GLOBAL PAYMENTS INC
Form 10-K
July 25, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

May 31, 2011 For the fiscal year ended May 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File No. 001-16111

GLOBAL PAYMENTS INC.

(Exact name of registrant as specified in charter)

Georgia	**58-2567903**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

10 Glenlake Parkway, North Tower, Atlanta, Georgia **30328-3473**
(Address of principal executive offices) **(Zip Code)**
Registrant s telephone number, including area code: 770-829-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, No Par Value	New York Stock Exchange
Series A Junior Participating Preferred Share Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

NONE

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filerx	Accelerated filer¨
Non-accelerated filer¨ (Do not check if a smaller reporting company)	Smaller reporting company¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter was $3,293,949,763.

The number of shares of the registrant s common stock outstanding at July 15, 2011 was 80,336,017 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Specifically identified portions of the registrant s proxy statement for the 2011 annual meeting of shareholders are incorporated by reference in Part III.

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2011 FORM 10-K ANNUAL REPORT

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CAUTIONARY NOTICE REGARDING

FORWARD-LOOKING STATEMENTS

Unless the context requires otherwise, references in this report to Global Payments, the Company, we, us, and our refer to Global Payments and our respective subsidiaries.

We believe that it is important to communicate our plans and expectations about the future to our shareholders and to the public. Some of the statements we use in this report, and in some of the documents we incorporate by reference in this report, contain forward-looking statements concerning our business operations, economic performance and financial condition, including in particular: our business strategy and means to implement the strategy; measures of future results of operations, such as revenue, expenses, operating margins, income tax rates, and earnings per share; other operating metrics such as shares outstanding and capital expenditures; our success and timing in developing and introducing new products or services and expanding our business; and the successful integration of future acquisitions. You can sometimes identify forward looking-statements by our use of the words believes, anticipates, expects, intends, plan, forecast, guidance and similar expressions. Fo statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Although we believe that the plans and expectations reflected in or suggested by our forward-looking statements are reasonable, those statements are based on a number of assumptions and estimates that are inherently subject to significant risks and uncertainties, many of which are beyond our control, cannot be foreseen and reflect future business decisions that are subject to change. Accordingly, we cannot guarantee you that our plans and expectations will be achieved. Our actual revenues, revenue growth rates and margins, other results of operations and shareholder values could differ materially from those anticipated in our forward-looking statements as a result of many known and unknown factors, many of which are beyond our ability to predict or control. These factors include, but are not limited to, those set forth in Item 1A Risk Factors of this report, those set forth elsewhere in this report and those set forth in our press releases, reports and other filings made with the Securities and Exchange Commission, or SEC. These cautionary statements qualify all of our forward-looking statements, and you are cautioned not to place undue reliance on these forward-looking statements.

Our forward-looking statements speak only as of the date they are made and should not be relied upon as representing our plans and expectations as of any subsequent date. While we may elect to update or revise forward-looking statements at some time in the future, we specifically disclaim any obligation to publicly release the results of any revisions to our forward-looking statements.

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PART I

ITEM 1 BUSINESS

General Developments

Financial Highlights

In the year ended May 31, 2011, or fiscal 2011, revenue increased 13% to $1,859.8 million from $1,642.5 million in the year ended May 31, 2010, or fiscal 2010. This revenue growth was primarily due to growth in most of our direct merchant acquiring markets around the world and the impact of our acquisition in Spain on December 20, 2010.

Consolidated operating income was $331.6 million for fiscal 2011, compared to $323.3 million for fiscal 2010. Net income attributable to Global Payments increased $5.9 million, or 3%, to $209.2 million in fiscal 2011 from $203.3 million in the prior year, resulting in a $0.12 increase in diluted earnings per share to $2.60 in fiscal 2011 from $2.48 in fiscal 2010.

North America merchant services segment revenue increased $142.8 million or 12% to $1,362.9 million in fiscal 2011 from $1,220.1 million in fiscal 2010. North America merchant services segment operating income decreased to $268.2 million in fiscal 2011 from $275.4 million in fiscal 2010, with operating margins of 19.7% and 22.6% for fiscal 2011 and 2010, respectively.

International merchant services segment revenue increased $74.6 million or 18% to $496.9 million in fiscal 2011 from $422.4 million in fiscal 2010. International merchant services operating income also increased to $143.9 million in fiscal 2011 from $113.7 million in fiscal 2010, with operating margins of 29.0% and 26.9% for fiscal 2011 and 2010, respectively.

Refer to Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations for a detailed explanation of these results.

Fiscal 2011 Acquisitions

On December 20, 2010, we acquired a 51% controlling financial interest in Comercia Global Payments Entidad de Pago, S.L. (Comercia), a newly formed company into which Caixa d Estalvis i Pensions de Barcelona (la Caixa) contributed its merchant acquiring business in Spain. la Caixa owns the remaining 49% of Comercia. We purchased our share of Comercia for 125 million. The shareholders contributed a total of 6.4 million as initial capital to form Comercia. Our total investment in Comercia, including our 51% share of the initial capital was 128.3 million ($173.5 million as of the closing date). We manage the day-to-day operations of the corporation, control all major decisions and, accordingly, consolidate the corporation s financial results for accounting purposes effective with the closing date. In conjunction with the acquisition, la Caixa agreed to a twenty-year marketing alliance agreement in which la Caixa will refer customers to Comercia for payment processing services in Spain and provide sponsorship into the card networks. We funded the purchase with a combination of existing cash resources in Europe and the borrowing on our Corporate Credit Facility.

Business Description

Global Payments Inc. is a leading provider of electronic payments transaction processing services for consumers, merchants, Independent Sales Organizations (ISO s), financial institutions, government agencies and multi-national corporations located throughout the United States, Canada, the United Kingdom, Spain, the Asia-Pacific region, the Czech Republic, and the Russian Federation. We serve as an intermediary to facilitate payments transactions and operate in two business segments, North America Merchant Services and International Merchant Services. We were incorporated in Georgia as Global Payments Inc. in September 2000 and spun-off from our former parent company on January 31, 2001. Including our time as part of our former parent company, we have been in the payments business since 1967.

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Our North America Merchant Services and International Merchant Services segments target customers in many vertical industries including financial institutions, gaming, government, health care, professional services, restaurants, retail, universities, nonprofit organizations and utilities. Please see Note 12 in the notes to consolidated financial statements for additional segment information and Item 1A Risk Factors for a discussion of risks involved with our operations.

Merchant Services Overview

Our merchant acquiring services are similar around the world in that we accept a variety of card and electronic based payments at the point of sale. The majority of our business model provides payment products and services directly to merchants as our end customers. We also provide similar products and services to financial institutions and a limited number of ISOs that, in turn, resell our products and services, in which case, the financial institutions and select ISOs are our end customers. These particular services are marketed in the United States, Canada, and parts of Eastern Europe. We provide our merchant customers with the ability to accept card-based and check payments. The term merchant generally refers to any organization that accepts credit or debit cards for the payment of goods and services. We sell our services through multiple sales channels around the world and target customers in many vertical industries. Card-based payment forms consist of credit, debit, gift, stored value, and electronic benefits transfer cards. Credit and debit card transaction processing includes the processing of the world s major international card brands, including American Express, China Union Pay, Discover, JCB, MasterCard, and Visa, as well as certain domestic debit networks, such as Interac in Canada. Credit and debit card processing involves a consumer or cardholder acquiring goods or services from a merchant and using a credit or debit card as the form of payment. We are the processing intermediary between the merchant, the credit and debit networks and the financial institutions that issue cards. Our comprehensive offerings include terminal sales and deployment, front-end authorization processing, settlement and funding processing, full customer support and help-desk functions, chargeback resolution, industry compliance, PCI security, consolidated billing and statements, and on-line reporting. Our value proposition is to provide high quality, responsive, secure and full end-to-end service to all of our customers. Currently, we target merchant customers in the United States, Canada, the United Kingdom, Spain, the Asia-Pacific region and the Russian Federation.

The majority of merchant services revenue is generated on services priced as a percentage of transaction value or a specified fee per transaction, depending on card type. We also charge other fees based on specific services that are unrelated to the number of transactions or the transaction value. The majority of credit cards and signature debit cards, which are only a U.S. based card type, are based on a percentage of transaction value along with other related fees, while PIN debit cards are typically a fee per transaction.

Credit and Debit Card Transaction Processing

Credit and debit networks establish uniform regulations that govern much of the industry. During a typical card transaction, the merchant and the card issuer do not interface directly with each other, but instead rely on merchant acquirers. Merchant acquirers are typically financial institutions or independent processors like Global Payments. Global Payments performs a series of services including authorization, electronic draft capture, file transfers to facilitate funds settlement and certain exception-based, back office support services such as chargeback and retrieval resolution.

Electronic draft capture is the process of transferring sales draft data into an electronic format so that it may be sent through networks for clearing and settlement. The card networks, primarily Visa, MasterCard, and Discover, use a system known as interchange in the case of credit and signature debit cards for this purpose. Financial institutions use the debit networks for PIN-based debit cards to transfer the information and funds between the card issuers and merchant acquirers to complete the link between merchants and card issuers. Debit card payments differ slightly from traditional credit card transactions in that the cardholder is required to have sufficient funds available in a deposit account at the time of the transaction, or the debit card transaction will not be authorized. PIN-based debit transactions are sent through a debit network while signature-based debit or check card transactions, which are offered exclusively

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in the United States, are sent through Visa and MasterCard and require a signature at the time of purchase. Also, PIN-based debit transactions typically deduct the purchase amount from the cardholder s deposit account within a day of the purchase, depending on the time of the purchase. Signature-based debit, or check card transactions typically debit the cardholder s deposit account two to three days after the purchase, although the funds are held with a memo posted to the cardholder s bank account. A credit card transaction posts to a cardholder s account, reducing the available credit limit in a similar manner.

In order to provide credit and debit card transaction processing services for MasterCard, Visa and other payment networks, we must either be a member of these systems or be designated as a certified processor by MasterCard and Visa in addition to being a Merchant Service Provider by MasterCard and an Independent Sales Organization by Visa. Currently, these designations are dependent upon member clearing banks sponsoring us or our membership in various networks and our adherence to the standards of the networks. We have five primary financial institution sponsors in the United States, Canada, the United Kingdom, Spain, the Asia-Pacific region, and the Russian Federation with whom we have sponsorship or depository and clearing agreements and in some cases we have membership in various networks. These agreements allow us to route transactions under the member banks control and identification numbers to clear card transactions. Certain of the member financial institutions of Visa and MasterCard are our competitors. Visa and MasterCard set the standards with which we must comply.

How a Card Transaction Works

A card transaction begins when a cardholder presents a card for payment at a merchant location where the card information is captured by a POS terminal card reader, which may be provided by Global Payments. Alternatively, card and transaction information may be captured and transmitted to our network through a POS device by one of a number of products that we offer directly or through a value added reseller (VAR). The terminal electronically records sales draft information, such as the credit card identification number, transaction date and value of the goods or services purchased.

After the card and transaction information is captured by the POS device, the terminal automatically either dials a pre-programmed phone number or otherwise connects to our network through the internet or other communication channels in order to receive authorization of the transaction. For a credit card transaction, authorization services generally refer to the process in which the card issuer indicates whether a particular credit card is authentic and whether the impending transaction value will cause the cardholder to exceed defined credit limits. We route the request to the applicable credit or debit network. The credit or debit network forwards the authorization request to the card issuer, who determines a response based on the status of the cardholder s account. The response is returned to the merchant s terminal via the same communication network. This entire authorization and response process occurs within seconds.

Timing differences, interchange expense, merchant reserves and exception items cause differences between the amount the Member receives from the card networks and the amount funded to the merchants. The standards of the card networks restrict us from performing funds settlement or accessing merchant settlement funds, and,

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instead, require that these funds be in the possession of the Member until the merchant is funded. However, in practice and in accordance with the terms of our sponsorship agreements with our Members, we generally follow a net settlement process whereby, if the incoming amount from the card networks precedes the Member s funding obligation to the merchant, we temporarily hold the surplus on behalf of the Member, in an account at the Member bank, and record a corresponding liability. Conversely, if the Member s funding obligation to the merchant precedes the incoming amount from the card networks, the amount of the Member s net receivable position is either subsequently advanced to the Member by us or the Member satisfies this obligation with its own funds. If the Member uses its own funds, the Member assesses a funding cost. Each participant in the transaction process receives compensation for its services.

As an illustration, on a $100.00 credit card transaction, the card issuer may fund the Member $98.50 after retaining approximately $1.50 referred to as an interchange fee or interchange expense. The card issuer seeks reimbursement of $100.00 from the cardholder in the cardholder s monthly credit card bill. The Member would, in turn, pay the merchant $100.00. The net settlement after this transaction would require Global Payments to advance the Member $1.50. After the end of the month, we would bill the merchant a percentage of the transaction, or discount, to cover the full amount of the interchange fee and our net revenue from the transaction. If our net revenue from the merchant in the above example was 0.5%, we would bill the merchant $2.00 at the end of the month for the transaction, reimburse ourselves for approximately $1.50 in interchange fees and retain $0.50 as our net revenue for the transaction. Our gross profit on the transaction reflects the net revenue less operating expenses, including the network and systems cost to process the transaction (including assessments) and commissions paid to our sales force or ISO. Assessments are fees charged by Visa and MasterCard based on the dollar value of transactions processed through their networks.

Business Segments

North America Merchant Services Segment

North America merchant services revenues represent 73% of our total consolidated fiscal 2011 revenues and include operations in the United States and Canada. In the United States, we sell our services via ISOs, a direct sales force, trade associations, agent and VAR referral arrangements, as well as proprietary telesales groups.

Our ISO channel targets a variety of merchant types with typical annual bankcard volumes of $150,000 or less. The ISOs contract with Global Payments to provide processing and other services depending on the ISOs requirements. These contracts are multi-year and priced by service on a per transaction basis. The ISOs act as a third-party sales group selling Global Payments-branded merchant acquiring products and services, with the majority of Global Payments ISOs marketing direct merchant acquiring. Because Global Payments is a primary party to the merchant contract as a result of our bank sponsor relationship, the full amount of fees collected from the merchant is recorded as revenue. The excess of revenue earned over the ISO contractual transaction fee (plus assessments) is remitted to the ISO in the form of a residual payment on a monthly basis and is recorded in Sales, general and administrative expenses.

Our direct sales channel receives qualified leads from our agent bank, VAR and trade association referral partners signing a variety of mid-to-large sized merchants with annual bankcard volume on average above $300,000. Our direct sales force also generates its own leads and is paid a combination of base salary and commission. Our referral partners are paid various referral fees.

Our United States revenue also includes check and gaming services and indirect merchant services. Our check products offer merchant customers risk management alternatives, in the case of our verification and recovery offerings, or risk elimination, in the case of our guarantee offerings, by leveraging our internal and external databases of checkwriters to help decide whether the merchant should accept a check as the form of payment from a particular checkwriter. Our check services products are part of our direct merchant service offering.

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Check guarantee services include comprehensive check verification and guarantee services designed for a merchant s specific needs and risk adversity. This service guarantees payment of all checks that are electronically verified. If a verified check is dishonored, our service generally provides the merchant with reimbursement of the check s face value, and then we pursue collection of the check through our internal collection services. While we have the right to collect the full amount of the check from the checkwriter, we have historically recovered less than 100% of the guaranteed checks. We derive revenue for these services primarily by charging the merchant a percentage of the face value of each guaranteed check. Check verification and recovery services are similar to those provided in the check guarantee service, except that these services do not guarantee payment of the verified checks. We derive revenues for these services primarily from the service fees collected from delinquent check writers, fees charged to merchants based on a transaction rate per verified check and fees charged to merchants for specialized services such as electronic re-deposits of dishonored checks.

In the specialized vertical market of gaming, our VIP LightSpeed proprietary software and VIP Preferred Advantage product provide the gaming industry with the tools necessary to establish revolving check cashing limits for a casino s customers. Our gaming products allow fast access to cash with high limits so that gaming establishments can increase the flow of money to their gaming floors and reduce risk. We derive revenue from our gaming products primarily based on a percentage of the transaction value.

In Canada we sell our services primarily through our direct sales force leveraging our bank referral relationships. Unlike the United States, approximately 60% of payment transactions in Canada are PIN-based debit transactions primarily processed through Interac.

International Merchant Services Segment

International merchant services revenues represent 27% of our total consolidated fiscal 2011 revenues and include operations in Europe and the Asia-Pacific region. Our business in Europe is primarily located in the United Kingdom, Spain, the Czech Republic, and the Russian Federation. Our Asia-Pacific region includes the following eleven countries and territories: Brunei, China, Hong Kong, India, Macau, Malaysia, Maldives, the Philippines, Singapore, Sri Lanka and Taiwan. We have a direct sales force in the United Kingdom, Spain, the Russian Federation and the Asia-Pacific region through which we primarily sell our direct merchant acquiring services while leveraging our bank referral relationships. In the Czech Republic and the Russian Federation we also provide indirect merchant acquiring services.

Total revenues from our segments, by geography, are as follows (amounts in thousands):

	Year Ended May 31,		
	2011	2010	2009
Revenues:			
United States	$ 1,031,997	$ 902,844	$ 805,557
Canada	330,872	317,272	301,294
North America merchant services	1,362,869	1,220,116	1,106,851
Europe	359,567	315,023	265,121
Asia-Pacific	137,366	107,329	90,334
International merchant services	496,933	422,352	355,455
Consolidated revenues	$ 1,859,802	$ 1,642,468	$ 1,462,306

Industry Overview and Target Markets

Industry Overview

Payment processing service providers offer high-volume electronic transaction payment processing and support services directly to financial institutions, merchants, multinational corporations, and ISOs.

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We are a leading mid-market and small-market merchant acquirer in the United States where we primarily compete with First Data Corporation, Bank of America Merchant Services, Chase Paymentech, Wells Fargo and Elavon.

In Canada, we have a significant market share. The market share leader, Moneris Solutions, is a joint venture between the Royal Bank of Canada and the Bank of Montreal. We also consider Chase Paymentech Solutions and TD Merchant Services to be major competitors in the Canadian market.

In the European and Asia-Pacific regions, financial institutions remain the dominant providers of payment processing services to merchants, although the outsourcing of merchant processing services to third party service providers is becoming more prevalent. Processing services have become increasingly complex, requiring significant capital commitments to develop, maintain and update the systems necessary to provide these advanced services at a competitive price.

Our primary competitors in the United Kingdom are WorldPay and Barclays. In Spain, our primary competitors are Banco Bilbao Vizcaya Argentaria, S.A and Caja Madrid, although all banks offer some form of card processing in line with the traditional full service model in the market. While our partnership with la Caixa is market leading, because of consolidation in the banking sector, we are expecting similar models to become more prevalent. The Russian Federation payments market is highly fragmented and our competition is made up of various financial institutions, including Sberbank, Alfa Bank, VTB, Raiffeisen Bank, and Russian Standard Bank. In the Czech Republic, our primary competitors are First Data, SiNSYS, and Euronet. In the Asia-Pacific region, our primary competition is from financial institutions that offer merchant acquiring services in each of our eleven markets.

As a result of continued growth in our industry, several large merchant acquirers, including us, have expanded operations both domestically and internationally. This expansion has come in the form of acquisitions and the creation of alliances and joint ventures. We believe that the electronic payment transaction processing industry will continue to consolidate as banks and independent processors that do not have the necessary infrastructure to participate in a highly competitive environment look to exit the business.

In the Canadian market, Visa, MasterCard and Interac are migrating to cards containing chip technology over the coming years. Chip card technology is already prevalent in the European and Asia-Pacific markets. Chip technology provides the ability to process payment transactions securely by protecting the cardholder information in an encrypted and confidential manner. The chip is difficult to copy and has the additional capacity to be personalized by a card issuer, including the ability to be programmed with spending and usage limits, making it possible to authorize some transactions off-line. Chip technology can also help enable a variety of additional card features including applications such as loyalty, access control, rewards and public transit passes. This migration is a multi-year process and we estimate more than half of the cards in the Canadian marketplace are now Chip enabled. We have a plan to ensure our merchants will benefit from the migration to Chip technology in the Canadian market. We are well into the enablement of Chip Card technology for company-owned terminals in the Canadian market as well as third party integrated point of sale solutions for card processing.

We believe the number of electronic transactions will continue to grow in the future and that an increasing percentage of these transactions will be processed through emerging technologies. To help our customers reduce their transaction costs and accelerate the transaction approval process, we have integrated new technologies into our service offerings such as internet protocol communications and check truncation or conversion at the point of sale. We have products that support radio frequency identification for contactless payment cards as well as near field communication enabled Smartphones that contain mobile wallet software, which position Global Payments to participate in the mobile payments market. As mobile payments continue to evolve, we plan to continue developing new products and services to exploit the benefits that these new technologies can offer our customers. We also believe that new markets will continue to develop in areas that have

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been previously dominated by paper-based transactions. Industries such as e-commerce, healthcare, education, government, recurring payments, and business-to-business should continue to see transaction volumes migrate to more electronic-based settlement solutions. We believe that the continued development of new products and services and the emergence of new vertical markets will be a factor in the growth of our business for the foreseeable future.

Target Markets

We believe that significant global opportunities exist for growth in the application of electronic transaction payment processing services. Although the United States accounts for the largest payment processing volume in the world, global expansion by financial institutions into new geographies and the increased recognition by governments of the role of payment cards in facilitating economic growth are rapidly transforming the electronic commerce market into a global opportunity.

The growth of retail credit card transactions, as well as the rapid growth in the utilization of debit cards, correlates with the historic growth of our business. According to *The Nilson Report* dated April 2011, worldwide annual general purpose card purchase volume increased 18.2% to $9.1 trillion in 2010. General purpose cards include the major card networks brands such as Visa, MasterCard, American Express, China Union Pay, JCB, and Diners Club. In Canada, general purpose cards also include Interac debit cards.

The Nilson Report dated February 2011 estimates that more than $3.3 trillion of annual consumer spending was charged in 2010 using general purpose cards in the United States, a 9.7% increase from 2009. Based on *The Nilson Report* dated February 2011, the United States industry mix of Visa and MasterCard debit and credit purchase transactions are approximately 70% and 30%, respectively. *The Nilson Report* dated March 2011 reported that $474.0 billion (United States Dollars) of annual Canadian consumer spending uses general purpose cards as the form of payment, representing an increase of 6% from 2009. Also based on *The Nilson Report* dated March 2011, Canadian Visa and MasterCard credit card purchase transactions are approximately 41% while Interac debit cards purchase transactions are 57% of total Canadian general purpose card transactions. *The Nilson Report* dated June 2011 estimates that $2.1 trillion of annual consumer spending was charged in 2010 using general purpose cards in Europe, a 16% increase from 2009. The industry mix in the United Kingdom based on the United Kingdom purchase Transaction Payments Authority for Visa and MasterCard debit and credit cards are approximately 76% and 24%, respectively. We process in eleven countries and territories in the Asia-Pacific region. These markets include almost 39% of the world s population and 71% of the total Asia-Pacific population according to the *CIA World Factbook*. These markets are largely cash based. We believe there are significant, long-term growth opportunities for payment processing in this region.

Strategy

We seek to leverage the rapid adoption of, and transition to, card and electronic based payments by expanding market share in our existing markets through our distribution channels or through acquisitions in North America, the Asia-Pacific region and Europe, and investing in and leveraging technology and people, thereby maximizing shareholder value. We also seek to enter new markets through acquisitions in the Asia-Pacific region, Europe, and the Americas. We intend to pursue this strategy by:

Existing offerings

Increasing our penetration of existing markets to further leverage our infrastructure. Our objectives include:

- focus on the highest potential markets and channels including third party relationships, banks, select verticals and target markets;
- improve execution by moving decision-making closer to the customer by organizing around these channels;

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- expand direct merchant services distribution channels, primarily our existing sales force, ISOs, original equipment manufacturer (OEMs), VARs, and other referral relationships;

- provide the best possible customer service at levels that exceed our competitors by investing in technology, training and product enhancements;

- grow our direct merchant services market share by concentrating on the small and mid-market merchant segments, while selectively targeting national merchants;

- provide the latest secure and enhanced products and services by developing value-added applications, enhancing existing products and developing new systems and services to blend technology with our customer needs; and

- pursue potential domestic and international acquisitions or investments in and alliances with companies that have high growth potential or significant market presence and operate in profitable sectors of payments-related industries through compatible products and services, and development and distribution capabilities.

International markets

We intend to focus on further diversification in international markets with high payments industry growth or targets with significant market presence, such as Europe, the Asia-Pacific region and South America. We are evaluating these markets based on the following attractive characteristics:

- currently low but growing credit and debit card utilization; and

- the absence of a dominant merchant acquirer or processor.

Infrastructure

We plan to focus on attracting, developing and retaining talent to execute our strategy and migrate our systems to updated technology. We intend to continue systems integrations, primarily the consolidation of our front-end operating platforms and the migration/conversion of our back-end operating platforms.

We continue to make progress on our technology processing platform, referred to as G2. This platform is planned to be a new front-end operating environment for our merchant processing and is intended to replace several legacy platforms. We believe there are scale advantages and other benefits to this new platform, such as increased speed to market of new products, enhanced reporting, hardware environment flexibility and enhanced compliance with standards and regulations. In addition, the platform is designed as a potential integration platform for future acquisitions. We are currently processing transactions on our G2 platform in seven markets in our Asia-Pacific region and we have begun the process of supporting the United States.

Employees

As of May 31, 2011, we had 3,753 employees. Many of our employees are highly skilled in technical areas specific to electronic transaction payment processing. We believe that our current and future operations depend substantially on retaining our key technical employees.

Where to Find More Information

We file annual and quarterly reports, proxy statements and other information with the U.S. Securities and Exchange Commission, or the SEC. You may read and print materials that we have filed with the SEC from its website at www.sec.gov. In addition, certain of our SEC filings, including our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and amendments to them can be viewed and printed from the investor information section of our website at www.globalpaymentsinc.com free of charge.

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Certain materials relating to our corporate governance, including our senior financial officers code of ethics, are also available in the investor information section of our website. Copies of our filings, specified exhibits and corporate governance materials are also available, free of charge, by writing us using the address on the cover of this Form 10-K. You may also telephone our investor relations office directly at (770) 829-8234. We are not including the information on our website as a part of, or incorporating it by reference into, this report.

Our SEC filings may also be viewed and copied at the following SEC public reference room, and at the offices of the New York Stock Exchange, where our common stock is quoted under the symbol GPN.

SEC Public Reference Room

100 F Street, N.E.

Washington, DC 20549

(You may call the SEC at 1-800-SEC-0330 for further information on the public reference room.)

NYSE Euronext

20 Broad Street

New York, NY 10005

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ITEM 1A RISK FACTORS

Our revenues from the sale of services to merchants that accept Visa cards and MasterCard cards are dependent upon our continued Visa and MasterCard registration and financial institution sponsorship and, in some cases, continued participation in certain payment networks.

In order to provide our Visa and MasterCard transaction processing services, we must be either a member of a payment network or be registered as a merchant processor of Visa and MasterCard. Registration as a merchant processor is dependent upon our being sponsored by member clearing banks of both organizations. If our sponsor banks should stop providing sponsorship for us, we would need to find another financial institution to provide those services or we would need to be a member, either of which could prove to be difficult and/or more expensive. If we are unable to find a replacement financial institution to provide sponsorship or become a member we may no longer be able to provide processing services to the affected customers which would negatively impact our revenues and earnings.

In Canada, we have filed an application with the Canadian regulatory authorities for the formation of a wholly owned loan company in Canada which could serve as our financial institution sponsor. In the interim, through March 2012, we are processing directly through Visa in Canada. We have also entered into an agreement with a financial institution who is willing to serve as our sponsor, if necessary.

If we fail to comply with the applicable requirements of the card networks, they could seek to fine us, suspend us or terminate our registrations. If our merchants or ISOs incur fines or penalties that we cannot collect from them, we could end up bearing cost of fines or penalties.

In order to provide our transaction processing services, several of our subsidiaries are registered with Visa and MasterCard as service providers for member institutions and with other networks. As such, we are subject to card association and network rules that could subject us to a variety of fines or penalties that may be levied by the card networks for certain acts or omissions. The rules of the card networks are set by their boards, which may be influenced by banks that own their stock and, in the case of Discover by the card issuers, and some of those banks and issuers are our competitors with respect to these processing services. The termination of our registrations or our status as a service provider, or any changes in card association or other network rules or standards, including interpretation and implementation of the rules or standards, that increase the cost of doing business or limit our ability to provide transaction processing services to our customers, could have a material adverse effect on our business, operating results and financial condition. If a merchant or an ISO fails to comply with the applicable requirements of the card associations and networks, it could be subject to a variety of fines or penalties that may be levied by the card associations or networks. If we cannot collect such amounts from the applicable merchant or ISO, we could end up bearing such fines or penalties, resulting in lower earnings for us.

Security breaches could harm our reputation and adversely affect future earnings

We collect and store sensitive data about merchants, including names, addresses, social security numbers, drivers license numbers, and checking account numbers. In addition, we maintain a database of cardholder data relating to specific transactions, including bankcard numbers, in order to process the transactions and for fraud prevention. We process that data and deliver our products and services by utilizing computer systems and telecommunications networks operated both by us and by third party service providers. Although plans and procedures are in place to protect this sensitive data, we cannot be certain that our measures will be successful and will be sufficient to counter all current and emerging technology threats designed to breach our systems in order to gain access to confidential information or our intellectual property.

A security breach or other misuse of such data could harm our reputation and deter customers from using our products and services, increase our operating expenses in order to correct the breaches or failures, expose us

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to unbudgeted or uninsured liability, increase our risk of regulatory scrutiny, result in the imposition of penalties and fines under state, federal and foreign laws or by the card networks, and adversely affect our continued card network registration and financial institution sponsorship.

Our systems and our third-party providers systems may fail which could interrupt our service, cause us to lose business, increase our costs and expose us to liability.

We depend on the efficient and uninterrupted operation of our computer network systems, software, data center and telecommunications networks, as well as the systems and services of third parties. Our systems and operations or those of our third-party providers could be exposed to damage or interruption from, among other things, fire, natural disaster, power loss, telecommunications failure, terrorist acts, war, unauthorized entry, human error, and computer viruses or other defects. Defects in our systems or those of third parties, errors or delays in the processing of payment transactions, telecommunications failures or other difficulties could result in loss of revenue, loss of merchants, loss of merchant and cardholder data, harm to our business or reputation, exposure to fraud losses or other liabilities, negative publicity, additional operating and development costs, and/or diversion of technical and other resources. We perform the vast majority of disaster recovery operations ourselves, though we utilize select third parties for some aspects of recovery. To the extent we outsource our disaster recovery, we are at risk of the vendor s unresponsiveness in the event of breakdowns in our systems.

Utility and system interruptions could adversely affect our operations.

In order to process transactions promptly, our computer equipment and network servers must be functional on a 24-hour basis, which requires access to telecommunications facilities and the availability of electricity, which are susceptible to disruption. Any resulting disruptions in our processing services could cause us to incur substantial additional expense and the loss of customers, which could have an adverse affect on our operations and financial condition.

We may experience software defects, undetected errors, and development delays, which could damage customer relations, decrease our potential profitability and expose us to liability.

Our products are based on sophisticated software and computing systems that often encounter development delays, and the underlying software may contain undetected errors or defects. Defects in our software products and errors or delays in our processing of electronic transactions could result in additional development costs, diversion of technical and other resources from our other development efforts, loss of credibility with current or potential customers, harm to our reputation, or exposure to liability claims.

In addition, we rely on technologies supplied by third parties that may also contain undetected errors, viruses or defects that could have a material adverse effect on our business, financial condition and results of operations.

Loss of key Independent Sales Organizations could reduce our revenue growth.

Our ISO sales channel, which purchases and resells our end-to-end services to its own portfolio of merchant customers, is a strong contributor to our revenue growth in our North America merchant services segment. If an ISO switches to another transaction processor, shuts down, becomes insolvent, or enters the processing business themselves, we may no longer receive new merchant referrals from the ISO, and we risk losing existing merchants that were originally enrolled by the ISO, all of which could negatively affect our revenues and earnings.

Risks associated with foreign operations and investments outside the United States could adversely affect our business, financial position and results of operations.

We have foreign operations and a number of investments in foreign entities whose functional currency is their local currency. We are subject to the risk that currency exchange rates between these regions and the United

States will fluctuate, potentially resulting in a loss of some of our revenue and earnings when such amounts are exchanged into United States dollars. Volatility in currency exchange rates has affected and may continue to affect our financial results. For example, for fiscal year 2011, currency exchange rate fluctuations increased our revenues by $19.2 million and our earnings by $0.08 per diluted share. We historically have not used forward contracts or other derivative instruments to mitigate the risks associated with currency exchange risk.

We also have indirect foreign investments which are subject to country risk (such as sovereign, economic, political, and location risks). These investments are short term in nature and with private sector issuers. Country risk could impact the valuation and liquidity of those investments.

In addition, in certain of the jurisdictions in which we operate, we may become subject to exchange control regulations that might restrict or prohibit the conversion of our foreign currency into United States dollars or limit our ability to freely move currency in or out of particular jurisdictions. The occurrence of any of these factors could decrease the value of revenues we receive from our international operations and have a material adverse impact on our business.

Some of our competitors are larger and have greater financial and operational resources than we do, which may give them an advantage in our market with respect to the pricing of our products and services offered to our customers, our ability to develop new technologies, and our ability to complete acquisitions.

We operate in the electronic payments market, which is highly competitive. Our primary competitors in these markets include other independent processors, as well as financial institutions, independent sales organizations, and, potentially, card networks. Many of our competitors are companies who are larger than we are and have greater financial and operational resources than we have. In addition, our competitors that are financial institutions or subsidiaries of financial institutions do not incur the costs associated with being sponsored by a bank for registration with the card networks. These factors may allow them to offer better pricing terms to customers, which could result in a loss of our potential or current customers or could force us to lower our prices as well. Either of these actions could have a significant effect on our revenues and earnings.

In addition, our competitors may have the ability to devote more financial and operational resources than we can to the development of new technologies, including internet payment processing services that provide improved operating functionality and features to their product and service offerings. If successful, their development efforts could render our product and services offerings less desirable to customers, again resulting in the loss of customers or a reduction in the price we could demand for our offerings. Lastly, our competitors may be willing or able to pay more than us for acquisitions, which may cause us to lose certain acquisitions that we would otherwise desire to complete.

We are subject to the business cycles and credit risk of our merchant customers and our independent sales organizations.

Economic downturns could affect our merchants through a higher rate of bankruptcy filings, resulting in lower revenues and earnings for us. Our merchants are liable for any charges properly reversed by the card issuer on behalf of the cardholder. Our merchants and ISOs are also liable for any fines, or penalties, that may be assessed by any card networks. In the event, however, that we are not able to collect such amounts from the merchants or ISOs, due to merchant fraud, breach of contract, insolvency, bankruptcy or any other reason, we may be liable for any such charges, resulting in lower earnings for us.

Risks associated with reduced levels of consumer spending could adversely affect our revenues and earnings.

Significant portions of our revenue and earnings are derived from fees from processing consumer credit card and debit card transactions. We are exposed to general economic conditions that affect consumer confidence, consumer spending, consumer discretionary income or changes in consumer purchasing habits. A general reduction in consumer spending in the United States or any other country where we do business could adversely

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affect our revenues and earnings. A further weakening in the economy could also force retailers to close resulting in exposure to potential credit losses and future transaction declines. Additionally, credit card issuers have been reducing credit limits, closing accounts, and are more selective with respect to whom they issue credit cards.

We incur chargeback liability when our merchants refuse or cannot reimburse chargebacks resolved in favor of their customers. We cannot accurately anticipate these liabilities, which may adversely affect our results of operations and financial condition.

In the event a billing dispute between a cardholder and a merchant is not resolved in favor of the merchant, the transaction is normally charged back to the merchant and the purchase price is credited or otherwise refunded to the cardholder. If we are unable to collect such amounts from the merchant s account or reserve account (if applicable), or if the merchant refuses or is unable, due to closure, bankruptcy or other reasons, to reimburse us for a chargeback, we bear the loss for the amount of the refund paid to the cardholder. The risk of chargebacks is typically greater with those merchants that promise future delivery of goods and services rather than delivering goods or rendering services at the time of payment. We may experience significant losses from chargebacks in the future. Any increase in chargebacks not paid by our merchants may adversely affect our financial condition and results of operations.

Fraud by merchants or others could have an adverse effect on our operating results and financial condition.

We have potential liability for fraudulent bankcard transactions or credits initiated by merchants or others. Examples of merchant fraud include when a merchant knowingly uses a stolen or counterfeit bankcard or card number to record a false sales transaction, processes an invalid bankcard, or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeit and fraud. While we have systems and procedures designed to detect and reduce the impact of fraud, we cannot assure the effectiveness of these measures. It is possible that incidents of fraud could increase in the future. Failure to effectively manage risk and prevent fraud would increase our chargeback liability or cause us to incur other liabilities. Increases in chargebacks or other liabilities could have an adverse effect on our operating results and financial condition.

In order to remain competitive and to continue to increase our revenues and earnings, we must continually update our products and services, a process which could result in increased research and development costs in excess of historical levels and the loss of revenues, earnings and customers if the new products and services do not perform as intended or are not accepted in the marketplace.

The electronic payments market in which we compete is subject to rapid and significant technological changes. These markets are characterized by technological change, new product introductions, evolving industry standards and changing customer needs. In order to remain competitive, we are continually involved in a number of research and development projects including the development of a new front-end platform for electronic payments processing. These projects carry the risks associated with any research and development effort, including cost overruns, delays in delivery and performance problems. In the electronic payments markets these risks are even more acute. Our markets are constantly experiencing rapid technological change. Any delay in the delivery of new products or services or the failure to differentiate our products and services could render them less desirable to our customers, or possibly even obsolete. In addition, the products and services we deliver to the electronic payments markets are designed to process very complex transactions and deliver reports and other information on those transactions, all at very high volumes and processing speeds. Any failure to deliver an effective and secure product or any performance issue that arises with a new product or service could result in significant processing or reporting errors or other losses. As a result of these factors, our research and development efforts could result in increased costs that could reduce our earnings in addition to a loss of revenue and earnings if promised new products are not timely delivered to our customers or do not perform as anticipated. We also rely in part on third parties, including some of our competitors and potential competitors, for the development and access to new technologies. Our future success will depend in part on our ability to develop or adapt to technological changes and evolving industry standards.

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In order for us to continue to grow and increase our profitability, we must continue to expand our share of the existing electronic payments markets and also expand into new markets.

Our future growth and profitability depend upon our continued expansion within the markets in which we currently operate, the further expansion of these markets, the emergence of other markets for electronic transaction payment processing, and our ability to penetrate these markets. As part of our strategy to achieve this expansion, we are continually looking for acquisition opportunities, investments and alliance relationships with other businesses that will allow us to increase our market penetration, technological capabilities, product offerings and distribution capabilities. We may not be able to successfully identify suitable acquisition, investment and alliance candidates in the future, and if we do, they may not provide us with the benefits we anticipated. Once completed, investments and alliances may not realize the value that we expect.

Our expansion into new markets is also dependent upon our ability to apply our existing technology or to develop new applications to meet the particular service needs of each new market. We may not have adequate financial or technological resources to develop effective and secure products and distribution channels that will satisfy the demands of these new markets. If we fail to expand into new and existing electronic payments markets, we may not be able to continue to grow our revenues and earnings.

Any new or changes made to laws, regulations, card network rules or other industry standards affecting our business in any of the geographic regions in which we operate may require significant development efforts or have an unfavorable impact to our financial results.

We are subject to laws and regulations that affect the electronic payments industry in the countries in which we operate. Regulation and proposed regulation of the payments industry has increased significantly in recent years. Failure to comply with any laws and regulations that apply to us may result in the suspension or revocation of a license or registration, the limitation, suspension or termination of service, and the imposition of civil and criminal penalties, including fines which could have an adverse effect on our financial condition. For example, we are subject to; the card network rules of Visa, MasterCard, and other card networks, Interac, and various debit networks; the Payment Services Directive in Europe; The Code of Conduct for the Credit and Debit Card Industry in Canada (issued by Canada s Department of Finance); and the Housing Assistance Tax Act of 2008, which requires information returns to be made for each calendar year by merchant acquiring entities starting in 2011; as well as a myriad of other regulations, including escheat regulations and applicable privacy and information security regulations to name a few. We are also subject to examination by the Federal Financial Institutions Examination Council or FFIEC (as a result of our provision of data processing services to financial institutions).

Interchange fees (which are typically paid by the acquirer to the issuer in connection with transactions) are subject to increasingly intense legal, regulatory, and legislative scrutiny worldwide. For instance, in the United States, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) was enacted to regulate the fees charged or received by issuers for processing debit transactions and the transaction routing options available to merchants. On June 29, 2011, the Federal Reserve Board adopted the final rule implementing the interchange fee and routing provisions in Dodd-Frank. Payment card networks and issuers are still making decisions regarding their implementation of such final rule. These decisions and regulatory actions, even if not directed at us, may require significant efforts to change our systems and products and may require changes to how we price our services to customers. Until final decisions and regulations around implementation are announced, we cannot predict the impact of any of these changes on our operations and financial condition.

Changes to legal rules and regulations, or interpretation or enforcement thereof, could have a negative financial effect on our business. In addition, even an inadvertent failure to comply with laws and regulations, as well as rapidly evolving social expectations of corporate fairness, could damage our business or our reputation.

Increases in credit card network fees may result in the loss of customers or a reduction in our earnings.

From time to time, the card networks, including Visa and MasterCard, increase the fees (interchange and assessment fees) that they charge processors such as us. We may attempt to pass these increases along to our

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merchant customers, but this strategy might result in the loss of those customers to our competitors who do not pass along the increases. If competitive practices prevent our passing along such increased fees to our merchant customers in the future, we may have to absorb all or a portion of such increases thereby increasing our operating costs and reducing our earnings.

The integration and conversion of our acquired operations, or other future acquisitions, if any, could result in increased operating costs if the anticipated synergies of operating both businesses as one are not achieved, a loss of strategic opportunities if management is distracted by the integration process, and a loss of customers if our service levels drop during or following the integration process.

The acquisition, integration, and conversion of businesses involves a number of risks. Core risks are in the area of valuation (negotiating a fair price for the business based on inherently limited diligence) and integration and conversion (managing the complex process of integrating the acquired company s people, products, technology, and other assets to realize the projected value of the acquired company and the synergies projected to be realized in connection with the acquisition). In addition, international acquisitions often involve additional or increased risks including, for example: managing geographically separated organizations, systems, and facilities; integrating personnel with diverse business backgrounds and organizational cultures; complying with foreign regulatory requirements; fluctuations in currency exchange rates; enforcement of intellectual property rights in some foreign countries; difficulty entering new foreign markets due to, among other things, customer acceptance and business knowledge of those new markets; and general economic and political conditions.

If the integration and conversion process does not proceed smoothly, the following factors, amongst others, could reduce our revenues and earnings, increase our operating costs, and result in a loss of projected synergies:

- If we are unable to successfully integrate the benefits plans, duties and responsibilities, and other factors of interest to the management and employees of the acquired business, we could lose employees to our competitors in the region, which could significantly affect our ability to operate the business and complete the integration;

- If the integration process causes any delays with the delivery of our services, or the quality of those services, we could lose customers to our competitors, which would reduce our revenues and earnings; and

- The acquisition and the related integration could divert the attention of our management from other strategic matters including possible acquisitions and alliances and planning for new product development or expansion into new electronic payments markets.

There may be a decline in the use of credit cards as a payment mechanism for consumers or adverse developments with respect to the credit card industry in general.

If consumers do not continue to use payment cards as a payment mechanism for their transactions or if there is a change in the mix of payments between cash, credit cards and debit cards which is adverse to us, it could have a material adverse effect on our financial position and results of operations. We believe future growth in the use of credit cards will be driven by the cost, ease-of-use, and quality of products and services offered to consumers and businesses. In order to consistently increase and maintain our profitability, consumers and businesses must continue to use credit cards. Moreover, if there is an adverse development in the credit card industry in general, such as new legislation or regulation that makes it more difficult for our customers to do business, our financial position and results of operations may be adversely affected.

Continued consolidation in the banking and retail industries could adversely affect our growth.

The recent economic downturn has resulted in multiple bank failures and government-encouraged consolidation. As banks continue to consolidate, our ability to offer our services through indirect channels successfully will depend in part on whether the institutions that survive are willing to outsource their credit and

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debit card processing to third party vendors and whether those institutions have pre-existing relationships with any of our competitors. Larger banks and larger merchants with greater transaction volumes may demand lower fees which could result in lower revenues and earnings for us.

If we lose key personnel or are unable to attract additional qualified personnel as we grow, our business could be adversely affected.

We are dependent upon the ability and experience of a number of our key personnel who have substantial experience with our operations, the rapidly changing transaction processing industry, and the selected markets in which we offer our services. It is possible that the loss of the services of one or a combination of our key personnel, would have an adverse effect on our operations. Our success also depends on our ability to continue to attract, manage, and retain additional qualified management and technical personnel as we grow. We cannot guarantee that we will continue to attract or retain such personnel.

Our financial results may be adversely affected if we have to impair our intangible assets or goodwill.

As a result of our acquisitions, a significant portion of our total assets consist of intangible assets (including goodwill). Goodwill and intangible assets, net of amortization, together accounted for approximately 33% and 38% of the total assets on our balance sheet as of May 31, 2011 and May 31, 2010, respectively. We may not realize the full fair value of our intangible assets and goodwill. We expect to engage in additional acquisitions, which may result in our recognition of additional intangible assets and goodwill. We evaluate on a regular basis whether all or a portion of our goodwill and other intangible assets may be impaired. Under current accounting rules, any determination that impairment has occurred would require us to write-off the impaired portion of goodwill and such intangible assets, resulting in a charge to our earnings. For example, during fiscal year 2009 we recorded a pre-tax charge of $147.7 million for the impairment of goodwill and intangible assets of our money transfer business, which we sold during fiscal year 2010. Additional impairment charges could adversely affect our financial condition and results of operations.

Unfavorable resolution of tax contingencies or changes to enacted tax rates could adversely affect our tax expense.

Our tax returns and positions are subject to review and audit by federal, state, local, and international taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expenses, thereby negatively impacting our results of operations. We have established contingent liabilities for material known tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. These liabilities reflect what we believe to be reasonable assumptions as to the likely final resolution of each issue if raised by a taxing authority. While we believe that the liabilities are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be finally resolved at a financial cost less than any related liability. An unfavorable resolution, therefore, could negatively impact our effective tax, financial position, results of operations and cash flows in the current and future periods.

We record deferred income taxes to reflect the impact of temporary differences between the amounts of assets and liabilities for financial accounting and income tax purposes. Deferred income taxes are determined using enacted tax rates. Changes in enacted tax rates may negatively impact our results of operations.

We may become subject to additional United States, state or foreign taxes that cannot be passed through to our merchant services customers, in which case our earnings could be adversely affected.

Payment processing companies like us may be subject to taxation by various jurisdictions on our net income or certain portions of our fees charged to customers for our services. Application of these taxes is an emerging issue in our industry and the taxing authorities have not yet all adopted uniform regulations on this topic. If we are required to pay such taxes and are not able to pass the tax expense through to our merchant customers, our costs will increase, reducing our earnings.

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We have structured our business in accordance with existing tax laws and interpretations of such laws which have been confirmed through either tax rulings or opinions obtained in various jurisdictions including those related to value added taxes in Europe. Changes in tax laws or their interpretations could decrease the value of revenues we receive, the amount of our cash flow, and have a material adverse impact on our business.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

Section 404 of the Sarbanes-Oxley Act requires us to evaluate annually the effectiveness of our internal controls over financial reporting as of the end of each fiscal year and to include a management report assessing the effectiveness of our internal controls over financial reporting in our annual report. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

Further, this assessment may be complicated by any acquisitions we may complete. In certain markets in the Asia-Pacific region and in Spain, our member sponsors perform payment processing operations and related support services pursuant to services agreements. We expect that the member sponsors will continue to provide these services until such time as we may integrate these functions into our operations. Accordingly, we rely on our member sponsors to provide financial data, such as revenue billed to merchants, to assist us with compiling our accounting records. As such, our internal controls over financial reporting could be materially affected, or are reasonably likely to be materially affected, by the internal controls and procedures of our member sponsors in these markets. In order to mitigate this risk, we have implemented internal controls over financial reporting which monitor the accuracy of the financial data being provided by our member sponsors.

While we continue to dedicate resources and management time to ensuring that we have effective controls over financial reporting, failure to achieve and maintain an effective internal control environment could have a material adverse effect on the market s perception of our business and our stock price.

Anti-takeover provisions of our articles of incorporation and by-laws, our rights agreement and provisions of Georgia law could delay or prevent a change of control that individual shareholders favor.

Provisions of our articles of incorporation and by-laws, our rights agreement and provisions of applicable Georgia law may discourage, delay or prevent a merger or other change of control that shareholders may consider favorable. The provisions of our articles and by-laws, among other things:

- divide our Board of Directors into three classes, with members of each class to be elected in staggered three-year terms;
- limit the right of shareholders to remove directors;
- regulate how shareholders may present proposals or nominate directors for election at annual meetings of shareholders; and

authorize our Board of Directors to issue preferred shares in one or more series, without shareholder approval.

We may not be able to or we may decide not to pay dividends at a level anticipated by shareholders on our common stock, which could reduce shareholder returns.

The payment of dividends on our common stock in the future is at the discretion of our Board of Directors and will depend on, among other factors, our earnings, stockholder s equity, cash position, and financial condition. No assurance can be given that we will be able to or will choose to pay any dividends in the foreseeable future.

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We conduct a portion of our business in various Eastern European and Asia-Pacific countries, and the Russian Federation, where the risk of continued political, economic and regulatory change that could impact our operating results is greater than in the United States.

We expect to continue to expand our operations into various countries in Eastern Europe, and the Asia-Pacific region. Some of these countries, and other foreign countries in which we operate, have undergone significant political, economic and social change in recent years, and the risk of new, unforeseen changes in these countries remains greater than in the United States. In particular, changes in laws or regulations or in the interpretation of existing laws or regulations, whether caused by a change in government or otherwise, could materially adversely affect our business, growth, financial condition or results of operations.

Transmittal of data by electronic means and telecommunications is subject to specific regulation in many countries. Although these regulations have not had a material impact on us to date, changes in these regulations, including taxation or limitations on transfers of data between countries, could have a material adverse effect on our business, growth, financial condition or results of operations.

ITEM 2 PROPERTIES

The following summarizes the type of facilities we use to operate our business as of May 31, 2011:

Type of Facility	Leased	Owned
Facilities in the United States:		
Multi-Purpose (Operations, Sales, Administrative)	6	
Operations/Customer Support	2	
Sales and retail branches	2	
	10	
International Facilities:		
Multi-Purpose (Operations, Sales, Administrative)	2	3
Operations/Customer Support	13	
Sales and retail branches	16	
	31	3
Total	41	3

Our principal facilities in the United States are located in Atlanta, Georgia and Owings Mills, Maryland. Our principal international facilities are located in Toronto, Canada; Prague, Czech Republic; Leicester, England; London, England; the Hong Kong Special Administrative Region; Manila, Philippines; Moscow, Russian Federation; and Barcelona, Spain.

We believe that all of our facilities and equipment are suitable and adequate for our business as presently conducted.

ITEM 3 LEGAL PROCEEDINGS

We are party to a number of claims and lawsuits incidental to the normal course of our business. In our opinion, the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, are not expected to have a material adverse impact on our financial position, liquidity or results of operations.

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PART II

ITEM 5 MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock trades on the New York Stock Exchange under the ticker symbol GPN. The table set forth below provides the intraday high and low sales prices and dividends paid per share of our common stock for the four quarters during fiscal 2011 and 2010. We expect to continue to pay our shareholders a dividend per share, on a quarterly basis, in an amount comparable to the dividends indicated in the table. However, any future determination to pay cash dividends will be at the discretion of our Board of Directors and will depend upon our results of operations, financial condition, capital requirements and such other factors as the Board of Directors deems relevant.

	High	Low	Dividend Per Share
Fiscal 2011:			
First Quarter	$ 42.88	$ 34.61	$ 0.02
Second Quarter	43.52	37.68	0.02
Third Quarter	49.95	41.73	0.02
Fourth Quarter	53.67	45.54	0.02
Fiscal 2010:			
First Quarter	$ 44.09	$ 35.59	$ 0.02
Second Quarter	54.34	41.96	0.02
Third Quarter	54.52	42.50	0.02
Fourth Quarter	48.96	40.18	0.02

The number of shareholders of record of our common stock as of July 15, 2011 was 2,302.

Equity Compensation Plan Information

The information regarding our compensation plans under which equity securities are authorized for issuance is set forth in Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters of this Report.

Sale of Unregistered Securities

We have not issued any unregistered securities during our fiscal years ended May 31, 2011, 2010 and 2009.

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Stock Performance Graph

The following line-graph presentation compares our cumulative shareholder returns with the Standard & Poor s Information Technology Index and the Standard & Poor s 500 Stock Index for the past five years. The line graph assumes the investment of $100 in our common stock, the Standard & Poor s Information Technology Index, and the Standard & Poor s 500 Stock Index on May 31, 2006 and assumes reinvestment of all dividends.

	Global Payments	S&P 500	S&P Information Technology
May 31, 2006	$ 100.00	$ 100.00	$ 100.00
May 31, 2007	86.13	122.79	123.03
May 31, 2008	101.77	114.57	126.17
May 31, 2009	77.67	77.26	89.88
May 31, 2010	91.29	93.47	115.48
May 31, 2011	112.63	109.18	133.48

Issuer Purchases of Equity Securities

On April 23, 2010, our Board of Directors approved a share repurchase program that authorized the purchase of up to $100 million of Global Payments stock in the open market or as otherwise may be determined by us, subject to market conditions, business opportunities and other factors. Under this authorization, we repurchased 2,382,890 shares of our common stock at a cost of $100.0 million, or an average of $41.97 per share, including commissions during the fourth quarter of fiscal 2010. Repurchased shares are held as treasury stock.

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During the first quarter of fiscal 2011, we also used the $13.0 million remaining under the authorization from our original share repurchase program initiated during fiscal 2007 to repurchase 344,847 shares of our common stock a cost of $13.0 million, or an average of $37.64 per share, including commissions. These repurchased shares are also held as treasury stock. The remaining shares repurchased under this authorization were retired and are considered issued but not outstanding.

The shares repurchased in the fourth quarter of fiscal 2011, the average price paid, including commissions, and the dollar value remaining available for purchase are as follows:

Period	Total Number of Shares (or Units) Purchased (a)	Average Price Paid per Share (or Unit) (b)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (c)	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (d)
March 1, 2011 March 31, 2011		$		
April 1, 2011 April 30, 2011				
May 1, 2011 May 31, 2011				
Total				

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ITEM 6 SELECTED FINANCIAL DATA

You should read the selected financial data set forth below in conjunction with Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8 Financial Statements and Supplementary Data included elsewhere in this annual report. As a result of our disposition of the money transfer business, this segment has been accounted for as a discontinued operation. The income statement data for fiscal years ended May 31, 2011, 2010, and 2009 and the balance sheet data as of May 31, 2011 and 2010 are derived from the audited consolidated financial statements included elsewhere in this annual report. The income statement data for fiscal years 2008 and 2007 and the balance sheet data as of May 31, 2009 and 2008 were derived from consolidated financial statements included in our Form 10-K for the fiscal year ended May 31, 2009. The balance sheet data as of May 31, 2007 was derived from audited consolidated financial statements included in our Form 10-K for the fiscal year ended May 31, 2008. Amounts related to our discontinued operations in our statements of income for fiscal years 2009, 2008 and 2007 were reclassified in fiscal year 2010 to conform to the current presentation.

	Year Ended May 31,				
	2011	**2010**	**2009**	**2008**	**2007**
	(in thousands, except per share data)				
Income statement data:					
Revenue	$ 1,859,802	$ 1,642,468	$ 1,462,306	$ 1,130,608	$ 929,142
Operating income (1)	331,594	323,279	292,546	237,723	203,613
Income from continuing operations (1)	229,131	223,010	207,017	161,198	142,735
Net income attributable to Global Payments (1).(2)	209,238	203,317	37,217	162,754	142,985
Per share data:					
Basic earnings per share	$ 2.62	$ 2.51	$ 0.46	$ 2.04	$ 1.78
Diluted earnings per share	2.60	2.48	0.46	2.01	1.75
Dividends per share	0.08	0.08	0.08	0.08	0.08
Balance sheet data (at year end):					
Total assets	$ 3,350,531	$ 2,039,326	$ 1,676,821	$ 1,445,907	$ 1,200,629
Borrowings under lines of credit	270,745	79,187	10,174	1,527	
Long-term debt	354,019	421,134	197,003		
Total equity (3)	1,337,817	871,517	678,243	1,054,152	918,811

(1) Includes impairment, restructuring and other charges of $2,583, $1,317, and $3,088, in fiscal 2010, 2008, and 2007, respectively.

(2) Also includes a pre-tax impairment charge of $147,664 in fiscal 2009 related to our money transfer business that has been reclassified to discontinued operations.

(3) Includes the impact of the retrospective adoption of new accounting guidance concerning noncontrolling interests adopted in fiscal year 2010.

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ITEM 7 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis contains forward-looking statements about our plans and expectations of what may happen in the future. Forward-looking statements are based on a number of assumptions and estimates that are inherently subject to significant risks and uncertainties, and our results could differ materially from the results anticipated by our forward-looking statements as a result of many known and unknown factors, including but not limited to those discussed in Item 1A Risk Factors of this report. See also Cautionary Notice Regarding Forward-Looking Statements located above Item 1 Business.

You should read the following discussion and analysis in conjunction with Item 6 Selected Financial Data and Item 8 Financial Statements and Supplementary Data appearing elsewhere in this annual report.

General

We are a provider of electronic payments transaction processing services for consumers, merchants, Independent Sales Organizations (ISOs), financial institutions, government agencies and multi-national corporations located throughout the United States, Canada, the United Kingdom, Spain, the Asia-Pacific region, the Czech Republic and the Russian Federation. We serve as an intermediary to facilitate payments transactions and operate in two business segments, North America Merchant Services and International Merchant Services. We were incorporated in Georgia as Global Payments Inc. in September 2000 and spun-off from our former parent company on January 31, 2001. Including our time as part of our former parent company, we have been in business since 1967.

Our North America Merchant Services and International Merchant Services segments target customers in many vertical industries including financial institutions, gaming, government, health care, professional services, restaurants, retail, universities, nonprofit organizations and utilities.

Our offerings provide merchants, ISOs and financial institutions with credit and debit card transaction processing and check-related services. The majority of our business model provides payment products and services directly to merchants as our end customers. We also provide similar products and services to financial institutions and a limited number of ISOs that, in turn, resell our products and services, in which case, the financial institutions and select ISOs are our end customers. These particular services are marketed in the United States, Canada, and parts of Eastern Europe.

The majority of merchant services revenue is generated on services priced as a percentage of transaction value or a specified fee per transaction, depending on card type. We also charge other fees based on specific services that are unrelated to the number of transactions or the transaction value. The majority of credit cards and signature debit cards, which are only a U.S. based card type, are based on a percentage of transaction value along with other related fees, while PIN debit cards are typically a fee per transaction.

Our products and services are marketed through a variety of sales channels that include a dedicated direct sales force, ISOs, an internal telesales group, retail outlets, trade associations, alliance bank relationships and financial institutions. We seek to leverage the rapid adoption of, and transition to, card based payments by expanding market share in our existing markets through our distribution channels or through acquisitions in North America, the Asia-Pacific region and Europe, and investing in and leveraging technology and people, thereby maximizing shareholder value. We also seek to enter new markets through acquisitions in the Asia-Pacific region, Europe, and South America.

Our business does not have pronounced seasonality in which more than 30% of our revenues occur in one quarter. However, each geographic channel has somewhat higher and lower quarters given the nature of the portfolio. For example, in our North American channels, the first and fourth quarters are generally the strongest, and the third quarter tends to be the slowest due to lower volumes in the months of January and February. In contrast, Asia-Pacific typically has a stronger third quarter, and the first quarter in Asia-Pacific and the United Kingdom, tends to be slower.

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Executive Overview

On December 20, 2010, we acquired a 51% controlling financial interest in Comercia Global Payments Entidad de Pago, S.L. (Comercia), a newly formed company into which Caixa d Estalvis i Pensions de Barcelona (la Caixa) contributed its merchant acquiring business in Spain. la Caixa owns the remaining 49% of Comercia. We purchased our share of Comercia for 125 million. The shareholders contributed a total of 6.4 million as initial capital to form Comercia. Our total investment in Comercia, including our 51% share of the initial capital was 128.3 million ($173.5 million as of the closing date). We manage the day-to-day operations of the corporation, control all major decisions and, accordingly, consolidate the corporation s financial results for accounting purposes effective with the closing date. In conjunction with the acquisition, la Caixa agreed to a twenty-year marketing alliance agreement in which la Caixa will refer customers to Comercia for payment processing services in Spain and provide sponsorship into the card networks. We funded the purchase with a combination of existing cash resources in Europe and borrowings on our Corporate Credit Facility.

Revenues increased $217.3 million during fiscal 2011 compared to the prior year. Revenue growth was driven by our North America merchant services segment as a result of our direct ISO channel which continues to gain market share in the United States. Revenues for fiscal 2011 also increased by 18% in our International merchant services segment compared to the prior year. This increase is due to the impact of our acquisition in Spain on December 20, 2010. In addition, our merchant services revenue increased due to business performance in the United Kingdom, Russia, and, particularly, the Asia Pacific region.

Consolidated operating margins during fiscal 2011 declined to 17.8% compared to 19.7% in the prior year. The decline in operating margins is due to the dilutive impact of ISO transactions, Canada pricing compression, the dilutive impact of our Spain acquisition and increased corporate costs, offset by improved margins in the International merchant services segment. Sales, general and administrative costs increased $128.6 million, or 18% due to employee termination benefits, relocation benefits and expenses related to a new Global Service Center in Manila, Philippines, and proportional increases in commission payments to ISOs as a percentage of ISO revenues.

For the fiscal year 2011, currency exchange rate fluctuations increased our revenues by $19.2 million and our earnings by $0.08 per diluted share. To calculate this impact, we converted our fiscal 2011 actual revenues and expenses from continuing operations using average exchange rates for fiscal 2010.

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Results of Operations

Fiscal Year Ended May 31, 2011 Compared to Fiscal Year Ended May 31, 2010

The following table shows key selected financial data for the fiscal years ended May 31, 2011 and 2010, this data as a percentage of total revenues, and the changes between fiscal years in dollars and as a percentage of fiscal 2010.

	2011	% of Revenue (1)	2010	% of Revenue (1)	Change	% Change
			(dollar amounts in thousands)			
Revenues:						
United States	$ 1,031,997	55%	$ 902,844	55%	$ 129,153	14%
Canada	330,872	18	317,272	19	13,600	4
North America merchant services	1,362,869	73	1,220,116	74	142,753	12
Europe	359,567	19	315,023	19	44,544	14
Asia-Pacific	137,366	7	107,329	7	30,037	28
International merchant services	496,933	27	422,352	26	74,581	18
Total revenues	$ 1,859,802	100%	$ 1,642,468	100%	$ 217,334	13%
Consolidated operating expenses:						
Cost of service	$ 665,017	35.8%	$ 584,609	35.6%	$ 80,408	14%
Sales, general and administrative	863,191	46.4	734,580	44.7	128,611	18
Operating income	$ 331,594	17.8%	$ 323,279	19.7%	$ 8,315	3%
Operating income for segments:						
North America merchant services	$ 268,233		$ 275,386		$ (7,153)	(3)%
International merchant services	143,911		113,699		30,212	27
Corporate	(80,550)		(65,806)		(14,744)	(22)
Operating income	$ 331,594		$ 323,279		$ 8,315	3%
Operating margin for segments:						
North America merchant services	19.7%		22.6%		(2.9)%	
International merchant services	29.0%		26.9%		2.1%	

(1) Percentage amounts may not sum to the total due to rounding.

Revenues

We derive our revenues from three primary sources: charges based on volumes and fees for services, charges based on transaction quantity, and equipment sales, leases and service fees. Revenues generated by these areas depend upon a number of factors, such as demand for and price of our services, the technological competitiveness of our product offerings, our reputation for providing timely and reliable service, competition within our industry and general economic conditions.

For fiscal 2011, revenues increased 13% to $1,859.8 million compared to the prior year.

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North America Merchant Services Segment

For fiscal 2011, revenue from our North America merchant services segment increased 12% to $1,362.9 million.

We grow our United States revenue by adding small and mid-market merchants in diversified vertical markets, primarily through our ISO channel. For fiscal 2011, United States revenue grew 14% as transaction growth of 18% was offset by a 4% decrease in average dollar amount per transaction (average ticket). We believe this decline in average ticket is due to a shift toward smaller merchants added through our ISO channel. Smaller merchants tend to have lower average tickets when compared to larger merchants. The effect of consumers replacing cash-based payments with debit card transactions increases volume but also lowers our overall United States average ticket amounts. Based on our mix of merchants, slightly more than half of our United States transactions are comprised of a combination of signature- and PIN-based debit, with PIN-based debit representing less than 10% of our total transactions.

For fiscal 2011, our Canadian revenue increased 4% compared to the prior year period. The increase in revenue was due to favorable foreign currency trends in Canada, which were offset, on a year-to-date basis, by reduced spreads due to market-driven pricing pressure compared to the prior year.

International Merchant Services Segment

For fiscal 2011, International merchant services revenue increased 18% to $496.9 million.

Our Europe merchant services revenue for fiscal 2011 increased 14% to $359.6 million compared to the prior year period. Our Europe merchant services revenue increased primarily due to the impact of our acquisition in Spain on December 20, 2010.

Asia-Pacific merchant services revenue for fiscal 2011 increased 28% to $137.4 million compared to the prior year period. The growth was due to business performance in the Asia-Pacific region helped by the roll-out of new products by a major retailer with both physical and e-commerce transactions in several markets in the region and continued growth of our installment payment plan and dynamic currency conversion products.

Consolidated Operating Expenses

Cost of service consists primarily of the following costs: operations-related personnel, including those who monitor our transaction processing systems and settlement functions; assessment fees paid to card networks; transaction processing systems, including third-party services such as the costs for transition services paid to HSBC in the Asia-Pacific market and the United Kingdom; network telecommunications capability; depreciation and occupancy costs associated with the facilities performing these functions; amortization of intangible assets; and provisions for operating losses.

Cost of service increased 14% to $665.0 million for fiscal 2011 compared to the prior year. As a percentage of revenue, cost of service increased to 35.8% of revenue for fiscal 2011 from 35.6% for the prior year.

Sales, general and administrative expenses consists primarily of salaries, wages and related expenses paid to sales personnel; non-revenue producing customer support functions and administrative employees and management; commissions paid to ISOs, independent contractors, and other third parties, advertising costs; other selling expenses, share-based compensation expenses and occupancy of leased space directly related to these functions.

Sales, general and administrative expenses increased 18% to $863.2 million for fiscal 2011 compared to the prior year. This increase was primarily due to employee termination benefits, relocation benefits and expenses related to a new Global Service Center in Manila, Philippines, and proportional increases in commission payments to ISOs as a percentage of ISO revenues.

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Operating Income and Operating Margin for Segments

For the purpose of discussing segment operations, we refer to operating income as calculated by subtracting segment direct expenses from segment revenue. Overhead and shared expenses, including share-based compensation costs, are not allocated to segment operations; they are reported in the caption Corporate. Similarly, references to operating margin regarding segment operations mean segment operating income divided by segment revenue.

North America Merchant Services Segment

Operating income in the North America merchant services segment decreased 3% to $268.2 million for fiscal 2011 compared to the prior year. The operating margin was 19.7% and 22.6% for fiscal 2011 and 2010, respectively. Growth in the U.S. ISO channel reduced margins in fiscal 2011. The ISO channel generally has a dilutive effect on our operating margin compared to our other channels due to the ongoing commission payments to the ISOs. North America margins were also unfavorably affected by competitive pricing pressure in Canada.

International Merchant Services Segment

Operating income in International merchant services increased 27% to $143.9 million for fiscal 2011 compared to the prior year. The operating margin was 29.0% and 26.9% for fiscal 2011 and 2010, respectively. The increase in operating margin is due to improving economies of scale and growth in the International merchant services segment. We completed the migration of merchants in the United Kingdom to our back-end processing platform at the end of February 2011.

Corporate

Our corporate expenses include costs associated with our Atlanta headquarters, the Global Service Center in Manila, Philippines, insurance, employee incentive programs, and certain corporate staffing areas, including finance, accounting, legal, human resources, marketing, and executive. Corporate also includes expenses associated with our share-based compensation programs.

Our corporate costs increased 22% to $80.6 million for fiscal 2011 compared to the prior year. These increases are primarily due to expenses related to our new Global Service Center in Manila, Philippines and employee termination and relocation benefits.

Consolidated Operating Income

During fiscal 2011, our consolidated operating income increased $8.3 million to $331.6 million compared to the prior year. The increase in our consolidated operating income is due to the increases in our International merchant services segment, offset by a decrease in North America merchant services and increased corporate, sales, general and administrative expenses as discussed above.

Consolidated Other Income/Expense, Net

Other expense, net, decreased to $7.4 million for fiscal 2011 compared to expense of $12.9 million in the prior year. The decrease in other expense is due to lower interest expense because of lower term loan borrowings outstanding and lower interest rates. In addition, we recognized a previously deferred gain of $2.6 million, which was recognized during fiscal 2011 for the sale of our 20% interest in Global Payments Credit Services (GPCS) to Equifax Decision Systems, BV. See Note 13 Commitments and Contingencies in the notes to the audited consolidated financial statements for further information.

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Provision for Income Taxes

Our effective tax rates, reflected as the provision for income taxes divided by income from continuing operations before income tax, were 29.3% and 28.2% for fiscal 2011 and 2010, respectively. During fiscal 2011 our effective tax rate was negatively impacted by an adjustment to our UK deferred tax asset driven by the corporate tax rate reduction in the United Kingdom enacted in July 2010.

We have net deferred tax assets associated with our UK business of $100.6 million. The measurement of such deferred tax assets is based, in part, on the current enacted corporate tax rate in the United Kingdom of 27%. The 2011 United Kingdom budget includes a reduction in the corporate tax rate from 27% to 26%. Upon enactment of this rate, which is expected during the first half of our fiscal year 2012, we estimate that we will record a reduction of our UK deferred tax asset and an corresponding increase to our deferred income tax provision of approximately $2.5 million.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests increased to $18.9 million from $15.8 million in the prior year primarily due to our acquisition of a 51% controlling financial interest in Comercia on December 20, 2010.

Fiscal Year Ended May 31, 2010 Compared to Fiscal Year Ended May 31, 2009

The following table shows key selected financial data for the fiscal years ended May 31, 2010 and 2009, this data as a percentage of total revenues, and the changes between fiscal years in dollars and as a percentage of fiscal 2009.

	2010	**% of Revenue (1)**	**2009**	**% of Revenue(1)**	**Change**	**% Change**
			(dollar amounts in thousands)			
Revenues:						
United States	$ 902,844	55%	$ 805,557	55%	$ 97,287	12%
Canada	317,272	19	301,294	21	15,978	5
North America merchant services	1,220,116	74	1,106,851	76	113,265	10
Europe	315,023	19	265,121	18	49,902	19
Asia-Pacific	107,329	7	90,334	6	16,995	19
International merchant services	422,352	26	355,455	24	66,897	19
Total revenues	$ 1,642,468	100%	$ 1,462,306	100%	$ 180,162	12%

Consolidated operating expenses:						
Cost of service	$ 584,609	35.6%	$ 504,855	34.5%	$ 79,754	16%
Sales, general and administrative	734,580	44.7	664,905	45.5	69,675	10
Operating income	$ 323,279	19.7%	$ 292,546	20.0%	$ 30,733	10%
Operating income for segments:						
North America merchant services	$ 275,386		$ 272,972		$ 2,414	1%
International merchant services	113,699		82,763		30,936	37
Corporate	(65,806)		(63,189)		(2,617)	(4)
Operating income	$ 323,279		$ 292,546		$ 30,733	10%
Operating margin for segments:						
North America merchant services	22.6%		24.7%		(2.1)%	
International merchant services	26.9%		23.3%		3.6%	

(1) Percentage amounts may not sum to the total due to rounding.

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Revenues

We derive our revenues from three primary sources: charges based on volumes and fees for services, charges based on transaction quantity and equipment sales, leases and service fees. Revenues generated by these areas depend upon a number of factors, such as demand for and price of our services, the technological competitiveness of our product offerings, our reputation for providing timely and reliable service, competition within our industry and general economic conditions. In fiscal 2010, revenues increased 12% to $1,642.5 million compared to the prior year.

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North America Merchant Services Segment

In fiscal 2010, revenue from our North America merchant services segment increased 10% to $1,220.1 million compared to the prior year.

We have grown our United States revenue by adding small and mid-market merchants in diversified vertical markets, primarily through our ISO channel. For fiscal 2010, our United States direct credit and debit card processed transactions grew 18%, and our total United States revenue grew 12% compared to the prior year. In fiscal 2010 compared to the prior year, our United States direct credit and debit card average dollar value of transaction, or average ticket, decreased approximately 8%. We believe this decline is due to a combination of lower consumer spending as a result of a weakened economy, the industry shift of increasing debit transactions and a shift toward smaller merchants added through our ISO channel. Smaller merchants tend to have lower average tickets than larger merchants. The effect of consumers replacing cash-based payments with debit card transactions and the increasing acceptance of credit cards for small dollar transactions also lowers our overall average ticket amounts. Based on our mix of merchants, approximately 60% of our United States transactions are comprised of a combination of signature- and PIN-based debit transactions, with PIN-based debit transactions representing less than 10% of our total transactions. Aside from the impact of changes in our average ticket, the remaining differences between our transaction growth and revenue growth are due to our service fees, equipment fees, check-related services and our domestic indirect revenue. Revenue from these services grew at a lesser rate than our credit and debit card transaction growth.

For fiscal 2010, our Canadian revenue increased 5% compared to the prior year. This growth was due to favorable foreign currency trends, offset by challenging macroeconomic conditions which resulted in reduced spreads due to market-driven pricing pressure as compared to the prior year.

International Merchant Services Segment

For fiscal 2010, International merchant services revenue increased 19% to $422.4 million compared to the prior year. Our Europe merchant services revenue for fiscal 2010 increased 19% to $315.0 million compared to the prior year. This growth was primarily due to our April 30, 2009 acquisition of UCS in the Russian Federation, in addition to solid business performance in the United Kingdom.

Asia-Pacific merchant services revenue for fiscal 2010 increased 19% to $107.3 million compared to the prior year period. The growth was primarily due to business performance in the Asia Pacific region driven in part by the increasing penetration of dynamic currency conversion products in the region. The growth for the fiscal 2010 also reflects our acquisition of Global Payments Asia-Pacific Philippines Incorporated on September 4, 2008.

Consolidated Operating Expenses

Cost of service consists primarily of the following costs: operations-related personnel, including those who monitor our transaction processing systems and settlement functions; assessment fees paid to card networks; transaction processing systems, including third-party services such as the costs of settlement channels for transition services paid to HSBC in the Asia-Pacific market and the United Kingdom; network telecommunications capability, depreciation and occupancy costs associated with the facilities performing these functions; amortization of intangible assets; and provisions for operating losses.

Cost of service increased 16% to $584.6 million for fiscal 2010 compared to the prior year s comparable period. As a percentage of revenue, cost of service increased to 35.6% of revenue for the fiscal 2010 from 34.5% for the prior year. The growth in cost of service expenses was due to our UCS acquisition, increases in variable processing expenses such as card network assessments and fees associated with our revenue growth and the impact of our June 30, 2008 acquisition of 51% of HSBC Merchant Services LLP.

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Sales, general and administrative expenses consists primarily of salaries, wages and related expenses paid to sales personnel, non-revenue producing customer support functions and administrative employees and management, commissions to independent contractors and ISOs, advertising costs, other selling expenses, share-based compensation expenses and occupancy of leased space directly related to these functions.

Sales, general and administrative expenses increased 10% to $734.6 million for fiscal 2010 compared to the prior year s comparable period. As a percentage of revenue, these expenses decreased to 44.7% for fiscal 2010 compared to 45.5% in the prior year s comparable period.

Operating Income and Operating Margin for Segments

For the purpose of discussing segment operations, we refer to operating income as calculated by subtracting segment direct expenses from segment revenue. Overhead and shared expenses, including share-based compensation costs, are not allocated to the segments operations; they are reported in the caption Corporate. Similarly, references to operating margin regarding segment operations mean segment operating income divided by segment revenue.

North America Merchant Services Segment

Operating income in the North America merchant services segment increased 1% to $275.4 million for fiscal 2010 compared to the prior year s comparable period. The operating margin was 22.6% and 24.7% for the fiscal years ended, 2010 and 2009, respectively. Growth in the United States ISO channel reduced margins for fiscal 2010. The ISO channel generally has a dilutive effect on our operating margin compared to our other channels due to the ongoing commission payments to the ISOs.

International Merchant Services Segment

Operating income in the International merchant services segment increased 37% to $113.7 million for fiscal 2010 compared to the prior year s comparable period. The operating margin was 26.9% and 23.3% for the fiscal years ended, 2010 and 2009, respectively. The increase in operating margin is due to the acquisition of HSBC Merchant Services LLP and the higher operating margins in the United Kingdom and expanding margins in the Asia-Pacific region.

Corporate

Our corporate expenses primarily include costs associated with our Atlanta headquarters, insurance, employee incentive programs, and certain corporate staffing areas, including finance, accounting, legal, human resources, marketing, and executive. Our corporate costs increased 4% to $65.8 million for fiscal 2010 compared to the prior year s comparable period.

Consolidated Operating Income

During fiscal 2010, our consolidated operating income increased $30.7 million to $323.3 million compared to the prior year s comparable period. This increase was primarily due to the impact of growth in our International merchant services segment.

Consolidated Other Income/Expense, Net

Other income and expense consists primarily of interest income and interest expense. Other expense, net increased to $12.9 million for fiscal 2010 compared to $0.3 million in the prior year s comparable period. This increase in other expense, net was primarily due to higher debt balances and, to a lesser extent, lower interest income. Interest rates decreased during fiscal 2010 when compared to the prior year. This decline in interest rates partially offset the impact of increased debt balances on interest expense and contributed to lower interest income.

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Provision for Income Taxes

Our effective tax rates were 28.2% and 29.2% for fiscal years, 2010 and 2009, respectively. The reductions of our effective tax rates are due to domestic and international tax planning initiatives and the increasing amount of income being generated in lower tax jurisdictions due to international expansion.

Loss from Discontinued Operations, Net of Tax

During fiscal 2010, we reported a net loss from discontinued operations of $3.9 million ($0.04 diluted loss per share) compared to a net loss of $132.8 million ($1.64 diluted loss per share) in the prior year. The prior year results reflect our pre-tax impairment charge of $147.7 million in our money transfer business during the three months ended February 28, 2009. During fiscal 2010, loss from discontinued operations, net of tax includes an estimated pre-tax loss on disposal of $24.6 million and an income tax benefit associated with the disposal of $15.7 million.

Net Income Attributable to Noncontrolling Interests

Noncontrolling interests, net of tax decreased to $15.8 million from $37.0 million for the fiscal years 2010 and 2009, respectively. The decrease was due to our June 2009 acquisition of the remaining 49% of HSBC Merchant Services LLP.

Liquidity and Capital Resources

A significant portion of our liquidity comes from operating cash flows and available lines of credit, which are generally sufficient to fund operations, planned capital expenditures, debt service and various strategic investments in our business. Cash flow from operations is used to make planned capital investments in our business, to pursue acquisitions that meet our corporate objectives, to pay dividends, and to pay off debt and repurchase our shares at the discretion of our Board of Directors. Accumulated cash balances are invested in high-quality and marketable short term instruments.

Our capital plan objectives are to support our operational needs and strategic plan for long-term growth while maintaining a low cost of capital. Lines of credit are used in certain of our markets to fund settlement and as a source of working capital and, along with other bank financing, to fund acquisitions. We regularly evaluate our liquidity and capital position relative to cash objectives, and we may elect to raise additional funds in the future, either through the issuance of debt, equity or otherwise. To meet our current capital plan objectives, we entered into a new, unsecured five-year, $600 million revolving credit facility on December 7, 2010. Please see *Long-Term Debt and Credit Facilities* below for further information regarding this facility.

At May 31, 2011, we had cash and cash equivalents totaling $1,354.3 million. Of this amount, we consider approximately $240 million to be available cash. Our available cash balance includes $165.0 million of cash held by foreign subsidiaries that are considered permanently reinvested for income tax purposes. These cash balances reflect the accumulation of cash flows generated by each subsidiary s operations, net of cash flows used to service debt locally and fund non-US acquisitions. We believe that we are able to maintain a sufficient level of liquidity for our domestic operations and commitments without repatriation of the cash held by these foreign subsidiaries.

Available cash generally excludes settlement related and merchant reserve cash balances. Settlement related cash balances represent funds that we hold on behalf of our member sponsors when the incoming amount from the card networks precedes the member sponsors funding obligation to the merchant. At May 31, 2011, settlement related cash balances and the corresponding settlement processing obligations were unusually high due to the timing of month end cut off. Merchant reserve cash balances represent funds collected from our merchants that serve as collateral (Merchant Reserves) to minimize contingent liabilities associated with any losses that may occur under the merchant agreement. At May 31, 2011, our cash and cash equivalents included $271.4 million related to Merchant Reserves. While this cash is not restricted in its use, we believe that

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designating this cash to collateralize Merchant Reserves strengthens our fiduciary standing with our member sponsors and is in accordance with the guidelines set by the card networks. See *Cash and cash equivalents* and *Settlement processing assets and obligations* under Note 1 in the notes to the consolidated financial statements for additional details.

Operating activities provided cash of $709.8 million during fiscal year 2011 compared to providing cash of $465.8 million during the prior year. The increase in cash flow from operating activities was primarily due to the change in net settlement processing assets and obligations of $159.0 million. As noted above, our settlement processing obligations were unusually high at May 31, 2011 due to the timing of month end cut off. See *Settlement processing assets and obligations* under Note 1 in the notes to the consolidated financial statements for additional details.

Net cash used in investing activities increased $241.8 million to $267.0 million for fiscal 2011. During fiscal year 2011, we used $168.0 million in acquisitions, which included a $165.0 million, net of cash, investment in Comercia. Also, during fiscal year 2011 we had capital expenditures of $98.5 million which was primarily for terminals, software and infrastructure. During fiscal year 2010 we had $29.5 million of cash investments in Auctionpay (currently known as Greater Giving) and other asset purchases. Also, during fiscal year 2010 we had capital expenditures of $56.1 million which was primarily for terminals, software and infrastructure. We received net proceeds from the disposition of our money transfer business of $60.2 million (sales proceeds of $85.0 million less $24.8 million remaining in the business at closing to fund associated settlement obligations) during fiscal year 2010.

In fiscal year 2011, we generated $114.1 million in cash from financing activities compared to $95.8 million cash used in financing activities in the prior year. The increase in cash provided by financing activities was primarily due to increased line of credit borrowings in the Asia Pacific region, the United Kingdom, Canada, and Spain to fund settlement, and borrowings on our Corporate Credit Facility. This increase in cash provided by financing activities was offset by higher debt repayments in fiscal year 2011. We are not contractually obligated to make repayments on the Corporate Credit Facility within the next twelve months; however, we intend to make repayments in the near future. See *Long-Term Debt and Credit Facilities* below for a more detailed discussion of our borrowing activities. In addition, in fiscal year 2011 we repurchased an additional 344,847 shares of our common stock for $14.9 million in cash, $1.9 million of which represents the cash settlement of the $100.0 million purchase executed during fiscal year 2010 (2,382,890 shares of our common stock).

We believe that our current level of cash and borrowing capacity under our lines of credit described below, together with future cash flows from operations, are sufficient to meet the needs of our existing operations and planned requirements for the foreseeable future. During fiscal year 2012, we expect capital expenditures to range between $85.0 and $90.0 million.

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Long-Term Debt and Lines of Credit

Outstanding debt consisted of the following:

	May 31, 2011	May 31, 2010
Lines of credit:	(in thousands)	
Corporate Credit Facility	$ 183,975	$
Short-term lines of credit:		
United Kingdom Credit Facility	108,333	
Hong Kong Credit Facility	73,554	63,786
Canada Credit Facility	18,725	
Malaysia Credit Facility	17,743	
Spain Credit Facility	17,646	
Singapore Credit Facility	17,245	
Philippines Credit Facility	9,736	9,064
Maldives Credit Facility	3,202	2,501
Macau Credit Facility	2,372	1,454
Sri Lanka Credit Facility	2,189	2,382
	270,745	79,187
Total lines of credit	454,720	79,187
Notes Payable	14,285	10,064
Term loans	155,759	411,070
Total debt	$ 624,764	$ 500,321
Current portion	$ 356,547	$ 227,356
Long-term debt	268,217	272,965
Total debt	$ 624,764	$ 500,321

Maturity requirements on term loans and notes payable are as follows (in thousands):

2012	$ 356,547
2013	77,758
2014	2,725
2015	2,484
2016	185,250
Total	$ 624,764

We had increased borrowings on our lines of credit at May 31, 2011 to fund settlement as noted above. Our 2012 maturities should be considered with our increased cash balances at May 31, 2011.

Lines of Credit

Our line of credit facilities are used to provide a source of working capital and for general corporate purposes, while the Corporate Credit Facility is additionally available to fund future strategic acquisitions. Certain of our line of credit facilities allow us to fund merchants for credit and debit card transactions prior to receipt of corresponding settlement funds from credit and debit card networks. With certain of our credit facilities, the facility nets the amounts pre-funded to merchants against specific cash balances in local Global Payments accounts, which we characterize as cash and cash equivalents. Therefore, the amounts reported in lines of credit, which represents the amounts pre-funded to merchants, may exceed the stated credit limit, when in fact the combined position is less than the credit limit. The total available borrowings under our credit facilities at May 31, 2011 were $892.7 million.

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During fiscal 2011 the maximum and average borrowings under our credit facilities were $565.3 million and $360.3 million, respectively. The weighted average interest rates on these borrowings were 1.9% and 2.2%, respectively. Our maximum borrowed amount was greater than our average and period end borrowings due to the timing of settlement funding.

Our line of credit facilities consist of the following:

Corporate On December 7, 2010, we entered into a new, unsecured five-year, $600.0 million revolving credit facility, which we refer to as the Corporate Credit Facility with a syndicate of financial institutions. The multi-currency facility expires in December 2015 and has a variable interest rate based on a market short-term interest rate plus a leverage based margin. In addition, the Corporate Credit Facility allows us to expand the facility size to $750.0 million by requesting additional commitments from new or existing lenders. The Corporate Credit Facility contains certain financial and non-financial covenants and events of default customary for financings of this nature.

We plan to use the Corporate Credit Facility to support strategic growth initiatives and for general corporate purposes, and we used approximately $150.0 million of the new facility to pay down existing term loan debt. As of May 31, 2011, interest rates on the term loan were 1.7% and 2.1%, for United States dollar and British Pound Sterling borrowings, respectively, and the aggregate outstanding balance was $184.0 million. The Corporate Credit Facility is included in long-term debt in the accompanying consolidated balance sheets because we are not contractually obligated to make repayments in the next twelve months. In conjunction with our entry into the Corporate Credit Facility on December 7, 2010, we terminated our United States Credit Facility, which was due to expire in November 2011.

United Kingdom a revolving credit facility with HSBC Bank, for up to £80.0 million to fund merchants prior to receipt of corresponding settlement funds from the card associations. This credit facility has a variable short term interest rate plus a margin. As of May 31, 2011 the outstanding facility balance was $108.3 million (£65.9 million) with an interest rate of 2.0%. This facility is subject to annual review.

Hong Kong a revolving overdraft facility with HSBC Limited Hong Kong, for up to HKD 1.0 billion to fund merchants prior to receipt of corresponding settlement funds from the card associations. This facility is denominated in Hong Kong dollars and has a variable short term interest rate plus a margin. As of May 31, 2011 the interest rate on the facility was 0.9%. This facility is subject to annual review.

Canada a revolving credit facility, which we refer to as our Canada Credit Facility, with the Canadian Imperial Bank of Commerce, or CIBC. The Canada Credit Facility is a facility which consists of a line of credit of $25.0 million Canadian dollars. In addition, the Canada Credit Facility allows us to expand the size of the uncommitted facility to $50.0 million Canadian dollars and does not have a fixed term. This credit facility carries no termination date, but can be terminated by either party with advance notice. This credit facility has card association receivables and CIBC settlement related bank accounts as pledged collateral. This credit facility has a variable interest rate based on the Canadian dollar Interbank Offered Rate plus a margin. As of May 31, 2011 the outstanding facility balance was $18.7 million ($18.1 million CAD) with an interest rate of 3.3%.

Malaysia a revolving overdraft facility with HSBC Bank Malaysia Berhad, for up to 90.0 million Malaysian ringgits to fund merchants prior to receipt of corresponding settlement funds from the card associations. This facility has a variable short term interest rate plus a margin. As of May 31, 2011 the interest rate on the facility was 3.7%. This facility is subject to annual review.

Spain a revolving credit facility with la Caixa , for up to 180.0 million to fund merchants prior to receipt of corresponding settlement funds from the card associations. This credit facility also allows borrowings in British Pound Sterling, Japanese Yen, and United

States dollars, and has a variable short term interest rate plus a margin. As of May 31, 2011 the aggregate outstanding facility balance was

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$17.6 million for all currencies (12.2 million) with a weighted interest rate of 1.2%. The term of the facility is through January 2012, at which time we intend to enter into a new agreement.

Singapore a revolving overdraft facility with HSBC Banking Corporation Limited, for up to 25.0 million Singapore dollars to fund merchants prior to receipt of corresponding settlement funds from the card associations. This facility has a variable short term interest rate plus a margin. As of May 31, 2011 the interest rate on the facility was 0.9%. This facility is subject to annual review.

Philippines a revolving facility with HSBC Bank, Philippines, for up to 350.0 million Pesos and $1.5 million United States dollars to fund merchants prior to receipt of corresponding settlement funds from the card associations. The facility has variable short term interest rates plus a margin. As of May 31, 2011 the interest rates on the facility was 5.0% for the Pesos tranche and 0.6% for the United States dollars tranche. This facility is subject to annual review.

Maldives a revolving overdraft facility with HSBC Bank, Maldives, for up to $4.0 million to fund merchants prior to receipt of corresponding settlement funds from the card associations. This facility is denominated in United States dollars and has a variable short term interest rate plus a margin. As of May 31, 2011 the interest rate on the facility was 4.7%. This facility is subject to annual review.

Macau a revolving overdraft facility with HSBC Asia Pacific, for 40.0 million Macau Pataca to fund merchants prior to receipt of corresponding settlement funds from the card associations. In addition, the Macau Credit Facility allows us to expand the size of the uncommitted facility to 150 million Macau Pataca. This credit facility has a variable interest rate based on the lending rate stipulated by HSBC Asia Pacific, less a margin. As of May 31, 2011 the interest rate on the facility was 2.5%. This facility is subject to annual review.

Sri Lanka a revolving overdraft facility with HSBC Bank, Sri Lanka, for 650.0 million Sri Lankan Rupees in two tranches: one to fund merchants prior to receipt of corresponding settlement funds from the card associations and the other for general corporate purposes. The facility has a variable short term interest rate plus a margin. As of May 31, 2011 the interest rate on the two tranches of the facility was 10.1%. This facility is subject to annual review.

National Bank of Canada a revolving credit facility for up to $80.0 million Canadian dollars and $5 million United States dollars to provide certain Canadian merchants with same day value for their Canadian and United States dollar MasterCard credit card transactions and debit card transactions. This credit facility has a variable short term interest rate plus a margin. As of May 31, 2011 the facility was undrawn.

Term Loans

We have a five year unsecured $200.0 million term loan agreement with a syndicate of banks in the United States which we used to partially fund our HSBC Merchant Services LLP acquisition. The term loan bears interest, at our election, at the prime rate or LIBOR, plus a leverage based margin. As of May 31, 2011 and 2010, the interest rate on the term loan was 1.26% and 1.4%, respectively. The term loan calls for quarterly principal payments of $5.0 million beginning with the quarter ended August 31, 2008 and increasing to $10.0 million beginning with the quarter ended August 31, 2010 and $15.0 million beginning with the quarter ending August 31, 2011. As of May 31, 2011, the outstanding balance of the term loan was $120.0 million.

We have a $300.0 million term loan agreement ($230.0 million and £43.5 million) with a syndicate of financial institutions. We used the proceeds of this term loan to pay down our then-existing credit facility which had been used to initially fund the purchase of the remaining 49%

interest in the LLP. In December 2010, the entire balance of the United States dollar portion of the term loan was repaid by a borrowing on the Corporate Credit Facility, and the facility terms were amended. The term loan expires in July 2012 and has a variable interest rate based on the London Interbank Offered Rate plus a leverage based margin. As of May 31, 2011, the interest rate on the remaining British Pound Sterling portion of the term loan was 2.1%. The term loan requires quarterly

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principal payments of £2.2 million beginning with the quarter ended August 31, 2009 and increasing to £3.3 million beginning with the quarter ended August 31, 2010. As of May 31, 2011, the outstanding balance of this term loan was $35.8 million (£21.7 million).

Notes Payable

Our subsidiary in the Russian Federation has notes payable with a total outstanding balance of approximately $14.3 million at May 31, 2011. These notes are used to fund the purchase of ATMs and have interest rates ranging from 8.0% to 10.0% with maturity dates ranging from June 2011 through May 2016.

Compliance with Covenants

There are certain financial and non-financial covenants contained in our various credit facilities and term loans. Our term loan agreements include financial covenants requiring a leverage ratio no greater than 3.25 to 1.00 and a fixed charge coverage ratio no less than 2.50 to 1.00. We complied with these covenants as of May 31, 2011.

Redeemable Noncontrolling Interest

We have a redeemable noncontrolling interest associated with our Asia-Pacific merchant services business channel. Global Payments Asia-Pacific, Limited, or GPAP, is the entity through which we conduct our merchant acquiring business in the Asia-Pacific region. We own 56% of GPAP and HSBC Asia Pacific owns the remaining 44%. The GPAP shareholders agreement includes provisions pursuant to which HSBC Asia Pacific may compel us to purchase, at the lesser of fair value or a net revenue multiple, additional GPAP shares from HSBC Asia Pacific (the Put Option). HSBC Asia Pacific may exercise the Put Option on the fifth anniversary of the closing of the acquisition (July 24, 2011) and on each anniversary thereafter. By exercising the Put Option, HSBC Asia Pacific can require us to purchase, on an annual basis, up to 15% of the total issued shares of GPAP. HSBC Asia Pacific did not exercise the Put Option as of July 24, 2011. We estimate the maximum total redemption amount of the redeemable noncontrolling interest under the Put Option would be $133.9 million as of May 31, 2011, $45.6 million of which was puttable to us on July 24, 2011. We have adjusted our redeemable noncontrolling interest to reflect the maximum redemption amount as of May 31, 2011 on our consolidated balance sheet.

Off-Balance Sheet Arrangements

We have not entered into any transactions with unconsolidated entities whereby we have financial guarantees, subordinated retained interest, derivative instruments, or other contingent arrangements that expose us to material continuing risks, contingent liabilities, or other obligations under a variable interest in an unconsolidated entity that provides us with financing, liquidity, market, or credit risk support other than the guarantee products described under Critical Accounting Estimates below.

BIN/ICA Agreements

In connection with our acquisition of merchant credit card operations of banks, we have entered into sponsorship or depository and processing agreements with certain of the banks. These agreements allow us to use the banks identification numbers, referred to as Bank Identification Number for Visa transactions and Interbank Card Association number for MasterCard transactions, to clear credit card transactions through Visa and MasterCard. Certain of such agreements contain financial covenants, and we were in compliance with all such covenants as of May 31, 2011.

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Commitments and Contractual Obligations

The following table summarizes our contractual obligations and commitments as of May 31, 2011:

	Payments Due by Future Period				
	Total	Less than 1 Year	1-3 Years (in thousands)	3-5 Years	5+ Years
Operating leases (Note 13)	$ 60,727	$ 7,802	$ 14,201	$ 11,966	$ 26,758
Long-term debt including current portion (Note 6)	624,764	356,547	80,483	187,734	
Interest on long-term debt (1)	5,444	3,156	1,925	363	

(1) Interest on variable rate debt is based on rates effective as of May 31, 2011.

Note: This table excludes other obligations that we may have, such as employee benefit plan obligations, unrecognized tax benefits, and other current and long term liabilities reflected in our consolidated balance sheet and the redeemable noncontrolling interest put option rights described above. At this time, we are unable to make a reasonably reliable estimate of the timing of these payments; therefore such amounts are not included in the above contractual obligation table. We do not have any material purchase commitments as of May 31, 2011.

Critical Accounting Estimates

In applying the accounting policies that we use to prepare our consolidated financial statements, we necessarily make accounting estimates that affect our reported amounts of assets, liabilities, revenues and expenses. Some of these accounting estimates require us to make assumptions about matters that are highly uncertain at the time we make the accounting estimates. We base these assumptions and the resulting estimates on historical information and other factors that we believe to be reasonable under the circumstances, and we evaluate these assumptions and estimates on an ongoing basis. In many instances, however, we reasonably could have used different accounting estimates and, in other instances, changes in our accounting estimates could occur from period to period, with the result in each case being a material change in the financial statement presentation of our financial condition or results of operations. We refer to accounting estimates of this type as critical accounting estimates. The critical accounting estimates that we discuss below are those that we believe are most important to an understanding of our consolidated financial statements.

Accounting estimates necessarily require subjective determinations about future events and conditions. Therefore, the following descriptions of critical accounting estimates are forward-looking statements, and actual results could differ materially from the results anticipated by these forward-looking statements. You should read the following in conjunction with Note 1 of the notes to consolidated financial statements and the risk factors contained in Item 1A Risk Factors of this annual report.

Reserve for operating losses

As a part of our direct merchant credit card and debit card processing services and check guarantee services in the United States, Canada, the United Kingdom, Spain, Asia-Pacific and the Russian Federation we experience merchant losses and check guarantee losses, which we collectively refer to as operating losses. Merchant losses occur when we are unable to collect amounts from merchant customers for any charges properly reversed by the cardholder. Check guarantee losses occur when we are unable to collect the full amount of a guaranteed check from the checkwriter. Please refer to the notes to consolidated financial statements for a further explanation of these operating losses.

We process credit card transactions for direct merchants and recognize revenue based on a percentage of the gross amount charged. Our direct merchant customers have the liability for any charges properly reversed by the cardholder. In the event, however, that we are not able to collect such amount from the merchants, due to

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merchant fraud, insolvency, bankruptcy or any other reason, we may be liable for any such reversed charges. We require cash deposits, guarantees, letters of credit and other types of collateral by certain merchants to minimize any such contingent liability, and we also utilize a number of systems and procedures to manage merchant risk. We have, however, historically experienced losses due to merchant defaults.

We account for our potential liability relating to merchant losses as guarantees. We estimate the fair value of these guarantees by adding a fair value margin to our estimate of losses. This estimate of losses is comprised of two components, (i) estimated incurred losses, and (ii) a projection of future losses. Estimated incurred loss accruals are recorded when it is probable that we have incurred a loss and the loss is reasonably estimable. These losses typically result from chargebacks related to merchant bankruptcies, closures, or fraud. Estimated incurred losses are calculated at the merchant level based on chargebacks received to date, processed volume, and historical chargeback ratios. The estimate is reduced for any collateral that we hold. Accruals for estimated incurred losses are evaluated periodically and adjusted as appropriate based on actual loss experience. The projection of future losses component is based on an assumed percentage of our direct merchant credit card and signature debit card sales volumes processed, or processed volume. For the years ended May 31, 2011, 2010, and 2009, our processed volume was $167.3 billion, $146.6 billion, and $135.0 billion, respectively. For these same periods, we recorded provisions for merchant losses of $6.0 million, $9.6 million, and $7.1 million, respectively. As a percentage of processed volume, these charges were 0.0036%, 0.0065%, and 0.0052%, respectively, during the above periods. For these same years, we experienced actual losses of $8.7 million, $7.3 million, and $6.9 million, respectively. We believe that our estimation process has been materially accurate on a historical basis. A 10% increase or decrease in our provision for merchant losses as a percentage of processed volume for the year ended May 31, 2011 would have resulted in a decrease or increase in net income of $0.4 million. Further, if our provision for merchant losses as a percentage of processed volume for our fiscal 2011 had equaled our provision for merchant losses as a percentage of processed volume of 0.0065% for the same prior year period, our net income would have decreased by $3.4 million. As of May 31, 2011 and 2010, $3.1 million and $5.8 million, respectively, have been recorded for guarantees associated with merchant card processing and are included in settlement processing obligations in the accompanying consolidated balance sheets.

In our check guarantee service offering, we charge our merchants a percentage of the gross amount of the check and guarantee payment of the check to the merchant in the event the check is not honored by the checkwriter s bank. We have the right to collect the full amount of the check from the checkwriter but have not historically recovered 100% of the guaranteed checks.

Our check guarantee loss reserve is also comprised of estimated incurred losses and a projection of future losses based on historical return and collection (recovery) percentages and an assumed percentage of the face value of our guaranteed checks. For the years ended May 31, 2011, 2010, and 2009, we guaranteed total check face values of $2.6 billion, $2.5 billion, and $2.5 billion, respectively. For those same periods, we recorded provisions for check guarantee losses of $14.2 million, $14.9 million, and $17.9 million, respectively. As a percentage of the total guaranteed check face value, these charges were 0.55%, 0.61%, and 0.73%, respectively, during the years mentioned above. For these same years, we experienced actual losses of $14.5 million, $14.8 million, and $20.0 million, respectively. Since actual losses were similar to the check guarantee loss provisions provided above, we believe that our estimation process has been materially accurate on a historical basis. A 10% increase or decrease in our percentage assumption for the year ended May 31, 2011 would have resulted in a decrease or increase in net income of $1.0 million. Further, if our guarantee loss as a percentage of guarantee volume for our fiscal 2011 had equaled our guarantee loss as a percentage of guarantee volume of 0.61% for the same prior year period, our net income would have decreased by $1.0 million. As of May 31, 2011 and 2010, we had a check guarantee reserve of $3.9 million and $4.2 million, respectively, which is included in claims receivable, net, in the accompanying consolidated balance sheets.

We derive our projected loss rate assumptions primarily based on a rolling six to twelve month analysis of historic loss activity. These assumptions, however, bear the risk of change, which may occur as a result of several qualitative factors. For merchant losses, these factors include the following: a change in the creditworthiness of our merchant customers; a change in the levels of credit card fraud affecting our merchant customers; and a change in the effectiveness of our internal credit, risk management, and collection departments. For check guarantee losses, these factors include a change in the levels of dishonored consumer checks presented to our guarantee service merchant customers and a change in the effectiveness of our internal check guarantee procedures, customer acceptance and retention policies, or collection protocols. Application of our percentage assumptions involve uncertainty regarding changes in any of the factors above, especially those that are outside of our control, such as the financial health of the United States, Canadian, the United Kingdom, Spain, Asia-Pacific, and the Russian Federation economies at a regional or national level and the related impact on our customers.

Goodwill and long-lived asset valuations

We regularly evaluate whether events and circumstances have occurred that indicate the carrying amounts of goodwill, property and equipment, and other intangible assets may warrant revision or may not be recoverable. Goodwill and other indefinite-life intangible assets are evaluated for impairment annually by applying a fair value based test. Property and equipment and finite-lived intangible assets are evaluated for impairment when facts and circumstances indicate the carrying value of such assets may exceed their fair values. When factors indicate that these assets should be evaluated for possible impairment, we assess the potential impairment of their carrying values by determining whether the carrying value of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition.

We completed our most recent annual goodwill and indefinite-life intangible asset impairment test as of January 1, 2011. Goodwill is tested for impairment at the reporting unit level, and the impairment test consists of two steps. In the first step the reporting unit s carrying amount, including goodwill, is compared to its fair value which is measured based upon, among other factors, a discounted cash flow analysis as well as market multiples for comparable companies. If the carrying amount of the reporting unit is greater than its fair value, goodwill is considered impaired and step two must be performed. Step two measures the impairment loss by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that unit (including unrecognized intangibles) as if the reporting unit had been acquired in a business combination. The excess of fair value over the amounts allocated to the assets and liabilities of the reporting unit is the implied fair value of goodwill. The excess of the carrying amount over the implied fair value is the impairment loss.

We have six reporting units: North America Merchant Services, UK Merchant Services, Asia Pacific Merchant Services, Central and Eastern Europe Merchant Services, Russia Merchant Services and Spain Merchant Services. We estimate the fair value of our reporting units using a combination of the income approach and the market approach. The income approach utilizes a discounted cash flow model incorporating management s expectations for future revenue, operating expenses, EBITDA, capital expenditures and an anticipated tax rate. We discount the related cash flow forecasts using our estimated weighted-average cost of capital for each reporting unit at the date of valuation. The market approach utilizes comparative market multiples in the valuation estimate. Multiples are derived by relating the value of guideline companies, based on either the market price of publicly traded shares or the prices of companies being acquired in the marketplace, to various measures of their earnings and cash flow. Such multiples are then applied to the historical and projected earnings and cash flow of the reporting unit in developing the valuation estimate.

Preparation of forecasts and the selection of the discount rates involve significant judgments about expected future business performance and general market conditions. Significant changes in our forecasts, the discount rates selected or the weighting of the income and market approach could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period.

At May 31, 2011 we had goodwill of $779.6 million recorded on our consolidated balance sheet. We completed our most recent annual goodwill and indefinite-life intangible asset impairment test on January 1,

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2011 and determined that the fair value of each of our reporting units is substantially in excess of the carrying value. No events or changes in circumstances have occurred since the date of our most recent annual impairment test that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Other intangible assets primarily represent customer-related intangible assets (such as customer lists and merchant contracts), contract-based intangible assets (such as non-compete agreements, referral agreements and processing rights), and trademarks associated with acquisitions. Customer-related intangible assets, contract-based intangible assets and certain trademarks are amortized over their estimated useful lives of up to 30 years. The useful lives for customer-related intangible assets are determined based primarily on forecasted cash flows, which include estimates for the revenues, expenses, and customer attrition associated with the assets. The useful lives of contract-based intangible assets are equal to the terms of the agreements. The useful lives of amortizable trademarks are based on our plans to phase out the trademarks in the applicable markets.

We use the accelerated method of amortization for most of our customer related intangible assets. In determining amortization expense under our accelerated method for any given period, we calculate the expected cash flows for that period that were used in determining the acquired value of the asset and divide that amount by the expected total cash flows over the estimated life of the asset. We multiply that percentage by the initial carrying value of the asset to arrive at the amortization expense for that period. In addition, if the cash flow patterns that we experience are less favorable than our initial estimates, we will adjust the amortization schedule accordingly. These cash flow patterns are derived using certain assumptions and cost allocations due to a significant amount of asset interdependencies that exist in our business. During fiscal 2011, we did not adjust the amortization schedules.

We believe that our accelerated method better approximates the distribution of cash flows generated by our acquired customer relationships. We use the straight-line method of amortization for our contract-based intangibles and amortizable trademarks.

Capitalization of Internally Developed Software

We develop software that is used in providing processing services to customers. Capitalization of internally developed software, primarily associated with operating platforms, occurs when we have completed the preliminary project stage, management authorizes the project, management commits to funding the project, it is probable the project will be completed and the project will be used to perform the function intended. The preliminary project stage consists of the conceptual formulation of alternatives, the evaluation of alternatives, the determination of existence of needed technology and the final selection of alternatives. Costs incurred prior to the preliminary project stage are expensed as incurred. Currently unforeseen circumstances in software development could require us to implement alternative plans with respect to a particular effort, which could result in the impairment of previously capitalized software development costs. Costs capitalized during fiscal 2011, 2010 and 2009 totaled $26.3 million, $17.6 million and $11.8 million, respectively. Internally developed software has an amortization period of 5 to 10 years. Internally developed software assets are placed into service when they are ready for their intended use.

During fiscal 2010, we placed into service $54.9 million of hardware and software associated with our technology processing platform, referred to as G2. This platform is planned to be a new front-end operating environment for our merchant processing, and is intended to replace a number of legacy platforms. Depreciation and amortization associated with these costs is calculated based on transactions expected to be processed over the life of the platform. We believe that this method is more representative of the platform s use than the straight-line method. We are currently processing transactions on our G2 platform in seven markets in our Asia-Pacific region. As these markets represent a small percentage of our overall transactions, depreciation and amortization related to our G2 platform for fiscal 2011 was not significant. Depreciation and amortization expense will increase as we complete migrations of other markets to the G2 platform. We did not place any hardware or software costs associated with G2 into service during fiscal 2011.

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Income Taxes

The determination of our provision for income taxes requires management s judgment in the use of estimates and the interpretation and application of complex tax laws. Judgment is also required in assessing the timing and amounts of deductible and taxable items. We believe our tax return positions are fully supportable; however, we establish liabilities for material tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. Issues raised by a tax authority may be finally resolved at an amount different than the related liability. When facts and circumstances change (including a resolution of an issue or statute of limitations expiration), these liabilities are adjusted through the provision for income taxes in the period of change.

Judgment will be required to determine whether or not some portion or all of our deferred tax assets will not be realized. To the extent we determine that we will not realize the benefit of some or all of our deferred tax assets, then these deferred tax assets will be adjusted through our provision for income taxes in the period in which this determination is made. At May 31, 2011 our consolidated balance sheet includes net deferred tax assets associated with our United Kingdom business of $100.6 million. Our assessment of the recoverability of these deferred tax assets is based, in part, on our projections of future business performance and viable tax planning strategies. If future business performance fails to meet projections, we may determine that some or all of these deferred tax assets will not be realized. In the event of such a determination, we would record a valuation allowance for the amount deemed unrecoverable with a corresponding charge to the provision for income taxes.

New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-05, *Presentation of Comprehensive Income* (ASU 2011-05). In accordance with ASU 2011-05, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity. ASU 2011-05 does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 is effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2011. This standard will become effective for us beginning June 2012 and we are currently evaluating the impact on our consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (ASU 2011-04). The amendments in ASU 2011-04 result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the amendments in ASU 2011-04 to result in a change in the application of the requirements in Topic 820. ASU 2011-04 is effective prospectively for interim and annual reporting periods beginning after December 15, 2011. This ASU will become effective for us beginning March 2012 and we do not expect an impact on our consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29*, Disclosure of Supplementary Pro Forma Information for Business Combinations* (ASU 2010-29). ASU 2010-29 amends and clarifies the acquisition date to be used for reporting pro forma financial disclosures when comparative financial statements are presented. In addition, it requires a description of the nature of and amount of any material, non-recurring pro forma adjustments directly attributable to the business combination. ASU 2010-29 is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting

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period beginning on or after December 15, 2010, with early adoption permitted. The standard will become effective for us beginning in June 2011 and will not have an impact on our financial position or results of operations as it only amends required disclosures.

In December 2010, the FASB issued ASU 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* (ASU 2010-28). ASU 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with existing guidance which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. This ASU is effective for us beginning June 1, 2011. The adoption of this standard is not expected to have an impact on our financial position or results of operations because none of our reporting units have zero or negative carrying amounts.

In July 2010, the FASB issued ASU 2010-20, *Receivables Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20). ASU 2010-20* amends Accounting Standards Codification Topic 310 to improve the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide new disclosures about its financing receivables and related allowance for credit losses. ASU 2010-20 was effective for us beginning with the quarter ended February 28, 2011. The impact of ASU 2010-20 on our disclosures is reflected in notes to the audited consolidated financial statements.

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ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

Although the majority of our operations are conducted in United States dollars, a significant amount of our operations are conducted in foreign currencies. Consequently, our revenues and income generated in currencies other than the United States dollar are affected by fluctuations in foreign currency exchange rates. For fiscal 2011, currency rate fluctuations increased our revenues by $19.2 million and our diluted earnings per share by $0.08. To calculate this we converted our fiscal 2011 actual revenues using average exchange rates for fiscal 2010.

Generally, the functional currency of our various subsidiaries is their local currency. As a result, we are exposed to currency fluctuations on transactions which are not denominated in the functional currency. Gains and losses on such transactions are included in determining net income for the period. We seek to mitigate our foreign currency risk through timely settlement of transactions and cash flow matching, when possible. For the years ended May 31, 2011, 2010 and 2009 our transaction gains and losses were insignificant.

Additionally, we are affected by currency fluctuations in our funds settlement process on merchant payment, chargeback, and card network settlement transactions which are not denominated in the currency of the underlying credit or debit card transaction. Gains and losses on these transactions are included in revenue for the period.

We are also impacted by fluctuations in exchange rates on our investment in foreign operations, as well as assets and liabilities denominated in a currency other than the functional currency of the subsidiary. Relative to our net investment in foreign operations, the assets and liabilities of subsidiaries whose functional currency is a foreign currency are translated at the period-end rate of exchange. The resulting translation adjustment is recorded as a component of other comprehensive income and is included in shareholders equity. Translation gains and losses on intercompany balances of a long-term investment nature are also recorded as a component of other comprehensive income. Our assets and liabilities denominated in a non-functional currency are translated at the period-end rate of exchange, with the resulting impact included in net income.

Interest Rate Risk

We are exposed to market risk related to changes in interest rates on our cash investments and debt. We invest our excess cash in securities that we believe are highly liquid and marketable in the short term. These investments earn a floating rate of interest, and are not held for trading or other speculative purposes.

We have various lines of credit and term loans that we use to fund settlement in certain of our markets and for general corporate purposes and acquisitions. Interest rates on these lines of credit are based on market rates and fluctuate accordingly. As of May 31, 2011 there was $624.8 million outstanding on these lines of credit and term loans.

In certain of our credit card transaction processing markets, the Member uses its own funds to fund merchant settlement and charges us cost of funds. Cost of funds are charged at prevailing market rates and fluctuate accordingly.

Our cash investments and debt are floating rate, and therefore do not carry material risk of change in fair value. Our interest rate exposure related to a change in interest rates on net income is mitigated as an increase in rates increases both interest income and interest expense, and a reduction in rates reduces both interest income and interest expense.

Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes and believe the market risk arising from cash investments and debt to be minimal.

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A 1% increase in interest rates as of May 31, 2011 would not have had a material adverse impact on our current or future consolidated net income or cash flows.

Derivative Financial Instruments

Historically, we have not entered into derivative financial instruments to mitigate interest rate fluctuation risk or foreign currency exchange rate risk. We may use derivative financial instruments in the future if we deem it useful in mitigating our exposure to interest rate or foreign currency exchange rate fluctuations.

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ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Global Payments Inc.:

We have audited the accompanying consolidated balance sheets of Global Payments Inc. and subsidiaries (the Company) as of May 31, 2011 and 2010, and the related consolidated statements of income, changes in shareholders equity, and cash flows for each of the three years in the period ended May 31, 2011. Our audits also included the financial statement schedule listed in the index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Global Payments Inc. and subsidiaries as of May 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed at Note 1 to the consolidated financial statements, the Company adopted new accounting provisions regarding noncontrolling interests effective June 1, 2009 and retrospectively adjusted the consolidated financial statements for the year ended May 31, 2009.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of May 31, 2011, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 25, 2011 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

July 25, 2011

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Global Payments Inc.:

We have audited the internal control over financial reporting of Global Payments Inc. and subsidiaries (the Company) as of May 31, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in the accompanying Management Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Comercia Global Payments Entidad de Pago, S.L. which was acquired on December 20, 2010 and whose financial statements constitute 11% of total assets and 2% of revenues of the Company s consolidated financial statement amounts as of and for the year ended May 31, 2011. Accordingly, our audit did not include the internal control over financial reporting at Comercia Global Payments Entidad de Pago, S.L. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2011, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway

Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year

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ended May 31, 2011 of the Company and our report dated July 25, 2011 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule and includes an explanatory paragraph regarding the adoption of new accounting provisions regarding noncontrolling interests.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

July 25, 2011

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GLOBAL PAYMENTS INC.

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share data)

	Year Ended May 31, 2011	2010	2009
Revenues	$ 1,859,802	$ 1,642,468	$ 1,462,306
Operating expenses:			
Cost of service	665,017	584,609	504,855
Sales, general and administrative	863,191	734,580	664,905
	1,528,208	1,319,189	1,169,760
Operating income	331,594	323,279	292,546
Other income (expense):			
Interest and other income	10,774	4,629	7,005
Interest and other expense	(18,161)	(17,519)	(7,282)
	(7,387)	(12,890)	(277)
Income from continuing operations before income taxes	324,207	310,389	292,269
Provision for income taxes	(95,076)	(87,379)	(85,252)
Income from continuing operations, net of tax	229,131	223,010	207,017
Loss from discontinued operations, net of tax	(975)	(3,901)	(132,839)
Net income including noncontrolling interests	228,156	219,109	74,178
Less: Net income attributable to noncontrolling interests	(18,918)	(15,792)	(36,961)
Net income attributable to Global Payments	$ 209,238	$ 203,317	$ 37,217
Amounts attributable to Global Payments:			
Income from continuing operations, net of tax	$ 210,213	$ 207,218	$ 170,056
Loss from discontinued operations, net of tax	(975)	(3,901)	(132,839)
Net income attributable to Global Payments	$ 209,238	$ 203,317	$ 37,217
Basic earnings per share attributable to Global Payments:			
Income from continuing operations	$ 2.63	$ 2.56	$ 2.12
Loss from discontinued operations	(0.01)	(0.05)	(1.66)
Net income attributable to Global Payments	$ 2.62	$ 2.51	$ 0.46
Diluted earnings per share attributable to Global Payments:			
Income from continuing operations	$ 2.61	$ 2.52	$ 2.10

Loss from discontinued operations		(0.01)		(0.04)		(1.64)
Net income attributable to Global Payments	$	2.60	$	2.48	$	0.46
Dividends per share	$	0.08	$	0.08	$	0.08

See Notes to Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	May 31, 2011	May 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,354,285	$ 769,946
Accounts receivable, net of allowances for doubtful accounts of $472 and $269, respectively	166,540	131,817
Claims receivable, net of allowances for losses of $3,870 and $4,208, respectively	914	664
Settlement processing assets	280,359	13,741
Inventory	7,640	9,740
Deferred income taxes	2,946	2,752
Prepaid expenses and other current assets	35,291	39,604
Total current assets	1,847,975	968,264
Goodwill	779,637	569,090
Other intangible assets	341,500	205,110
Property and equipment	256,301	183,938
Deferred income taxes	104,140	90,470
Other	20,978	22,454
Total assets	$ 3,350,531	$ 2,039,326
LIABILITIES AND EQUITY		
Current liabilities:		
Lines of credit	$ 270,745	$ 79,187
Current portion of long-term debt	85,802	148,169
Accounts payable and accrued liabilities	241,578	173,575
Settlement processing obligations	838,565	265,110
Income taxes payable	7,674	6,430
Total current liabilities	1,444,364	672,471
Long-term debt	268,217	272,965
Deferred income taxes	116,432	88,265
Other long-term liabilities	49,843	31,436
Total liabilities	1,878,856	1,065,137
Commitments and contingencies (See Note 13)		
Redeemable noncontrolling interest	133,858	102,672
Equity:		
Preferred stock, no par value; 5,000,000 shares authorized and none issued		
Common stock, no par value; 200,000,000 shares authorized; 83,062,518 issued and 80,334,781 outstanding at May 31, 2011 and 82,028,945 issued and 79,646,055 and outstanding at May 31, 2010		
Paid-in capital	502,993	460,747
Retained earnings	715,202	544,772

Treasury stock; 2,727,737 and 2,382,890 shares at May 31, 2011 and May 31, 2010, respectively	(112,980)	(100,000)
Accumulated other comprehensive income (loss)	79,320	(44,255)
Total Global Payments shareholders equity	1,184,535	861,264
Noncontrolling interest	153,282	10,253
Total equity	1,337,817	871,517
Total liabilities and equity	$ 3,350,531	$ 2,039,326

See Notes to Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended May 31, 2011	2010	2009
Cash flows from operating activities:			
Net income including noncontrolling interests	$ 228,156	$ 219,109	$ 74,178
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	40,545	35,864	35,434
Amortization of acquired intangibles	41,692	32,803	30,854
Provision for operating losses and bad debts	20,577	25,025	25,595
Share-based compensation expense	15,885	18,072	14,570
Loss on disposal of discontinued operations, non-cash	602	24,310	
Impairment, restructuring and other charges, non-cash			147,664
Deferred income taxes	19,154	2,722	5,457
Other, net	(3,576)	2,443	4,036
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable	(34,723)	(11,689)	(25,077)
Claims receivable	(14,425)	(14,936)	(17,201)
Settlement processing assets and obligations, net	299,895	140,962	60,700
Inventory	1,979	(4,727)	(1,653)
Prepaid expenses and other assets	3,537	(13,710)	4,438
Accounts payable and other accrued liabilities	89,230	18,803	23,251
Payables to money transfer beneficiaries		(6,107)	3,067
Income taxes payable	1,244	(3,183)	(2,342)
Net cash provided by operating activities	709,772	465,761	382,971
Cash flows from investing activities:			
Business and intangible asset acquisitions, net of cash acquired	(167,968)	(29,513)	(525,205)
Disposition of business, net of cash	(2,577)	60,231	
Capital expenditures	(98,537)	(56,054)	(40,940)
Net decrease (increase) in financing receivables	2,062	(179)	
Proceeds from sale of investment and contractual rights, net		311	6,888
Net cash used in investing activities	(267,020)	(25,204)	(559,257)
Cash flows from financing activities:			
Net borrowings on lines of credit	191,558	69,013	8,647
Proceeds from issuance of long-term debt	205,298	305,744	200,000
Principal payments under issuance of long-term debt	(280,198)	(75,205)	(16,734)
Acquisition of redeemable noncontrolling interest		(307,675)	
Proceeds from stock issued under employee stock plans	18,364	30,248	9,050
Repurchase of common stock	(14,900)	(98,080)	
Tax benefit from employee share-based compensation	9,141	7,186	880
Contribution from noncontrolling interest holder			358
Distributions to noncontrolling interest	(8,752)	(20,484)	(34,299)
Dividends paid	(6,388)	(6,497)	(6,417)
Net cash provided by (used in) financing activities	114,123	(95,750)	161,485

Effect of exchange rate changes on cash	27,464	(1,796)	(14,324)
Increase (decrease) in cash and cash equivalents	584,339	343,011	(29,125)
Cash and cash equivalents, beginning of year	769,946	426,935	456,060
Cash and cash equivalents, end of year	$ 1,354,285	$ 769,946	$ 426,935

See Notes to Consolidated Financial Statements.

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GLOBAL PAYMENTS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands, except per share data)

					Accumulated Other Comprehensive Income (Loss)				
	Number of Shares	**Paid-in Capital**	**Treasury Stock**	**Retained Earnings**	**Currency Translation Adjustments**	**Minimum Pension Liability**	**Total Global Payments Shareholders Equity**	**Noncontrolling Interest**	**Total Equity**
Balance at May 31, 2010	79,646	$ 460,747	$ (100,000)	$ 544,772	$ (41,306)	$ (2,949)	$ 861,264	$ 10,253	$ 871,517
Comprehensive income:									
Net income including noncontrolling interests				209,238			209,238	9,326	218,564
Minimum pension liability adjustment, net of tax of $88						110	110		110
Foreign currency translation adjustment, net of tax of $(5,366)					123,465		123,465	9,717	133,182
Total comprehensive income							332,813	19,043	351,856
Stock issued under employee stock plans, net	1,034	18,364					18,364		18,364
Tax benefit from employee share-based compensation, net		7,997					7,997		7,997
Share-based compensation expense		15,885					15,885		15,885
Noncontrolling interests in business acquisitions								132,738	132,738
Distributions to noncontrolling interest								(8,752)	(8,752)
Redeemable noncontrolling interest valuation adjustment				(32,420)			(32,420)		(32,420)
Repurchase of common stock	(345)		(12,980)				(12,980)		(12,980)
Dividends paid ($0.08 per share)				(6,388)			(6,388)		(6,388)
Balance at May 31, 2011	80,335	$ 502,993	$ (112,980)	715,202	$ 82,159	$ (2,839)	$ 1,184,535	$ 153,282	$ 1,337,817

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GLOBAL PAYMENTS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(in thousands, except per share data)

	Number of Shares	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(Loss): Currency Translation Adjustments	Accumulated Other Comprehensive Income/(Loss): Minimum Pension Liability	Total Global Payments Shareholders Equity	Noncontrolling Interest	Total Shareholders Equity
Balance at May 31, 2009	80,445	$ 405,241		$ 273,090	$ (8,987)	$ (1,914)	$ 667,430	$ 10,813	$ 678,243
Comprehensive income (loss):									
Net income including noncontrolling interests				203,317			203,317	8,029	211,346
Minimum pension liability adjustment, net of tax of $(584)						(1,035)	(1,035)		(1,035)
Foreign currency translation adjustment, net of tax of $555					(32,319)		(32,319)		(32,319)
Total comprehensive income							169,963	8,029	177,992
Stock issued under employee stock plans	1,574	30,248					30,248		30,248
Tax benefit from employee share-based compensation		7,186					7,186		7,186
Share-based compensation expense		18,072					18,072		18,072
Distributions to noncontrolling interest								(8,589)	(8,589)
Deferred tax asset arising from acquisition of noncontrolling interest				89,965			89,965		89,965
Redeemable noncontrolling interests valuation adjustment				(15,103)			(15,103)		(15,103)
Repurchase of common stock	(2,383)		(100,000)				(100,000)		(100,000)
Dividends paid ($0.08 per share)				(6,497)			(6,497)		(6,497)
Balance at May 31, 2010	79,646	$ 460,747	(100,000)	$ 544,772	$ (41,306)	$ (2,949)	$ 861,264	$ 10,253	$ 871,517

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GLOBAL PAYMENTS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(in thousands, except per share data)

	Number of Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss) Currency Translation Adjustments	Accumulated Other Comprehensive Income/(Loss) Minimum Pension Liability	Total Global Payments Shareholders Equity	Noncontrolling Interest	Total Shareholders Equity
Balance at May 31, 2008	79,637	$ 380,741	$ 537,357	$ 124,673	$ (471)	$ 1,042,300	$ 11,852	$ 1,054,152
Comprehensive income (loss):								
Net income including noncontrolling interests			37,217			37,217	7,471	44,688
Minimum pension liability adjustment, net of tax of $(832)					(1,443)	(1,443)		(1,443)
Foreign currency translation adjustment, net of tax of $2,428				(133,660)		(133,660)		(133,660)
Total comprehensive (loss) income						(97,886)	7,471	(90,415)
Stock issued under employee stock plans	808	9,050				9,050		9,050
Tax benefit from employee share-based compensation		880				880		880
Share-based compensation expense		14,570				14,570		14,570
Distributions to noncontrolling interest							(8,353)	(8,353)
Divestiture of noncontrolling interest							(157)	(157)
Application of noncontrolling interest accounting guidance related to acquisitions			(417,006)			(417,006)		(417,006)
Redeemable noncontrolling interests valuation adjustment			121,939			121,939		121,939
Dividends paid ($0.08 per share)			(6,417)			(6,417)		(6,417)
Balance at May 31, 2009	80,445	$ 405,241	$ 273,090	$ (8,987)	$ (1,914)	$ 667,430	$ 10,813	$ 678,243

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NOTES TO CONSOLIDATED

FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business, Consolidation and Presentation Global Payments Inc. is a high-volume processor of electronic transactions for merchants, multinational corporations, financial institutions, consumers, government agencies and other business and non-profit business enterprises to facilitate payments to purchase goods and services or further other economic goals. Our role is to serve as an intermediary in the exchange of information and funds that must occur between parties so that a transaction can be completed. We were incorporated in Georgia as Global Payments Inc. in September 2000 and we spun-off from our former parent company on January 31, 2001. Including our time as part of our former parent company, we have been in business since 1967. Our fiscal year ends on May 31, thus we refer to the years ended May 31, 2011, 2010 and 2009 as fiscal years 2011, 2010, and 2009, respectively.

These consolidated financial statements include our accounts and those of our majority-owned subsidiaries and all intercompany balances and transactions have been eliminated. These consolidated financial statements have been prepared on the historical cost basis in accordance with accounting principles generally accepted in the United States and present our financial position, results of operations, and cash flows. Intercompany transactions have been eliminated in consolidation.

As a result of our disposition of our money transfer businesses in fiscal year 2010, this segment has been accounted for as a discontinued operation. Please see Note 3 Discontinued Operations for further information.

Use of estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Revenue recognition Our two merchant services segments primarily include processing solutions for credit cards, debit cards, and check-related services. Revenue is recognized as such services are performed. Revenue for processing services provided directly to merchants is recorded net of interchange fees charged by card issuing banks. We use two basic business models to market our merchant services offerings. One model, referred to as direct merchant services, features a salaried and commissioned sales force, independent sales organizations (ISOs), and independent sales representatives, all of whom sell our end-to-end services directly to merchants. The other model, referred to as indirect merchant services, provides similar basic products and services as our direct model, primarily to financial institutions and a limited number of ISOs on an unbundled basis, that in turn resell our products and services to their clients. The primary difference between the models is under the indirect model we do not provide bank partner sponsorship services for acquired transactions. Direct merchant services revenue is generated on services generally priced as a percentage of transaction value, whereas indirect merchant services revenue is generated on services primarily priced on a specified amount per transaction or per service rendered. In both merchant services models, we also charge other fees unrelated to the number of transactions or the transaction value.

Cash and cash equivalents Cash and cash equivalents include cash on hand and all liquid investments with an initial maturity of three months or less when purchased. These amounts also include cash that we hold related to reserve funds collected from our merchants that serve as collateral (Merchant Reserves) to minimize contingent liabilities associated with any losses that may occur under the merchant agreement. We record a corresponding liability in settlement processing assets and settlement processing obligations in our consolidated balance sheet. While this cash is not restricted in its use, we believe that designating this cash to collateralize Merchant Reserves strengthens our fiduciary standing with our member sponsors and is in accordance with guidelines set by the card networks. As of May 31, 2011 and 2010, our cash and cash equivalents included $271.4 million and $199.4 million, respectively, related to Merchant Reserves.

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Our cash and cash equivalents include settlement related cash balances. Settlement related cash balances represent surplus funds that we hold on behalf of our member sponsors when the incoming amount from the card networks precedes the member sponsors funding obligation to the merchant. At May 31, 2011, settlement related cash balances and the corresponding settlement processing obligations were unusually high due to the timing of month end cut off. Settlement related cash balances are not restricted; however, these funds are generally paid out in satisfaction of settlement processing obligations the following day. Please see *Settlement processing assets and obligations* below for further information.

Inventory Inventory, which includes electronic point of sale terminals, automated teller machines, and related peripheral equipment, is stated at the lower of cost or market. Cost is determined by using the average cost method.

Settlement processing assets and obligations We are designated as a Merchant Service Provider by MasterCard and an Independent Sales Organization by Visa. These designations are dependent upon member clearing banks (Member) sponsoring us and our adherence to the standards of the networks. We have five primary financial institution sponsors in the United States, Canada, the United Kingdom, Spain, the Asia-Pacific region and the Russian Federation with whom we have sponsorship or depository and clearing agreements. These agreements allow us to route transactions under the member banks control and identification numbers to clear credit card transactions through Visa and MasterCard. Visa and MasterCard set the standards with which we must comply. Certain of the member financial institutions of Visa and MasterCard are our competitors. In certain markets, we are members in various payment networks, allowing us to process and fund transactions without third-party sponsorship.

We also provide credit card transaction processing for Discover Financial Services or Discover Card (Discover) and are designated as an acquirer by Discover. Our agreement with Discover allows us to acquire, process and fund transactions directly through Discover s network without the need of a financial institution sponsor. Otherwise, we process Discover transactions similarly to how we process MasterCard and Visa transactions. Discover publishes acquirer operating regulations, with which we must comply. We use our Members to assist in funding merchants for Discover transactions.

Funds settlement refers to the process of transferring funds for sales and credits between card issuers and merchants. Depending on the type of transaction, either the credit card interchange system or the debit network is used to transfer the information and funds between the Member and card issuer to complete the link between merchants and card issuers.

For transactions processed on our systems, we use our internal network telecommunication infrastructure to provide funding instructions to the Members who in turn fund the merchants. In certain of our markets, merchant funding primarily occurs after the Member receives the funds from the card issuer through the card networks creating a net settlement obligation on our balance sheet. In our other markets, the Member funds the merchants before the Member receives the net settlement funds from the card networks, creating a net settlement asset on our balance sheet. In certain markets in the Asia-Pacific region, the Member provides the payment processing operations and related support services on our behalf under a transition services agreement. In such instances, we do not reflect the related settlement processing assets and obligations in our consolidated balance sheet. The Member will continue to provide these operations and services until the integration to our platform is completed. After our integration, the Member will continue to provide funds settlement services similar to the functions performed by our Members in other markets at which point the related settlement assets and obligations will be reflected in our consolidated balance sheet.

Timing differences, interchange expense, Merchant Reserves and exception items cause differences between the amount the Member receives from the card networks and the amount funded to the merchants. The standards

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of the card networks restrict us from performing funds settlement or accessing merchant settlement funds, and, instead, require that these funds be in the possession of the Member until the merchant is funded. However, in practice and in accordance with the terms of our sponsorship agreements with our Members, we generally follow a net settlement process whereby, if the incoming amount from the card networks precedes the Member s funding obligation to the merchant, we temporarily hold the surplus on behalf of the Member in our account at the Member bank and record a corresponding liability. Conversely, if the Member s funding obligation to the merchant precedes the incoming amount from the card networks, the amount of the Member s net receivable position is either subsequently advanced to the Member by us or the Member satisfies this obligation with its own funds. If the Member uses its own funds, the Member assesses a funding cost, which is included in interest and other expense on the accompanying consolidated statements of income. Each participant in the transaction process receives compensation for its services.

Settlement processing assets and obligations represent intermediary balances arising in our settlement process for direct merchants. Settlement processing assets consist primarily of (i) our receivable from merchants for the portion of the discount fee related to reimbursement of the interchange expense (Interchange reimbursement), (ii) our receivable from the Members for transactions we have funded merchants on behalf of the Members in advance of receipt of card association funding (Receivable from Members), (iii) our receivable from the card networks for transactions processed on behalf of merchants where we are a Member of that particular network (Receivable from networks), and (iv) exception items, such as customer chargeback amounts receivable from merchants (Exception items), all of which are reported net of (v) Merchant Reserves held to minimize contingent liabilities associated with charges properly reversed by a cardholder (Merchant Reserves). Settlement processing obligations consist primarily of (i) Interchange reimbursement, (ii) our liability to the Members for transactions for which we have received funding from the Members but have not funded merchants on behalf of the Members (Liability to Members), (iii) our liability to merchants for transactions that have been processed but not yet funded where we are a Member of that particular network (Liability to merchants), (iv) Exception items, (v) Merchant Reserves, (vi) the fair value of our guarantees of customer chargebacks (see *Reserve for operating losses* below), and (vii) the reserve for sales allowances. In cases in which the Member uses its own funds to satisfy a funding obligation to merchants that precedes the incoming amount from the card network, we reflect the amount of this funding as a component of Liability to Members.

A summary of these amounts as of May 31, 2011 and 2010 is as follows:

	2011	2010
	(in thousands)	
Settlement processing assets:		
Interchange reimbursement	$ 72,022	$ 19
Receivable from Members	142,117	12,258
Receivable from networks	124,980	
Exception items	4,456	1,748
Merchant Reserves	(63,216)	(284)
Total	$ 280,359	$ 13,741
Settlement processing obligations:		
Interchange reimbursement	$ 212,069	$ 194,341
Liability to Members	(718,650)	(259,947)
Liability to merchants	(129,806)	

Exception items	12,394	6,254
Merchant Reserves	(208,195)	(199,077)
Fair value of guarantees of customer chargebacks	(3,102)	(5,810)
Reserves for sales allowances	(3,275)	(871)
Total	$ (838,565)	$ (265,110)

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Reserve for operating losses As a part of our merchant credit and debit card processing and check guarantee services, we experience merchant losses and check guarantee losses, which are collectively referred to as operating losses.

Our credit card processing merchant customers are liable for any charges or losses that occur under the merchant agreement. In the event, however, that we are not able to collect such amount from the merchants, due to merchant fraud, insolvency, bankruptcy or any other merchant-related reason, we may be liable for any such losses based on our merchant agreement. We require cash deposits, guarantees, letters of credit, and other types of collateral by certain merchants to minimize any such contingent liability. We also utilize a number of systems and procedures to manage merchant risk. We have, however, historically experienced losses due to merchant defaults.

We account for our potential liability for the full amount of the operating losses discussed above as guarantees. We estimate the fair value of these guarantees by adding a fair value margin to our estimate of losses. This estimate of losses is comprised of estimated incurred losses and a projection of future losses. Estimated incurred loss accruals are recorded when it is probable that we have incurred a loss and the loss is reasonably estimable. These losses typically result from chargebacks related to merchant bankruptcies, closures, or fraud. Estimated incurred losses are calculated at the merchant level based on chargebacks received to date, processed volume, and historical chargeback ratios. The estimate is reduced for any collateral that we hold. Accruals for estimated incurred losses are evaluated periodically and adjusted as appropriate based on actual loss experience. Our projection of future losses is based on an assumed percentage of our direct merchant credit card and signature debit card sales volumes processed, or processed volume. Historically, this estimation process has been materially accurate.

As of May 31, 2011 and 2010, $3.1 million and $5.8 million, respectively, have been recorded to reflect the fair value of guarantees associated with merchant card processing. These amounts are included in settlement processing obligations in the accompanying consolidated balance sheets. The expense associated with the fair value of the guarantees of customer chargebacks is included in cost of service in the accompanying consolidated statements of income. For the years ended May 31, 2011, 2010, and 2009, we recorded such expenses in the amounts of $6.0 million, $9.6 million, and $7.1 million, respectively.

In our check guarantee service offering, we charge our merchants a percentage of the gross amount of the check and guarantee payment of the check to the merchant in the event the check is not honored by the checkwriter s bank in accordance with the merchant s agreement with us. The fair value of the check guarantee is equal to the fee charged for the guarantee service, and we defer this fee revenue until the guarantee is satisfied. We have the right to collect the full amount of the check from the checkwriter but have not historically recovered 100% of the guaranteed checks. Our check guarantee loss reserve is based on historical return and collection (recovery) experiences. As of May 31, 2011 and 2010, we have a check guarantee loss reserve of $3.9 million and $4.2 million, respectively, which is included in net claims receivable in the accompanying consolidated balance sheets. Expenses of $14.2 million, $14.9 million, and $17.9 million were recorded for the years ended May 31, 2011, 2010 and 2009, respectively, for these losses and are included in cost of service in the accompanying consolidated statements of income. The estimated check returns and recovery amounts are subject to the risk that actual amounts returned and recovered in the future may differ significantly from estimates used in calculating the receivable valuation allowance.

As the potential for merchants failure to settle individual reversed charges from consumers in our merchant credit card processing offering and the timing of individual checks clearing the checkwriters banks in our check guarantee offering are not predictable, it is not practicable to calculate the maximum amounts for which we could

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be liable under the guarantees issued under the merchant card processing and check guarantee service offerings. It is not practicable to estimate the extent to which merchant collateral or subsequent collections of dishonored checks, respectively, would offset these exposures due to these same uncertainties.

Property and equipment Property and equipment are stated at cost. Depreciation and amortization are calculated using the straight-line method, except for certain technology assets discussed below. Leasehold improvements are amortized over the lesser of the remaining term of the lease or the useful life of the asset. Maintenance and repairs are charged to operations as incurred.

We develop software that is used in providing processing services to customers. Capitalization of internally developed software, primarily associated with operating platforms, occurs when we have completed the preliminary project stage, management authorizes the project, management commits to funding the project, it is probable the project will be completed and the project will be used to perform the function intended. The preliminary project stage consists of the conceptual formulation of alternatives, the evaluation of alternatives, the determination of existence of needed technology and the final selection of alternatives. Costs incurred prior to the preliminary project stage are expensed as incurred.

During fiscal 2010, we placed into service $54.9 million of hardware and software associated with our next generation technology processing platform, referred to as G2. This platform is planned to be a new front-end operating environment for our merchant processing in the United States, Asia-Pacific, the United Kingdom, and Canada, and is intended to replace a number of legacy platforms that have higher cost structures. Depreciation and amortization associated with these costs is calculated based on transactions expected to be processed over the life of the platform. We believe that this method is more representative of the platform s use than the straight-line method. We are currently processing transactions on our G2 platform in seven markets in our Asia-Pacific region. As these markets represent a small percentage of our overall transactions, depreciation and amortization related to our G2 platform for fiscal 2011 was not significant. Depreciation and amortization expense will increase as we complete migrations of other markets to the G2 platform. We did not place any hardware or software costs associated with G2 into service during fiscal 2011.

Goodwill and other intangible assets We completed our most recent annual goodwill impairment test as of January 1, 2011 and determined that the fair value of each of our reporting units is substantially in excess of the carrying value. No events or changes in circumstances have occurred since the date of our most recent annual impairment test that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Goodwill is tested for impairment at the reporting unit level, and the impairment test consists of two steps. In the first step the reporting unit s carrying amount, including goodwill, is compared to its fair value which is measured based upon, among other factors, a discounted cash flow analysis as well as market multiples for comparable companies. If the carrying amount of the reporting unit is greater than its fair value, goodwill is considered impaired and step two must be performed. Step two measures the impairment loss by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that unit (including unrecognized intangibles) as if the reporting unit had been acquired in a business combination. The excess of fair value over the amounts allocated to the assets and liabilities of the reporting unit is the implied fair value of goodwill. The excess of the carrying amount over the implied fair value is the impairment loss.

We have six reporting units: North America Merchant Services, UK Merchant Services, Asia Pacific Merchant Services, Central and Eastern Europe Merchant Services, Russia Merchant Services and Spain Merchant Services. We estimate the fair value of our reporting units using a combination of the income approach

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and the market approach. The income approach utilizes a discounted cash flow model incorporating management s expectations for future revenue, operating expenses, EBITDA, capital expenditures and an anticipated tax rate. We discount the related cash flow forecasts using our estimated weighted-average cost of capital for each reporting unit at the date of valuation. The market approach utilizes comparative market multiples in the valuation estimate. Multiples are derived by relating the value of guideline companies, based on either the market price of publicly traded shares or the prices of companies being acquired in the marketplace, to various measures of their earnings and cash flow. Such multiples are then applied to the historical and projected earnings and cash flow of the reporting unit in developing the valuation estimate.

Preparation of forecasts and the selection of the discount rates involve significant judgments about expected future business performance and general market conditions. Significant changes in our forecasts, the discount rates selected or the weighting of the income and market approach could affect the estimated fair value of one or more of our reporting units and could result in a goodwill impairment charge in a future period.

Other intangible assets primarily represent customer-related intangible assets (such as customer lists and merchant contracts), contract-based intangible assets (such as non-compete agreements, referral agreements and processing rights), and trademarks associated with acquisitions. Customer-related intangible assets, contract-based intangible assets and certain trademarks are amortized over their estimated useful lives of up to 30 years. The useful lives for customer-related intangible assets are determined based primarily on forecasted cash flows, which include estimates for the revenues, expenses, and customer attrition associated with the assets. The useful lives of contract-based intangible assets are equal to the terms of the agreements. The useful lives of amortizable trademarks are based on our plans to phase out the trademarks in the applicable markets.

Amortization for most of our customer-related intangible assets is calculated using an accelerated method. In determining amortization expense under our accelerated method for any given period, we calculate the

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expected cash flows for that period that were used in determining the acquired value of the asset and divide that amount by the expected total cash flows over the estimated life of the asset. We multiply that percentage by the initial carrying value of the asset to arrive at the amortization expense for that period. In addition, if the cash flow patterns that we experience are less favorable than our initial estimates, we will adjust the amortization schedule accordingly. These cash flow patterns are derived using certain assumptions and cost allocations due to a significant amount of asset interdependencies that exist in our business.

Impairment of long-lived assets We regularly evaluate whether events and circumstances have occurred that indicate the carrying amount of property and equipment and finite-lived intangible assets may not be recoverable. When factors indicate that these long-lived assets should be evaluated for possible impairment, we assess the potential impairment by determining whether the carrying value of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market values or discounted cash flows analyses as applicable. We regularly evaluate whether events and circumstances have occurred that indicate the useful lives of property and equipment and finite-life intangible assets may warrant revision. In our opinion, the carrying values of our long-lived assets, including property and equipment and finite-life intangible assets, were not impaired at May 31, 2011.

Income taxes Deferred income taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax laws and rates. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

At May 31, 2011, our consolidated balance sheet includes net deferred tax assets associated with our United Kingdom business of $100.6 million.

Our effective tax rates, reflected as the provision for income taxes divided by income from continuing operations before income tax, including the effect of noncontrolling interests, were 29.3%, 28.2%, and 29.2% for the years ended May 31, 2010, 2009, and 2008 respectively. Please see Note 8 Income Taxes for further information.

Fair value of financial instruments We consider that the carrying amounts of our financial instruments, including cash and cash equivalents, receivables, lines of credit, accounts payable and accrued liabilities, approximate their fair value given the short-term nature of these items. Our term loans include variable interest rates based on the prime rate or London Interbank Offered Rate plus a margin based on our leverage position. At May 31, 2011, the carrying amount of our term loans approximates fair value. Our subsidiary in the Russian Federation has notes payable with interest rates ranging from 8.0% to 10.0% and maturity dates ranging from June 2011 through May 2016. At May 31, 2011, we believe the carrying amount of these notes approximates fair value. Please see Note 6 Long-Term Debt and Lines of Credit for further information.

Financing receivables Our subsidiary in the Russian Federation purchases Automated Teller Machines (ATMs) and leases those ATMs to our sponsor bank. We have determined these arrangements to be direct financing leases. Accordingly, we have $18.9 million and $24.2 million of financing receivables included in our May 31, 2011 and 2010 consolidated balance sheets, respectively.

There is an inherent risk that our customer may not pay the contractual balances due. We periodically review the financing receivables for credit losses and past due balances to determine whether an allowance should be recorded. Historically we have not had any credit losses or past due balances associated with these receivables, and therefore we do not have an allowance recorded. We have had no financing receivables modified as troubled debt restructurings nor have we had any purchases or sales of financing receivables.

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Fair value measurements GAAP requires disclosures about assets and liabilities that are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The reporting standard establishes consistency and comparability by providing a fair value hierarchy that prioritizes the inputs to valuation techniques into three broad levels. Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities. Level 2 inputs are based on other observable market data, such as quoted prices for similar assets and liabilities, and inputs other than quoted prices that are observable such as interest rates and yield curves. Level 3 inputs are developed from unobservable data reflecting our assumptions, and include situations where there is little or no market activity for the asset or liability.

Foreign currencies We have significant operations in a number of foreign subsidiaries whose functional currency is their local currency. Gains and losses on transactions denominated in currencies other than the functional currencies are included in determining net income for the period. For the years ended May 31, 2011, 2010 and 2009 our transaction gains and losses were insignificant.

The assets and liabilities of subsidiaries whose functional currency is a foreign currency are translated at the period-end rate of exchange. Income statement items are translated at the average rates prevailing during the period. The resulting translation adjustment is recorded as a component of other comprehensive income and is included in equity. Translation gains and losses on intercompany balances of a long-term investment nature are also recorded as a component of other comprehensive income.

Retirement Benefits We have a noncontributory defined benefit pension plan covering certain of our United States employees who met the eligibility provisions at the time the plan was closed on June 1, 1998. Benefits are based on years of service and the employee s compensation during the highest five consecutive years of earnings out of the last ten years of service. Plan provisions and funding meet the requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Effective May 31, 2004, we modified the pension plan to cease benefit accruals for increases in compensation levels.

We also have a noncontributory defined benefit supplemental executive retirement plan (SERP) covering one participant, whose employment ceased in fiscal 2002. This plan was initially formed by our former parent company and was transferred to us in the spin-off transaction that occurred on January 31, 2001. Benefits are based on years of service and the employee s compensation during the highest three consecutive years of earnings out of the last ten years of service. The SERP is a nonqualified, unfunded deferred compensation plan under ERISA.

The measurement date for the pension plans is May 31, which coincides with the plans fiscal year. Our plan expenses for fiscal 2011, 2010 and 2009 were actuarially determined. Due to the limited participation by employees in these plans and the related subsequent modifications, the total benefit obligation and funded status of the plans is not material and we have not provided full disclosure of such amounts.

Earnings per share Basic earnings per share is computed by dividing reported earnings available to common shareholders by the weighted average shares outstanding during the period. Earnings available to common shareholders are the same as reported net income attributable to Global Payments for all periods presented.

Diluted earnings per share is computed by dividing reported earnings available to common shareholders by the weighted average shares outstanding during the period and the impact of securities that would have a dilutive effect on earnings per share. All options with an exercise price less than the average market share price for the period are assumed to have a dilutive effect on earnings per share. The diluted share base for the years ended

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May 31, 2011, 2010 and 2009 excludes incremental shares of 0.7 million, 0.5 million, and 0.9 million related to stock options, respectively. These shares were not considered in computing diluted earnings per share because including them would have had an antidilutive effect. No additional securities were outstanding that could potentially dilute basic earnings per share.

The following table sets forth the computation of basic and diluted weighted average shares outstanding for the years ended May 31, 2011, 2010 and 2009:

	2011	2010	2009
		(in thousands)	
Basic weighted average shares outstanding	79,837	81,075	80,160
Plus: dilutive effect of stock options and other share-based awards	641	1,045	889
Diluted weighted average shares outstanding	80,478	82,120	81,049

Stock awards and options We expense the fair value of options over the vesting period. We use the Black-Scholes valuation model to calculate the fair value of share-based awards. Please see Note 10 Share-Based Awards and Options for further information.

New accounting pronouncements From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) or other standards setting bodies that are adopted by us as of the specified effective date. Unless otherwise discussed, our management believes that the impact of recently issued standards that are not yet effective will not have a material impact on our consolidated financial statements upon adoption.

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income* (ASU 2011-05). In accordance with ASU 2011-05, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders equity. ASU 2011-05 does not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 is effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2011. This standard will become effective for us beginning June 2012 and we are currently evaluating the impact on our consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (ASU 2011-04). The amendments in ASU 2011-04 result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the amendments in ASU 2011-04 to result in a change in the application of the requirements in Topic 820. ASU 2011-04 is effective prospectively for interim and annual reporting periods beginning after December 15, 2011. This ASU will become effective for us beginning in the quarter ended May 31, 2012 and we do not expect an impact on our consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29, *Disclosure of Supplementary Pro Forma Information for Business Combinations* (ASU 2010-29). ASU 2010-29 amends and clarifies the acquisition date to be

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used for reporting pro forma financial disclosures when comparative financial statements are presented. In addition, it requires a description of the nature of and amount of any material, non-recurring pro forma adjustments directly attributable to the business combination. ASU 2010-29 is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The standard will become effective for us beginning the quarter ended August 31, 2011 and will not have an impact on our financial position or results of operations as it only amends required disclosures.

In December 2010, the FASB issued ASU 2010-28, *When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* (ASU 2010-28). ASU 2010-28 modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with existing guidance which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. This ASU is effective for us beginning June 1, 2011. The adoption of this standard is not expected to have an impact on our financial position or results of operations because none of our reporting units have zero or negative carrying amounts.

In July 2010, the FASB issued ASU 2010-20, *Receivables Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (ASU 2010-20). ASU 2010-20 amends Accounting Standards Codification Topic 310 to improve the disclosures that an entity provides about the credit quality of its financing receivables and the related allowance for credit losses. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide new disclosures about its financing receivables and related allowance for credit losses. ASU 2010-20 was effective for us beginning with the quarter ended February 28, 2011. The impact of ASU 2010-20 on our disclosures is reflected in *Financing Receivables* above.

NOTE 2 BUSINESS AND INTANGIBLE ASSET ACQUISITIONS

In the years ended May 31, 2011, 2010 and 2009, we acquired the following businesses and intangible assets:

Business	Date Acquired	Percentage Ownership
Fiscal 2011		
Comercia Global Payments Entidad de Pago, S.L.	December 20, 2010	51%
Various contract-based and customer related intangible assets	Various	100%
Fiscal 2010		
HSBC Merchant Services LLP	June 12, 2009	49%
Auctionpay, Inc. (currently known as Greater Giving)	September 28, 2009	100%
HealthCard Systems / NationalCard Processing Systems	April 21, 2010	100%
Fiscal 2009		

HSBC Merchant Services LLP	June 30, 2008	51%
Global Payments Asia-Pacific Philippines Incorporated	September 4, 2008	56%
United Card Service	April 30, 2009	100%
Discover merchant portfolio	Various	100%
Money transfer branch locations	Various	100%

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The business acquisitions have been recorded using the purchase method of accounting, and accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair value as of the date of acquisition. The operating results of each acquisition are included in our consolidated statements of income from the dates of each acquisition.

Fiscal 2011

Comercia Global Payments Entidad de Pago, S.L.

On December 20, 2010, we acquired a 51% controlling financial interest in Comercia Global Payments Entidad de Pago, S.L. (Comercia), a newly formed company into which Caixa d Estalvis i Pensions de Barcelona (la Caixa) contributed its merchant acquiring business in Spain. la Caixa owns the remaining 49% of Comercia. We purchased our share of Comercia for 125 million. The shareholders contributed a total of 6.4 million as initial capital to form Comercia. Our total investment in Comercia, including our 51% share of the initial capital was 128.3 million ($173.5 million as of the closing date). We manage the day-to-day operations of the corporation, control all major decisions and, accordingly, consolidate the corporation s financial results for accounting purposes effective with the closing date. In conjunction with the acquisition, la Caixa agreed to a twenty-year marketing alliance agreement in which la Caixa will refer customers to Comercia for payment processing services in Spain and provide sponsorship into the card networks. We funded the purchase with a combination of existing cash resources in Europe and borrowings on our Corporate Credit Facility. We expensed acquisition costs of $1.0 million associated with this transaction. These costs were recorded in selling, general and administrative expenses in the accompanying consolidated statements of income. The revenues and earnings of Comercia since the date of the acquisition are not significant to our fiscal 2011 consolidated results of operations.

We formed Comercia with la Caixa , one of the largest retail banks in Spain, to provide merchant acquiring services to merchants in Spain. The purchase price was determined by analyzing the historical and prospective financial statements. This business acquisition is not significant to our consolidated financial statements and accordingly, we have not provided pro forma information relating to this acquisition.

The following table summarizes the purchase price allocation (in thousands):

Goodwill	$ 147,535
Customer-related intangible assets	96,100
Contract-based intangible assets	54,141
Working capital, net	8,476
Total assets acquired	306,252
Non-controlling interest	(132,738)
Net assets acquired	$ 173,514

The goodwill associated with the acquisition is deductible for tax purposes. The customer-related intangible assets have estimated amortization periods of 10 years. The contract-based intangible assets have estimated amortization periods of 20 years.

Other

During the first half of fiscal year 2011, we acquired contract-based and customer related intangible assets in our United States merchant services channel for $3.5 million. These intangible assets are being amortized on a straight-line basis over their estimated useful lives of 5 to 7 years.

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Fiscal 2010

HSBC Merchant Services LLP

On June 12, 2009, we purchased the remaining 49% of HSBC Merchant Services LLP (the LLP) from HSBC Bank plc (HSBC UK) for $307.7 million in cash. We acquired our initial 51% majority ownership interest in the LLP on June 30, 2008 for which we paid HSBC UK $438.6 million. The purchase of the remaining 49% of the LLP was recorded as a reduction of redeemable noncontrolling interest. Accordingly, no additional value was ascribed to the assets of the LLP and there was no purchase price allocation for this transaction. As a result, our tax basis in the LLP exceeds our book basis and we recorded a deferred tax asset on the purchase date in the amount of $90.0 million with a corresponding increase to retained earnings. Additionally, the purchase of our 49% interest in the LLP is reflected as a financing cash outflow in our statement of cash flows because it was treated as an equity transaction.

On July 10, 2009, we entered into a term loan to pay down the credit facility used to purchase the remaining 49% interest in the LLP. Please see Note 6 Long-term Debt and Lines of Credit for further information.

Greater Giving.

On September 28, 2009, we completed the acquisition of Auctionpay, Inc. (currently referred to as Greater Giving), a provider of fully integrated payment processing and software solutions for fundraising activities for $22.0 million in cash. The purpose of this acquisition was to expand our direct acquiring business into a vertical market that, to date, is still heavily dependent on cash and check as the primary means of payment. The purchase price was determined by analyzing the historical and prospective financial statements. This business acquisition was not material to our consolidated financial statements and accordingly, we have not provided pro forma information relating to this acquisition.

The following table summarizes the purchase price allocation (in thousands):

Goodwill	$ 11,827
Customer-related intangible assets	4,900
Contract-based intangible assets	1,200
Trademark	300
Property and equipment	4,815
Total assets acquired	23,042
Working capital, net	(201)

Liabilities	(841)
Net assets acquired	$ 22,000

None of the goodwill associated with the acquisition is deductible for tax purposes. The customer-related intangible assets have estimated amortization periods of 14 years. The contract-based intangible assets have estimated amortization periods of 2 years. The trademark has an estimated amortization period of 8 years.

HealthCard Systems

On April 21, 2010, we completed an asset purchase agreement with HealthCard Systems and NationalCard Processing Systems. Under the terms of the agreement we paid a total of $11.7 million. The purpose of this acquisition was to expand our merchant services portfolio in North America. The purchase price was determined

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by analyzing the historical and prospective financial statements. This business acquisition was not material to our consolidated financial statements and accordingly, we have not provided pro forma information relating to this acquisition.

The following table summarizes the purchase price allocation (in thousands):

Goodwill	$ 5,838
Customer-related intangible assets	5,710
Contract-based intangible assets	120
Net assets acquired	$ 11,668

None of the goodwill associated with the acquisition is deductible for tax purposes. The customer-related intangible assets have estimated amortization periods of 7 years.

Other

On March 31, 2010, we acquired a contract-based intangible asset in our United States merchant services channel for $0.8 million. This intangible asset is being amortized on a straight-line basis over its estimated useful life of 5 years.

Fiscal 2009

HSBC Merchant Services LLP

We acquired our initial 51% majority ownership interest in the LLP on June 30, 2008. We paid HSBC UK $438.6 million for our interest. We funded the acquisition using a combination of excess cash and proceeds of a term loan.

The purpose of this acquisition was to establish a presence in the United Kingdom and position Global Payments for further expansion into Western Europe. The key factors that contributed to the decision to make this acquisition include historical and prospective financial statement analysis and HSBC UK s market share and retail presence in the United Kingdom. The purchase price was determined by analyzing the historical and prospective financial statements and applying relevant purchase price multiples.

The purchase price totaled $441.6 million, consisting of $438.6 million cash consideration plus $3.0 million of direct out of pocket costs. The following table summarizes the purchase price allocation (in thousands):

Goodwill	$ 299,474
Customer-related intangible assets	117,063
Contract-based intangible assets	13,462
Trademark	2,209
Property and equipment	22,328
Other current assets	112
Total assets acquired	454,648
Noncontrolling interest in equity of subsidiary (at historical cost)	(13,014)
Net assets acquired	$ 441,634

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All of the goodwill associated with the acquisition is expected to be deductible for tax purposes. The customer-related intangible assets have amortization periods of 13 years. The contract-based intangible assets have amortization periods of 7 years. The trademark has an amortization period of 5 years.

The following unaudited pro forma information shows the results of our operations for the years ended May 31, 2010, 2009 and 2008 as if the acquisition of both the 51% and 49% interests of HSBC UK had occurred on June 1, 2007. The unaudited pro forma information is presented for information purposes only and is not necessarily indicative of what would have occurred if the acquisition had been made as of that date. The unaudited pro forma information is also not intended to be a projection of future results expected due to the integration of the acquired business.

	Years Ended May 31,		
	2010	2009	2008
		(in thousands)	
Total revenues	$ 1,642,468	$ 1,483,251	$ 1,367,042
Net income including noncontrolling interest	$ 219,109	$ 78,888	$ 224,759
Net income attributable to Global Payments for the period	$ 204,360	$ 63,882	$ 216,698
Net income attributable to Global Payments per share, basic	$ 2.52	$ 0.80	$ 2.72
Net income attributable to Global Payments per share, diluted	$ 2.49	$ 0.79	$ 2.67

United Card Service

On April 30, 2009, we completed the acquisition of all outstanding stock of United Card Service (UCS), a leading direct merchant acquirer and indirect payment processor in the Russian Federation, from United Investments. Under the terms of the agreement, we paid a total of $75.0 million in cash to acquire UCS of which $20 million remains in escrow until January 1, 2013, to satisfy any liabilities discovered post-closing that existed at the purchase date.

The purpose of this acquisition was to establish an acquiring presence in the Russian market and a foundation for other direct acquiring opportunities in Central and Eastern Europe. The purchase price was determined by analyzing the historical and prospective financial statements. This business acquisition was not material to our consolidated financial statements and accordingly, we have not provided pro forma information relating to this acquisition.

The following table summarizes the purchase price allocation (in thousands):

Current financing receivables	$ 1,620
Other current assets	9,098
Goodwill	35,429

Customer-related intangible assets	16,900
Trademark	3,200
Property and equipment	19,132
Financing receivables	12,481
Other long-term assets	640
Total assets acquired	98,500
Current liabilities	(7,228)
Notes payable	(8,723)
Deferred income taxes and other long-term liabilities	(7,549)
Total liabilities assumed	(23,500)
Net assets acquired	$ 75,000

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The goodwill associated with the acquisition is not deductible for tax purposes. The customer-related intangible assets have amortization periods of 9 to 15 years. The trademark has an amortization period of 10 years.

Global Payments Asia-Pacific Philippines Incorporated

On September 4, 2008, Global Payments Asia-Pacific, Limited (GPAP), the entity through which we conduct our merchant acquiring business in the Asia-Pacific region, indirectly acquired Global Payments Asia-Pacific Philippines Incorporated (GPAP Philippines), a newly formed company into which HSBC Asia Pacific contributed its merchant acquiring business in the Philippines. We own 56% of GPAP and HSBC Asia Pacific owns the remaining 44%. We purchased our share of GPAP Philippines for $10.9 million. The purpose of this acquisition was to expand our presence in the Asia-Pacific market. This business acquisition was not material to our consolidated financial statements and accordingly, we have not provided pro forma information relating to this acquisition.

The following table summarizes the purchase price allocation (in thousands):

Goodwill	$ 6,286
Customer-related intangible assets	3,248
Contract-based intangible assets	952
Trademark	224
Property and equipment	300
Total assets acquired	11,010
Noncontrolling interest in equity of subsidiary (at historical cost)	(132)
Net assets acquired	$ 10,878

None of the goodwill associated with the acquisition is deductible for tax purposes. The customer-related intangible assets have amortization periods of 11 years. The contract-based intangible assets have amortization periods of 7 years. The trademark has an amortization period of 5 years.

Money Transfer Branch Locations

During 2009, we completed the second and final series of money transfer branch location acquisitions in the United States as part of an assignment and asset purchase agreement with a privately held company. The purpose of this acquisition was to increase the market presence of our DolEx-branded money transfer offering. The purchase price of these acquisitions was $0.8 million, which was primarily allocated to goodwill.

This business acquisition was not material to our consolidated financial statements and accordingly, we have not provided pro forma information relating to this acquisition.

NOTE 3 DISCONTINUED OPERATIONS

On May 26, 2010, we completed the disposition of our DolEx and Europhil-branded money transfer businesses to an affiliate of Palladium Equity Partners, LLC for $85.0 million. Under the terms of the sale and purchase agreement, we received net proceeds of $60.2 million ($85.0 million less $24.8 million remaining in the business at closing to fund associated settlement obligations), subject to final working capital adjustments.

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The operating results of the money transfer segment have been reported as discontinued operations as follows:

	Years Ended May 31, 2010	2009
	(in thousands)	
Revenues	$ 117,882	$ 139,218
Operating income (loss) (includes impairment charge of $147,664 in fiscal 2009)	7,724	(131,117)
Loss on disposal	(24,567)	
Other (expense) income	(229)	275
Loss before income taxes	(17,072)	(130,842)
Income tax benefit (provision)	13,171	(1,997)
Loss from discontinued operations, net of tax	$ (3,901)	$ (132,839)

The 2010 loss on disposal included costs to sell of $1.5 million. The fiscal year 2010 income tax benefit included $15.7 million of tax benefits associated with the disposition. The impairment charge in fiscal year 2009 was not deductible for tax purposes. During fiscal year 2011, we reported a loss from discontinued operations, net of tax of $1.0 million. During fiscal year 2011, we paid Palladium $2.6 million in a settlement of working capital adjustments, $2.0 million of which was accrued in fiscal 2010, and recognized additional loss of $0.6 million for a total loss on disposal of $25.2 million.

NOTE 4 PROPERTY AND EQUIPMENT

As of May 31, 2011 and 2010, property and equipment consisted of the following:

	Range of Useful Lives in Years	2011	2010
		(in thousands)	
Land	N/A	$ 2,298	$ 1,891
Buildings	25-30	40,426	34,344
Equipment	2-5	175,446	126,963
Software	5-10	125,248	103,429
Leasehold improvements	5-15	11,583	8,594
Furniture and fixtures	5-7	5,278	4,034
Work in progress	N/A	43,692	24,085
		403,971	303,340

Less accumulated depreciation and amortization of property and equipment	147,670	119,402
	$ 256,301	$ 183,938

Depreciation and amortization expense of property and equipment was $40.5 million, $35.9 million, and $35.4 million for fiscal 2011, 2010 and 2009, respectively.

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NOTE 5 GOODWILL AND INTANGIBLE ASSETS

As of May 31, 2011 and 2010, goodwill and intangible assets consisted of the following:

	2011	2010
	(in thousands)	
Goodwill	$ 779,637	$ 569,090
Other intangible assets:		
Customer-related intangible assets	$ 457,226	$ 322,053
Trademarks, finite life	8,659	8,046
Contract-based intangible assets	72,681	20,087
	538,566	350,186
Less accumulated amortization on:		
Customer-related intangible assets	181,372	136,333
Trademarks	4,138	2,691
Contract-based intangible assets	11,556	6,052
	197,066	145,076
	$ 341,500	$ 205,110

The following table discloses the changes in the carrying amount of goodwill for the years ended May 31, 2011 and 2010:

	North America merchant services	International merchant services	Discontinued operations	Total
		(in thousands)		
Balance at May 31, 2009	$ 188,402	$ 386,318	$ 187,200	$ 761,920
Accumulated impairment losses			(136,800)	(136,800)
	188,402	386,318	50,400	625,120
Goodwill acquired	17,695			17,695
Purchase price allocation adjustments		(790)		(790)
Disposition			(49,836)	(49,836)
Effect of foreign currency translation	3,968	(26,503)	(564)	(23,099)

Balance at May 31, 2010	210,065	359,025		569,090
Accumulated impairment losses				
	210,065	359,025		569,090
Goodwill acquired		147,535		147,535
Purchase price allocation adjustments	(30)			(30)
Effect of foreign currency translation	7,387	55,655		63,042
Balance at May 31, 2011	217,422	562,215		779,637
Accumulated impairment losses				
	$ 217,422	$ 562,215	$	$ 779,637

Customer-related intangible assets and contract-based intangible assets acquired during the year ended May 31, 2011 have weighted average amortization periods of 9.9 years and 20.0 years, respectively. Trademarks with a finite life, customer-related intangible assets and contract-based intangible assets acquired during the year ended May 31, 2010 have weighted average amortization periods of 8.0 years, 9.7 years and 4.6 years, respectively. Amortization expense of acquired intangibles was $41.7 million, $32.8 million, and $30.9 million for fiscal 2011, 2010 and 2009, respectively.

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The estimated amortization expense of acquired intangibles as of May 31, 2011 for the next five fiscal years, calculated using the exchange rate at the date of acquisition, is as follows (in thousands):

2012	$ 49,568
2013	42,217
2014	36,307
2015	31,145
2016	26,280

NOTE 6 LONG-TERM DEBT AND LINES OF CREDIT

Outstanding debt consisted of the following:

	May 31, 2011	May 31, 2010
Lines of credit:	(in thousands)	
Corporate Credit Facility	$ 183,975	$
Short-term lines of credit:		
United Kingdom Credit Facility	108,333	
Hong Kong Credit Facility	73,554	63,786
Canada Credit Facility	18,725	
Malaysia Credit Facility	17,743	
Spain Credit Facility	17,646	
Singapore Credit Facility	17,245	
Philippines Credit Facility	9,736	9,064
Maldives Credit Facility	3,202	2,501
Macau Credit Facility	2,372	1,454
Sri Lanka Credit Facility	2,189	2,382
	270,745	79,187
Total lines of credit	454,720	79,187
Notes Payable	14,285	10,064
Term loans	155,759	411,070
Total debt	$ 624,764	$ 500,321
Current portion	$ 356,547	$ 227,356
Long-term debt	268,217	272,965

Total debt	$ 624,764	$ 500,321

Maturity requirements on term loans and notes payable are as follows (in thousands):

2012	$ 356,547
2013	77,758
2014	2,725
2015	2,484
2016	185,250
Total	$ 624,764

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Lines of Credit

Our line of credit facilities are used to provide a source of working capital and for general corporate purposes, while the Corporate Credit Facility is additionally available to fund future strategic acquisitions. Certain of our line of credit facilities allow us to fund merchants for credit and debit card transactions prior to receipt of corresponding settlement funds from credit and debit card networks. With certain of our credit facilities, the facility nets the amounts pre-funded to merchants against specific cash balances in local Global Payments accounts, which we characterize as cash and cash equivalents. Therefore, the amounts reported in lines of credit, which represents the amounts pre-funded to merchants, may exceed the stated credit limit, when in fact the combined position is less than the credit limit. The total available borrowings under our credit facilities at May 31, 2011 were $892.7 million. Our line of credit facilities consist of the following:

Corporate On December 7, 2010, we entered into a new, unsecured five-year, $600.0 million revolving credit facility, which we refer to as the Corporate Credit Facility with a syndicate of financial institutions. The multi-currency facility expires in December 2015 and has a variable interest rate based on a market short-term interest rate plus a leverage based margin. In addition, the Corporate Credit Facility allows us to expand the facility size to $750.0 million by requesting additional commitments from new or existing lenders. The Corporate Credit Facility contains certain financial and non-financial covenants and events of default customary for financings of this nature.

We plan to use the Corporate Credit Facility to support strategic growth initiatives and for general corporate purposes, and we used approximately $150.0 million of the new facility to pay down existing term loan debt. As of May 31, 2011, interest rates on the term loan were 1.7% and 2.1%, for United States dollar and British Pound Sterling borrowings, respectively, and the aggregate outstanding balance was $184.0 million. The Corporate Credit Facility is included in long-term debt in the accompanying consolidated balance sheets because we are not contractually obligated to make repayments in the next twelve months. In conjunction with our entry into the Corporate Credit Facility on December 7, 2010, we terminated our United States Credit Facility, which was due to expire in November 2011.

United Kingdom a revolving credit facility with HSBC Bank, for up to £80.0 million to fund merchants prior to receipt of corresponding settlement funds from the card associations. This credit facility has a variable short term interest rate plus a margin. As of May 31, 2011 the outstanding facility balance was $108.3 million (£65.9 million) with an interest rate of 2.0%. This facility is subject to annual review.

Hong Kong a revolving overdraft facility with HSBC Limited Hong Kong, for up to HKD 1.0 billion to fund merchants prior to receipt of corresponding settlement funds from the card associations. This facility is denominated in Hong Kong dollars and has a variable short term interest rate plus a margin. As of May 31, 2011 and 2010 the interest rates on the facility were 0.9% and 0.7%, respectively. This facility is subject to annual review.

Canada a revolving credit facility, which we refer to as our Canada Credit Facility, with the Canadian Imperial Bank of Commerce, or CIBC. The Canada Credit Facility is a facility which consists of a line of credit of $25.0 million Canadian dollars. In addition, the Canada Credit Facility allows us to expand the size of the uncommitted facility to $50.0 million Canadian dollars and does not have a fixed term. This credit facility carries no termination date, but can be terminated by either party with advance notice. This credit facility has card association receivables and CIBC settlement related bank accounts as pledged collateral. This credit facility has a variable interest rate based on the Canadian dollar Interbank Offered Rate plus a margin. As of May 31, 2011 the outstanding facility balance was $18.7 million ($18.1 million CAD) with an interest rate of 3.3%.

Malaysia a revolving overdraft facility with HSBC Bank Malaysia Berhad, for up to 90.0 million Malaysian ringgits to fund merchants prior to receipt of corresponding settlement funds from the card associations. This facility has a variable short term interest rate plus a margin. As of May 31, 2011 the interest rate on the facility was 3.7%. This facility is subject to annual review.

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Spain a revolving credit facility with la Caixa , for up to 180.0 million to fund merchants prior to receipt of corresponding settlement funds from the card associations. This credit facility also allows borrowings in British Pound Sterling, Japanese Yen, and United States dollars, and has a variable short term interest rate plus a margin. As of May 31, 2011 the aggregate outstanding facility balance was $17.6 million for all currencies (12.2 million) with a weighted interest rate of 1.2%. The term of the facility is through January 2012, at which time we intend to enter into a new agreement.

Singapore a revolving overdraft facility with HSBC Banking Corporation Limited, for up to 25.0 million Singapore dollars to fund merchants prior to receipt of corresponding settlement funds from the card associations. This facility has a variable short term interest rate plus a margin. As of May 31, 2011 the interest rate on the facility was 0.9%. This facility is subject to annual review.

Philippines a revolving facility with HSBC Bank, Philippines, for up to 350.0 million Pesos and $1.5 million United States dollars to fund merchants prior to receipt of corresponding settlement funds from the card associations. The facility has variable short term interest rates plus a margin. As of May 31, 2011 the interest rates on the facility was 5.0% for the Pesos tranche and 0.6% for the United States dollars tranche. As of May 31, 2010, the interest rates on the facility were 4.5% for the Pesos tranche and 0.8% for the United States dollar tranche. This facility is subject to annual review.

Maldives a revolving overdraft facility with HSBC Bank, Maldives, for up to $4.0 million to fund merchants prior to receipt of corresponding settlement funds from the card associations. This facility is denominated in United States dollars and has a variable short term interest rate plus a margin. As of May 31, 2011 and 2010 the interest rates on the facility were 4.7% and 4.9%, respectively. This facility is subject to annual review.

Macau a revolving overdraft facility with HSBC Asia Pacific, for 40.0 million Macau Pataca to fund merchants prior to receipt of corresponding settlement funds from the card associations. In addition, the Macau Credit Facility allows us to expand the size of the uncommitted facility to 150 million Macau Pataca. This credit facility has a variable interest rate based on the lending rate stipulated by HSBC Asia Pacific, less a margin. As of May 31, 2011 and 2010 the interest rate on the facility was 2.5%. This facility is subject to annual review.

Sri Lanka a revolving overdraft facility with HSBC Bank, Sri Lanka, for 650.0 million Sri Lankan Rupees in two tranches: one to fund merchants prior to receipt of corresponding settlement funds from the card associations and the other for general corporate purposes. The facility has a variable short term interest rate plus a margin. As of May 31, 2011 the interest rate on the settlement tranche of the facility was 10.1% and the general tranche was undrawn. As of May 31, 2010 the interest rates on the settlement and general tranches of the facility were 11.4% and 12.4%, respectively. This facility is subject to annual review.

National Bank of Canada a revolving credit facility for up to $80.0 million Canadian dollars and $5 million United States dollars to provide certain Canadian merchants with same day value for their Canadian and United States dollar MasterCard credit card transactions and debit card transactions. This credit facility has a variable short term interest rate plus a margin. As of May 31, 2011 and 2010 the facility was undrawn.

Term Loans

We have a five year unsecured $200.0 million term loan agreement with a syndicate of banks in the United States which we used to partially fund our HSBC Merchant Services LLP acquisition. The term loan bears interest, at our election, at the prime rate or LIBOR, plus a leverage based margin. As of May 31, 2011 and 2010, the interest rate on the term loan was 1.26% and 1.4%, respectively. The term loan calls for quarterly principal payments of $5.0 million beginning with the quarter ended August 31, 2008 and increasing to $10.0 million

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beginning with the quarter ended August 31, 2010 and $15.0 million beginning with the quarter ending August 31, 2011. As of May 31, 2011, the outstanding balance of the term loan was $120.0 million.

We have a $300.0 million term loan agreement ($230.0 million and £43.5 million) with a syndicate of financial institutions. We used the proceeds of this term loan to pay down our then-existing credit facility which

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had been used to initially fund the purchase of the remaining 49% interest in the LLP. In December 2010, the entire balance of the United States dollar portion of the term loan was repaid by a borrowing on the Corporate Credit Facility, and the facility terms were amended. The term loan expires in July 2012 and has a variable interest rate based on the London Interbank Offered Rate plus a leverage based margin. As of May 31, 2011, the interest rate on the remaining British Pound Sterling portion of the term loan was 2.1%. The term loan requires quarterly principal payments of £2.2 million beginning with the quarter ended August 31, 2009 and increasing to £3.3 million beginning with the quarter ended August 31, 2010. As of May 31, 2011, the outstanding balance of this term loan was $35.8 million (£21.7million).

Notes Payable

Our subsidiary in the Russian Federation has notes payable with a total outstanding balance of approximately $14.3 million at May 31, 2011. These notes are used to fund the purchase of ATMs and have interest rates ranging from 8.0% to 10.0% with maturity dates ranging from June 2011 through May 2016.

Compliance with Covenants

There are certain financial and non-financial covenants contained in our various credit facilities and term loans. Our term loan agreements include financial covenants requiring a leverage ratio no greater than 3.25 to 1.00 and a fixed charge coverage ratio no less than 2.50 to 1.00. We complied with these covenants as of May 31, 2011.

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of May 31, 2011 and 2010, accounts payable and accrued liabilities consisted of the following:

	2011	2010
	(in thousands)	
Trade accounts payable	$ 20,053	$ 15,426
Compensation and benefits	37,033	28,346
Third party processing expenses	14,254	13,767
Commissions to third parties	49,868	38,729
Accrued fees and assessment expenses	21,468	14,237
Transition services payable to HSBC UK, HSBC Asia Pacific and Comercia	25,489	9,594
Other	73,413	53,476

	$ 241,578	$ 173,575

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NOTE 8 INCOME TAXES

The provisions for income taxes for the fiscal years ended May 31 include:

	2011	2010 (in thousands)	2009
Current tax expense:			
Federal	$ 42,034	$ 37,151	$ 64,308
State	2,597	1,561	4,758
Foreign	18,358	14,266	6,927
	62,989	52,978	75,993
Deferred tax expense:			
Federal	17,849	23,240	2,381
State	(1,045)	1,933	349
Foreign	15,283	9,228	6,529
	32,087	34,401	9,260
Provision for income taxes	95,076	87,379	85,252
Tax allocated to noncontrolling interest in a taxable entity	(3,027)	(587)	(1,622)
Net income tax expense attributable to Global Payments	$ 92,049	$ 86,792	$ 83,630

The following presents our income from continuing operations before income taxes for the fiscal years ended May 31:

		2011	2010 (in thousands)	2009
Income before income taxes and noncontrolling interest	U.S.	$ 177,345	$ 189,116	$ 204,947
Income before income taxes and noncontrolling interest	Foreign	146,862	121,273	87,322
Income from continuing operations before income taxes		$ 324,207	$ 310,389	$ 292,269

Our effective tax rates, as applied to income from continuing operations before income taxes for the years ended May 31, 2011, 2010, and 2009 respectively, differ from federal statutory rates as follows:

	2011	2010	2009
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	0.3	0.8	1.3
Foreign income taxes	(3.8)	(3.3)	(2.4)
Foreign interest income not subject to tax	(2.7)	(1.9)	(1.7)
Tax credits and other	1.4	(1.0)	0.8
Effective tax rate attributable to Global Payments	30.2%	29.6%	33.0%
Noncontrolling interest	(0.9)	(1.4)	(3.8)
Effective tax rate	29.3%	28.2%	29.2%

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FINANCIAL STATEMENTS (Continued)

Deferred income taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax laws and rates. Deferred income taxes as of May 31, 2011 and 2010 reflect the impact of temporary differences between the amounts of assets and liabilities for financial accounting and income tax purposes. As of May 31, 2011 and 2010, principal components of deferred tax items were as follows:

	2011	2010
	(in thousands)	
Deferred tax assets:		
Equity compensation	$ 11,734	$ 11,956
Bad debt expense	2,612	3,038
Foreign NOL carryforward	3,050	3,754
U.S. NOL carryforward	1,945	2,826
U.S. capital loss carryforward	19,886	18,011
Basis difference UK business	100,646	87,474
Foreign Tax Credit	13,196	
Other Tax credits	1,731	2,685
	154,800	129,744
Less: valuation allowance	(28,629)	(22,406)
Net deferred tax asset	126,171	107,338
Deferred tax liabilities:		
Accrued expenses and other	6,206	495
Foreign currency translation	37,452	32,258
Acquired intangibles	42,389	40,885
Prepaid expenses	3,330	4,354
Property and equipment	46,140	24,389
	135,517	102,381
Net deferred tax (liability) asset	(9,346)	4,957
Less: current net deferred tax asset	2,946	2,752
Net noncurrent deferred tax (liability) asset	$ (12,292)	$ 2,205

The net deferred tax liability and asset is reflected on our consolidated balance sheets as follows:

	2011	2010
	(in thousands)	
Non-current deferred income tax asset per balance sheet	$ 104,140	$ 90,470
Non-current deferred income tax liability per balance sheet	(116,432)	(88,265)