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**Charlemagne Capital** is an independent specialist asset manager, providing a range of investment strategies in emerging market equities.

We aim to generate returns for investors by exploiting inefficiencies in emerging markets, using a disciplined, risk aware, bottom-up investment process to create focused portfolios. The Group combines the flexibility and spirit of an entrepreneurial firm with the operational infrastructure of an institutional asset management business.

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# Highlights

## Current Year Highlights

### Assets under Management ("AuM")

US\$**3.05**bn

an increase of 40.0%

### Net Profit after Tax and Minority Interest

US\$**5.7**m

a decrease of 59.1%

### Earnings Per Share ("EPS")

**2.0** US cents

a decrease of 58.7%

### Management Fees

US\$**18.6**m

a decrease of 52.9%

### Performance Fees

US\$**4.2**m

an increase of 14.4%

### Operating Profit Margin

**23.9%**

a decrease from 38.0%

### Total Dividends Paid and Declared for 2009

US\$**4.7**m

(2008: US\$10.6 million)  
a decrease of 55.7%

### Share Buy Back

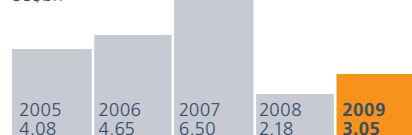
US\$**0.1**m

representing 0.15% of the issued capital for cancellation (2008: US\$2.6 million, 1.6%)

## Five Year Financial Highlights

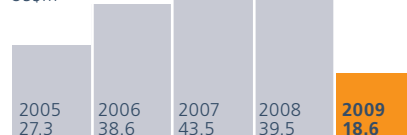
### Assets under Management at Year End (Unaudited)

US\$bn



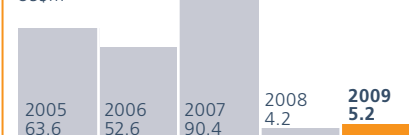
### Management Fees

US\$m



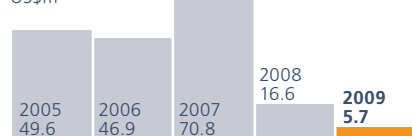
### Performance Fees and other Revenues Excluding Non-recurring Items<sup>1</sup>

US\$m



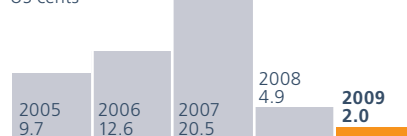
### Operating Profit before Taxation and Non-recurring Items<sup>1</sup>

US\$m



### Earnings Per Share Attributable to Ordinary Shareholders

US cents



<sup>1</sup> In the opinion of the Directors, stating revenues and operating earnings before taxation excluding non-recurring items more accurately reflects the sustainable earnings of the Group and its ongoing activities.

## Group Overview

### Charlemagne Capital's primary goal is to deliver superior risk-adjusted returns within the emerging markets universe

#### Our approach

Charlemagne Capital's approach to emerging markets is founded on:

- Our experience and track record in global emerging markets.
- A highly disciplined investment process combined with a dedicated team of specialist investment professionals.

We believe several factors give us a competitive advantage in our field of expertise including:

#### Our focus

Charlemagne Capital is dedicated exclusively to the management of emerging market assets; this is all that we do. We therefore have no conflicts of interest as a result of having to satisfy other business demands.

#### Our experience

As a specialist investor in emerging markets, the knowledge and experience of our investment professionals is a key attribute of Charlemagne Capital. We work together as a team, pooling this expertise and ensuring best practice. Our Portfolio Advisory Team has a total of over 300 years' experience in investing in emerging markets.

#### Our strategy

Charlemagne Capital's strategy is focused on growing each of its five separate products: mutual funds, hedge funds, specialist funds, institutional mandates and institutional advisory relationships. The Magna, OCCO and Specialist/Private Equity products generate higher margins and are distributed by, or on behalf of, the Group.

Within the Group's institutional products, the advisory relationships provide access to international retail investor networks through management contracts with third party institutions whilst mandate clients focus on an increasing appetite for emerging market assets amongst institutional investors worldwide.

#### Why Emerging Markets?

The case for investment in global emerging markets is strong, based on a number of factors:

- Continued growth in the mobility of capital.
- Demographic trends encouraging stronger growth in emerging markets.
- An increasing focus on home-grown economic activity, through both investment and consumption.
- Improvement in corporate governance and emphasis on profit growth.
- The tendency of outsourcing from corporations in developed economies.
- Diversification and portfolio risk management benefits.

The events of the last couple of years have highlighted the strengths of emerging markets, which now make up 50% of the world economy. Unlike the Western world, many emerging market economies avoided recession; a superior financial position, with accumulated savings and foreign reserves, now allows them to move ahead strongly. Given that valuations in emerging markets remain at reasonable levels despite the performance of the past year, this is still an outstanding opportunity for long-term investors to position themselves in emerging markets equities.

Those with the right combination of regional experience and market intelligence can seek out and deliver superior risk-adjusted returns.

## Market Interest

### Magna Mutual Funds

Long-only UCITS-compliant funds, registered for sale in a number of jurisdictions

*Magna Africa Fund*  
*Magna Asia Fund*  
*Magna Eastern European Fund*  
*Magna Global Emerging Markets Fund*  
*Magna Latin American Fund*  
*Magna Russia Fund*  
*Magna Turkey Fund*

### OCCO Hedge Funds

Long-short products with low net exposure targeting absolute returns

*OCCO Eastern European Fund*

### Specialist Funds

Funds with a particular focus, including property funds

*Charlemagne European New Frontiers Fund*  
*Charlemagne BRIC Plus Property Company plc*  
*European Convergence Development Company plc*  
*European Convergence Property Company plc*  
*Naya Bharat Property Company plc*

### Institutional Vehicles

Long-only pooled and segregated portfolios



## Chairman's Statement

Markets staged a dramatic recovery in the latter part of 2009, erasing the losses experienced in the first few months



**Michael Baer** Chairman

Our announcement of the annual results for 2008 fell on the day which the record shows as the low point of many emerging markets in which we invest and thus at about the point of maximum pessimism. How the world turns and confounds! The recovery that we have seen in share prices since then has been remarkable and many markets have more than doubled. Despite that, there remains some way to go to recover the high points of the past but we remain optimistic for emerging markets around the world in which the Group operates.

I concluded my statement last year with a comment that it was "when and not if" market fundamentals in emerging economies were recognised which would determine the Group's fortunes. Such a swift recovery was not envisaged at that point but, this time last year, some in the investment community urged us to slash our costs by making cuts in our infrastructure. The Board believed it was right to resist this and has been proved correct. Our financial performance throughout 2009 continued to improve and indeed the outlook remains positive.

The downturn did encourage a thorough review of costs and a belt tightening, starting at the top. Every area of cost has been minutely examined and savings have been made whenever possible. In this the Board was greatly impressed by the fact that our Chief Executive, Jayne Sutcliffe, insisted that she be paid only a nominal salary in 2009 and no bonus allocation.

Unfortunately many of our clients have been through difficult times of their own in the past 18 months. However the tide does appear to have turned, even if the inward flow remains sluggish. Strong investment performance in our key strategies since mid-2009 has seen the Group benefit from positive fund flows in 2010 to date.

Due to the lower average level of assets managed, it was inevitable that our fee income would diminish in 2009. The fall of 53% in regular management fees was therefore to be expected. What is of more immediate and encouraging interest is the trend that shows that fees were 23% higher in the second half than the first. Another gratifying factor is the ability of the business to earn performance fees on some of its mandates in 2009 despite the overall state of markets. We do not forecast performance fees in advance and many of our funds remain below their high water marks but we are hopeful of earnings from this source in 2010 also. Additionally we have seen the resolution of certain matters which have taken several years to conclude in one of our private equity

vehicles. This produced an income of US\$1.2 million, net of costs, in 2009 and is expected to result in the receipt of additional performance fees of up to US\$3.7 million, net of costs, in 2010 as distributions are made to shareholders of the vehicle. Since this is not in the nature of a recurring item, we have treated it as we have in previous years as a non-operational item to avoid distorting our regular income history.

Our basic strategy remains the same for the future. We will continue to focus on our core emerging markets expertise to take advantage of what we still see as under valued and under owned asset classes. We will also continue to operate as cost effectively as possible to produce maximum returns for our shareholders. We continue to foster an environment which will encourage our talented individuals to remain and be supplemented where necessary.

As has been the case throughout our history, it is our intention and policy to declare regular dividends which reflect the earnings and cash flow of the Group. Shareholders have already received dividends of US\$1.1 million in respect of the first interim distribution for 2009 (2008: US\$7.0 million). A further amount of US\$1.7 million is now being declared in respect of the second interim distribution for 2009 (2008: US\$3.6 million) alongside a special interim dividend of US\$2.1 million (2008: US\$ nil). Additionally the Company has bought back shares for cancellation in the amount of US\$0.1 million (2008: US\$2.6 million). Repurchases of shares may continue when conditions are deemed appropriate but Directors have noted that illiquidity in the Group's shares is making such programmes increasingly difficult to implement. The Group continues to hold the bulk of its assets in cash and has no borrowings.

As always, the overall outlook for the future clearly depends on the fundamental characteristics in emerging economies and the willingness and financial resources of investors to recognise them as well as our experienced team who are able to maximise these to fund shareholders' advantage.

Every year, I thank the staff at Charlemagne Capital for their efforts. This year this statement is truer than ever. 2009, and especially its first few months, was an exceptionally difficult period. The hard work, loyalty and determination shown got the Group through in great shape and will stand it in good stead going forward.

**Michael Baer**  
11 March 2010



## Financial and Operating Review

The Group has remained profitable throughout the period of depressed market conditions and is making progress in rebuilding Assets under Management

### Financial Results

The results for the year ended 31 December 2009 show the effect of the depressed market conditions experienced in the first quarter of the year in particular. The Group showed that it did remain profitable throughout when announcing its interim figures to 30 June. Profits in the second half were considerably better than those for the first six months. During the year, as market conditions improved, certain funds returned to accruing performance fees.

AuM at the end of 2009 were US\$3.1 billion, an increase of 40% over the prior year (2008: US\$2.2 billion). Net redemptions were US\$405 million as the subscriptions seen towards the end of the year could not counterbalance the redemptions seen earlier in 2009. AuM are the prime driver of the Group's recurring profits and continued improvement of the trends in the second six months of 2009 should lead to improved figures in 2010.

Revenues from net management fees in the period decreased by 53% from those of the prior year to stand at US\$18.6 million (2008: US\$39.5 million). However most of this decrease is attributable to the first half of the year which is comparable with a period where AuM were much higher. 2010 should see an increase on the 2009 figure provided present conditions continue. The Group's net management fee margin reduced to 74 basis points ("bps") for the year (2008: 82 bps). This fall mainly reflects falls in fees negotiated in 2008 on one institutional advisory mandate as well as some changes in product mix. It is believed that the 2009 level should be repeatable going forward and further falls in management fee margin are not anticipated.

The investment performance of funds managed and advised by the Group had been impacted by both the general fall in market values and an underperformance by our own funds, beyond that of the general fall, until the end of the first quarter. The Group firmly believed that this position would change going forward and this has been seen to be the case since the second quarter of the year. This improvement will assist in gaining new mandates in the future. Nevertheless, the falls in market values early in the year were reflected in crystallised performance fees only rising to US\$4.2 million (2008: US\$3.7 million) during the year. The majority of this fee was earned on the Group's remaining hedge fund product. Whilst it may still take more than one year before significant

performance fees are once again being earned on the remainder of the funds managed by the Group, they are much nearer to their targets than they were at the time of writing this review last year.

Operating expenses fell to US\$18.1 million from US\$27.1 million. Much of the decrease reflected the fall in profit related staff performance awards earned during the year. However, the majority of the fixed costs of the Group are incurred in GBP and the average conversion factor for that currency against the dollar fell by 14.7% compared to the previous year. In November 2008 and again in March 2009, the Directors instigated a currency purchase such that an amount of GBP approximately equal to the expected fixed costs of the Group until the end of 2009 was converted to Sterling. It is the Directors' policy not to hold GBP for more than two or three months future expenditure under normal circumstances.

In addition to the above factors, savings of around 10% were made in staff salaries during the period from April to September and, indeed, the Chief Executive took only a nominal salary for the whole year. There has also been some reduction of headcount, particularly at senior levels, through natural wastage during the year. Some of these factors will not be repeated in 2010 and thus it should be expected that operating expenses, excluding profit related bonuses, will rise by at least 15% over the 2009 figures unless there is a continued weakening of GBP against USD.

The Group's operating profit margin for the year was 23.9% (2008: 38.0%) mainly reflecting the reduction in revenues, offset by reduced staff performance awards. Should AuM remain at present levels or increase, this margin can be expected to be maintained or increase in 2010, although it is unlikely that it will return to the levels of 2008 and earlier years until AuM increase further and more significant performance fees are once again being earned.

Operating earnings before taxation and non-recurring items, were US\$5.7 million in 2009, substantially lower than the US\$16.6 million earned in 2008 mainly reflecting the fall in AuM during the year.

After some years of waiting for resolution of various legal and taxation issues, the Group has finally seen an uplift in its stake in a private equity vehicle amounting to US\$1.2 million, after deduction of applicable bonus provisions. Further, following

## Financial and Operating Review continued

The Group's business model has been cash generative throughout the trough in markets and remains so

distributions to the fund's shareholders in January 2010, and another planned for March 2010, the Group will book a performance fee of US\$3.7 million, net of applicable bonuses, which will appear in the figures for the first half of 2010. As these items are non-recurring in nature, the Group has elected to account for them below the operating level so that recurring income figures are not distorted.

Profit, after taxation provisions of US\$0.4 million, was US\$6.4 million during 2009 compared with US\$13.9 million in 2008. The reduction mainly reflects the fall in AuM and performance fees, offset by reduced expenditure and the one-off private equity uplift.

Operating earnings per share fell by 66% to 2.0 US cents (2008: 5.9 US cents). The operating earnings per share calculation has been arrived at before both taxation and non-recurring forms of income and expenditure as we believe that this better reflects the underlying profitability of the business. After taxation and other income and expenditure, earnings per share attributable to shareholders were 2.0 US cents per share (2008: 4.9 US cents per share) on a fully diluted basis.

In the absence of unforeseen circumstances it continues to be the Directors' intention that substantially all cash generated will be returned to shareholders by means of dividends and share buy back programmes, where appropriate.

Group net assets at the end of 2009 were US\$27.5 million compared to US\$25.3 million at the beginning of the year, reflecting the fact that the Group paid US\$4.7 million in dividends during the year, with movements in reserves and retained profits accounting for the remainder.

A first interim ordinary dividend of 0.4 US cents per share was declared and was paid on 30 October 2009. A second interim ordinary dividend of 0.6 US cents has been declared by Directors and will be paid on 23 April 2010 at a cost of US\$1.7 million. A special interim dividend has been declared in respect of 2009 of 0.75 US cents at a cost of US\$2.1 million. This dividend will also be paid on 23 April 2010. It is not proposed to recommend a final dividend. Interim dividends have been recommended by the Board in order that the funds can be paid to shareholders more quickly than would otherwise be the case.

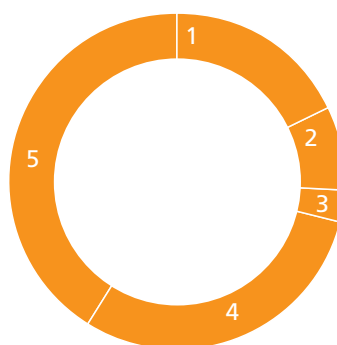
### Operations and Investment Review

Net outflows of money from the Group's products were dwarfed by the effects of increases in market values during 2009. The effects of the latter caused AuM to increase by US\$1.28 billion whilst net outflows from redemptions totalled US\$0.41 billion for the full year.

Institutional managers around the world generally remain committed investors in the sector and the Group's acknowledged expertise in many sectors of the emerging market universe should continue to mean that we gain new mandates on a regular basis.

Increases in Group AuM will continue to be sought from an expansion of existing products and strategies when market conditions allow, and will hopefully continue to be augmented by investment performance.

### Assets under Management



- 1 **Magna Umbrella Fund 18%**
- 2 **Specialist Funds 8%**
- 3 **OCCO 3%**
- 4 **Institutional – Advisory 30%**
- 5 **Institutional – Mandates 41%**



## Assets under Management rose by 40% during the year

### Magna

During 2009 there were no changes to the Magna range. Over the longer term, we have been pleased with the performance of the product range but, whilst most sub-funds are considerably closer to their performance fee targets, it will probably be some time before we can forecast performance fees with any certainty. At the end of 2009, there were seven sub-funds within the Magna Umbrella Fund with a total AuM of US\$0.56 billion (2008: US\$0.39 billion).

### OCCO

During the year the OCCO fund specialising in global emerging markets was placed into liquidation and monies returned to investors. This action was taken due to the weight of redemptions requested by investors seeking liquidity wherever it could be sourced. Unfortunately events around the world have changed sentiment for hedge funds markedly since mid-2008. The remaining fund, specialising in producing absolute returns utilising mostly Eastern European positions, also suffered significant redemptions, falling to around US\$50 million at its lowest point, before recovering with net subscriptions being recorded in each month since the middle of the year. The performance of this fund has been significantly above its target in 2009, such that it has recovered the underperformance of 2008 and has earned performance fees of US\$3.3 million in 2009. We continue to believe that this fund has the ability to produce positive returns uncorrelated to the performance of the associated markets and we will continue to look to source new clients. At the end of 2009, the fund had a total AuM of US\$105 million (2008: US\$247 million, two funds).

### Specialist

This fund area includes private equity property funds amongst other miscellaneous products. Unfortunately 2009 was a year in which there was almost no appetite at all for new product offerings amongst investors in such funds, such as the overhang of similar funds trading at significant discounts on global stockmarkets. Thus our ability to source new monies was severely constrained.

Given underlying market conditions, no performance fees were earned in this category in 2009 and it is not possible to predict when conditions may be such that asset sales can be made within the vehicles which may then lead to such fees becoming payable.

### Institutional – Advisory

The institutional advisory relationships have continued to suffer from client redemptions during the year although these were much reduced from 2008. As with other sectors, these redemptions have been far outweighed by market appreciation during 2009. No performance fees were generated during the year. At the end of the year the institutional advisory accounts, covering five funds from two organisations, had a total AuM of US\$0.91 billion (2008: US\$0.53 billion).

### Institutional – Mandates

This category contains a number of individual mandates together with a range of products tailored to the needs of institutions. This segment also saw net redemptions in the year but, in common with other areas, saw significant rises in asset values due to market movement. On the whole, clients have continued to support the Group by adding to their mandates but no completely new clients were won. Of those whose money was withdrawn, this was often for reasons entirely outside the Group's control as managers and trustees decided to move to other asset classes. Performance fees of US\$1.0 million were generated during the year. At the end of the year, institutional mandates had a total AuM of US\$1.23 billion (2008: US\$0.75 billion).

## Board of Directors



**Michael Baer**



**Jayne Sutcliffe**



**James Mellon**



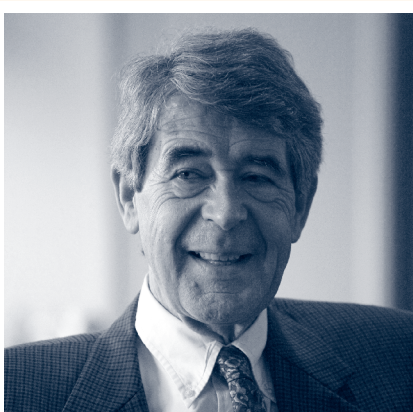
**Jane Bates**



**David McMahon**



**Rt Hon Lord Lang of Monkton, PC**



**Jacob Johan van Duijn**

**Michael Baer**  
**Non-Executive Director and Chairman**

Michael was appointed Non-Executive Director and Chairman of Charlemagne Capital in March 2006. He is Chairman and founder of Baer Capital Partners, a Dubai based asset management and corporate finance company which specialises in the Indian market. Before that, Michael was the Head of Private Banking and Member of the Executive Board at Julius Baer Group. He has over 20 years of experience in investment banking, trading and private banking in New York, London, Frankfurt, Tokyo, Hong Kong and Zurich. Michael is a graduate of the Sloane School of Management at the Massachusetts Institute of Technology, where he currently serves on the Dean's Advisory Council.

**Jane Bates**  
**Executive Director, Company Secretary**

Jane joined Charlemagne as a Director of Charlemagne Capital (IOM) Limited in July 2007. She was appointed Group Company Secretary of Charlemagne Capital Limited in August 2007 and was appointed a Director in February 2008. She became Managing Director of the Group's Isle of Man based subsidiaries from 1 April 2009. Jane previously spent seven years in senior roles with the Isle of Man Financial Supervision Commission. Prior to that, Jane was Legal Director of Intertrust (Isle of Man) Limited, part of an international tax planning and fiduciary group. She began her legal career in Edinburgh where she qualified as a Scottish solicitor, and has wide-ranging legal experience.

**Jayne Sutcliffe**  
**Chief Executive**

Jayne is responsible for the development and implementation of the Group's overall strategy, new initiatives, corporate issues and the Group's sales activities. Jayne became Group Chief Executive of Charlemagne Capital upon its launch in June 2000. Jayne began her career with Asian specialist Thornton Management before moving to Tyndall Holdings plc in 1988 to work on the development of an Asian and Emerging Markets operation. In 1990, she co-founded Regent Pacific Group Limited ("Regent") and was responsible for establishing and running its European operations. Jayne graduated with a masters degree in theology from Oxford University.

**David McMahon**  
**Finance Director**

David was appointed as Finance Director with effect from November 2008. David has been with the Charlemagne Group since inception, latterly as Executive Director, Planning. In this role David was responsible for the Group's tax and strategic planning matters. David was previously Finance Director and General Manager of Templeton Life Assurance Limited and later became Chief Financial Officer of Templeton's European businesses. David is a Fellow of the Institute of Chartered Accountants in England and Wales.

**Jacob Johan van Duijn**  
**Independent Non-Executive Director**

Jacob was appointed Non-Executive Director and the Senior Independent Director of Charlemagne Capital from 1 March 2006. Until 2005 he was chief strategist of Robeco Group, where as Chief Investment Officer he had previously been a member of the Group Executive Committee and Board of Directors until 2003. He currently holds a wide range of appointments, including Chairman of the Investment Committee of the KPN and TNT pension funds and is a member of the advisory committee to the International Monetary Fund Retirement Plan.

**James Mellon**  
**Non-Executive Director**

Jim was appointed Non-Executive Director of the Company in August 1997 and was Chairman from that time until March 2006. He began his career with GT Management in the US and in Hong Kong and later became the co-founder and Managing Director of Thornton Management (Asia) Limited, based in Hong Kong and was a director of Tyndall Holdings plc. He is Chairman and co-founder of Regent. He is currently a Director of Fixed Odds Group Limited, Webis Holdings plc, Burnbrae Limited, Sleepwell Hotels Limited, Speymill Property Managers Limited and various other investment companies. James has a masters degree in politics, philosophy and economics from Oxford University.

**Rt Hon Lord Lang of Monkton, PC**  
**Independent Non-Executive Director**

Ian was appointed a Non-Executive Director of Charlemagne Capital from 1 March 2006. From 1979 to 1997 he was a Member of Parliament and served as Secretary of State for Scotland and President of the Board of Trade and Secretary of State for Trade and Industry. In 1997 he was made a life peer. He is a former Director of General Accident plc, CGU plc and the Automobile Association. Ian is currently a Non-Executive Director of Marsh and McLennan Companies Inc. and of US Special Opportunities Trust plc. He is also Chairman of the UK Prime Minister's Advisory Committee on Business Appointments.

## Company Information

### Executive Directors

J. A. Sutcliffe (Chief Executive)  
J. D. N. Bates  
R. H. van Griethuysen (resigned 1 May 2009)  
D. McMahon  
A. A. Whamond (resigned 31 March 2009)

### Non-Executive Directors

M. P. Baer (Chairman)  
J. J. van Duijn  
J. Mellon  
Rt Hon Lord Lang of Monkton, PC

### Company Secretary

J. D. N. Bates

### Registered Office

Ugland House  
PO Box 309  
South Church Street,  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

### Mailing Address

St Mary's Court  
20 Hill Street  
Douglas  
Isle of Man  
IM1 1EU

### Nominated Adviser

**UBS Investment Bank**  
1 Finsbury Avenue  
London  
EC2M 2PP

### Auditors

**KPMG Audit LLC**  
41 Athol St  
Douglas  
Isle of Man  
IM99 1HN

### Principal Bankers

**Barclays International**  
Victoria Street  
Douglas  
Isle of Man  
IM99 1AJ

### Solicitors

**Stephenson Harwood**  
One, St Paul's Churchyard  
London  
EC4M 8SH

### Registrars

**Capita IRG (Offshore) Limited**  
12 Castle Street  
St Helier  
Jersey  
JE2 3RT

### Crest Depository

**Capita IRG Trustees Limited**  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

# Report of the Directors

The Directors herein present their Annual Report and the audited consolidated financial statements of the Group for the year ended 31 December 2009.

## Principal Activities

The Group's principal activities consist of asset management and related activities.

## Results and Dividends

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 17 to 21 and notes on pages 22 to 38.

An interim ordinary dividend of 0.4 US cents per Ordinary Share was paid on 30 October 2009 to those shareholders on the register on 2 October 2009. This dividend was distributed from retained earnings during 2009.

A second interim ordinary dividend of 0.6 US cents and a special interim dividend of 0.75 US cents per Ordinary Share in respect of the year ended 31 December 2009 will be paid on 23 April 2010 to those shareholders on the register on 26 March 2010. These dividends will be distributed from retained earnings during 2010.

## Summary Financial Information

The results and the assets and liabilities of the Group for the current and the last two financial years (extracted from the audited financial statements) are set out below in summary:

	<b>For the Year Ended 31 December 2009</b>	For the Year Ended 31 December 2008	For the Year Ended 31 December 2007
	<b>US\$000</b>	US\$000	US\$000
<b>Results</b>			
<b>Revenue</b>	<b>23,819</b>	43,664	133,902
Operating profit	<b>5,680</b>	16,609	70,601
Share of profits of jointly controlled entity net of performance awards	<b>1,199</b>	–	195
Profit before tax	<b>6,879</b>	16,609	70,796
Taxation	<b>(439)</b>	(2,695)	(11,933)
Profit after tax	<b>6,440</b>	13,914	58,863
Minority interests	<b>(778)</b>	(57)	(104)
<b>Net profit from ordinary activities</b>	<b>5,662</b>	13,857	58,759
<b>Assets and liabilities</b>			
Property and equipment	<b>587</b>	746	1,282
Interest in jointly controlled entity	<b>2,684</b>	220	220
Current assets	<b>34,082</b>	36,312	123,572
<b>Total assets</b>	<b>37,353</b>	37,278	125,074
<b>Total liabilities</b>	<b>9,817</b>	12,017	67,464
<b>Net assets</b>	<b>27,536</b>	25,261	57,610

## Subsidiaries and Jointly Controlled Entity

Particulars of the Company's subsidiaries and jointly controlled entity are set out in notes 14 and 15 respectively to the financial statements.

## Property and Equipment

Details of movements in property and equipment of the Group during the year are set out in note 13 to the financial statements.

## Borrowings

The Group had no bank borrowings as at 31 December 2009 (2008: nil).

## Share Capital and Share Options

Details of the movements in the Company's share capital and share options during the year are set out in note 21 and 23 respectively to the financial statements.

## Details of Share Repurchases

During the year ended 31 December 2009, the Company repurchased 425,057 of its own shares at market value for cancellation (2008: 4,463,500).

## Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders, except as disapplied should resolution 11 of the Annual General Meeting be carried.

## Reserves

Details of movements in the reserves together with details of their availability for distribution, as calculated in accordance with the Companies Law of the Cayman Islands, are set out in the consolidated statement of changes in equity and note 22 to the financial statements.

## Directors

The Directors of the Company who held office during the year and to date were:

Michael Baer (Chairman)<sup>1</sup>  
 Jane Bates  
 Jaap van Duijn<sup>1</sup>  
 Hans van Griethuysen (resigned 1 May 2009)  
 Lord Lang of Monkton<sup>1</sup>  
 James Mellon<sup>1</sup>  
 David McMahon  
 Jayne Sutcliffe  
 Anderson Whamond (resigned 31 March 2009)

<sup>1</sup> Non-Executive Director

## Directors' Interests in Contracts

Except as disclosed in note 6 to the financial statements, no Director had a beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

## Directors' Service Contracts

No Director has a service contract with the Company, which is not terminable by the Company within one year without payment other than statutory compensation.

# Report of the Directors continued

## Substantial Shareholders

In addition to the holdings of certain Directors as disclosed on page 14, the Company has been made aware of the following positions in the equity of Charlemagne Capital Limited which exceed 3% of the Ordinary Shares in issue as at 11 March 2010.

	Number of Ordinary Shares	Percentage of Issued Capital
Templeton World Charity Foundation and related entities	25,145,854	9.0%
Blackrock Inc.	14,439,649	5.1%
AXA S.A. and related parties	14,310,000	5.1%
Majedie Asset Management Limited	14,071,878	5.0%
Sanne Trust Company Limited	13,671,041	4.9%

## Auditors

KPMG Audit LLC retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG Audit LLC is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board.

## Jane Bates

Director and Company Secretary

11 March 2010



# Corporate Governance Report

For the Year Ended 31 December 2009

In 2006, the Company gained admission to trading on AIM. As an AIM company, the Company is not required to comply with the Combined Code. Nevertheless, the Company seeks to comply with it as far as is practicable having regard to its size and nature and the current stage of its development.

## The Board of Directors

The Board currently consists of seven directors of whom three are executive and four are Non-Executive, including the Chairman. The posts of Chairman and Chief Executive are held by different Directors with Jaap van Duijn as the Senior Non-Executive director. All Directors are required to submit themselves for re-election at least once every three years.

The Board meets regularly, provides strategic direction to management and has a schedule of specific matters reserved for Board decision. In particular the Board is responsible for:

- setting the Company's and Group's strategy;
- development of new areas of business;
- formation, acquisition and disposals of subsidiaries or other assets over 10% of net assets or profits of the Group (whichever is the higher);
- approval of capital projects involving more than 3% of net assets or profits of the Group (whichever is the higher);
- communications with shareholders and the stock market; and
- annual consideration of the effectiveness of internal controls.

The Board is supplied with appropriate information to allow it to perform its duties. All Directors may take independent professional advice at the expense of the Company in performing their duties.

The Directors are aware of the risks inherent in the Group's business and understand the importance of identifying and evaluating these risks. The Board has adopted procedures and controls to enable it to manage these risks. The Isle of Man Financial Supervision Commission is considered to be the lead regulator in relation to the Group's regulated activities.

## Non-Executive Directors

The Board includes Non-Executive Directors who bring strong, independent judgement, knowledge and experience to the Board's deliberations.

The Board has determined that three of its number, Michael Baer, Jaap van Duijn and Lord Lang, can be regarded as independent for the purposes of the Combined Code. James Mellon, the fourth Non-Executive Director, has interests in a sufficient number of shares (as set out on page 14) not to be considered by the Board to be independent for the purposes of the Combined Code.

The Non-Executive Directors each has a letter of appointment, which sets out the terms of their appointment and their expected time commitment. Their fees are determined by the Board.

## Board Committees

The Board has established an Audit Committee and a Remuneration Committee with formally delegated duties, responsibilities and terms of reference. For the time being the Board has not established a Nominations Committee but has committed to do so at an appropriate future date.

The Board also has the power to establish ad hoc committees as necessary to allow Executives to make immediate decisions on matters reserved to the Board within strict guidelines approved by the Board in advance. During the year under review these powers were used to maintain a committee to arrange share buy backs for cancellation (as disclosed in note 21).

## Audit Committee

The Audit Committee is chaired by Jaap van Duijn and its other members are Michael Baer and Lord Lang. All of the members of the Committee are Non-Executive Directors. The Audit Committee meets at least three times each year and senior management, including the Finance Director, may be invited to attend all or part of the meetings. The external auditors of the Company attend the meetings and have unrestricted access to the Committee and its Chairman.

The purpose of the Audit Committee is to assist the Board in discharging its corporate governance responsibilities in relation to the Company's external auditors and to provide assurance over the reliability and appropriateness of the disclosure in the financial statements. The Audit Committee also reviews the effectiveness of internal controls.

## Remuneration Committee

The Remuneration Committee was chaired by Michael Baer during the year, and is now chaired by Lord Lang. The membership of the committee remains as Michael Baer, Jaap van Duijn, Lord Lang and Jayne Sutcliffe. The terms of reference for this committee state that it is only quorate if at least two independent Non-Executive Directors are present thus ensuring that all recommendations are made independently of the Executives.

The Remuneration Committee meets as required but at least twice in each year. It considers all material elements of remuneration policy, remuneration and incentives of executives and senior employees with reference if necessary to independent research and professional advice. It also reviews all allocations to employee share related incentive schemes. Recommendations are made by the Committee to the Board on the framework for executive remuneration and its cost. The Board is then responsible for ratifying the remuneration packages of individual Directors and senior employees together with share related incentive allocations for all employees.

The Directors are aware that the Committee structure of the Board is not fully in compliance with the Combined Code. However, they consider that the structure which is in place is appropriate for a rapidly growing entrepreneurial company where a significant proportion of the equity is owned by employees, Directors and their related interests.

# Director's Remuneration Report

For the Year Ended 31 December 2009

Employee compensation is based on the principles that bonus pools will be predominantly proportionate to profits and that equity participation is available to staff at all levels commensurate with their grade, thus ensuring that all staff members have the incentive to work towards the same profitability goals and there is an alignment of interests between employees and external shareholders.

## Executive Directors

Executive Directors' salaries are reviewed annually by the Remuneration Committee. Consideration is given to the full compensation package including allocations from the bonus pool arrangements, which may in certain circumstances be allocated to personal pension plan arrangements. Other than Jane Bates, Executive Directors do not receive share-based incentives.

With the exception of David McMahon, the Executive Directors receive healthcare membership for themselves and their immediate family. The Group does not operate a pension scheme.

The Executive Directors are employed under continuing contracts of employment that can be terminated by either party under notice provisions of up to six months with no additional provision for compensation payable by the Company on early termination beyond the minimum notice period.

## Non-Executive Directors

The Non-Executive Directors have each been appointed for three year terms from the date of initial appointment. The contracts can be terminated by either party under notice provisions of one month with no provision for compensation payable by the Company on early termination. The Non-Executive Directors received the fees disclosed below and do not receive any other Group benefits.

## Statement of Directors' Remuneration

The salary and fees of the Directors who held office during the year ended 31 December 2009 are set out below:

	Salary/Fees 2009 US\$000	Salary/Fees 2008 US\$000
<b>Non-Executive</b>		
Michael Baer	100	100
Jacob van Duijn	50	50
Lord Lang of Monkton	50	50
James Mellon	50	49
<b>Executive</b>		
Jayne Sutcliffe	19	357
Jane Bates	172	169
Hans van Griethuysen	43	163
David McMahon	251	141
Anderson Whamond	56	249

Further details on Directors' Remuneration are set out in note 5 to the financial statements.

## Directors' Share Interests

The Directors who held office at 31 December 2009 were interested in the equity of Charlemagne Capital Limited as set out below.

Ordinary Shares of US\$0.01 each

Directors	Number of Shares and Nature of Interest			Total Interest 2009	Total Interest 2008
	Personal Interest	Other Interests	Option Entitlements		
James Mellon <sup>1,2,3</sup>	5,668,163	50,001,334	–	55,669,497	55,519,497
Jayne Sutcliffe <sup>4</sup>	–	31,508,519	–	31,508,519	31,508,519
David McMahon	5,500,000	–	–	5,500,000	5,500,000
Lord Lang of Monkton	100,000	–	–	100,000	100,000
Michael Baer	265,341	–	–	265,341	265,341
Jane Bates <sup>5,6</sup>	25,000	–	600,000	625,000	125,000

1. A number of shares under "other interests" are held by Galloway Limited, which is indirectly wholly owned by the trustee of a settlement under which James Mellon has a life interest.
2. A number of shares under "other interests" are held by Indigo Securities Limited, which is indirectly wholly owned by the trustee referred to in Note 1 above.
3. A number of shares under "other interests" are held on behalf of Burnbrae Limited, which is indirectly wholly owned by the trustee referred to in Note 1 above.
4. Shares under "other interests" are held on behalf of the trustees of discretionary trusts, under which Jayne Sutcliffe and members of her family may become beneficiaries.
5. A number of shares under "option entitlements" refer to a grant of options made in March 2008 which, subject to performance conditions being met, will become eligible for exercise from March 2011 onwards.
6. A number of shares under "option entitlements" refer to a grant of options made in March 2009 which, subject to performance conditions being met, will become eligible for exercise from March 2012 onwards.

# Statement of Directors' Responsibilities

## **In relation to the Annual Report and Consolidated Financial Statements.**

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

The Directors are required to prepare financial statements for each financial year. The Directors are required to prepare the Group financial statements in accordance with the requirements of International Financial Reporting Standards ("IFRS"). This basis has been used historically by the Group.

The Group and Parent Company financial statements are required to give a true and fair view of the financial position of both the Group and the Parent Company and of the Group's profit or loss for the year.

In preparing these financial statements, applicable laws and regulations require the Directors to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and the Parent Company and enable them to ensure that its financial statements comply with appropriate legislation. They have a general responsibility for taking such steps as are necessary and open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website.

Legislation in the Cayman Islands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Report of the Independent Auditors

## **Report of the Independent Auditors, KPMG Audit LLC, to the Members of Charlemagne Capital Limited**

We have audited the Group and Parent Company financial statements ("the financial statements") of Charlemagne Capital Limited for the year ended 31 December 2009 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Company Statement of Financial Position and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

## **Respective Responsibilities of Directors and Auditors**

The Directors' responsibilities for preparing the financial statements in accordance with applicable company law and International Financial Reporting Standards are set out in the Statement of Directors' Responsibilities on page 15.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibility does not extend to any other information.

## **Basis of Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the UK Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's and Parent Company's affairs as at 31 December 2009 and the Group's financial performance and its cashflows for the year then ended; and
- have been properly prepared in accordance with the applicable company law.

## **KPMG Audit LLC**

Chartered Accountants  
Heritage Court  
41 Athol Street  
Douglas  
Isle of Man  
IM99 1HN

11 March 2010

# Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2009

Expressed in US\$	Notes	Year Ended 31 December 2009 US\$000	Year Ended 31 December 2008 US\$000
<i>Revenue</i>	4	<b>23,819</b>	43,664
<i>Expenses</i>			
Personnel expenses	5	<b>(13,381)</b>	(20,421)
Other costs		<b>(4,758)</b>	(6,634)
<i>Operating profit</i>	7	<b>5,680</b>	16,609
Share of profit of jointly controlled entity	15	<b>2,598</b>	–
Performance awards relating to jointly controlled entity	15	<b>(1,399)</b>	–
<i>Profit before tax</i>		<b>6,879</b>	16,609
Taxation	9	<b>(439)</b>	(2,695)
<i>Profit after tax</i>		<b>6,440</b>	13,914
Profit after tax attributable to			
Minority interests	14	<b>778</b>	57
Owners of the Company		<b>5,662</b>	13,857
<i>Profit after tax</i>		<b>6,440</b>	13,914
<i>Other comprehensive income</i>			
Foreign currency translation differences		<b>1,180</b>	(629)
Total comprehensive income for the year		<b>7,620</b>	13,285
<i>Total comprehensive income attributable to</i>			
Minority interests	14	<b>778</b>	57
Owners of the Company		<b>6,842</b>	13,228
Total comprehensive income for the year		<b>7,620</b>	13,285
		<b>US\$</b>	US\$
<i>Earnings per share</i>			
Basic	12	<b>0.020416</b>	0.049452
Diluted	12	<b>0.020416</b>	0.049410

The Directors consider that all results derive from continuing activities.

The notes on pages 22 to 38 form an integral part of these financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2009

Expressed in US\$	Notes	As at	As at
		31 December 2009 US\$000	31 December 2008 US\$000
<b>Non-current assets</b>			
Property and equipment	13	587	746
Interest in jointly controlled entity	15	2,684	220
Total non-current assets		3,271	966
<b>Current assets</b>			
Current investments	16	918	681
Trade and other receivables	18	11,317	7,533
Cash and cash equivalents	19	21,847	28,098
Total current assets		34,082	36,312
<b>Total assets</b>		<b>37,353</b>	<b>37,278</b>
<b>Equity</b>			
Issued share capital	21	2,804	2,808
Reserves		23,764	22,263
Shareholders' equity	22	26,568	25,071
Minority interest	14	968	190
<b>Total equity</b>		<b>27,536</b>	<b>25,261</b>
<b>Current liabilities</b>			
Trade and other payables	20	9,557	10,947
Taxation		260	1,070
Total current liabilities		9,817	12,017
<b>Total equity and liabilities</b>		<b>37,353</b>	<b>37,278</b>

Approved by the Board of Directors on 11 March 2010.

**David McMahon**  
Director

**Jane Bates**  
Director

The notes on pages 22 to 38 form an integral part of these financial statements.



# Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2009

	Share Capital US\$000	Share Premium US\$000	Retained Earnings US\$000	Treasury Shares US\$000	Share Option Reserve US\$000	Foreign Currency Exchange Reserve US\$000	Total attributable to the Owners of the Company US\$000	Minority Interest US\$000	Total Equity US\$000
At 1 January 2009	2,808	6,520	19,314	(6,280)	737	1,972	25,071	190	25,261
Shares repurchased	(4)	–	(99)	–	–	–	(103)	–	(103)
Share-based payment plans (note 23)	–	–	(4,312)	4,106	(320)	–	(526)	–	(526)
Comprehensive income for the period	–	–	5,662	–	–	1,180	6,842	778	7,620
Dividends	–	–	(4,716)	–	–	–	(4,716)	–	(4,716)
At 31 December 2009	2,804	6,520	15,849	(2,174)	417	3,152	26,568	968	27,536

	Share Capital US\$000	Share Premium US\$000	Retained Earnings US\$000	Treasury Shares US\$000	Share Option Reserve US\$000	Foreign Currency Exchange Reserve US\$000	Total attributable to the Owners of the Company US\$000	Minority Interest US\$000	Total Equity US\$000
At 1 January 2008	2,853	6,520	50,726	(6,280)	1,057	2,601	57,477	133	57,610
Shares repurchased	(45)	–	(2,503)	–	–	–	(2,548)	–	(2,548)
Share-based payment plans (note 23)	–	–	–	–	(320)	–	(320)	–	(320)
Comprehensive income for the year	–	–	13,857	–	–	(629)	13,228	57	13,285
Dividends	–	–	(42,766)	–	–	–	(42,766)	–	(42,766)
At 31 December 2008	2,808	6,520	19,314	(6,280)	737	1,972	25,071	190	25,261

The notes on pages 22 to 38 form an integral part of these financial statements.

# Consolidated Cash Flow Statement

For the Year Ended 31 December 2009

Expressed in US\$	Notes	Year Ended 31 December 2009 US\$000	Year Ended 31 December 2008 US\$000
Operating profit		5,680	16,609
Adjustments for:			
Depreciation	7	325	428
Exchange (gain)/loss on property and equipment		(73)	289
Provision for unrealised (gain)/loss on foreign exchange contracts and investments	7	(261)	857
Foreign currency translation adjustment		1,180	(629)
(Profit)/loss on disposal of investments	7	(31)	863
Dividend received from jointly controlled entity		133	–
Share-based option plan		(526)	(320)
(Increase)/decrease in trade and other receivables		(3,784)	74,674
(Decrease) in trade and other payables		(2,789)	(46,805)
Tax paid		(1,248)	(11,337)
<b>Net cash (used in)/generated from operating activities</b>		<b>(1,394)</b>	<b>34,629</b>
<b>Investing activities</b>			
Proceeds from sale of investments		55	8,684
Purchase of investments		–	(2,888)
Proceeds from sale of property and equipment		–	33
Purchase of property and equipment	13	(93)	(214)
<b>Net cash (used in)/generated from investing activities</b>		<b>(38)</b>	<b>5,615</b>
<b>Financing activities</b>			
Shares repurchased	21	(103)	(2,548)
Dividends paid	11	(4,716)	(42,766)
<b>Net cash used in financing activities</b>		<b>(4,819)</b>	<b>(45,314)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(6,251)</b>	<b>(5,070)</b>
Cash and cash equivalents at the beginning of the year	19	28,098	33,168
Cash and cash equivalents at the end of the year	19	21,847	28,098

The notes on pages 22 to 38 form an integral part of these financial statements.

# Company Statement of Financial Position

As at 31 December 2009

Expressed in US\$	Notes	As at 31 December 2009 US\$000	As at 31 December 2008 US\$000
<b>Non-current assets</b>			
Interests in subsidiaries	14	2,747	2,622
Interest in jointly controlled entity	15	2,684	220
<b>Total non-current assets</b>		<b>5,431</b>	2,842
<b>Current assets</b>			
Trade and other receivables	18	124	48
Amounts due from subsidiaries	26	28,921	15,460
Cash and cash equivalents	19	117	10,213
<b>Total current assets</b>		<b>29,162</b>	25,721
<b>Total assets</b>		<b>34,593</b>	28,563
Issued share capital	21	2,804	2,808
Reserves	22	(881)	2,042
<b>Shareholders' equity</b>	22	<b>1,923</b>	4,850
<b>Current liabilities</b>			
Trade and other payables		90	77
Amounts due to subsidiaries	26	32,580	23,636
		<b>32,670</b>	23,713
<b>Total equity and liabilities</b>		<b>34,593</b>	28,563

Approved by the Board of Directors on 11 March 2010.

**David McMahon**  
Director

**Jane Bates**  
Director

The notes on pages 22 to 38 form an integral part of these financial statements.

# Notes to the Financial Statements

For the Year Ended 31 December 2009

## 1. The Company

Charlemagne Capital Limited (formerly Regent Fund Management (Cayman) Limited and Regent Europe Limited) was incorporated in the Cayman Islands as an exempt company with limited liability (registered number CR-75327) on 29 July 1997. The Company's registered office is at PO Box 309, Uglard House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. The consolidated financial statements of the Company for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in a jointly controlled entity.

## 2. Basis of Preparation

### **Statement of Compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB"). The financial statements were authorised for issue by the Directors on 11 March 2010.

### **Basis of Measurement**

The consolidated financial statements are prepared on the historical cost basis except that the following are stated at their fair value: financial instruments at fair value through profit or loss including derivative financial instruments. Recognised assets and liabilities that are hedged are stated at fair value in respect of the risk that is hedged.

### **Functional and Presentation Currency**

The Company's shares are issued in United States Dollars ("US\$") as the US Dollar is a more widely recognised currency internationally than the local currency of the Cayman Islands. The functional and presentation currency of the financial statements is US Dollars and not Cayman Islands Dollars reflecting the fact that the transactions are denominated in US Dollars.

### **Use of Estimates and Judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 27.

### **Changes in Accounting Policies**

For the 2009 financial statements the Group has adopted IAS 1 "Presentation of Financial Statements" (Revised 2007) and IFRS 8 "Operating Segments" and it has also decided on early adoption of IFRS 2 "Amendments regarding Cash Settled Share-based Payment Transactions".

The adoption of IAS 1 makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses are unchanged. However, some items that were recognised directly in equity are now recognised in other comprehensive income. IAS 1 affects the presentation of owner changes in equity and introduces a "Statement of Comprehensive Income".

The adoption of IFRS 8 has not affected the disclosure of segment reporting for the Group as the information previously presented was already consistent with the segmental reporting structure reviewed by management.

The early adoption of IFRS 2 (amended 2009) has not affected the disclosure of Group cash-settled transactions as the information previously presented was already consistent with the requirements of the amendments to the IFRS.

The Group adopted the amendments to IFRS 7 "Improving Disclosures about Financial Instruments" effective from 1 January 2009. These amendments require the Group to disclose certain information about financial instruments measured at fair value in the statement of financial position. In the first year of application, comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the 31 December 2009 year end.

# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## 2. Basis of Preparation continued

### **Changes in Accounting Policies** continued

The following represents the fair value hierarchy of financial instruments measured at fair value in the statement of financial position. The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

### **New and Forthcoming Accounting Standards and Interpretations**

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

New/Revised International Financial Reporting Standards (Ias/Ifrs)	Effective Date (Accounting Periods Commencing After)
IAS 7 Statement of Cash Flows (revised April 2009) <sup>1</sup>	1 January 2010
IAS 24 Related Party Disclosures – revised definition of related parties	1 January 2011
IAS 31 Interests in Joint Ventures – consequential amendments resulting from amendments to IFRS 3 (2008)	1 July 2009
IAS 36 Impairment of Assets (revised April 2009) <sup>1</sup>	1 January 2010
IAS 39 Financial Instruments: Recognition and Measurement – amendments for eligible hedged items	1 July 2009
IAS 39 Financial Instruments: Recognition and Measurement (revised April 2009) <sup>1</sup>	1 January 2010
IFRS 2 Share-based Payment – amendments relating to group cash-settled share-based payment transactions	1 January 2010
IFRS 9 Financial Instruments – classification and measurement	1 January 2013

<sup>1</sup> Amendments resulting from April 2009 annual improvements to IFRSs

The Directors do not expect the adoption of the standards and interpretations to have a material impact on the Group's financial statements in the period of initial application.

## 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group entities except as explained in note 2, which addresses changes in accounting policies.

### **Basis of Consolidation**

#### **Subsidiaries**

Subsidiaries are those enterprises controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### **Jointly Controlled Entities**

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement, and are accounted for using the equity accounting method in the consolidated financial statements.

#### **Transactions Eliminated on Consolidation**

Intra-group balances and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but to the extent that there is no evidence of impairment.

#### **Investment in Funds Managed by Charlemagne Capital Group Companies**

Certain Group companies, from time to time, purchase shares in funds managed by other Charlemagne Capital Group companies. Such holdings can amount to over 20% of the issued share capital and occasionally more than 50%. Those holdings over 50% of the issued share capital, are treated as subsidiaries. Those holdings which are over 20% but not more than 50% of the issued share capital are treated as associates and equity accounted in the consolidated financial statements for the Group. No holdings of over 20% but below 50%, and no holdings of over 50% in Charlemagne managed funds existed at 31 December 2009 or 2008.

# Notes to the Financial Statements *continued*

For the Year Ended 31 December 2009

## **3. Significant Accounting Policies** *continued*

### **Foreign Currency**

#### **Foreign Currency Transactions**

Transactions in foreign currencies are translated to US\$ at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to US\$ at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to US\$ at the foreign exchange rate ruling at the date of the transaction.

#### **Foreign Operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to US Dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to US Dollars at the foreign exchange rates at the dates of the transactions. Foreign currency differences are recognised in “foreign currency exchange reserve” directly in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency exchange reserve is transferred to profit or loss.

#### **Derivative Financial Instruments**

The Group uses derivative financial instruments including forward exchange contracts to manage its exposure to foreign exchange, interest rate and equity market risks arising from operational, financing and investment activities and for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of the resultant gain or loss depends on the nature of the item being hedged (see cash flow hedges below).

#### **Cash Flow Hedges**

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative are recognised directly in equity. The amount recognised in equity is removed and recognised in profit or loss in the same period as the hedged cash flows affect profit or loss under the same profit or loss line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the profit or loss.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in equity is recognised immediately in profit or loss.

#### **Property and Equipment**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

#### **Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of property and equipment. The estimated useful lives are as follows:

Furniture and fixtures	five years
Computer equipment	three years
Other equipment	four years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

#### **Investments**

##### **Classification and Measurement**

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group’s risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. All investments are designated at fair value through profit or loss, except for derivative financial instruments which are classified as held for trading.

##### **Recognition and Derecognition**

The Group recognises financial assets at fair value through profit or loss on the date it commits to purchase the instruments. From this date any gains and losses arising from changes in fair value of the assets are recorded. These assets are derecognised when the rights to receive cash flows from the assets have expired or when the Group has transferred substantially all risks and rewards of ownership.



# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## **3. Significant Accounting Policies** continued

### **Fair Value Measurement Principles**

The value of financial instruments is based on their quoted market bid price, where available, at the balance sheet date without any deduction for transactions costs. If a quoted market price is not available on a recognised exchange or from a broker/dealer for non-exchange traded financial instruments, the fair value of the instrument is estimated by the Board of Directors.

### **Trade and Other Receivables**

Trade and other receivables are measured at amortised cost less impairment losses.

### **Trade and Other Payables**

Trade and other payables are measured at amortised cost.

### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances and call deposits. For the purpose of the statement of cash flows, cash and cash equivalents would be presented net of bank overdrafts if any existed.

### **Impairment of Non-financial Assets**

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses and reversals are recognised in profit or loss.

### **Share Capital**

#### **Ordinary Shares**

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares and share options are recognised as a deduction from equity, net of tax effects.

#### **Repurchase of Share Capital**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as cancelled shares and presented as a deduction from total equity.

#### **Treasury shares**

Shares issued to the Charlemagne 2005 Employee Benefit Trust ("EBT") (note 23) are accounted for as treasury shares within equity (see note 21).

#### **Dividends**

Dividends are recognised as a liability in the year in which they are declared and approved.

#### **Revenue Recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- (a) Investment management, administration and advisory fees contractually receivable by the Group are recognised in the year in which the respective fees are earned. Performance fees arising upon the achievement of specified targets are recognised at the respective funds' Year Ends, when such performance fees are confirmed as receivable, or when there is a crystallising event, including but not limited to, redemption of shares against which performance fees have been accrued.
- (b) Profit or loss on sale of investments is recognised when title is passed.
- (c) Interest is recognised on a time apportioned basis using effective interest rate.
- (d) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments is recognised when the share price of the investment turns ex-dividend.
- (e) Revenue related to provision of services is recognised on an accruals basis.

#### **Operating Lease Payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

# Notes to the Financial Statements *continued*

For the Year Ended 31 December 2009

## **3. Significant Accounting Policies** *continued*

### **Employee Benefits**

Obligations for contributions to employees' international pension plans are recognised as an expense in profit or loss as incurred. Obligations to the Charlemagne 2005 Employee Benefit Trust (the EBT) are recognised as an expense in profit or loss to the extent that these have been provisionally allocated to discretionary revocable sub-trusts of which certain Directors and employees of the Group may become beneficiaries.

In common with other groups which have initiated employee benefit trusts, from time to time the Group may receive inquiries from revenue authorities regarding taxation aspects. It is the policy of the Group to account for any taxation due as a result of such inquiry in the year in which the substance of any settlement is agreed.

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options expected to vest.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

The fair value of employee stock options is measured using a Black-Scholes or binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average competitor volatility), weighted average expected life of the instruments (based on general option holder behaviour), expected dividends, and a risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

### **Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. A deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

From time to time the Group receives inquiries from revenue authorities into its taxation affairs, as is common for entities operating international transfer pricing policies. It is the policy of the Group to account for any taxation due as a result of such inquiry in the year in which the substance of any settlement is agreed.

### **Investment in Subsidiaries, Associates and Jointly Controlled Entities**

The Company's investments in the subsidiaries and associates are stated at cost less impairment losses. The interest in jointly controlled entities is accounted for in the Company's balance sheet as a financial asset at fair value through profit or loss in accordance with IAS 39. In the absence of a quoted market price for the jointly controlled entity share of net assets is considered to approximate fair value.

### **Comparative Figures**

Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current year.

### **Earnings Per Share**

The Group presents basic and diluted EPS data for its Ordinary Shares. Basic EPS is calculated by dividing the profit or loss attributable to Ordinary Shareholders of the Company by the weighted average number of Ordinary Shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to Ordinary Shareholders and the weighted average number of Ordinary Shares outstanding, adjusted for own shares held, for the effects of all dilutive potential Ordinary Shares, which comprise convertible notes and share options granted to employees.

# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## 4. Revenue

	Year Ended 31 December 2009 US\$000	Year Ended 31 December 2008 US\$000
Fund management and related fees, net of rebates	18,647	39,515
Performance fees	4,222	3,690
Investment income on assets designated at fair value through profit or loss	566	(316)
Other income	384	775
	<b>23,819</b>	43,664

## 5. Personnel Expenses

	Year Ended 31 December 2009 US\$000	Year Ended 31 December 2008 US\$000
Salaries	7,467	8,820
Performance related bonuses	2,702	1,628
Share based incentive plans (see note 23)	504	(1,434)
Contributions to EBT	1,363	10,133
Pension contributions	96	184
Compulsory social security contributions	1,249	1,090
	<b>13,381</b>	20,421

In addition to the operational expenses in 2009 there were also one-off performance awards of US\$1.4 million relating to the share of profit of a jointly controlled entity.

	Year Ended 31 December 2009 US\$000	Year Ended 31 December 2008 US\$000
Directors' Emoluments		
Fees	248	278
Salaries	542	1,416
Performance related bonuses	1,036	500
Pension contributions	13	9
	<b>1,839</b>	2,203

The number of employees of the Group as at the end of the year was 63 (2008: 68) full time equivalent.

The Group operates a discretionary bonus scheme, as approved by the Board, which is based on the Group's profit before taxation. Bonuses are accounted for in the financial year in which the bonus is earned.

In 2005 the Group created the EBT. The EBT is controlled by an independent trustee ("the Trustee"). The EBT was created in order to motivate and retain the Group's directors and employees, each of whom is a potential beneficiary from the trust. These contributions have been expensed through personnel expenses.

Of the total amount contributed to the EBT relating to 2009, the Directors of Charlemagne Capital Services Limited ("CCSL"), the Group's global employment company, have recommended that the Trustee not allocate any amount this year to discretionary revocable sub-trusts of which certain Directors of the Company may be potential beneficiaries (2008: US\$2.1 million). However no amount has been included in directors' emoluments since the amounts have not been allocated to any Director or employee with any certainty.

### **Highest Paid Director**

The highest paid Director had emoluments of US\$1.18 million (2008: US\$0.65 million).

## 6. Related Party Transactions

### **Identity of Related Parties**

The Group is related to its subsidiaries (note 14), its jointly controlled entity (note 15) and to its Directors and Executive Officers.

### **Transactions with Directors and Executive Officers**

As at 31 December 2009, Directors of the Company and their immediate interests controlled 33% (2008: 40%) of the voting shares of the Company.

# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## 6. Related Party Transactions continued

### Summary of Transactions

The following is a summary of transactions with related parties during the year. All such transactions were entered into in the ordinary course of business.

(a) Approximately 58% (2008: 59%) of the turnover from investment management, administration, performance incentive fees, advisory fees and commissions is derived from funds over which the Directors consider the Group has influence by virtue of its management, administration and advisory roles.

(b) Certain Directors have shareholdings in certain funds managed by Charlemagne Capital Group companies.

(c) During the year the Group established a new subsidiary entity and entered into an economic interest agreement with this entity in respect of one of the management contracts held by the Group. An employee of the Group holds a 49.9% minority interest in the shares of this entity and has an option to acquire a further 12.6% of the shares in issue (see notes 14 and 23).

## 7. Profit from Operations

The Group's profit from operations was arrived at:

	Year Ended 31 December 2009 US\$000	Year Ended 31 December 2008 US\$000
After charging and (crediting):		
<i>Revenue items</i>		
Realised (profit)/loss on disposal of current investments	(31)	863
Unrealised (profit)/loss on current investments	(261)	857
Interest income	(53)	(1,307)
Net foreign exchange gain net	(222)	(97)
<i>Expense Items</i>		
Depreciation	325	428
Auditors' remuneration	151	168
Operating lease rental on property	632	723

## 8. Segment Reporting

Year to 31 December 2009	Magna US\$000	OCCO US\$000	Institutional Advisory US\$000	Institutional Mandates US\$000	Specialist US\$000	Other US\$000	Total US\$000
Net management fees	4,660	1,805	1,550	7,088	3,544	–	18,647
Net performance fees	(115)	3,263	–	1,074	–	–	4,222
Return on investment	–	–	–	–	–	566	566
Other income	–	–	–	–	–	384	384
Segment revenue	4,545	5,068	1,550	8,162	3,544	950	23,819
Segment result	3,766	3,497	1,361	6,707	3,217	546	19,094
Unallocated expenses							(13,414)
Results from operating activities							5,680

Year to 31 December 2008	Magna US\$000	OCCO US\$000	Institutional Advisory US\$000	Institutional Mandates US\$000	Specialist US\$000	Other US\$000	Total US\$000
Net management fees	11,141	5,206	9,434	7,764	5,970	–	39,515
Net performance fees	264	1,323	222	831	1,050	–	3,690
Return on investment	–	–	–	–	–	(1,720)	(1,720)
Other income	–	–	–	–	345	1,834	2,179
Segment Revenue	11,405	6,529	9,656	8,595	7,365	114	43,664
Segment result	7,179	3,955	6,713	5,802	5,338	114	29,101
Unallocated expenses							(12,492)
Results from operating activities							16,609

IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8 became mandatory for the Group's 2009 financial statements and requires the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business segments. Management believe that the information currently presented is consistent with information reviewed by management and therefore no significant changes have resulted from adoption of IFRS 8.

# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## 9. Taxation

Recognised in the Income Statement	<b>Year Ended 31 December 2009 US\$000</b>	Year Ended 31 December 2008 US\$000
<b>Current tax expense:</b>		
Current year	<b>451</b>	2,797
Overprovided in prior years	<b>(12)</b>	(102)
Total income tax expense	<b>439</b>	2,695

Reconciliation of Effective Tax Rate	<b>Year Ended 31 December 2009 US\$000</b>	Year Ended 31 December 2008 US\$000
Profit before tax	<b>6,879</b>	16,609
Income tax using the domestic corporation tax rate	<b>0%</b>	0%
Effect of different tax rates in foreign jurisdictions	<b>6.56%</b>	16.84%
Overprovided in prior years	<b>(0.18%)</b>	(0.61%)
	<b>6.38%</b>	16.23%

## 10. Profit Attributable to Shareholders

The net profit attributable to shareholders reflected in the financial statements of the Company itself amounts to US\$1.89 million (2008: US\$38.93 million).

## 11. Dividends

Dividends per share of 1.7 US cents (2008: 15.25 US cents)	<b>Year Ended 31 December 2009 US\$000</b>	Year Ended 31 December 2008 US\$000
	<b>4,716</b>	42,766

A second interim ordinary dividend of 1.3 US cents (GB 0.9205p) per Ordinary Share in respect of the year ended 31 December 2008 was paid on 7 April 2009 to those shareholders on the register on 13 March 2009 and was distributed from retained earnings in 2009.

An interim ordinary dividend of 0.4 US cents (GB 0.2453p) per Ordinary Share was paid on 30 October 2009 to those shareholders on the register on 2 October 2009 and distributed from retained earnings in 2009.

A second interim ordinary dividend of 0.6 US cents (GB 0.4011p) and a special interim dividend of 0.75 US cents (GB 0.5014p) per Ordinary Share in respect of the year ended 31 December 2009 will be paid on 23 April 2010 to those shareholders on the register on 26 March 2010 and will be distributed from retained earnings in 2010.

## 12. Earnings Per Share

The calculation of basic EPS of the Group is based on the net profit attributable to shareholders for the year of US\$5.66 million (2008: US\$13.86 million) and the weighted average number of shares of 277,380,078 (2008: 280,209,015) in issue during the year.

The calculation of diluted EPS of the Group includes options that have vested but not yet been exercised and the weighted average number of share options where the specified performance conditions have been satisfied, but the service criteria have not yet been met (note 23).

Shares issued during the year ended 31 December 2006 to Sanne Trust Company Limited (note 23) have been excluded from the EPS calculation as such shares are currently accounted for as treasury shares.

# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## 13. Property and Equipment

Group	Furniture and Fixtures US\$000	Computer and Other Equipment US\$000	Total US\$000
Cost:			
At 1 January 2008	1,208	1,313	2,521
Acquisitions	30	184	214
Disposals	–	(78)	(78)
Exchange adjustment	(327)	(372)	(699)
At 31 December 2008	911	1,047	1,958
<b>At 1 January 2009</b>	<b>911</b>	<b>1,047</b>	<b>1,958</b>
<b>Acquisitions</b>	<b>12</b>	<b>81</b>	<b>93</b>
<b>Disposals</b>	<b>(160)</b>	<b>(403)</b>	<b>(563)</b>
<b>Exchange adjustment</b>	<b>94</b>	<b>103</b>	<b>197</b>
<b>At 31 December 2009</b>	<b>857</b>	<b>828</b>	<b>1,685</b>
Depreciation and impairment:			
At 1 January 2008	363	876	1,239
Provided during the year	193	235	428
Disposals	–	(45)	(45)
Exchange adjustment	(137)	(273)	(410)
At 31 December 2008	419	793	1,212
<b>At 1 January 2009</b>	<b>419</b>	<b>793</b>	<b>1,212</b>
<b>Provided during the year</b>	<b>171</b>	<b>154</b>	<b>325</b>
<b>Disposals</b>	<b>(160)</b>	<b>(403)</b>	<b>(563)</b>
<b>Exchange adjustment</b>	<b>45</b>	<b>79</b>	<b>124</b>
<b>At 31 December 2009</b>	<b>475</b>	<b>623</b>	<b>1,098</b>
Carrying amounts:			
At 1 January 2008	845	437	1,282
At 31 December 2008	492	254	746
<b>At 1 January 2009</b>	<b>492</b>	<b>254</b>	<b>746</b>
<b>At 31 December 2009</b>	<b>382</b>	<b>205</b>	<b>587</b>

There was no property and equipment in the Company.

Assets which were purchased at a historic cost of US\$0.4 million and are fully depreciated are still being used by the Company.

## 14. Interests in Subsidiaries

Company	US\$000
Cost	
At 1 January 2008	4,027
At 31 December 2008	2,622
<b>At 1 January 2009</b>	<b>2,622</b>
<b>Addition</b>	<b>125</b>
<b>At 31 December 2009</b>	<b>2,747</b>
Impairment	
At 1 January 2008	1,242
At 31 December 2008	–
<b>At 1 January 2009</b>	<b>–</b>
<b>Disposal</b>	<b>–</b>
<b>At 31 December 2009</b>	<b>–</b>
Carrying amount	
At 31 December 2008	2,622
<b>At 31 December 2009</b>	<b>2,747</b>

Balances with subsidiaries are included within current assets and current liabilities within the Parent Company statement of financial position.



# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## 14. Interests in Subsidiaries continued

Particulars of the principal subsidiaries of the Company at 31 December 2009 are as follows:

Name	Place of Incorporation/ Operation	Issued and Fully Paid Share Capital	Percentage of Equity Interest Attributable to the Company		Principal Activities
			Direct	Indirect	
Charlemagne Capital (IOM) Limited	Isle of Man	Ordinary GBP20,000	100%	–	Investment management
Charlemagne Capital (UK) Limited	United Kingdom	Ordinary GBP100	100%	–	Investment advice and marketing
Charlemagne Capital (Investments) Limited	Isle of Man	Ordinary GBP1	100%	–	Investment
Charlemagne Capital (Services) Limited <sup>1</sup>	Isle of Man	Ordinary GBP2,000	100%	–	Personnel
Charlemagne Capital (OCCO EE) Limited <sup>2</sup>	Isle of Man	Ordinary GBP100,000	50.1%	–	Internal servicing company

<sup>1</sup> During the year, Charlemagne Capital Limited acquired the remaining 40% of the shares of CCSL Limited from the Trustee of the EBT.

<sup>2</sup> During the year the Group established a new subsidiary entity. An employee of the Group holds a 49.9% minority interest in the shares of this entity and has an option to acquire a further 12.6% of the shares in issue (see notes 6 and 23).

## 15. Interest in Jointly Controlled Entity

	Group	
	31 December 2009 US\$000	31 December 2008 US\$000
Share of net assets	<b>2,684</b>	220

The Group has a 12.86% (2008: 12.86%) interest in a jointly controlled entity, SWR Investments Limited ("SWR"), a company incorporated in the Cayman Islands, which invested in banking and financial entities in Eastern Europe. In view of the fact that the Group retains a significant influence over the management of SWR, an equity accounting approach has continued with regard to this investment.

During the year SWR resolved outstanding taxation matters and subsequently released significant provisions. The valuation of the Group's interest represents its share of SWR's net assets at fair market value. The subsequent distribution of the net assets of SWR triggered the payment of a performance fee of US\$3.7 million net of applicable bonuses to the Group in the first quarter of 2010.

The results, assets and liabilities of this equity accounted jointly controlled entity are as follows:

Name	Assets	Liabilities	Profit/ (Loss)	% interest
	US\$000	US\$000	US\$000	
SWR Investments Limited	27,544	6,670	20,045	12.86%

## 16. Investments

Group	31 December 2009 US\$000	31 December 2008 US\$000
	<i>Current investments – at fair value through profit or loss</i>	
Equity securities	<b>282</b>	281
Equity securities held for deferred bonus payments	<b>636</b>	400
	<b>918</b>	681

There were no investments held by the Company.

## 17. Deferred Taxation

There is an unrecognised deferred taxation asset of US\$11,308 (2008: unrecognised asset of US\$19,732) representing the tax effect of depreciation in excess of capital allowances.

# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## 18. Trade and Other Receivables

	Group		Company	
	31 December 2009 US\$000	31 December 2008 US\$000	31 December 2009 US\$000	31 December 2008 US\$000
Trade customers	8,774	3,767	–	–
Other receivables	1,901	3,237	97	14
Prepayments	642	529	27	34
	<b>11,317</b>	<b>7,533</b>	<b>124</b>	<b>48</b>

As at 31 December 2009 margin deposits of US\$5,214 (2008: US\$4,860) were held by the Group in respect of their normal trading in currencies, futures and options (note 24).

## 19. Cash and Cash Equivalents

	Group		Company	
	31 December 2009 US\$000	31 December 2008 US\$000	31 December 2009 US\$000	31 December 2008 US\$000
Bank balances	289	459	6	37
Call deposits	263	6,501	111	176
Term deposits	21,295	11,138	–	–
US treasury bills	–	10,000	–	10,000
Cash and cash equivalents	<b>21,847</b>	<b>28,098</b>	<b>117</b>	<b>10,213</b>

## 20. Trade and Other Payables

	Group		Company	
	31 December 2009 US\$000	31 December 2008 US\$000	31 December 2009 US\$000	31 December 2008 US\$000
Provision for performance awards	5,647	5,413	–	–
Accruals and other payables	3,910	5,534	90	77
	<b>9,557</b>	<b>10,947</b>	<b>90</b>	<b>77</b>

## 21. Issued Share Capital

	31 December 2009 US\$000	31 December 2008 US\$000
Shares		
<b>Authorised</b>		
2,000,000,000 Ordinary Shares of US\$0.01 each	<b>20,000</b>	20,000
<b>Issued and fully paid</b>		
At beginning of year 280,810,673 (2008: 285,274,173) Ordinary Shares of US\$0.01 each	<b>2,808</b>	2,853
Shares repurchased; 425,057 (2008: 4,463,500)	<b>(4)</b>	(45)
At end of year; 280,385,616 (2008: 280,810,673) fully paid	<b>2,804</b>	2,808

During the year ended 31 December 2009, the Company repurchased 425,057 (2008: 4,463,500) of its own shares at market value for cancellation.

As at the date of signing the financial statements there were 280,385,616 (2008: 280,810,673) Ordinary Shares of US\$0.01 each issued and fully paid.

Included within share capital are 3,422,185 shares which are held on behalf of a subsidiary of the Company (see note 23). These are accounted for as treasury shares and are included as a debit reserve within equity.

# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## 22. Share Capital and Reserves

Under Cayman Island law all categories of reserves are distributable. However, under normal circumstances the Company considers that only retained profits are distributable to shareholders. In the current and previous periods, the Company has repurchased some of its own shares. These shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by their nominal value. The premium on shares repurchased during 2009 was transferred to retained earnings.

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of business. The Board of Directors monitors the return on capital and the level of dividends to Ordinary Shareholders.

There were no changes to the Group's approach to capital management during the year.

Two of the Company's subsidiaries are subject to externally imposed capital requirements and are required to submit periodic returns summarising their financial resources. These companies have complied with relevant regulatory requirements in all material respects during the year.

## 23. Share-based Incentive Plans

### Equity settled

The Group has established several share-based incentive programmes that entitle certain employees to acquire shares in the Company subject to the vesting conditions set out below at an exercise price that was set at the date of grant.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Grant Date	Options Issued	Options Remaining	Vesting Conditions	Contractual Life of Options
27 March 2006	1,013,578	151,491	Equal parts vesting over three, four and five years service plus achievement of EPS performance targets	Seven years
21 November 2006	50,903	35,109	Equal parts vesting over three, four and five years service plus achievement of EPS performance targets	Seven years
13 March 2007	134,851	104,913	Equal parts vesting over three, four and five years service plus achievement of EPS performance targets	Seven years
18 March 2008	356,430	356,430	Three years service plus achievement of AuM performance targets	10 years
18 March 2008	200,000	200,000	Equal parts vesting over three, four and five years service plus achievement of AuM performance targets	Seven years
27 March 2009	9,309,510	9,309,510	Three years service plus achievement of AuM performance targets	Seven years
27 March 2009	3,943,702	3,943,702	Three years service plus achievement of AuM performance targets	10 years
<b>Total share options</b>	<b>15,008,974</b>	<b>14,101,155</b>		

The number and weighted average exercise price of outstanding share options is as follows:

	Weighted Average Exercise Price	Number of Options
Outstanding at beginning of period	GBP0.31	1,297,626
Granted during the period	GBP0.09	13,253,212
Failed to vest during the period	GBP0.19	(97,306)
Cancelled during the period	GBPnil	(352,377)
<b>Outstanding at the end of the period</b>	<b>GBP0.11</b>	<b>14,101,155</b>

The options outstanding at 31 December 2009 have an exercise price between GBPnil and GBP0.748 and a weighted average contractual life of 6.2 years. Outstanding share options are contingent upon specified performance and service criteria being satisfied.

During the period 352,377 options were cancelled for cash. In these instances the Company recognised the remaining original fair values of these options as an expense in profit or loss. The Company did not recognise any gain in profit or loss where the cash award was less than the fair value of the options.

During the period 97,306 options reached the end of their vesting period but failed to meet the required performance criteria. Any amounts previously provided for these options were written back to profit or loss.

# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## 23. Share-based Incentive Plans continued

### Equity settled continued

As at 31 December 2009 39,954 options had vested but had not been exercised. The average exercise price of these options is GBP0.74.

As at 31 December 2009 the performance criteria of some of the remaining options had been achieved however, the service criteria have yet to be met, so none of the remaining options are exercisable at this time.

The fair values of the options granted during the year are measured at the grant date using a Black-Scholes or binomial lattice model and spread over the three year vesting period of these schemes. The values are adjusted to reflect the actual number of shares that are expected to vest and recognised as an employee expense with a corresponding increase in equity.

The weighted average fair value of the options issued during the period was GBP0.03 (2008: GBP0.14).

The estimate of the fair value of the share options granted with a grant price of GBPnil has been calculated by reference to the face value of the award adjusted for the loss of dividends over the vesting period. All other options are measured using a binomial lattice model to estimate the early exercise behaviour. The contractual life of the options, 7–10 years, is used as an input to this model.

Fair Value of Share Options and Assumptions	27 March	21 November	13 March	18 March	18 March	27 March	27 March
	2006	2006	2007	2008	2008	2009	2009
	EPS	EPS	EPS	AuM	EPS	AuM	AuM
	Targets	Targets	Targets	Targets	Targets	Targets	Targets
Fair value at measurement date (GBP)	0.86	0.20	0.21	0.14	0.14	0.03	0.03
Share price at grant date (GBP)	1.05	0.705	0.7475	0.505	0.505	0.089	0.089
Exercise price (GBP)	nil	0.705	0.7475	0.505	0.505	0.089	0.089
Expected volatility (% p.a.)	50.0	40.0	40.0	37.4	37.4	40.0	40.0
Option life (years)	7	7	7	10	7	7	10
Assumed dividend yield (% p.a.)	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Risk-free interest rate (% p.a.)	4.4	4.8	5.0	5.0	5.0	5.0	5.0

The Company's shares were not traded before the initial options were granted. In setting the volatility assumption therefore, regard was given to the share price volatilities of the Company's closest traded comparator companies, as well as the share price since listing. Based on daily and weekly price observations, the share price volatility was estimated at around 50% which was comparable to that of its competitors over a longer period. For those options issued substantially after listing the share price volatility has been assumed to be 40.0% or 37.4% relating the average volatility between listing and the grant dates.

An employee of the Group holds a 49.9% minority interest in the shares of a Group entity and has an option to acquire a further 12.6% of the shares in issue. The Group has retained an option to re-acquire the shares held by the employee for a nominal sum under certain conditions, should the employee's option no longer be exercisable for any reason. As at the grant date, the Directors believe that the option granted to the employee had no significant value. All options involved in this arrangement expire on 31 December 2018.

The share options are granted under service and non-market performance conditions. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

### Cash settled

At 24 March 2006, the Group's global employment company, Charlemagne Capital (Services) Limited (CCSL), made a contribution of US\$6.28 million to the EBT. The Directors of CCSL recommended to the Trustee of the EBT that this sum be used to purchase Company shares and those shares be held until EPS performances targets and service targets are met, after which time the shares should be sold. The Trustee of the EBT (Sanne Trust Limited, an independent trustee company) may at its discretion allocate the proceeds to discretionary sub-trusts of which certain employees and their families are beneficiaries.

The EBT subsequently purchased 3,422,185 Company shares, which had a fair value of US\$919,290 as at 31 December 2009 (2008: US\$368,264), based on the market price as at that date, after adjusting for the waiver of dividend rights at an assumed dividend yield of 5%.

The fair value of the future cash settlement is spread over the vesting period, and recognised as an expense in the accounts with a corresponding increase in liabilities. The fair value is remeasured at each reporting date, with any adjustment in the cumulative fair value being recognised in the reporting period.

During the year, the performance targets for 186,310 awards were not met and the awards did not vest (2008: 364,754). Any amounts previously provided for these options were written back to profit or loss.

During the year 729,460 awards which had previously met their performance criteria also met their service criteria and the associated liabilities were met at fair market value.

# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## 23. Share-based Incentive Plans continued

### Cash settled continued

During the year 1,072,239 awards were cancelled for cash at fair market value. Any increase or decrease in the fair market value of the cancelled awards against the liability previously provided for was written to profit or loss.

In addition to the awards which have been cancelled, or have not vested or have been funded by other means, the Directors of CCSL, believe that a number of awards are unlikely to meet their future performance awards. In the event that these awards do vest, alternative funding will be provided. Therefore, during the year the Directors of CCSL recommended to the Trustee of the EBT that 2,404,236 of the Company shares held by the EBT should be sold. The value of these shares as at the date of recommended disposal was less than the original cost of these shares and the difference of US\$4.3 million was transferred from retained earnings to treasury shares within reserves.

The Directors of CCSL also recommended that the Trustee of the EBT should use the proceeds of the sale to immediately purchase a further 2,404,236 Company shares which will be held until new AuM performance targets and service targets associated with new cash-settled awards issued during the year have been satisfied, after which time the shares should be sold. The Trustee of the EBT may at its discretion allocate the proceeds to discretionary sub-trusts of which certain employees and their families are beneficiaries.

The fair value of the future cash settlement is spread over the vesting period, and recognised as an expense in the accounts with a corresponding increase in liabilities. The fair value is remeasured at each reporting date, with any adjustment in the cumulative fair value being recognised in the reporting period.

### Expenses in Respect of Share-based Incentive Plans

The following amounts have been charged/(credited) as an expense within these financial statements:

	Year to 31 December 2009 US\$	Year to 31 December 2008 US\$
Equity-settled incentive plans	225,464	72,843
Amount relating to cash-settled transaction liabilities	278,352	(1,506,787)
<b>Total charged/(credited) to employee costs</b>	<b>503,816</b>	<b>(1,433,944)</b>

As at 31 December 2009, total liabilities in respect of cash-settled share-based incentive plans were US\$285,431 (2008: US\$199,160). No liabilities had vested by the end of the period.

## 24. Financial Risk Management

Financial assets of the Group include cash and cash equivalents, investments and other receivables. Financial liabilities include accruals and other payables. The carrying amounts of these other assets approximate their fair values.

The Group operates a central treasury function based upon weekly cash flow forecasts for each of the operating entities and the Group as a whole. This enables the regulatory liquidity requirements to be managed accurately for each entity subject to them. The Group normally operates a position of holding US dollars for all amounts in excess of working capital needs held in local currencies. Such balances are placed on deposit with major banks taking account of prudent spreading of risk. Where a decision is taken to hold local currency balances in excess of working capital needs, it is required that an Executive Director approves the position. All currency positions are formally monitored monthly by the Board as part of the Group's reporting procedures.

The Group's periodic use of derivatives is partly for hedging purposes, and partly for speculative investment. Where hedging is involved, the policy is fully or partly to match positions held in other assets. Speculative investment is carefully used, in accordance with parameters set by the Board, in short-term situations where physical assets are inappropriate.

There is strict segregation between the investment management and deal settlement functions.

In the course of the Group's normal trading in currencies, futures and options, margin deposits of varying amounts of cash are held by the Group's brokers. As at 31 December 2009, the amount of these margin deposits was US\$5,214 (2008: US\$4,860), such deposits being included within other receivables in the statement of financial position (note 18).

### Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group is exposed to liquidity risk to the extent that it holds stakes in certain financial instruments for which no developed market exists. Therefore, the Group might be unable to sell such stakes quickly at close to fair value. This risk is managed by the Group by means of cash flow planning to ensure that future cash requirements are anticipated and, where financial instruments have to be sold to meet these requirements, the process is carried out in a controlled manner intended to minimise the liquidity risk involved. The Group maintains an overdraft facility with its bankers which can be used if necessary.

# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## 24. Financial Risk Management continued

### Liquidity Risk continued

Residual contractual maturities of financial liabilities:

	Falling due: Less than 1 Month US\$000	Falling due: Between 1-3 Months US\$000	Falling due: More than 3 Months US\$000
<b>As at 31 December 2009</b>			
Trade Payables	1,855	–	–
Performance related awards	–	2,655	2,992
Other	1,383	99	833
<b>Total</b>	<b>3,238</b>	<b>2,754</b>	<b>3,825</b>

	Falling due: Less than 1 Month US\$000	Falling due: Between 1-3 Months US\$000	Falling due: More than 3 Months US\$000
<b>As at 31 December 2008</b>			
<i>Trade Payables</i>	1,410	–	–
<i>Performance related awards</i>	–	4,056	4,617
<i>Other</i>	864	–	1,070
<b>Total</b>	<b>2,274</b>	<b>4,056</b>	<b>5,687</b>

### Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The majority of debtors arise from fund management and related activities of the Group. As such the Group is able to determine that the credit risk is considered minimal in relation to the majority of its debtors. For other debtors a credit evaluation is undertaken on a case by case basis. To reduce exposure to credit risk arising from non-performance by counterparties in derivative transactions, the Group's policy is to transact business through brokers with high credit ratings wherever practicable. The Group invests available cash and cash equivalents with various banks. The Group is exposed to credit-related losses in the event of non-performance by counterparties to financial instruments but, given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

	Falling due: Less than 1 Month US\$000	Falling due: Between 1-3 Months US\$000	Falling due: More than 3 Months US\$000
<b>As at 31 December 2009</b>			
Amounts due from funds	9,057	–	557
Interest and other receivables	547	191	965
Cash and cash equivalents	16,847	5,000	–
<b>Total</b>	<b>26,451</b>	<b>5,191</b>	<b>1,522</b>

	Falling due: less than 1 Month US\$000	Falling due: Between 1-3 Months US\$000	Falling due: more than 3 Months US\$000
<b>As at 31 December 2008</b>			
<i>Amounts due from funds</i>	<b>4,192</b>	–	<b>778</b>
<i>Interest and other receivables</i>	<b>1,218</b>	<b>311</b>	<b>1,034</b>
<i>Cash and cash equivalents</i>	<b>28,098</b>	–	–
<b>Total</b>	<b>33,508</b>	<b>311</b>	<b>1,812</b>

The credit risk on transactions with funds primarily relates to transactions awaiting settlement. This risk is considered small due to the short settlement period involved and the high credit quality of the funds involved.

The cash and cash equivalents held by the Group are held by a number of international banks and it is the Group's policy to avoid concentrating credit risk in any one institution. The credit risk is also managed by carrying out regular reviews of each institution's credit ratings and of their published financial position.

# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## 24. Financial Risk Management continued

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and equity prices, will affect the Group's income or the value of its holding of financial instruments.

The Group is exposed to market risk directly via its investment holdings and indirectly via assets under its management, from which its fee income is derived. As the investments held directly and indirectly are mostly in the emerging markets, there is a concentration of this risk and any general movement in these markets would have a significant impact on the Group's income and the value of the Group's investments.

### Foreign Currency Risk

The Group is exposed to foreign currency risk on investments and expenses denominated in currencies other than US Dollars. The Group will normally hedge large exposures to foreign currency risk by using forward exchange contracts.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group's exposure as at the balance sheet date was as follows:

	31 December 2009			31 December 2008		
	AUD US\$000	EUR US\$000	GBP US\$000	AUD US\$000	EUR US\$000	GBP US\$000
(S\$000s) Equivalent						
Cash and Cash Equivalents	59	23	5,439	–	2,927	8,640
Investments	–	41	191	–	112	–
Trade debtors	191	2,165	1,890	174	1,853	3,570
Trade creditors	(27)	(702)	(3,129)	–	(1,244)	(1,987)
Total	223	1,527	4,391	174	3,648	10,223

As at 31 December 2009, had the US\$ strengthened by 1% in relation to all other currencies, with all other variables held constant, the net assets of the Group would have been decreased in both profit and equity by US\$61,417 (2008: US\$140,453). A weakening of the US\$ against the above currencies would have had the opposite effect.

### Interest rate risk

The Group is exposed to interest rate risk with regard to holdings in cash and cash equivalents. All cash holdings and cash equivalents are held at maturity dates of less than one month and are at variable rates. The Group does not have any borrowings. Surplus funds are placed on short term deposit.

### Other price risk

Price risk arises from equity securities held by the Group. As at the reporting date these assets amounted to the following:

	31 December 2009 US\$000	31 December 2008 US\$000
Investment Assets		
Assets held for trading:		
Equities – listed	918	657
Equities – unlisted	–	24
Total investment assets	918	681

The majority of the Group's investments are readily realisable into cash. A 3% increase in the reported net asset values of these assets at the reporting date would lead to a US\$43,770 increase in the value of those investments (2008: US\$43,770). An equal and opposite decrease in the reported net asset values would have decreased the value of the investments by an equal and opposite amount.

### Fair Value Hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level of the fair value hierarchy (see note 2).

31 December 2009	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000	Total US\$000
Assets held for trading:	195	723	–	918

# Notes to the Financial Statements continued

For the Year Ended 31 December 2009

## 25. Commitments

Operating lease commitments during the next 12 months are as follows:

	31 December 2009 US\$000	31 December 2008 US\$000
<b>Group</b>		
Property, expiring:		
Within one year	–	21
In the second to fifth years, inclusive	487	388
Over five years	157	141

## 26. Amounts Due to and from Subsidiaries

The amounts due to and from subsidiaries are unsecured, repayable on demand and bear interest at commercial rates.

## 27. Critical Accounting Estimates, and Judgement in Applying Accounting Policies

The directors considered the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. Estimates and judgements are continually evaluated and are based on historical and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## Fair Value of Financial Instruments

The fair value of financial instruments that are not quoted in an active market are determined by the Directors by using valuation techniques.

Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data. However areas such as credit risk, volatilities and correlations require the Directors to make estimates. Changes to the assumptions about these factors could affect reported fair values of financial instruments.

## 28. Contingent Liabilities

The Group has no significant contingent liabilities.



## Directors of Principal Subsidiaries

### **Charlemagne Capital (IOM) Limited**

Asset management company in the Isle of Man

Directors are:

James Mellon (Chairman)

Anderson Whamond (Non-Executive)

Philip Games (Non-Executive)

Jane Bates (Managing)

James Houghton

Adrian Jones

David McMahon

### **Charlemagne Capital (UK) Limited**

Investment advisory and marketing company in the UK

Directors are:

Sir James Mellon KCMG (Non-Executive Chairman)

Jonathan Bradley (Non-Executive)

Jane Bates

Vicky Kydoniefs

Varda Lotan

Julian Mayo

Gabor Sitanyi

### **Charlemagne Capital (Services) Limited**

Global employment company in the Isle of Man

Directors are:

Jane Bates

Adrian Jones

David McMahon

Anderson Whamond

### **Charlemagne Capital (Investments) Limited**

Investment and subsidiary holding company in the Isle of Man

Directors are:

Jane Bates

Adrian Jones

David McMahon

### **Charlemagne Capital (OCCO EE) Limited**

Internal servicing company in the Isle of Man

Directors are:

Jane Bates

David McMahon

Andrew Wiles

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Charlemagne Capital Limited will be held at the offices of Charlemagne Capital (IOM) Limited, St Mary's Court, 20 Hill Street, Douglas, Isle of Man on Monday 17 May 2010 at 12 noon to transact the following business:

## As ordinary resolutions:

1. To receive and consider the Directors' Report, Auditors' Report and the Audited Consolidated Financial Statements of the Company for the year ended 31 December 2009.  
*Each year we will ask shareholders to consider the Annual Report and Financial Statements under Article 166 of the Company's Articles of Association ("the Articles").*
2. To ratify the dividends declared by the Directors in respect of 2009 and confirm that no final dividend is paid.  
*Each year the Directors will declare interim dividends, subject to the availability of distributable reserves, and may declare a final dividend. As in past years, a second interim dividend was proposed instead of a final dividend in order that the amount could be paid to shareholders without waiting for the approval of this meeting.*
3. To re-appoint KPMG Audit LLC, Isle of Man as auditors of the Company and authorise the Directors to approve their remuneration.  
*Under Article 167 of the Articles, shareholders must approve the appointment of the auditors each year and authorise the Directors to set their fees. In line with best practice, the Directors have delegated the authority to the Audit Committee to set the auditors' fees.*
4. To re-appoint James Mellon as a Director of the Company.  
*James Mellon has been a Director of the Company since August 1997 and is required to retire each year under Article 125. He is offering himself for re-election as a Director.*
5. To re-appoint David McMahon as a Director of the Company.  
*David McMahon has been a Director of the Company since March 1999 and retires by rotation under Article 122. He is offering himself for re-election as a Director.*
6. To re-appoint Jane Bates as a Director of the Company.  
*Jane Bates was appointed a Director of the Company in February 2008 and is required to retire under Article 122. She is offering herself for re-election as a Director.*
7. To re-appoint Adrian Jones as a Director of the Company.  
*Adrian Jones was appointed a Director of the Company on 9 March 2010 and is required to retire under Article 128. He is offering himself for re-election as a Director.*
8. To grant standing authority such that the Company be authorised generally and without conditions to make market purchases of its ordinary shares (within the meaning of Section 163 of the UK Companies Act 1985) on such terms as the Directors may from time to time determine provided that (a) it may not purchase more than 28,038,561 ordinary shares of US\$0.01 each; (b) it may not pay more than 5% (exclusive of expenses) over the average of the middle market price of the ordinary shares for the five business days immediately before the day on which the Company agrees to buy the shares; (c) this authority will expire on 17 May 2011 or, if earlier, the conclusion of the next Annual General Meeting of the Company.  
*The Directors have previously indicated that interim and final dividends will be declared based on the net profits of the Group excluding contributions from net performance fees and non-recurring income, if any. One of the options which the Directors feel it appropriate to have available to them would be to use such income to purchase shares in the open market when conditions are deemed appropriate. Under Article 69(B) this resolution will allow up to 10% of the current issued capital of the Company, at the time of setting this agenda, to be repurchased in this way and cancelled.*
9. To grant standing authority such that the Directors be authorised generally and without conditions to (a) allot up to 93,461,872 ordinary shares of US\$0.01 each for a period expiring on 17 May 2011 or, if earlier, the conclusion of the next Annual General Meeting of the Company, unless previously renewed, varied or revoked by the Company in General Meeting prior to that date; (b) make an offer or agreement which would or might require ordinary shares of US\$0.01 to be allotted after expiry of this authority and the Directors may allot ordinary shares in pursuance of that offer or agreement as if this authority had not expired.  
*Although no such circumstances are envisaged at present, the Directors may, for example, decide that it is in the best interests of the Company to make acquisitions of other entities or of blocks of business from other entities in return for a consideration settled with ordinary shares of the Company. Adoption of this authority under Article 7 would allow the expansion of share capital by the allotment of a maximum of one third of the total shares in issue at the time of setting this agenda for the purpose of such acquisitions. Note that, at present, the Directors may only allot shares pursuant to the share option arrangements of the Company and its subsidiaries.*

**As a special resolution:**

10. Subject to standing authority granted under resolution 9, to waive pre-emption rights in relation to ordinary shares of US\$0.01 issued in respect of an annual number of ordinary shares allotted not exceeding 5% of the issued share capital as shown by the latest published audited financial statements.

*In the event that the use of the powers contained under resolution 9 are exercised, shareholders would normally be given the opportunity to exercise pre-emption rights to purchase the shares, perhaps by way of a rights issue. However Article 26 permits the shareholders to disapply these provisions, which are contained in Articles 18 – 25 inclusive, and, in accordance with best practice, approval is sought to do so for issuance of shares below a level of 5% of the capital. In the unlikely event that the shares to be allotted exceed this level shareholders would be given the opportunity to vote on the matter at an Extraordinary General Meeting.*

**By Order of the Board**

Jane D. N. Bates  
Secretary

Date: 11 March 2010

**Registered Office**

PO Box 309GT, Umland House  
South Church Street  
George Town  
Grand Cayman  
Cayman Islands  
BRITISH WEST INDIES

**Correspondence Address**

St Mary's Court  
20 Hill Street,  
Douglas  
Isle of Man  
IM1 1EU  
British Isles.

NOTES:

- 1 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him; a proxy need not be a member of the Company. In the case of joint holders, if more than one of such joint holder is present, only the person whose name stands first in the Register of Members in respect of the relevant joint holding will be entitled to vote, whether in person or by proxy.
- 2 Forms of proxy have been mailed with this document. Duplicate copies may be obtained by contacting Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or by request to the Company Secretary, Charlemagne Capital Limited, St Mary's Court, 20 Hill Street, Douglas, Isle of Man, IM1 1EU, British Isles. Completion and return of the relevant form of proxy will not preclude a member from attending and voting at the Meeting if he so wishes. In the event that a member who has lodged a form of proxy attends the Meeting, his form of proxy will be deemed to have been revoked.
- 3 In order to be valid, the instrument appointing a proxy for ordinary shareholdings and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, should be deposited at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (Freepost RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU) not less than 48 hours before the time appointed for holding the meeting.
4. In the case of holders of depositary interests representing ordinary shares in the Company, a form of direction must be completed in order to instruct Capita IRG Trustees Limited, the Depositary, to vote on the holder's behalf at the meeting. To be effective, a completed and signed form of direction (and any power of attorney or other authority under which it is signed) must be deposited at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (Freepost RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU) not less than 72 hours before the time appointed for holding the meeting.
5. Depositary interest holders may instruct the Depositary how to vote utilising the CREST electronic voting service. To instruct the Depositary how to vote or amend an instruction to vote via the CREST system, the CREST message must be received by the issuer's agent RA10 by 12 noon on 14 May 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of voting instructions through CREST should be communicated to issuer's agent by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual.
6. It is important that the correct voting form is used and if you are in any doubt you should contact Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
7. Depositary Interest Holders wanting to attend the Annual General Meeting should contact the Depositary, Capita IRG Trustees Limited, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 12:00 noon on 14 May 2010.

# Notes

# Notes



[www.charlemagnecapital.com](http://www.charlemagnecapital.com)

**Charlemagne Capital**

Charlemagne Capital Limited  
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