. During 2009 we attracted new clients and expanded into new market segments taking advantage of recent market dynamics and increased demand for independent valuation and transparency.

Our performance in 2009 confirmed the fundamental strength of GlobeOp's business model. The continued focus on expanding and improving our service offerings while optimizing costs has built firm foundations for sustainable growth.

It was therefore disappointing in a year of such strong performance to record an operating loss due to a one-time charge. However, the settlement this past summer of a long-standing dispute freed the management team to focus on optimizing our client service offerings and infrastructure as new opportunities emerged.

Looking ahead, while it is still early to know if the market recovery seen in 2009 can be sustained, there are encouraging signs with subscriptions outpacing redemptions and the addition of new clients so far in 2010. We have a promising new business pipeline and we will continue to explore potential strategic acquisitions to supplement organic growth. We remain firmly committed to our vision and we expect to make further progress in 2010."

## Enquiries

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## Conference Call for Analysts and Investors

There will be a conference call for analysts and investors at 2:30pm GMT. The dial-in number is +44 (0) 1452 561 371. Participants will need to quote Hans Hufschmid as chairman of the call, together with the conference ID 59798623.

An instant replay facility will also be available for 7 days after the call. The dial-in number for the replay facility will be +44 (0) 1452 55 00 00 and the access code 59798623#. The recorded call will then be accessible via [www.globeop.com](http://www.globeop.com).

## Notes to Editors — About GlobeOp

GlobeOp Financial Services (LSE:GO.) is a leading, independent financial technology specialist providing automated, integrated middle- and back-office, administration and risk reporting services to hedge funds and asset management firms-including banks, insurance companies, mutual & pension funds and proprietary traders. Clients trading a wide range of asset classes and derivatives outsource to GlobeOp to reduce technology investments and operational risks, and to focus resources on asset generation and portfolio management. Established in 2000, GlobeOp serves nearly 190 clients worldwide, representing \$109 billion in assets under administration (AuA). With headquarters in London and New York, GlobeOp employs more than 1,500 people on three continents; offices are also located in Dublin, Ireland; George Town, Cayman Islands; Harrison and Yorktown Heights, NY and Hartford, CT, U.S.A.; and Mumbai (Bombay), India. Further information: [www.globeop.com](http://www.globeop.com)

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## Important notice

Certain statements in this preliminary results announcement are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly, undue reliance should not be placed on forward looking statements.

## CHAIRMAN'S STATEMENT

As I conclude my first year as Chairman and look forward to celebrating GlobeOp's 10<sup>th</sup> anniversary in 2010, I am pleased to report that the Company successfully navigated some of the most turbulent economic conditions in memory. As we entered 2009, the global financial markets were in crisis and the viability of the financial system was in question. We enter 2010 proud that our company was both robust and resilient enough to survive the turmoil, as well as calm and nimble enough to take advantage of the opportunities presented.

During 2009 we attracted important new clients, entered new market segments and ended the year with Assets under Administration having virtually returned to our best-ever pre-turbulence levels. We also ended the year with a strong balance sheet, healthy cash position and a strong pipeline of future business. Based on these results, the Board is recommending a final dividend of 1.35 pence per share, which represents a 23% increase on 2008.

Our results were greatly affected by the tough decision we took in August to settle a legal dispute relating to events arising in 2004 and 2005. While this decision had a material impact on our results, we believe it was the right thing to do to remove continued uncertainty, close the book on events that occurred several years ago and free management to focus on the opportunities afforded by the extraordinary market environment. We have invested and worked continuously for several years to improve our procedures and constantly strengthen the business. GlobeOp's processes, controls, risk management and independent audit safeguards today are substantially more robust than those we had in 2005 when this situation originally arose. GlobeOp now also pursues an independent audit of its operating processes and controls to meet SAS 70 Type II certification each year. Nonetheless, we must constantly manage the potential for litigation.

Our President and Chief Operating Officer Vernon Barback played a significant role in improving our overall operational effectiveness. The strength of his leadership and value to the Company was recognized in December with his election to the Board.

The management team was further strengthened with Tom Kirkpatrick's promotion to head of Enterprise Risk Management. A chartered accountant with extensive experience in product control, operations and forensic accounting, Tom piloted our initial SAS70 approval process in 2007 and has been instrumental in establishing sustainable operational best practice within the business.

Rory Brooks, a director since the Company's first year, stepped down from the Board in 2009. I would like to thank him on behalf of everyone for his support, commitment and sage advice in GlobeOp's formative years.

GlobeOp's public shareholder base has grown significantly since flotation in 2007. In 2009 strategic divestments by long-term private equity investors increased liquidity in the secondary market, allowing a number of new major institutional investors to acquire substantial stakes and expand our shareholder base. In addition, several new equity research analysts initiated coverage of the Company in 2009. We are confident that these developments will enhance the attractiveness of GlobeOp Financial Services to our investors and potential investors.

In 2009, we also took significant steps to broaden the ownership culture within the Company and further align our management's interests with those of shareholders by granting stock options to all of our most senior employees pursuant to the Long Term Incentive Plan approved at the 2009 Annual General Meeting. For our most senior management, we continued to emphasize performance-related compensation by including performance-based vesting criteria in their stock option grants. We will continue to do this on an annual basis to build our team's long term equity interest in the Company.

As we embark on the Company's second decade, we are excited by opportunities to expand market share in our core business and to extend our service to new sectors. Our business model was thoroughly tested by the searing economic conditions of the last two years. We proved our mettle, performing well in exceptionally adverse conditions. We believe that our powerful and scalable technology platform uniquely positions us to grow both organically and through acquisitions. I will be working closely with our management team in 2010 to help take advantage of those opportunities.

Ultimately, it is the quality of GlobeOp's people that sustains our competitive edge. At the end of another demanding year, I wish to express the Board's sincere appreciation for their continuing dedication to exceptional client service. Thanks to them, GlobeOp enters its second decade in robust health.

## CHIEF EXECUTIVE'S REVIEW

In a year when the hedge fund industry faced significant challenges I am pleased to report solid performance for GlobeOp. Our business model was tested in extreme market conditions. We have not only weathered the storm, but emerged stronger.

As forecast in our 2008 annual report, the year's seismic events irrevocably shifted financial industry dynamics. 2009 was a year of two halves. In the first six months of the year, our clients' redemptions and terminations totaled \$33 billion. This net outflow was very much in line with our own projections. As a result we were able to effectively manage the cost structure of our business and provide transparency to investors. During this period we also added \$15 billion of AuA from new clients and from new funds with existing clients. Consequently, combined with subscriptions and positive fund performance, our AuA fell by just \$5 billion during the first half of the year and ended June at \$83 billion. This was a notable performance, especially in the context of a rapidly contracting market.

During the second half of 2009, market sentiment improved and capital began to flow back into hedge funds. Subscriptions virtually returned to historical monthly levels in the second half when they totaled more than \$12 billion. Strong performance figures also helped boost client asset values. We also continued to add significant new business. From July through December we added another \$18 billion of AuA from new clients and new funds with existing clients – resulting in a total of \$33 billion of new business for full year 2009.

It was therefore disappointing in a year of such strong performance to record an operating loss due to a one-time charge. However, the settlement this past summer of a long-standing dispute freed the management team to focus on optimizing our client service offerings and infrastructure as new opportunities emerged.

We are very pleased with our core operating performance. AuA increased 24% to \$109 billion by the end of 2009. Full year revenues and adjusted operating profit exceeded internal projections. Adjusted operating profit margin exceeded 27% in the second half of the year. We added strategic new business that can propel us into new markets and help differentiate us in the marketplace. In our traditional sector, we also benefited from conversions from competitors and self-administered funds and an uptick in new fund launches.

Our performance in 2009 confirmed the fundamental strength of GlobeOp's business model. The continuing focus on improving quality and optimizing cost has built firm foundations for sustainable growth.

Our integrated middle- and back-office, administration and risk reporting services allow hedge fund managers to focus on delivering alpha to their investors. In 2009, GlobeOp clients in the aggregate, registered positive returns every month of the year.

We have reflected the rapid growth in the hedge fund sector in recent years. Industry rankings position GlobeOp solidly among the top 10 largest fund administrators, and amongst the fastest growing. The Company is recognized for its ability to handle complexity successfully. We respond swiftly to changing requirements and new fund strategies, and provide 24x5 global support.

New market dynamics make the services we offer applicable to clients beyond our core hedge fund sector. Banks, endowments, insurance companies, mutual and pension funds, and proprietary desk traders can all benefit from GlobeOp's expertise. In 2009, we increased our focus on broadening our client base. Some important wins underlined the scale of this opportunity. In September we undertook the administration of a portfolio of non-performing loans for a non-hedge fund client. In November we added a substantial Transaction Solutions client, Promark Global Advisors, a leading US private pension fund manager, who appointed GlobeOp to provide independent valuation assessment services.

GlobeOp's market expertise is an important source of competitive advantage. We were quick to identify the key trends that became the industry drivers in 2009. As capital became scarce, investors assumed greater influence. Investors demanded more transparency, as well as independent pricing, reconciliation and risk reporting, from their hedge fund managers. This power shift favors GlobeOp's operational strengths and independent status. One of the first funds to respond to investor concerns about self-administration - Millennium Management - entrusted GlobeOp with the administration of its \$11 billion in assets under management.

Fund managers, challenged by reduced revenues, sought to meet these more stringent investor requirements at lower cost. Outsourcing offered a practical solution. GlobeOp is committed to disciplined expense management and continuous productivity improvement. Our scalable technology allows us to do more for clients at a lower overall price.

Service, expertise and innovation underpin GlobeOp's leadership position and will fuel its growth in 2010. We are in a position to redefine the notion and role of an administrator by being at the vanguard of service and products that give clients and investors the transparency they demand.

## **Outlook**

We are optimistic about 2010. It is not yet possible to know if the market recovery seen in 2009 can be sustained through the coming year, but we are encouraged by the return to several historic norms in the hedge fund industry including subscriptions outpacing redemptions and strong fund performance.

Thus far in 2010 positive business trends have continued. Subscriptions in January and February totaled \$9 billion whereas redemptions amounted to \$6 billion. The year typically begins with net redemptions but this January subscriptions exceeded redemptions for the first time since January 2005. Our pipeline of new business is promising and we have already added a new MBA client with over \$1 billion in AuA.

The Company's resilience, in the face of exceptionally challenging conditions, has been a particularly satisfying feature of 2009. We made measurable progress toward our vision of GlobeOp as the recognized leader among financial service providers. We examined a number of acquisitions during 2009. Although no transactions were concluded, these investigations confirmed the competitiveness of our cost structure and the power of our technology. Looking ahead, we expect to continue exploring acquisitions that can potentially add to our organic growth plans.

We believe the state of financial markets in the aftermath of the global liquidity crisis works to our advantage. GlobeOp is ideally placed to pursue a strategy of sustainable growth. Our clients prize our independence and our ability to deliver transparency across many levels of complexity. We have the credentials and the capabilities to serve a broader client base. Our robust technology platform offers significant economies of scale. We remain firmly committed to our vision and we expect to make further progress in 2010.

## **BUSINESS REVIEW**

In last year's annual report we published our outlook on fundamental changes likely to occur in the hedge fund sector following the global financial turbulence. One year later, those new dynamics are indeed creating new market realities for hedge funds and their investors. This evolution aligns with GlobeOp's natural strengths.

The clearest and most far-reaching development is the decisive shift in the balance of power toward investors. Scarce capital in early 2009 increased the influence of the investment community. Investors are using their new leverage to demand greater transparency, independent administration and independent verification of cash positions, portfolio values and risk exposure. "Trust but verify" became the new mantra. Investors want to be reassured by a credible independent source that fund assets are real and valuations are accurate.

Outsourcing fund administration also became a solution for fund managers as they were being asked to provide more investor services, data and reporting while coping with a lower revenue base. Although most funds ultimately performed well in 2009, the decline in performance-related income led many fund managers to focus on operating costs. Both established players and a stream of new fund start ups recognized that an independent administrator could offer cost and quality benefits -- scalability, advanced technology, improved transparency and reduced operational risk.

Our independence and focus on quality generated substantial new business in 2009. Despite client redemptions and terminations totaling \$46 billion for the full year, including \$33 billion in the first half, GlobeOp grew its assets under administration from \$88 billion at the end of 2008 to \$109 billion by year end. Growth was driven by \$33 billion of new business from existing and new clients as well as \$20 billion from investor subscriptions and \$14 billion from portfolio performance.

GlobeOp's reputation for market expertise is founded on the excellence of our people. Our senior management comprises former Wall Street professionals. Their technical awareness and instinctive market understanding help us anticipate developments early and adapt our strategy accordingly.

Dr Stuart Turnbull's appointment as a senior advisor to our Risk Services group adds significant depth to our risk analytics expertise. Dr Turnbull is Bauer Chair Professor of Finance at the University of Houston's Bauer College of Business. He is the co-author of the Jarrow-Turnbull reduced form model, widely used to model credit risk and price credit default swaps. We also recruited selectively in specialist areas including independent valuation, whole loan processing and hosted services.

In process terms, client service quality is about being able to swiftly and securely deliver accurate, comprehensive results and reports. At GlobeOp, we are uncompromising about quality. In 2009 we achieved SAS 70 Type II certification for the third successive year, having once again expanded the scope of services audited. We also extended the time frame to a full calendar year. As in the past, the examination included all 10 GlobeOp offices on three continents. Having successfully implemented SAS 70 Type II audits as an annual process, we are stretching ourselves further by applying Six Sigma principles in pursuit of quality excellence.

Technology remains our second largest annual expense after labor costs. There are over 250 people in GlobeOp's technology team; 130 of them developers. This sustained investment commitment created the sophisticated technology platform that now represents more than 1000 man-years of development.

During 2009 we strengthened our technology platform with substantial infrastructure upgrades. We equipped our new data center in Yorktown Heights, NY with leading-edge technology and hosting systems, completing a total \$10.5 million investment which we began in late 2008. The data center in Yorktown Heights was put into production in the first half of 2009 and is a cornerstone of GlobeOp's active-active IT infrastructure. The facility is purpose-built to meet the real-time, operational, network, scale and resiliency needs of global financial services clients. It is integrated into GlobeOp's comprehensive business continuity and disaster recovery plan. The platform's robustness has been tested in action and proved resilient in extreme conditions. It accommodates physical challenges and major spikes in client activity.

The hedge fund industry is evolving rapidly and maturing within the framework of new market dynamics. Institutionalization continues and favors administrators with highly efficient and scalable operating models.

The 2009 upsurge in new fund start-ups – last seen in 2007 – is also benefitting our business. Many new fund managers come from proprietary bank desks and are accustomed to built-in infrastructure. Reducing time to market is critical, so fund managers can optimize the new market opportunities. GlobeOp's comprehensive post-trade processing environment offers these managers faster time to market, reduced IT investment and scale for growth. They can focus on capital raising and alpha generation, while GlobeOp can offer the increased transparency, independent valuation and risk reporting which investors are seeking. In 2009 the increase in new fund start-up clients added to our total of 37 new clients for the year and represents an important potential for future growth.

GlobeOp has prospered by anticipating change and moving swiftly to meet new market needs and opportunities. We will continue to focus on the evolving requirements of our customers. Satisfied clients are essential to business retention and revenue growth and are the most compelling reference for prospective new clients.

## **FINANCIAL REVIEW**

### ***Overview***

Total revenues decreased by \$28.7 million, or 15%, to \$156.5 million in 2009 versus \$185.2 million in 2008. MBA revenue declined 15% and accounted for 93% of total revenues in both years. The decline in revenues primarily related to lower monthly AuA for most of 2009 versus 2008. However, outflows from redemptions and terminations slowed as the year progressed and subscription levels into clients' funds steadily increased throughout the year. New business was also added throughout the year and client fund performance was positive all twelve months of 2009. As a result, AuA at the end of 2009 was \$109 billion, an increase of 24% for the year and up 30% since 30 June 2009. A substantial portion of the new business added during the second half of 2009 was with non-hedge fund clients. Workloads and pricing for these new arrangements were lower than typical. As such, average basis point yields ended the year lower than prior levels but at the same time headcount and expense increases for new business were much lower than historical ratios.

A \$43.5 million pre-tax charge was recorded in the first half of 2009 for the settlement of a long-standing legal dispute. As a result, an operating loss of \$19.3 million was recognized for the year. Operating profit for 2008 was \$38.2 million.

Adjusted operating profit, a non-IFRS financial measure described below, decreased by \$13.2 million, or 26%, from \$50.0 million in 2008 to \$36.8 million in 2009. As a percentage of revenues, adjusted operating profit decreased to 23.5% in the current year from 27.0% in the prior year. This margin reduction was impacted by a \$1.6 million accrual for exit costs related to a leased data center that was replaced by a new wholly-owned facility that became operational during the first half of 2009. Without this lease exit expense, adjusted operating profit as a percentage of revenues would have been 24.5% for 2009.

Profit before tax and exceptionals, a non-IFRS financial measure described below, decreased by \$13.0 million, or 35%, from \$37.3 million in 2008 to \$24.3 million in 2009. Net loss for 2009 was \$6.0 million versus a net profit of \$22.0 million 2008.

The following table sets forth selected financial and operating data for the years ended 31 December 2009 and 2008. All amounts are in US Dollars and in thousands, except percentages, employee data and as otherwise indicated.

	<b>Year ended 31 December</b>		
	<b>2009</b> <b>(audited)</b>	<b>2008</b> <b>(audited)</b>	<b>Change</b>
<b>Revenues</b>			
MBA revenues .....	\$145,884	\$171,807	-15%
Risk Reporting revenues .....	6,770	8,270	-18%
Transaction Solutions revenues .....	3,829	5,095	-25%
Total revenues .....	<u>156,483</u>	<u>185,172</u>	-15%
Employee costs, excluding share-based compensation costs.....	74,686	88,598	-16%
Employee costs related to share-based compensation .....	3,883	3,043	28%
Technology costs.....	22,978	24,245	-5%
Depreciation and amortization expense .....	8,693	10,169	-15%
Occupancy costs .....	10,617	11,040	-4%
Legal claims and tax reserves <sup>(1)</sup> .....	43,500	(210)	n/a
Insurance reimbursement costs related to water damage at facility .....	-	(1,183)	n/a
Other operating expenses .....	11,409	11,261	1%
Total operating expenses .....	<u>175,766</u>	<u>146,963</u>	20%
Operating (loss) profit .....	(19,283)	38,209	-150%
Interest income (expense), net.....	112	524	-79%
(Loss) profit before tax.....	(19,171)	38,733	-149%
Taxation (benefit) expense .....	(13,191)	16,697	179%
Net (loss) profit .....	<u><u>\$ (5,980)</u></u>	<u><u>\$ 22,036</u></u>	-127%
<b>Key Performance Indicators:</b>			
Adjusted operating profit <sup>(2)</sup> .....	\$36,793	\$50,028	-26%
Adjusted operating profit margin .....	23.5%	27.0%	
Profit before tax and exceptionals <sup>(3)</sup> .....	\$24,329	\$37,340	-35%
Profit before tax and exceptionals as a percentage of revenues .....	15.5%	20.2%	
AuA related to MBA revenues—end of period (in billions) <sup>(4)</sup> .....	\$109	\$88	24%
Employees—beginning of period (excluding temporary employees) ....	1,734	1,704	2%
Employees—end of period (excluding temporary employees).....	1,538	1,734	-11%

## Revenues

Revenues decreased \$28.7 million, or 15%, to \$156.5 million in 2009 from \$185.2 million in 2008. This reduction was comprised of decreases in MBA revenues of \$25.9 million, Risk Reporting revenues of \$1.5 million and Transaction Solutions revenues of \$1.3 million. However, a leading pension fund manager, Promark Global Advisors, was added as a substantial Transaction Solutions client during the second half of 2009.

Approximately \$17 million of the \$25.9 million decrease in MBA revenues was due to lower monthly AuA in January through October of 2009 versus the same period for 2008. AuA at the beginning of 2009 was \$9 billion below the beginning of 2008 amount. Moreover, as anticipated, outflows related to redemptions and terminations during the first half of 2009 were substantial, totaling \$33 billion. This was partially offset in the first half of the year by the addition of new clients with AuA of approximately \$11 billion and new funds from existing clients with approximately \$4 billion of AuA. In addition, by the end of June 2009 \$8 billion of subscriptions and \$5 billion of positive performance were added to our clients' fund balances. During the second half of 2009 outflows from redemptions and terminations significantly abated to \$13 billion. New business continued to be added in the second half of the year, with over \$16 billion of AuA coming from new clients and almost \$2 billion from new funds with existing clients. Inflows from subscriptions increased notably to \$12 billion during the second half of the year and clients' funds again performed well as they added almost \$9 billion from positive returns. As a result, AuA ended the year at \$109 billion, up 24% for the year and up 30% during the second half of 2009.

MBA revenues were also impacted by lower average service fees per AuA during the latter part of 2009 as rates were reduced by the addition of a non-hedge fund client with \$13 billion of AuA in September. Lower than typical

processing requirements, therefore lower than normal operating costs, resulted in below average pricing on this mandate. As a result, average MBA fees during the last four months of 2009 were approximately two basis points lower than the same period in 2008.

The reduction in Risk Reporting revenues in 2009 was mainly related to a reduction in AuA for clients whose fees are based on asset levels. The decline in Transaction Solutions revenues was primarily due to a reduction in client trading volumes and positions throughout the year which was partially offset by the addition of the Company's largest Transaction Solutions client late in the year.

### **Operating expenses**

Operating expenses increased \$28.8 million to \$175.8 million in 2009 from \$147.0 million in 2008 due to the \$43.5 million pre-tax charge recorded for the settlement of a historical legal dispute. This one-time charge was offset by a \$14.7 million decrease in operating expenses primarily related to a \$13.9 million reduction in employee costs, excluding share-based compensation costs.

Employee costs, excluding costs related to share options and restricted stock, decreased 16% from \$88.6 million in 2008 to \$74.7 million in 2009 primarily due to an 11% decrease in average headcount and a reduction in average compensation and benefits per headcount. Headcount, which began the year at 1,734 and declined to 1,554 at 30 June 2009, did not grow in the second half of 2009 even as new business was added. Rather, headcount ended 2009 at 1,538 reflecting the impact of improvements in productivity and efficiency driven by investments in technology and staff training as well as increases in employee tenure. Excluding costs related to share-based compensation, the average cost per headcount declined from \$49 thousand per year in 2008 to \$47 thousand per year in 2009 due to a reduction in variable compensation. Employee costs related to share options and restricted stock increased 28% from \$3.0 million in 2008 to \$3.9 million in 2009 as a decline in the Company's share price during 2008 resulted in a \$1.5 million expense reversal in 2008.

Technology costs decreased 5% from \$24.2 million in 2008 to \$23.0 million in 2009. During 2009 the Company put into production its new Yorktown Heights data center, terminated its relationship with the provider of a leased data center and, during the first half of the year, recorded a \$1.6 million charge for the related lease exit costs. Technology costs were \$13.1 million in the first half of 2009 including this \$1.6 million charge. Technology costs decreased to \$9.9 million in the second half of 2009.

Occupancy costs and other operating expenses were substantially unchanged versus 2008 levels. Occupancy costs declined 4% from \$11.0 million in 2008 to \$10.6 million in 2009. Other operating expenses increased 1% from \$11.3 million in 2008 to \$11.4 million in 2009.

### **Operating (loss) profit**

The operating loss of \$19.3 million in 2009 includes a \$43.5 million pre-tax charge for the settlement of a historical legal dispute. Operating profit in 2008 was \$38.2 million. Adjusted operating profit was \$36.8 million in 2009 versus \$50.0 million in 2008, a decrease of \$13.2 million or 26%. Adjusted operating profit is not a measure of financial performance under IFRS. A reconciliation of adjusted operating profit to operating (loss) profit is shown in the explanatory notes below.

Adjusted operating profit as a percentage of revenues was 23.5% in 2009 versus 27.0% in 2008. As shown in the following table, the decline in the adjusted operating profit margin was due to a greater decrease in year-over-year revenues than in several operating costs.

	<i>2009 Rate of Change</i>	<i>2009 % of Revenues</i>	<i>2008 % of Revenues</i>
<i>Revenue</i>	-15%	100%	100%
<i>Employee costs, excluding share-based compensation</i>	-16%	48%	48%
<i>Technology costs – excluding exit costs related to data center lease</i>	-12%	14%	13%
<i>Technology costs – exit costs related to data center lease</i>	n/a	1%	-
<i>Occupancy costs</i>	-4%	6%	6%
<i>Other operating expenses</i>	1%	7%	6%
<i>Adjusted operating profit</i>	-26%	24%	27%

During 2009, as costs were aligned with lower levels of revenue and production efficiencies were improved, adjusted operating profit margin expanded from 20.0% in the first half of the year to 27.1% in the second half. The following table summarizes the improvement in key operating expenses as a percentage of revenues during the year.

	1H 2009 % of Revenues	2H 2009 % of Revenues
Revenue	100%	100%
Employee costs, excluding share-based compensation	49%	46%
Technology costs – excluding exit costs related to data center lease	15%	13%
Technology costs – exit costs related to data center lease	2%	-
Occupancy costs	7%	7%
Other operating expenses	7%	7%
Adjusted operating profit	20%	27%

### **Taxation**

The effective income tax rate for 2009 was a benefit of 69% versus a charge of 43% in 2008. Current year taxation includes the impact of a \$16.5 million income tax benefit related to the legal charge recorded during the period. 2009 includes the positive impact of an increase in the Company's share price during the year on the estimated future tax deductions related to employee share awards. As a result, for accounting purposes, there was a \$1.7 million reduction in taxes. During 2008, the share price declined and as a result taxation increased \$3.3 million. In addition, 2009 taxation included a reduction of \$1.0 million for adjustments to prior years which primarily related to a change in the method of apportioning revenues to state tax authorities in the United States. 2008 taxation included an increase of \$0.4 million for adjustments to prior years. Excluding the impact of the legal charge for 2009 and share price fluctuations and taxation adjustments for 2009 and 2008, the effective tax rate would have been 25% in 2009 and 33% in 2008. This improvement in the effective tax rate is primarily related to the distribution of profits among countries with varying tax rates and the use of prior year losses to offset current profits in Ireland. The Company's effective tax rate may vary from year to year depending on, amongst other factors, the geographic and business mix of taxable earnings as well as the deductibility of expenses for income tax purposes relative to financial reporting purposes.

### **Balance Sheet and Cash Flow**

At 31 December 2009, GlobeOp had cash and cash equivalents of \$42.6 million, excluding \$2.2 million of restricted cash, versus \$51.3 million at 31 December 2008. During 2009 the Company paid \$27 million related to the settlement of the legal dispute recorded in the first half of the year, including a \$7 million prepayment made in December in order to accelerate the usage of tax deductions. \$16.5 million remains outstanding, with \$3 million due August 2010 and \$13.5 million due February 2011. The Company estimates it will receive \$16.5 million of tax benefits as a result of the settlement. Approximately \$3.8 million of those benefits were realized as reductions in tax payments during 2009 and \$12.7 million remains to be realized through refunds or reductions in future tax payments.

The following table sets forth the components of cash flows for the following periods:

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>(US dollars in millions)</b>	
	<b>(audited)</b>	
Net cash provided by operating activities .....	\$1.0	\$43.5
Net cash used in investing activities .....	(8.5)	(17.8)
Net cash used in financing activities .....	(3.1)	(6.8)
(Decrease) Increase in cash and cash equivalents .....	(10.6)	18.9
Effect of foreign exchange rate changes .....	1.9	(7.7)
Cash and cash equivalents, beginning of the period .....	51.3	40.1
Cash and cash equivalents, end of the period .....	<u>\$42.6</u>	<u>\$51.3</u>

During 2009, GlobeOp generated net cash from operating activities of approximately \$1.0 million compared to \$43.5 million during 2008. The decrease in cash generation was primarily related to payments of \$27 million related to the settlement of a legal dispute as well as the \$13.2 million reduction in adjusted operating profit.

Cash used in investing activities in both periods relates to capital expenditures on building and leasehold improvements and to enhancements of our service platform, including hardware, software licenses and internally developed software. The decrease in 2009 versus 2008 was primarily due to the purchase and build-out of a data center located in Yorktown Heights, New York and to an increase in the capacity of the Company's data center in Harrison, New York during 2008.

Cash used in financing activities in both periods primarily relates to dividend payments and share repurchases. The amount of cash used in 2009 was lower than 2008 due to a reduction in share repurchases from \$3.8 million in 2008 to \$0.6 million in 2009.

The Company has a debt facility with the Bank of Scotland that includes a \$30 million revolving line of credit. The Company did not borrow under the facility during 2009 or 2008. Due to the operating loss recorded during the first half of 2009 the Company cannot borrow under the current terms of the facility. The Company believes it will be in compliance with relevant covenants in the second half of 2010 as the loss from the first half of 2009 rolls out of covenants that are based on rolling twelve-month financial results.

## Explanatory notes:

(1) Legal claims and tax reserves includes the pre-tax charge recorded for the settlement of a historical legal dispute.

(2) Adjusted operating profit is calculated by the Company as operating profit prior to depreciation and amortization expense, employee costs related to share-based compensation, legal claims and tax reserves and insurance reimbursements related to water damage to a company facility. Adjusted operating profit is not a measure of financial performance under IFRS. Our calculation of adjusted operating profit may be different from the calculation used by other companies and therefore comparability may be limited. The following table reconciles operating (loss) profit to adjusted operating profit:

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>(US dollars in thousands) (unaudited)</b>	
Operating (loss) profit .....	(19,283)	38,209
Depreciation and amortization expense.....	8,693	10,169
Employee costs related to share-based compensation .....	3,883	3,043
Legal claims and tax reserves – net of insurance .....	43,500	(210)
Insurance reimbursements related to water damage at facility.....	-	(1,183)
Adjusted operating profit .....	<u>36,793</u>	<u>50,028</u>

(3) Profit before tax and exceptionals is calculated by the Company as profit before tax prior to legal claims and tax reserves and insurance reimbursements related to water damage to a company facility. Profit before tax and exceptionals is not a measure of financial performance under IFRS. Our calculation of profit before tax and exceptionals may be different from the calculation used by other companies and therefore comparability may be limited. The following table reconciles (loss) profit before tax to profit before tax and exceptionals:

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
	<b>(US dollars in thousands) (unaudited)</b>	
(Loss) profit before tax .....	(19,171)	38,733
Legal claims and tax reserves – net of insurance .....	43,500	(210)
Insurance reimbursements related to water damage at facility.....	-	(1,183)
Profit before tax and exceptionals.....	<u>24,329</u>	<u>37,340</u>

(4) AuA (assets under administration) is an operational metric in the hedge fund services industry commonly used to describe the amount of funds currently under a fund service provider's administration. We define AuA as the aggregate amount of our clients' assets that we are servicing that we use as the basis for invoicing those clients for services rendered in a particular month in accordance with the terms of our client contracts. Consistent with past disclosure the performance of clients' funds for the current month is not included in the measurement of AuA at the end of that month. Thus, December 2009 client fund performance is not within the 31 December 2009 figure.

## CONSOLIDATED INCOME STATEMENT

	Notes	Year ended 31 December 2009 \$'000	Year ended 31 December 2008 \$'000
Revenue		<b>156,483</b>	185,172
Operating expenses	2	<b>(175,766)</b>	(146,963)
<b>Operating (loss) profit</b>		<b>(19,283)</b>	38,209
Finance income	4	<b>393</b>	1,281
Finance costs	4	<b>(281)</b>	(757)
Finance income, net		<b>112</b>	524
<b>(Loss) profit before tax</b>		<b>(19,171)</b>	38,733
Taxation	5	<b>13,191</b>	(16,697)
<b>(Loss) profit for the year</b>		<b>(5,980)</b>	22,036
<b>(Loss) earnings per share:</b>			
Basic	6	<b>(0.06)</b>	0.21
Diluted	6	<b>(0.06)</b>	0.21

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year-ended 31 December 2009 \$'000	Year-ended 31 December 2008 \$'000
<b>Net (loss) profit recognized in income statement</b>	<b>(5,980)</b>	22,036
<b>Other comprehensive income (loss)</b>		
Cumulative translation adjustment	<b>2,195</b>	(8,575)
<b>Other comprehensive income (loss)</b>	<b>2,195</b>	(8,575)
<b>Total comprehensive (loss) income</b>	<b>(3,785)</b>	13,461

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

	Notes	At December 2009 \$'000	At December 2008 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets, net		7,049	6,941
Property, plant and equipment, net		28,282	29,931
Deferred income tax assets		15,417	4,084
Accounts receivable and other assets	7	703	823
Restricted cash		2,202	2,187
<b>Total non-current assets</b>		<b>53,653</b>	<b>43,966</b>
<b>Current assets</b>			
Accounts receivable and other assets	7	16,906	23,422
Corporate tax receivable		9,268	486
Cash and cash equivalents		42,572	51,259
<b>Total current assets</b>		<b>68,746</b>	<b>75,167</b>
<b>Total assets</b>		<b>122,399</b>	<b>119,133</b>
<b>Shareholders' Equity</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		10,960	10,960
Treasury shares		(31)	(41)
Share premium		8,149	8,356
Other reserves		26,380	17,864
Retained earnings		31,865	40,186
<b>Total Shareholders' equity</b>		<b>77,323</b>	<b>77,325</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Trade and other payables	9	809	560
Provisions for liabilities and charges	8	16,403	2,679
Deferred lease obligations		1,633	1,639
<b>Total non-current liabilities</b>		<b>18,845</b>	<b>4,878</b>
<b>Current liabilities</b>			
Trade and other payables	9	20,891	30,257
Corporate tax liabilities		2,091	3,033
Provisions for liabilities and charges	8	3,249	3,640
<b>Total current liabilities</b>		<b>26,231</b>	<b>36,930</b>
<b>Total liabilities</b>		<b>45,076</b>	<b>41,808</b>
<b>Total Shareholders' equity and liabilities</b>		<b>122,399</b>	<b>119,133</b>

Approved by the Board of Directors and signed on its behalf by:

**H. Hufschmid**  
Chief Executive  
1 March 2010

**M. Veilleux**  
Finance Director  
1 March 2010

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital		A Beneficiary Certificates \$'000	Share Premium \$'000
	Ordinary Shares \$'000	Treasury Shares \$'000		
At 1 January 2008	10,914	(1,086)	1,086	13,136
Total comprehensive income for the year	–	–	–	–
Exercise of share options	6	4	–	218
Shares issued related to restricted stock units vesting	40	74	–	(114)
Conversion of A Beneficiary Certificates	–	1,086	(1,086)	–
Share buyback	–	(119)	–	(3,699)
Employee share compensation	–	–	–	–
Tax on items taken directly to or transferred from equity	–	–	–	–
Transfer to non-distributable reserve	–	–	–	(1,185)
Dividends paid	–	–	–	–
<b>At 31 December 2008</b>	<b>10,960</b>	<b>(41)</b>	<b>–</b>	<b>8,356</b>
<b>At 1 January 2009</b>	<b>10,960</b>	<b>(41)</b>	<b>–</b>	<b>8,356</b>
Total comprehensive loss for the year	–	–	–	–
Exercise of share options	–	30	–	385
Shares issued related to restricted stock units vesting	–	53	–	(53)
Share buyback	–	(73)	–	(539)
Employee share compensation	–	–	–	–
Modification of performance share options	–	–	–	–
Tax on items taken directly to or transferred from equity	–	–	–	–
Transfer to non-distributable reserve	–	–	–	–
Transfer to legal reserve	–	–	–	–
Dividends paid	–	–	–	–
<b>At 31 December 2009</b>	<b>10,960</b>	<b>(31)</b>	<b>–</b>	<b>8,149</b>

The accompanying notes are an integral part of these consolidated financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY CONTINUED

	Other Reserves				Cumulative Translation Adjustment \$'000	Retained Earnings \$'000	Total \$'000
	Shares to be Issued \$'000	B Beneficiary Certificates \$'000	Legal Reserves \$'000	Reserve for Treasury Shares \$'000			
At 1 January 2008	16,837	1,465	35	–	3,173	21,367	66,927
Total comprehensive income for the year	–	–	–	–	(8,575)	22,036	13,461
Exercise of share options	–	–	–	–	–	–	228
Shares issued related to restricted stock units vesting	–	–	–	–	–	–	–
Conversion of A Beneficiary Certificates	–	–	–	–	–	–	–
Share buyback	–	–	–	–	–	–	(3,818)
Employee share compensation	4,515	–	–	–	–	–	4,515
Tax on items taken directly to or transferred from equity	(771)	–	–	–	–	–	(771)
Transfer to non-distributable reserve	–	–	–	1,185	–	–	–
Dividends paid	–	–	–	–	–	(3,217)	(3,217)
<b>At 31 December 2008</b>	<b>20,581</b>	<b>1,465</b>	<b>35</b>	<b>1,185</b>	<b>(5,402)</b>	<b>40,186</b>	<b>77,325</b>
<b>At 1 January 2009</b>	<b>20,581</b>	<b>1,465</b>	<b>35</b>	<b>1,185</b>	<b>(5,402)</b>	<b>40,186</b>	<b>77,325</b>
Total comprehensive loss for the year	–	–	–	–	2,195	(5,980)	(3,785)
Exercise of share options	–	–	–	–	–	–	415
Shares issued related to restricted stock units vesting	–	–	–	–	–	–	–
Share buyback	–	–	–	–	–	–	(612)
Employee share compensation	3,478	–	–	–	–	–	3,478
Modification of performance share options	726	–	–	–	–	–	726
Tax on items taken directly to or transferred from equity	2,661	–	–	–	–	–	2,661
Transfer to non-distributable reserve	–	–	–	(900)	–	900	–
Transfer to legal reserve	–	–	356	–	–	(356)	–
Dividends paid	–	–	–	–	–	(2,885)	(2,885)
<b>At 31 December 2009</b>	<b>27,446</b>	<b>1,465</b>	<b>391</b>	<b>285</b>	<b>(3,207)</b>	<b>31,865</b>	<b>77,323</b>

The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

	Year ended 31 December 2009 \$'000	Year ended 31 December 2008 \$'000
	Notes	
<b>Cash flows from operating activities</b>		
<b>(Loss) profit before tax</b>	<b>(19,171)</b>	38,733
Adjustments to reconcile (loss) profit before tax to net cash provided by operating activities:		
Depreciation and amortization	2 <b>8,693</b>	10,169
Share options and restricted stock compensation expense	3 <b>3,883</b>	3,043
Provision for post-employment obligations	3 <b>226</b>	259
Movement in provisions	8 <b>44,953</b>	(210)
Interest income	4 <b>(393)</b>	(1,281)
Interest expense	4 <b>281</b>	757
Bad debt provision	7 <b>(35)</b>	240
Change in operating assets and liabilities:		
Restricted cash	-	(892)
Accounts receivable	7 <b>323</b>	817
Accrued income	7 <b>2,922</b>	2,467
Prepaid expenses and other assets	7 <b>4,186</b>	311
Provisions for liabilities and charges	8 <b>(32,177)</b>	-
Trade payables	9 <b>(3,266)</b>	2,077
Accruals and other payables	9 <b>(4,710)</b>	2,357
<b>Cash provided by operating activities</b>	<b>5,715</b>	58,847
Interest received	<b>410</b>	1,490
Interest paid	<b>(12)</b>	(69)
Taxation paid, net	<b>(5,158)</b>	(16,725)
<b>Net cash provided by operating activities</b>	<b>955</b>	43,543
<b>Cash flows from investing activities</b>		
Additions to intangible assets	<b>(3,183)</b>	(1,900)
Purchase of property, plant and equipment	<b>(5,339)</b>	(15,951)
<b>Net cash used in investing activities</b>	<b>(8,522)</b>	(17,851)
<b>Cash flows from financing activities</b>		
Dividends paid	<b>(2,885)</b>	(3,217)
Share repurchase	<b>(612)</b>	(3,818)
Proceeds from share option exercises	<b>415</b>	228
<b>Net cash used in financing activities</b>	<b>(3,082)</b>	(6,807)
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(10,649)</b>	18,885
<b>Cash and cash equivalents at 1 January</b>	<b>51,259</b>	40,088
Effect of exchange rate changes on cash and cash equivalents	<b>1,962</b>	(7,714)
<b>Cash and cash equivalents at 31 December</b>	<b>42,572</b>	51,259

The accompanying notes are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 Organization

GlobeOp Financial Services S.A. (the "Company") is a Luxembourg holding company incorporated on 22 January 2000 as a "Société Anonyme" and subject to the laws of the Grand Duchy of Luxembourg.

The registered address of the Company is 5, rue Guillaume Kroll, L-1882, Luxembourg.

The Company has its primary listing on the London Stock Exchange.

The Company and its subsidiaries (the "Group") provide specialized integrated web-based financial products supporting middle- and back-office trade processing, fund administration, complex derivatives and risk reporting. The Group has offices in the United Kingdom, the United States of America, India, the Cayman Islands and the Republic of Ireland. The Group provides its services primarily from these locations.

These Group consolidated financial statements were authorized for issue by the Board of Directors on 1 March 2010.

## 2 Operating Expenses

	Notes	Year ended 31 December 2009 \$'000	Year ended 31 December 2008 \$'000
Employee costs	3	78,569	91,641
Technology		22,978	24,245
Depreciation and amortization		8,693	10,169
Occupancy		10,617	11,040
Legal claims and tax reserves	8	43,500	(210)
Insurance reimbursement related to water damage at facility		–	(1,183)
Other		11,409	11,261
<b>Total</b>		<b>175,766</b>	<b>146,963</b>

Included within occupancy expense are rental expenses under operating lease agreements of \$5,103,000 (2008: \$5,937,000). Included within other operating expenses are foreign exchange gains of \$863,000 (2008: \$3,849,000).

During 2009, the Group settled a dispute with a former hedge fund client. The amount of the settlement is \$43,500,000 and has been recognized within legal claims and tax reserves (Note 8).

## 3 Employee Costs

The costs incurred in respect of employees were:

	Year ended 31 December 2009 \$'000	Year ended 31 December 2008 \$'000
Wages and salaries	57,347	62,762
Bonus and commissions	8,329	14,563
Social security costs	3,926	4,527
Short-term benefit costs	3,072	3,624
Share options and restricted stock compensation expense	3,883	3,043
Pension costs – defined contribution plans	585	1,179
Post-employment benefits	226	259
Other staff costs	1,201	1,684
<b>Total</b>	<b>78,569</b>	<b>91,641</b>

Included within employee costs are costs attributable to research that have not been capitalized as part of internally generated software. During 2009, these costs amounted to \$6,949,000 (2008: \$9,257,000). The employee costs that were capitalized as part of internally generated software during 2009 was \$723,000 (2008: \$734,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

**4 Finance Income, net**

	Year ended 31 December 2009 \$'000	Year Ended 31 December 2008 \$'000
Interest expense:		
Provisions	(269)	(721)
Bank borrowings and other	(12)	(36)
	(281)	(757)
Interest income	393	1,281
<b>Net total</b>	<b>112</b>	<b>524</b>

**5 Taxation**

Tax on the profit for the year comprises current and deferred tax. Tax is recognized in the consolidated income statement except to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the consolidated balance sheet date, and any adjustment to tax payable in respect of previous years.

In 2009, the adjustment for prior year primarily relates to a change in the method of apportioning revenues to tax authorities located in the United States of America. This method was adopted in 2009.

	Year-ended 31 December 2009 \$'000	Year-ended 31 December 2008 \$'000
<b>Corporation tax</b>		
(Benefit) charge for the year	(3,648)	13,768
Adjustments for prior year	(1,022)	430
<b>Tax (benefit) charge</b>	<b>(4,670)</b>	<b>14,198</b>
<b>Deferred tax</b>	<b>(8,521)</b>	<b>2,499</b>
<b>Total</b>	<b>(13,191)</b>	<b>16,697</b>

	Year ended 31 December 2009 \$'000	Year ended 31 December 2008 \$'000
<b>Reconciliation of tax (benefit) charge</b>		
<b>(Loss) profit before tax</b>	<b>(19,171)</b>	<b>38,733</b>
Tax calculated at statutory rate	(5,481)	11,620
Share-based compensation	(1,661)	3,344
State taxes, net of US federal benefit	(693)	2,237
Tax losses for which no deferred tax asset was recognized	116	485
Decrease in tax reserves	(191)	-
Foreign taxes at rates different than statutory rates	(4,120)	(1,282)
Adjustments for prior year	(1,022)	430
Other	(139)	(137)
<b>Total</b>	<b>(13,191)</b>	<b>16,697</b>

As at 31 December 2009 and 2008, the statutory rate in Luxembourg was 28.6% and 30%, respectively.

As at 31 December 2009 and 2008, the United States federal and state blended tax rates enacted were 38% and 40%, respectively. The change to the statutory rates in 2009 occurred primarily due to a change in the allocation of assets, human capital and revenue to various state localities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the years ending 31 December 2009 and 2008, GlobeOp Financial Services (India) Private Limited qualified as a 100% Export Oriented Software Technology Park Unit, under the Software Technology Parks scheme of the Ministry of Communication and Information Technology for development of software- and IT-enabled services in India. Therefore, the income of the Company is exempt from income tax through the tax period ended 31 March 2011. After this date, the income tax rate is expected to be 34%. However, beginning 1 April 2007, this subsidiary is paying a Minimum Alternate Tax ("MAT") at a rate of 11.33%. From 1 April 2009, this rate increased to 16.995%. These payments are eligible for credits to offset future tax liabilities. The amount of this credit has been recorded as a deferred tax asset. In addition, deferred tax assets have been established for other expected future tax deductions.

## 6 Earnings Per Share

### (a) Basic

On 6 June 2007 the Group's Shareholders approved an exchange for, and issue to certain institutional Shareholders, 21,250,000 non-voting beneficiary certificates ("Certificates") against 21,250,000 shares. On 3 July 2008, the Company delivered 9,047,175 ordinary shares in exchange for 9,047,175 A Beneficiary Certificates from the institutional Shareholders. These A Beneficiary Certificates were thereafter cancelled. As of December 31 2009, 12,202,825 B Beneficiary Certificates remain outstanding. The Certificates have all the same rights as the shares, except there are no voting rights attached to the Certificates. For purposes of both basic and diluted earnings per share calculations, the weighted average number of Certificates is included in the weighted average number of shares in the tables below.

Basic (loss) earnings per share is calculated by dividing the (loss) profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

	Year ended 31 December 2009	Year ended 31 December 2008
(Loss) profit attributable to equity holders of the Company (\$'000)	<b>(5,980)</b>	22,036
Weighted average number of shares ('000)	<b>102,950</b>	102,813
Basic (loss) earnings per share (\$)	<b>(0.06)</b>	0.21

### (b) Diluted

Diluted (loss) earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had two categories of dilutive potential ordinary shares: share options and restricted stock units.

For the share options and restricted stock, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the shares) based on the monetary value of the subscription rights attached to the outstanding share options and restricted stock. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and issuance of restricted stock.

In determining the diluted (loss) earnings per share for the year ended 31 December 2009, the share options and restricted stock units were excluded from the calculation because they had anti-dilutive effect.

	Year ended 31 December 2009 \$'000	Year ended 31 December 2008 \$'000
(Loss) profit attributable to equity holders of the Company	<b>(5,980)</b>	22,036
Weighted average number of shares ('000)	<b>102,950</b>	102,813
Adjustments for:		
– Share options ('000)	–	536
– Restricted stock units ('000)	–	808
Weighted average number of shares for diluted earnings per share ('000)	<b>102,950</b>	104,157
Diluted (loss) earnings per share (\$)	<b>(0.06)</b>	0.21

**7 Accounts Receivable and Other Assets**

	Notes	At 31 December 2009 \$'000	At 31 December 2008 \$'000
<b>Non-current</b>			
Deposits		703	823
<b>Total</b>		<b>703</b>	<b>823</b>
<b>Current</b>			
Accounts receivable		6,416	7,152
Less: provision for impairment of receivables		(280)	(977)
Accounts receivable, net		6,136	6,175
Accrued income		6,717	9,388
Deposits		109	76
Insurance claim reimbursement	8	–	3,600
Prepaid expenses		3,377	3,922
Other receivables		567	261
		<b>10,770</b>	<b>17,247</b>
<b>Total</b>		<b>16,906</b>	<b>23,422</b>

The fair value of the accounts receivable and other assets is as recorded above. All non-current assets are due within ten years of the consolidated balance sheet date.

Accounts receivable that are outstanding less than one month are not considered past due. As at 31 December 2009 and 2008, accounts receivable of \$2,123,000 and \$2,506,000 were past due, of which the impairment provision was \$280,000 and \$977,000 respectively.

The aging analysis of these past due accounts receivable is as follows:

	At 31 December 2009 \$'000	At 31 December 2008 \$'000
Over one month but less than two months	1,319	1,335
Over two months	804	1,171
<b>Total</b>	<b>2,123</b>	<b>2,506</b>

The carrying amounts of the Group's accounts receivable, net, are denominated in the following currencies:

	At 31 December 2009 \$'000	At 31 December 2008 \$'000
US Dollar	5,700	5,680
Pound Sterling	345	339
Euro	91	156
<b>Total</b>	<b>6,136</b>	<b>6,175</b>

Movements on the provision for impairment of accounts receivable are as follows:

	At 31 December 2009 \$'000	At 31 December 2008 \$'000
At 1 January	977	801
Unused amounts reversed	(137)	(112)
Utilized during the period	(662)	(64)
Provision for impairment of receivables	102	352
<b>At 31 December</b>	<b>280</b>	<b>977</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The movement of the provision for impaired receivables has been included within operating expenses in the consolidated income statement. The decrease in the provision for impairment primarily relates to specific clients that had accounts receivable balances which the Group has determined are uncollectible.

The unused amounts reversed relate to amounts that have been received after being provided for in a prior year.

The other classes within accounts receivable and other assets do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral.

The rental deposits relate to amounts held in escrow as security deposits against the future rentals payable in relation to the leases of the office premises used by the Group. The deposits are interest-bearing at the holding banks' standard rates on interest-bearing deposit accounts. The deposits are repayable to the Group at the end of the lease terms.

### 8 Provisions for Liabilities and Charges

	At 31 December 2009 \$'000	At 31 December 2008 \$'000
Non-current	16,403	2,679
Current	3,249	3,640
<b>Total</b>	<b>19,652</b>	<b>6,319</b>

	Dilapidations \$'000	Claims \$'000	Tax matters \$'000	Other \$'000	Total \$'000
At 1 January 2009	2,103	3,600	616	–	6,319
Additional provisions	–	43,500	–	1,550	45,050
Reduction in provisions					
– Credited to income statement	(13)	–	(77)	(7)	(97)
– Utilized during the period	–	(30,600)	(34)	(1,543)	(32,177)
Unwinding of discount	(8)	–	–	–	(8)
Interest expense	123	249	–	–	372
Exchange differences	193	–	–	–	193
<b>At 31 December 2009</b>	<b>2,398</b>	<b>16,749</b>	<b>505</b>	<b>–</b>	<b>19,652</b>

	Dilapidations \$'000	Claims \$'000	Tax matters \$'000	Other \$'000	Total \$'000
At 1 January 2008	2,240	–	566	–	2,806
Additional provisions	–	3,600	–	–	3,600
Reduction in provisions					
– Credited to income statement	–	–	(210)	–	(210)
Unwinding of discount	326	–	–	–	326
Interest expense	135	–	260	–	395
Exchange differences	(598)	–	–	–	(598)
<b>At 31 December 2008</b>	<b>2,103</b>	<b>3,600</b>	<b>616</b>	<b>–</b>	<b>6,319</b>

The provision for dilapidations relates to dilapidation obligations under various leases for office space in London, Mumbai, and New York. The balances are expected to be utilized when the current leases expire between 2010 and 2019.

The Group recognizes provisions for potential claims where it has a present legal or constructive obligation, it is probable that an outflow of resources will be required to settle an obligation and the amount can be reasonably estimated.

On 26 August 2009, the Group settled a dispute with a former hedge fund client. The Group has agreed to the settlement in order to avoid the risk and uncertainty of a binding arbitration award, which would not be subject to appeal, and to receive favorable payment terms for the settlement amount. In June 2009, in connection with this dispute and settlement, the Group recorded a pre-tax charge of \$43,500,000 and a tax benefit of \$16,500,000. The Group paid \$20,000,000 upon settlement. \$10,000,000 was due in August 2010 and \$13,500,000 is due in February 2011, subject to prepayment. In order to accelerate the usage of tax deductions related to the settlement charge, the Group made a prepayment of \$7,000,000 in December 2009, reducing the payment due in August 2010 to \$3,000,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

The rate of interest will be equal to the US Prime rate on the outstanding amount and will be payable at each payment date. During 2009, the US Prime rate was 3.25%. As at 31 December 2009, the interest accrued on the settlement amounting to \$249,000 remained outstanding and is recorded in the consolidated income statement.

The Group settled a service dispute with a former client in March 2009. In connection with that settlement, the Group had recorded a provision of \$3,600,000 at 31 December 2008, as part of this settlement agreement. The Group received full insurance reimbursement coverage on the claim and had recorded \$3,600,000 as a receivable at 31 December 2008. Amounts recoverable from insurance contracts or third parties are recorded as assets when deemed virtually certain. All amounts were paid and received in April 2009.

The Group provides for various tax matters where it is anticipated there could be tax audit issues. In certain cases between 2003 and 2005, the Group inadvertently failed to comply with certain confirmation and backup withholding requirements of the US Internal Revenue Service in respect of client payments. The Group has voluntarily disclosed this matter to the IRS. In March 2009 the Company made a payment of \$34,000 to settle this matter.

Included within other in 2009 is \$1,550,000 related to a non-cancellable operating lease agreement with a third party. As at 30 June 2009, the Group was no longer using the premises. The Group had provided for all future payment obligations under the lease agreement as there is not expected to be any future benefit of the lease to the Group. This amount was paid in August 2009.

### 9 Trade Payable and Other Payables

	At 31 December 2009 \$'000	At 31 December 2008 \$'000
<b>Non-current</b>		
Other employee benefits	809	560
<b>Total</b>	<b>809</b>	<b>560</b>
<b>Current</b>		
Trade payables	2,764	8,008
Bonuses and other employee benefits	7,198	11,402
Accrued payables	7,639	7,467
Share option liability	–	321
Social security payable and other taxes	1,680	2,451
Deferred revenue	1,610	608
<b>Total</b>	<b>20,891</b>	<b>30,257</b>

### 10 Contingent Liabilities

The Group faces substantial litigation risk from and through its clients and otherwise in the ordinary course of its business. As a service provider the Group is subject to potential claims from its clients, some of which pursue relatively high-risk investment strategies, and all of which are subject to substantial market risk. The losses of some of its clients due to insolvency or fraud on the part of the funds could expose the Group to the risk of litigation. For example, fund investors might attempt to seek compensation from the Group and or its clients. The Group may also be subject to claims for losses or other damages from its clients' investors, as well as claims such as those from regulators, revenue authorities or other governmental authorities. Even if the Group is not ultimately found to be liable, defending such claims or lawsuits could be expensive and time-consuming, divert management resources and harm the Group's reputation.

The Group takes steps to minimize the risks from litigation in managing its business but there can be no assurance that these steps will be adequate or that liability will not result notwithstanding those actions.

The Group has not recorded a provision in relation to any outstanding litigation or potential claims and there can be no assurance that any such provisions will not be recorded in the future nor that any such provisions will be adequate to satisfy any liability which the Group may ultimately incur. Should developments in any such matters cause a change in the Group's assessment of the matter and result in the need to recognize a provision, or should any such matters result in a final judgment or be settled, they could have an adverse effect on the results of operations, cash flows and financial position in the period or periods in which such change in assessment, judgment or settlement occurs. If the Group does incur liability in relation to any claims or lawsuits, such liability may not be covered by insurance or could exceed the Group's insurance coverage. In addition, the Group's service agreements with its clients generally provide for resolving disputes through mediation and arbitration. Such alternative dispute resolution procedures may result in less predictable and or less favourable outcomes than court litigation.

On 2 October 2003, the Company entered into a Shareholders' agreement with, among others, the TA Associated Funds and the Mezzanine Management Funds (collectively the "Investors") pursuant to which the Company unconditionally and irrevocably agreed to indemnify and keep indemnified the Investors against all claims, damages, expenses and liabilities relating to or arising out of such Investor's status as a security holder, creditor, agent, representative or controlling person of the Company, through the earlier of a) the fourth anniversary of the closing of an initial public offering, or b) such time as no Investor holds any shares in the Company. The Company is not aware of any threatened or existing claims, damages, expenses or liabilities relating to this indemnity.