



**Annual Report**

**Year ended 31st December 2011**

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**Chairman's Statement**

In 2011 the IAM Group's activities saw the trends of 2010 continuing, with our broking business increasing its turnover slightly in a difficult trading environment, fund management seeing a moderate decline in assets under management and with our new sources of consulting income providing a more significant element to overall operating profits.

At the start of the year we closed the equity fundraising with Argolis Limited, when it subscribed for new ordinary shares of IAM at 43.68p per share raising £1.2 million for the Group. Of these funds £0.75 million was used to repay the short term loan Argolis had made in late 2010.

On the investment side, we increased our indirect investment in Marex as we participated in the equity fundraising to finance its acquisition of Spectron Group Limited. The acquisition added significantly both to the size and capabilities of Marex, as Spectron are a leading global broker of wholesale energy and other commodity products. Spectron provides electronic and voice brokerage services for a diverse range of mainly OTC markets including gas, power, environmental products, freight, crude oil and related products, coal, weather and metals.

As the European markets continue to lurch from crisis to crisis, we believe that some unusually attractive opportunities exist where we have the potential to apply our skills and resources to strengthen our existing businesses, identify new opportunities and create value for shareholders.

In an environment of continuing economic challenges and market volatility, we intend to continue analysing strategic opportunities for the Group and to use our balance sheet more actively over the year ahead. I would like to express the Board's thanks to all our employees for their continuing effort on behalf of the Group and to all our shareholders for their continuing support.

J D S Booth  
Chairman  
27 June, 2012

## Chief Executive Officer's Review

### Overview of 2011

Much of 2011 was dominated by the Euro crisis, which came much too shortly on the heels of the financial crisis of 2008. Nonetheless, the IAM Group managed to emerge relatively unscathed by the end of the year.

During 2011, we strengthened our relationship with JRJ Partners through a further investment in Marex and through completion during the year of the equity investment by Argolis Ltd in IAM. We were successful in further reducing the Group's central overhead cost base, an activity which we are continuing to pursue, whilst mindful that we intend to continue to maintain a platform that can allow us to execute a transformative transaction.

During the year we have continued to analyse a significant number of opportunities both in the fund management and broking space. Several of these opportunities were compelling enough that they warranted a due diligence review process, and thanks to our in-house capability we did not incur third party costs. In the final analysis your board decided that due to the uncertainties the valuations requested by sellers were still not in line with the business climate in our sector which is still dominated by lower volumes in broking businesses, and continued net redemptions in alternative fund management.

### Corporate Transactions

At the start of the year we completed the issue of new ordinary shares in the capital of the Company to Argolis Ltd. Argolis subscribed for 2,750,092 ordinary shares raising £1.2 million for the Company. As a result, Argolis holds approximately 14% of the issued share capital of the Company. Of the funds raised £750,000 was immediately used to repay the short term loan from Argolis and the balance added to the general funds available as working and investment capital of the Group.

During the year we increased our investment in the Marex Group when JRJ raised further equity finance to enable Marex to complete the acquisition of Spectron Group Limited. We invested an additional sum of £815,000 indirectly into Marex. Spectron is a leading global broker of wholesale energy and other commodity products, providing electronic and voice brokerage services for a diverse range of mainly OTC markets, including gas, power, environmental products, freight, crude oil and related products, coal, weather and metals. Spectron's broad client base includes traders and risk managers within large oil and gas corporations, energy utilities, commodities firms, financial institutions and charterers. We believe the combination of the two companies is highly complementary, with each firm being a leader in its respective markets. Together, the companies will comprise the world's largest independent, privately-owned broker in power, gas, fuel oil, metals, agriculture and other high growth asset classes, able to service clients across both OTC and exchange-traded arenas.

The combined Marex Spectron business continues to perform in line with its peers in a challenging market condition where trading volumes have been reduced across the market spectrum.

### Asset Management

In 2011 we continued to manage this business efficiently, and were thus able to increase Net Revenue margin to 63% in 2011 compared to 53% in 2010, even whilst total income from this area fell to £890,000 (2010: £1,289,000). Thanks to our cost reduction exercise, operating profit was up 11.5% to £398,000 against £357,000 in 2010.

Again this year the funds that we have managed throughout the year have generally provided positive performance and distributions took place by way of redemptions and further releases from side-pockets.

### Brokerage

The brokerage activities in 2011 were predominately in Milan, where we maintained a solid business despite a fiercer competitive environment and a challenging market condition. In total we saw an increase in gross brokerage and capital introduction income increasing by almost 10% to £4.95million (2010: £4.51 million).

The analysis for broking income by business is set out below:

	2011	2010
Equities	19.9%	15.4%
Foreign exchange	24.3%	21.4%
Interest rate derivatives	22.5%	16.4%
Bonds	33.3%	46.7%
	<b>100%</b>	<b>100%</b>

The business split saw a decline in the volume of European bonds traded, which was a symptom of the significant uncertainties surrounding the euro in 2011. The decline in bonds was offset by increases in income in all other areas of activity. Capital Introduction, which is not included above, also showed an increase in fees generated.

### Consulting

We increased our general consulting income in 2011 by nearly 40%, from £338,000 in 2010 to £470,000. We now receive income from a number of parties for advice on business strategy and operations with some of the contracts being relatively short term and others running for periods of over 12 months. As this business sector evolves, we are exploring ways to further grow and enhance this productive line of business and ensure that it also generates co-investment or interesting fundraising opportunities.

### Cost structure and Balance Sheet

The central cost base of the Group has been reduced due to careful cost controls. We have not reduced headcount further, but have successfully reduced third party charges where possible.

The Group's finances have been maintained with a strong liquid asset position, although cash and liquid assets were reduced in 2011 compared to 2010, mainly due to the additional investment in Marex as part of its equity fund raising.

**Chief Executive Officer's Review****Results Summary**

Excluding discontinued operations

	<b>Fund Management £ 000</b>	<b>Brokerage £ 000</b>	<b>Consultancy £ 000</b>	<b>Central Operating Costs £ 000</b>	<b>2011 Total £ 000</b>	<b>2010 Total £ 000</b>
Turnover	890	4,950	470	-	<b>6,310</b>	6,139
Cost of sales	(325)	(1,497)	-	-	<b>(1,822)</b>	(2,262)
Net Revenue	565	3,453	470	-	<b>4,488</b>	3,877
Operating costs	(191)	(3,352)	-	(1,335)	<b>(4,878)</b>	(5,111)
Operating (loss)/profit before amortisation of intangibles, share-based payment expenses and currency exchange differences	374	101	470	(1,335)	<b>(390)</b>	(1,234)
Amortisation of intangibles	-	-	-	-	-	(12)
Share-based payments expense	-	-	-	-	-	144
Currency exchange differences	(2)	6	-	(1)	<b>3</b>	(118)
Profit on sale of subsidiary/business	-	-	-	(1)	<b>(1)</b>	125
Net gain on financial assets	26	-	-	(1)	<b>25</b>	165
Operating (loss)/profit	398	107	470	(1,338)	<b>(363)</b>	(930)
Net finance and other income	58	(8)	-	32	<b>82</b>	126
(Loss)/profit on continuing activities before tax	456	99	470	(1,306)	<b>(281)</b>	(804)

**Operating Margins**

The Group's operating costs were reduced overall but those of brokerage increased with a larger offsetting reduction in both central overheads and hedge fund operating costs. There was no change in staff numbers between 2010 and 2011 and salaries were maintained at approximately the same level.

Foreign exchange movements had a smaller impact this year than last with a net loss of £40,000 (2010: £122,000) being recognised in the Consolidated Statement of Comprehensive Income.

**Capital and Cash Flow**

	<b>2011 £ 000</b>	<b>2010 £ 000</b>
Net assets	<b>7,791</b>	8,188
Net current assets	<b>2,544</b>	2,808
Cash at bank and financial assets*	<b>3,799</b>	4,340

\* Cash at bank excluding cash held under Trust by the EBT.

Net assets decreased primarily as a consequence of the loss for the year and movements in the carrying value of available for sale financial assets, offset in part by the new capital raised. Net current assets decreased for the same reason as well as the additional investment in Marex, which is treated as a non-current asset.

While certain amounts of cash are required to be held by subsidiaries for both working capital and regulatory requirements, there remains significant liquidity within the Group.

**Dividends**

The Company does not recommend the payment of a dividend (2010: £nil).

**Risk Management**

Operating in the financial services industry, Integrated faces a number of risks which are inherent to its activities and require active management. The principal risks for the Group have been identified as operational risk and financial risks and in relation to our fund management business, investment risk.

**Operational Risk**

Operational risk is the risk that the Group suffers a loss, either directly or indirectly, from inadequate or failed internal processes and systems or from external events. This risk manifests itself in slightly different ways across our two businesses, but in summary would include:

- Broker error in negotiation of a deal.
- Administrative error either in the settlement of a broking deal or in the instruction of a trade on behalf of a fund.
- Loss of key members from a broking desk or key investment professionals.
- Introduction of new products and related issues in the legal, fiscal, regulatory and accounting domains.

Given the nature of such risks, it is Group policy to review continually the controls in place to manage them, to ensure that such controls are appropriate and adequate for the risks involved and that the controls have evolved and developed to reflect the changes in our underlying businesses and how it is carried out.

**Financial Risk**

The Group operates in a number of different countries and is exposed to a number of financial risks and particularly currency risk. Details of these and the measures undertaken by the Group to manage them are given in note 21 of the financial statements.

## **Chief Executive Officer's Review**

### **Investment Risk**

Poor investment performance in our underlying funds, either absolutely or relative to the particular fund's peer group, may result in a decrease in management and performance fees as well as redemptions from the funds by investors with similar effect.

### **Regulatory Environment**

Each of Integrated's principal operating subsidiaries is subject to regulation. In the United Kingdom, Integrated Alternative Investments Limited and Integrated Financial Products Limited ("IFP") are regulated and authorised by the Financial Services Authority.

IFP's Milan branch is reporting to the Italian regulators, Consob and the Bank of Italy, for its conduct of business.

The Group seeks to ensure that it maintains full compliance with its regulatory obligations and, with regard to its regulatory capital to maintain a surplus over and above that required at both an operating company level and at a consolidated group level.

### **Events after the reporting period**

There are no events after the Statement of Financial Position date to report.

### **The Market: 2012 and Beyond**

Whilst we had hoped that the adverse effects of the financial crisis of 2008 would now be behind us and that we could see a positive future for the financial services sector, the reality as we head into mid-2012, is very different. The European economy is suffering from the efforts to tame the euro crisis, whilst the UK and USA do not show signs of sustained economic growth and China and India – the strongest engines of international growth over the past 10 years – are showing significant fatigue.

Having made our business more efficient and made strategic investments in the past three years, we are determined to move IAM to solid growth and we have identified steps that we can take through alliances and niche area operations to get there. We also believe that with a strong balance sheet and a well-seasoned deal-oriented team, which we have maintained in place, we are well positioned to take advantage of the many opportunities that challenging economic times like this typically offer.

I would like to thank all our staff for their continuing support and commitment.

E M Arbib  
Chief Executive Officer  
27 June, 2012

## Directors' Report

The Directors present their annual report together with the audited financial statements for the year ended 31st December 2011.

## Principal Activities and Business Review

Integrated Asset Management Plc ("IAM") is the parent company of a broking and asset management group. A review of the IAM's business activities during 2011 along with future developments and risk management is given in the Chairman's Statement and the Chief Executive's Review on pages 1 to 4.

## Results and Dividends

The loss attributable to equity holders for the year ended 31st December 2011 was £527,000 (2010: £997,000 Loss). The Directors have not proposed the payment of a dividend for the year ended 31st December 2011 (2010: £nil).

## Acquisitions and investment in subsidiaries

There were no changes in the equity interests in the Company's subsidiaries during the year. However one of the Company's wholly owned subsidiaries, Integrated Financial Products Services Limited was placed into members voluntary liquidation.

## Share Issue

On 15 March 2011, as agreed with JRJ partners, the Company received the subscription funds from Argolis Limited. The subscription agreement required modification as a result of the reduction in the Company's issued shares resulting from the buy-back which took place on 23 December 2010 where pursuant to a tender offer the Company purchased some 13.43 million of its shares at 20p per share. The Argolis subscription was for 2,750,092 shares at 43.6p per share, with the Company receiving £1.2 million. Following this subscription the Company has 19,969,215 shares in issue.

During the year, the trustees of the Integrated Asset Management Employee Share Ownership Trust ("ESOT") did not subscribe for any ordinary shares in the Company (2010: nil). The ESOT's share holding in the Company's ordinary share capital is 1,800,000 shares (2010:1,800,000).

## Events after the Reporting Period

There are no events after the Statement of Financial Position date to report.

## Directors

Apart from the resignation of Mr George Robb on the 15 April 2011, there were no other changes to the Board of Directors during the year. The following Director will retire by rotation at the next Annual General Meeting and, being eligible, offers himself for reappointment: Mr M B Segall.

## Employees

The Group operates an equal opportunity policy in the recruitment, promotion and training of all its employees. The Group believes that employees play a major role in the long-term success of the business and accordingly it promotes a working environment in which employees feel valued and respected. All employees are kept updated of the Group's performance and progress on a regular basis.

## Donations

No charitable or political donations were made in 2011 or 2010.

## Creditor Payment Policy

The Group does not follow any code or standard on payment practice, but adopts the following policy regarding the payment of its suppliers:

- a To agree payment terms with suppliers in accordance with contractual or other legal obligations;
- b To ensure that suppliers are aware of the terms of payment; and
- c To make payment in accordance with the payment terms.

Average trade creditor days at 31st December 2011 were 44 days (2010: 46 days) for the Group and 47 days for the Company (2010: 58 days).

## Annual General Meeting ("AGM")

The Company's AGM will be held later on this year at the Company's registered office. A notice of the AGM will be sent to shareholders in due course.

**Directors' Report**

**Auditor**

BDO LLP have indicated their willingness to continue in office and resolutions will be proposed at the Annual General Meeting to reappoint them as Auditor of the Company.

Each person who was a Director at the date of approving this report confirms that:

- a so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- b each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and of the Company's Auditor for that purpose, in order to be aware of any information needed by the Company's Auditor in connection with preparing their report and to establish that the Company's Auditor is aware of that information.

**Going Concern**

The Directors are satisfied that the Company and the Group have adequate resources to continue to operate for the foreseeable future. The Directors confirm that the Company and the Group are going concerns and accordingly continue to adopt the going concern basis in preparing the financial statements.

By Order of the Board

J D S Booth  
Director  
27 June, 2011



## Corporate Governance Report

The Board is committed to creating and implementing high corporate governance standards and practices throughout the Group. The Directors recognise the importance that corporate governance plays in the protection and maintenance of Shareholders interests and strive to implement best practice policies to achieve this.

### The Board of Directors

The Company is headed by an experienced Board of Directors which consists of two Executive Directors and until April 2011 four Non-Executive Directors. And thereafter three Non-Executive Directors.

The Board is responsible for ensuring that the Company always acts in the best interests of its Shareholders' while maintaining its ethical values and integrity. The Board monitors decisions that are made by senior management to ensure that they are made with the aim of enhancing long-term shareholder value. The Board is also responsible for ensuring that adequate levels of internal controls are maintained which assist in the efficient and effective operation of the business and to ensure compliance with applicable laws and regulations.

In particular, the Board is responsible for making Group decisions and approvals regarding the following:

- Long-term objectives and strategies.
- Major investments, acquisitions and disposals.
- Annual operating and capital expenditure budgets.
- Annual and interim dividends.
- Treasury policy.
- Risk management strategy.

The roles of the Chairman, John Booth, and Chief Executive Officer, Emanuel Arbib, are clearly divided. John Booth is primarily responsible for the leadership of the Board and for ensuring effective communication with shareholders while Emanuel Arbib is responsible for making and approving senior management decisions which affect the operating and financial performance of the business.

The Board fulfils its duties to the Company's Shareholders through Board meetings or by delegating responsibilities to Board Committees. Details of the Remuneration Committee, Audit Committee and Nomination Committee are shown below.

### Appointments to the Board

Any Directors appointed by the Board are subject to re-election by the Shareholders at the Annual General Meeting following their appointment. All Directors are subject to reappointment at intervals of not more than three years. Prior to their appointment, Non-Executive Directors are subject to a review process to assess their independence and to confirm that they have no other relationships that may affect their judgement as a Director of the Company.

All new Directors are provided with appropriate training and briefings which consider their individual qualifications and experience.

### Support to the Board

All Directors have access to the advice and services of the Company Secretary, Ohad Egoz, who is responsible for ensuring that Board procedures and applicable rules are observed. In addition, there is also a procedure that enables any Director to obtain independent professional advice in respect of their duties at the Company's expense. The Company also maintains liability insurance for its Directors and officers, which is reviewed annually to ensure that the appropriate level of cover is held.

### Board Meetings

A number of Board and Board Committee meetings were held during the year.

The Nomination Committee did not meet during the year.

Appropriate briefing papers are distributed to Directors in advance of Board meetings.

Any Director who was unable to attend a Board meeting during the year received appropriate and timely information in advance of the meeting so that their views could be taken into consideration.

### Audit Committee

The Audit Committee comprises of the Non-Executive Directors. The Directors who served on the Committee during the year were Detlef Bierbaum (Chairman), John Booth and Mark Segall. The Committee is primarily responsible for the following:

- Monitoring the integrity of the Group's financial statements and any announcements relating to the Group's financial activities.
- Reviewing the Group's internal financial controls and risk management systems.
- Making recommendations for the appointment, reappointment and removal of the external Auditors and approving their remuneration and terms of engagement.

### Remuneration Committee

The Remuneration Committee comprises of the Non Executive Directors. The Directors who served on the Committee during the year were Mark Segall (Chairman), John Booth and Detlef Bierbaum. The Committee is primarily responsible for the following:

- The review and approval of the Company's remuneration strategy and policies;
- The approval of any new remuneration schemes; and
- The design and review of performance targets and conditions that are attached to performance-related remuneration schemes.

## **Corporate Governance Report**

### **Nomination Committee**

The Nomination Committee is responsible for identifying, assessing and nominating individuals for Board positions as and when they arise. This includes consideration of the reappointment of Non-Executive Directors at the conclusion of their specified term of office. It is also responsible for considering succession planning for both the Board and senior management positions.

The Committee comprised John Booth (Chairman), Mark Segall and Detlef Bierbaum, all of which are Non-Executive Directors.

### **Internal Control and Risk Management**

The Board has overall responsibility for the Group's system of internal control and risk management. While acknowledging that no system of internal control can provide absolute assurance against material loss or misstatement, the Board believes the Group's current systems of internal control and risk management are effectively designed to manage the risks which are inherent in the Group's business.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks that are faced by the Group. The key components of these are outlined in the Risk Management section of the CEO's Review.

### **Investor Relations**

The Company updates its Investors Relations section of its website ([www.integratedam.com](http://www.integratedam.com)) to provide investors with important information regarding the Company's activities. This includes information such as annual financial statements as well as press releases the Company issues on important events in its development.

### **Going Forward**

The Board believes that good corporate governance is a key contributor to the Group's long-term growth and will continue to invest time and resources to ensure the maintenance and improvement of its high standards.

**Statement of Directors' Responsibilities**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent Auditor's Report to the members of Integrated Asset Management plc**

We have audited the financial statements of Integrated Asset Management plc for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statement of Changes in Shareholders Equity, the Consolidated and Parent Company Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Neil Fung-On, senior statutory auditor  
For and on behalf of BDO LLP, statutory auditor  
55 Baker Street  
London  
W1U 7EU  
28th June 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

**Consolidated Income Statement**

for the year ended 31 December 2011

	Note	Year ended 31 December 2011 £000s	Year ended 31 December 2010 £000s
<b>Continuing operations</b>			
<b>Revenue</b>		6,310	6,139
Cost of sales		(1,822)	(2,262)
<b>Net revenue</b>		4,488	3,877
Operating costs		(4,875)	(5,229)
Amortisation of intangibles		-	(12)
Share-based payments cost		-	144
Profit on sale of subsidiary		(1)	125
Net gain on financial assets		25	165
<b>Operating loss</b>		(363)	(930)
Finance income		102	145
Finance expense	14	(20)	(19)
<b>Loss before taxation</b>	3	(281)	(804)
Taxation	5	(265)	(208)
<b>Loss from continuing operations</b>		(546)	(1,012)
<b>Discontinued operations</b>			
Profit from discontinued operations	6	-	20
<b>Loss for the year</b>		(546)	(992)
<b>Attributable to :</b>			
<b>Continuing operations</b>			
Owners of the parent		(527)	(1,003)
Non controlling interests		(19)	(9)
		(546)	(1,012)
<b>Total</b>			
Owners of the parent		(527)	(997)
Non controlling interests		(19)	5
		(546)	(992)
<b>Earnings per share</b>			
	7		
<b>Continuing operations</b>			
Basic		(2.71)p	(3.31)p
Diluted		(2.71)p	(3.31)p
<b>Discontinued operations</b>			
Basic		(0.00)p	0.02p
Diluted		(0.00)p	0.02p
<b>Total</b>			
Basic		(2.71)p	(3.29)p
Diluted		(2.71)p	(3.29)p

**Consolidated Statement of Comprehensive Income**

for the year ended 31 December 2011

	Year ended 31 December 2011 £000s	Year ended 31 December 2010 £000s
Loss for the year	(546)	(992)
Currency translation differences on overseas operations	(40)	(122)
Net (loss)/gain on available for sale financial assets	(972)	1,020
<b>Total comprehensive income for the year</b>	(1,558)	(94)
<b>Total comprehensive income attributable to :</b>		
Owners of the parent	(1,539)	(99)
Non controlling interests	(19)	5
	(1,558)	(94)

## Consolidated Statement of Financial Position

as at 31 December 2011

	Note	As at 31 December 2011 £000s	As at 31 December 2010 £000s
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	1,181	1,205
Property, plant and equipment	9	232	213
Financial assets	12	3,834	3,962
		5,247	5,380
<b>Current assets</b>			
Trade and other receivables	10	9,208	2,338
Cash and cash equivalents	11	1,733	2,241
Other financial assets	12	2,084	2,107
		13,025	6,686
<b>Total assets</b>		<b>18,272</b>	<b>12,066</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	14	-	-
Deferred tax liabilities	15	-	-
		-	-
<b>Current liabilities</b>			
Borrowings	14	-	(750)
Trade and other payables	16	(10,360)	(3,126)
Tax payable		(121)	(2)
		(10,481)	(3,878)
<b>Total liabilities</b>		<b>(10,481)</b>	<b>(3,878)</b>
<b>Net assets</b>		<b>7,791</b>	<b>8,188</b>
<b>Capital and Reserves</b>			
Called up share capital	17	998	861
Share Premium Account		1,029	-
Capital redemption reserve		672	672
Share options reserve		45	65
Exchange difference reserve		151	192
Investment in own shares		(2,519)	(2,519)
Available for sale financial assets reserve		48	1,020
Retained earnings		7,172	7,678
<b>Equity attributable to equity owners of the parent</b>		<b>7,596</b>	<b>7,969</b>
Equity attributable to non controlling interests		195	219
<b>Total equity</b>		<b>7,791</b>	<b>8,188</b>

The annual financial statements were approved and authorised for issue by the Board on 27 June 2012 and signed on their behalf by:

J D S Booth  
Director

E M Arbib  
Director

## Company Statement of Financial Position

as at 31 December 2011

	Note	As at 31 December 2011 £000s	As at 31 December 2010 £000s
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8	-	-
Property, plant and equipment	9	85	103
Investment in subsidiaries	13	5,779	5,894
Financial assets	12	3,834	3,962
		9,698	9,959
<b>Current assets</b>			
Trade and other receivables	10	410	376
Cash and cash equivalents	11	110	768
Other financial assets	12	793	836
		1,313	1,980
<b>Total assets</b>		11,011	11,939
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	14	-	-
Trade and other payables	16	-	-
		-	-
<b>Current liabilities</b>			
Borrowings	14	-	(750)
Trade and other payables	16	(3,417)	(2,839)
		(3,417)	(3,589)
<b>Total liabilities</b>		(3,417)	(3,589)
<b>Net assets</b>		7,594	8,350
<b>Capital and Reserves</b>			
Called up share capital	17	998	861
Share Premium Account		1,029	-
Capital redemption reserve		671	672
Share options reserve		45	65
Available for sale financial assets reserve		48	1,020
Retained earnings		4,803	5,732
<b>Total equity</b>		7,594	8,350

The annual financial statements were approved and authorised for issue by the Board on 27 June 2012 and signed on their behalf by:

J D S Booth  
Director

E M Arbib  
Director

**Consolidated Statement of Changes in Shareholders' Equity**

for the year ended 31 December 2011

	Share capital £000s	Share premium £000s	Retained earnings £000s	Other reserves £000s	Non controlling interests £000s	Total £000s
<b>Balance at 1 January 2011</b>	861	-	7,678	(570)	219	8,188
Currency translation adjustments	-	-	-	(40)	-	(40)
Net loss on available for sale financial assets	-	-	-	(972)	-	(972)
<b>Total other comprehensive income</b>	-	-	-	(1,012)	-	(1,012)
Loss for the year	-	-	(527)	-	(19)	(546)
<b>Total comprehensive income for the year</b>	-	-	(527)	(1,012)	(19)	(1,558)
Issue of shares	137	1,029	-	-	-	1,166
Shares purchased by Company and cancelled	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Cancelled/forfeited share options	-	-	21	(21)	-	-
Movement in non controlling interests	-	-	-	-	(5)	(5)
<b>Balance 31 December 2011</b>	998	1,029	7,172	(1,603)	195	7,791

	Share capital £000s	Share premium £000s	Retained earnings £000s	Other reserves £000s	Non controlling interests £000s	Total £000s
<b>Balance at 1 January 2010</b>	1,533	-	11,452	(2,003)	(13)	10,969
Currency translation adjustments	-	-	-	(122)	-	(122)
Net gain on available for sale financial assets	-	-	-	1,020	-	1,020
<b>Total other comprehensive income</b>	-	-	-	898	-	898
(Loss)/profit for the year	-	-	(997)	-	5	(992)
<b>Total comprehensive income for the year</b>	-	-	(997)	898	5	(94)
Issue of shares	-	-	-	-	-	-
Shares purchased by company and cancelled	(672)	-	(2,771)	672	-	(2,771)
Share-based payments	-	-	-	(143)	-	(143)
Cancelled/forfeited share options	-	-	(6)	6	-	-
Movement in non controlling interests	-	-	-	-	227	227
<b>Balance 31 December 2010</b>	861	-	7,678	(570)	219	8,188



**Company Statement of Changes in Shareholders' Equity**

for the year ended 31 December 2011

	Share capital £000s	Share premium £000s	Retained earnings £000s	Share Options reserve £000s	Other reserves £000s	Total £000s
<b>Balance at 1 January 2011</b>	861	-	5,732	65	1,692	8,350
Currency translation adjustments	-	-	-	-	-	-
Net loss on available for sale financial assets	-	-	-	-	(972)	(972)
<b>Total other comprehensive income</b>	-	-	-	-	(972)	(972)
Loss for the year	-	-	(929)	-	-	(929)
<b>Total comprehensive income for the year</b>	-	-	(929)	-	(972)	(1,901)
Issue of shares	137	1,029	-	-	-	1,166
Shares purchased by company and cancelled	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Cancelled/forfeited share options	-	-	-	(20)	(1)	(21)
<b>Balance 31 December 2011</b>	998	1,029	4,803	45	719	7,594

	Share capital £000s	Share premium £000s	Retained earnings £000s	Share Options reserve £000s	Other reserve £000s	Total £000s
<b>Balance at 1 January 2010</b>	1,533	-	9,521	202	-	11,256
Currency translation adjustments	-	-	-	-	-	-
Net gain on available for sale financial assets	-	-	-	-	1,020	1,020
<b>Total other comprehensive income</b>	-	-	-	-	1,020	1,020
Loss for the year	-	-	(1,018)	-	-	(1,018)
<b>Total comprehensive income for the year</b>	-	-	(1,018)	-	1,020	2
Issue of shares	-	-	-	-	-	-
Shares purchased by Company and cancelled	(672)	-	(2,771)	-	672	(2,771)
Share-based payments	-	-	-	(143)	-	(143)
Cancelled/forfeited share options	-	-	-	6	-	6
<b>Balance 31 December 2010</b>	861	-	5,732	65	1,692	8,350

**Consolidated Cash Flow Statement**

for the year ended 31 December 2011

	Year ended 31 December 2011 £000s	Year ended 31 December 2010 £000s
<b>Cash flows from operating activities - continuing operations</b>		
Cash generated/(used) from operations	31	(1,259)
Income tax paid	(137)	(248)
	(106)	(1,507)
<b>Cash flows from operating activities - discontinued operations</b>	-	20
<b>Cash flows from operating activities - total Group</b>	(106)	(1,487)
<b>Cash flows from investing activities - continuing operations</b>		
Purchase of property, plant and equipment	(102)	(18)
Sale of property, plant and equipment	-	2
Purchase of non-current financial assets	(872)	(87)
Purchase of other financial assets	(271)	(2,954)
Sale of non-current financial assets	66	275
Sale of other financial assets	278	3,597
Sale proceeds of subsidiary and funds business	-	775
Interest received	102	145
	(799)	1,735
<b>Cash flows from investing activities - discontinued operations</b>	-	-
<b>Cash flows from investing activities - total Group</b>	(799)	1,735
<b>Cash flows from financing activities - continuing operations</b>		
Purchase of Company shares	-	(2,771)
Issue of Share Capital	1,167	-
Unsecured Loan (repaid)/received	(750)	750
Interest paid	(20)	(19)
	397	(2,040)
<b>Cash flows from financing activities - discontinued operations</b>	-	-
<b>Cash flows from financing activities - total Group</b>	397	(2,040)
<b>Net (decrease) in cash and cash equivalents</b>	(508)	(1,792)
Cash and cash equivalents at beginning of year	2,241	4,033
<b>Cash and cash equivalents at end of year</b>	1,733	2,241

**Reconciliation of Operating (Loss) to Net Cash Inflow/(Outflow) from Operating Activities**

for the year ended 31 December 2011

	Year ended 31 December 2011 £000s	Year ended 31 December 2010 £000s
<b>Operating loss on ordinary activities from continuing operations</b>	(363)	(930)
Share options cost	-	(144)
(Loss)/profit on sale of subsidiary	1	(125)
Depreciation	82	200
Amortisation of intangible assets	-	12
Net gain on financial assets	(25)	(165)
Foreign currency translation	(26)	59
(Increase)/decrease in trade and other receivables	(6,871)	144
Increase/(decrease) in trade and other payables	7,233	(310)
<b>Net cash inflow/(outflow) from operating activities from continuing operations</b>	31	(1,259)

## Company Cash Flow Statement

for the year ended 31 December 2011

	Year ended 31 December 2011 £000s	Year ended 31 December 2010 £000s
<b>Cash flows from operating activities</b>		
Cash used from operations	(320)	(1,802)
Income tax paid	-	-
<b>Net cash used in operating activities</b>	<b>(320)</b>	<b>(1,802)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(6)	(1)
Purchase of non-current financial assets	(872)	(2,954)
Purchase of other financial assets	(271)	(1,609)
Sale of non-current financial assets	66	271
Sale of other financial assets	278	3,273
Purchase of subsidiary	-	(3,650)
Return of capital from subsidiary	-	2,600
Proceeds from disposal of subsidiaries	17	6,356
Interest received	36	11
<b>Net cash (used)/generated in investing activities</b>	<b>(752)</b>	<b>4,297</b>
<b>Cash flows from financing activities</b>		
Purchase of Company shares	-	(2,771)
Issue of Share Capital	1,167	-
Unsecured Loan (repaid)/received	(750)	750
Interest paid	(3)	(8)
<b>Net cash generated/(used) in financing activities</b>	<b>414</b>	<b>(2,029)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(658)</b>	<b>466</b>
Cash and cash equivalents at beginning of Year	768	302
<b>Cash and cash equivalents at end of Year</b>	<b>110</b>	<b>768</b>

## Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities

for the year ended 31 December 2011

	Year ended 31 December 2011 £000s	Year ended 31 December 2009 £000s
<b>Operating loss on ordinary activities</b>	<b>(965)</b>	<b>(1,021)</b>
Share options cost	-	(65)
Depreciation	24	121
Impairment in investments	78	(77)
Impairment of related company loan	-	(36)
Foreign currency translation	(2)	120
Movement in fair value on financial assets	1	5
Profit on sale of Subsidiary	-	(419)
(Increase)/decrease in trade and other receivables	(34)	517
Increase/(decrease) in trade and other payables	578	(947)
<b>Net cash outflow from operating activities</b>	<b>(320)</b>	<b>(1,802)</b>

## Notes to the Financial Statements

### 1 Principal accounting policies

Integrated Asset Management plc ("the Company") is a public limited company incorporated and domiciled in the United Kingdom. The Company delisted from the Alternative Investment Market ("AIM") of the London Stock Exchange with effect from 23rd December, 2010.

The principal accounting policies applied in the presentation of these group financial statements are set out below. These policies have been consistently applied to all the years presented.

#### (a) Basis of preparation

The group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU").

The group financial statements have been prepared under the historical cost convention, except for the measurement of certain financial assets that are held at fair value.

The Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form part of the financial statements.

#### (b) New IFRS standards and interpretations

##### Standards effective in 2011:

A number of new standards, amendments and interpretations are effective for the first time for 2011. The Group has adopted the amendments and revisions to standards as detailed below:

IAS 24- "Related Party Disclosures" (Revised).

IAS 32- "Financial Instruments: Presentation" (Amendment).

IFRS 5 - "Non-current assets held for sale and Discontinued Operations" (Amendment).

IFRIC 19 - "Extinguishing Financial Liabilities with Equity Instruments".

The adoption of these new standards, amendments and interpretations has not had a material impact on the results or financial position of the Group.

##### Standards and interpretations which become effective in future periods:

The Group has not decided to early adopt the following standards and interpretations, and revisions to existing standards and interpretations. Although relevant, they are not expected to have a material impact on the Group's results:

IFRS 9 - "Financial Instruments: Classification and Measurement".

IFRS 10 - "Consolidated Financial Statements".

IFRS 13 - "Fair Value Measurement".

IAS 1 - "Presentation of Financial Statements" (Amendment).

IAS 19 - "Employee Benefits".

IAS 27 - "Separate Financial Statements".

IAS 28 - "Investments in Associates and Joint Ventures".

There are a number of other standards and interpretations, and revisions to existing standards and interpretations, in issue but not in force at 31 December 2011. These are not considered likely to have a material impact on the Group's financial statements.

#### (c) Critical accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The areas where a higher degree of judgement or complexity arise, or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed below.

##### i) Goodwill and other intangible assets

The valuation and amortisation periods of intangible assets arising on acquisition, such as management contracts, and the impairment testing of goodwill takes into account value in use calculations prepared on the basis of management's assumptions and estimates of future cash flows and discount rates. The amortisation period of the management contracts, representing the Group's contractual right to benefit from future income from providing investment management services, is based on management's estimate of the weighted average period over which the Group expects to earn economic benefit from the investor being invested in each fund product.

## Notes to the Financial Statements continued

**(c) Critical accounting estimates and judgements**

## ii) Share-based payments

Management must make judgements concerning the probability of share options vesting when calculating the fair value of options granted. These judgements consider the historical average length of time option holders stay with the Group and the probability of option holders achieving certain performance criteria based on their performance to the statement of financial position date.

**(d) Consolidation**

## i) Subsidiaries

The Group financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are all entities over which the Company has the power to govern the operating and financial policies so as to obtain benefits from their activities. The financial statements of subsidiaries are included in the Group's financial statements from the date on which control is transferred to the Group to the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

The Group's Employee Benefit Trusts are also consolidated in the Group's financial statements.

All intra-Group transactions and balances are eliminated on consolidation.

## ii) Non controlling interests

The Group has applied the parent company method for accounting for transactions with non controlling interests.

## iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying value of the investment.

Gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**(e) Segment reporting**

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Group's activities are divided into three business segments, Hedge Fund Management, Brokerage and Consultancy Services. These reflect the Group's internal reporting segments.

A geographical segment is engaged in providing services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. As the Group only operates in one geographical segment (Europe), no geographical segment analysis has been shown.

**(f) Foreign currency translation**

## i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

The Group financial statements are presented in pounds sterling (GBP), which is the Company's functional and presentation currency.

## ii) Transactions and balances

Foreign currency transactions are translated into the relevant Group entity's functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

## iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates for the relevant accounting periods; and
- all resulting exchange differences are included in the cumulative translation adjustment reserve within equity.

Cumulative translation differences are taken to the income statement on the disposal of a net foreign operation.

## Notes to the Financial Statements continued

**(g) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the assets.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Motor vehicles	3 - 5 years
Computer and communication equipment	3 - 5 years
Furniture, fixtures and fittings *	4 - 6 years
Leasehold improvements	5 years

\*For specific items of artwork, included within furniture, fixtures and fittings, whose residual value is expected to be at least equal to cost, no depreciation is provided. The cost of such artwork as at 31st December 2011 is £ 74,000 (2010: £74,000).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

**(h) Intangible assets****i) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary or associate at the acquisition date. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

**ii) Computer software**

Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the employee costs incurred as a result of developing the software. Computer software is amortised using the straight-line method over its estimated useful life of 3 years.

**(i) Impairment of non-financial assets**

Goodwill is not subject to amortisation but is instead tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever there is an indication that the carrying amount may not be recoverable.

An impairment loss is recognised in the income statement in the period that it is incurred. An impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined with reference to the higher of the asset's value in use and fair value less costs to sell. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those from its ultimate disposal, at an appropriate pre-tax discount rate. For the purposes of assessing impairment, assets are grouped into Cash-Generating Units (CGUs), which are the lowest levels for which there are separately identifiable cash flows.

**(j) Financial assets**

Financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale" or "loans and receivables". Financial assets are classified into their respective category at the initial recognition date.

*Financial assets at fair value through profit or loss:* These financial assets are initially recognised at fair value with any subsequent changes in fair value recognised in the income statement. Assets in this category are usually held for short-term gain and are classified as current assets if they are either held for trading or expected to be realised within 12 months of the statement of financial position date.

*Available-for-sale:* These financial assets are initially recognised at fair value with any subsequent changes in fair value recognised directly in equity. When an asset is disposed of or impaired, any cumulative gain or loss previously recognised in equity is transferred to the income statement.

*Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets except for those with maturities greater than 12 months after the statement of financial position date, which are included in non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial assets.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset is impaired. Any impairment loss is recognised in the income statement.

Forward Currency Contracts are classified as financial assets or financial liabilities through profit or loss. They are measured at fair value and gains or losses arising from changes in fair value are recognised in profit or loss.

## Notes to the Financial Statements continued

**(k) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowances for credit losses. An allowance account for credit losses is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance for credit losses is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The allowance for credit losses is recognised in the income statement.

**(l) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**(m) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

**(n) Share-based compensation**

The Group operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the share options is recognised as an expense, with a corresponding credit recognised in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each statement of financial position date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

**(o) Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled based on tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**(p) Revenue recognition**

Revenue represents the fair value of consideration received for the provision of services and is stated net of value-added tax, rebates and after eliminating intra-group sales.

Revenue includes the following:

*Management and performance fees*

Management fees are calculated as a percentage of net assets under management and are recognised in the period in which the services are rendered.

Performance fees are calculated as a percentage of the net appreciation in a fund's net asset values at the end of a performance period. The length of a performance period varies between funds and usually covers periods ranging from between 3 to 12 months. Performance fees are recognised when the amount of the fee can be reliably measured, which is normally at the end of the performance period. Where a fund's performance period covers the statement of financial position date, performance fees are recognised based on reasonable estimates that consider the particular fund's performance to the statement of financial position date and whether evidence exists that suggests that the current performance will be sustainable to the end of the performance period.

*Fee commission on brokerage*

Brokerage fees are calculated as a percentage of the value of the transaction and are recognised on the transaction date.

The Group carries on a matched principal business as part of its brokerage activities. This involves acting as the principal in the simultaneous purchase and sale of securities between third parties. Commission is generated from the difference between the purchase and sale proceeds of the security and is recognised in full at the time of the commitment by both counterparties to sell and purchase the financial instrument.

*Consultancy Services*

Consultancy Services comprises Fees received for advice given, which is recognised on a time-proportion basis over the period of the service.

*Finance income*

Finance income comprises of interest income, which is recognised on a time-proportion basis using the effective interest method.

**(q) Cost of sales**

Cost of sales comprises of commissions and distribution fees payable to intermediaries, distributors and other third parties and are charged to the Income Statement over the period in which the service is provided.

## Notes to the Financial Statements continued

## 2 Segmental reporting

## (a) Business segments

We have considered the requirements of IFRS 8 and since we only internally review our business on the basis of the hedge fund, brokerage and consultancy service units as opposed to any geographical basis, do not see the requirement for any geographical analysis.

The Group is organised into three business segments Hedge Fund, Brokerage and Consultancy Services together with a segment for the central operating costs. The segmental results are as follows:-

Business Type	Discontinued Hedge Fund £000s	Continuing Hedge Fund £000s	Continuing Brokerage £000s	Continuing Consultancy £000s	Central Operating costs £000s	Continuing Group £000s
<b>31 December 2011</b>						
Revenue from external customers	-	890	4,950	470	-	6,310
Cost of sales	-	(325)	(1,497)	-	-	(1,822)
Net Revenue	-	565	3,453	470	-	4,488
Operating costs	-	(191)	(3,352)	-	(1,335)	(4,878)
Amortisation of intangibles	-	-	-	-	-	-
Share-based payments cost	-	-	-	-	-	-
Currency exchange differences	-	(2)	6	-	(1)	3
Profit on sale of subsidiary/business	-	-	-	-	(1)	(1)
Net gain/(loss) on financial assets	-	26	-	-	(1)	25
Operating profit/(loss)	-	398	107	470	(1,338)	(363)
External interest receivable and similar income	-	58	9	-	35	102
Inter-segment interest receivable	-	-	-	-	-	-
External interest payable and similar charges	-	-	(17)	-	(3)	(20)
Inter-segment interest payable	-	-	-	-	-	-
Profit/(loss) before taxation	-	456	99	470	(1,306)	(281)

Operating costs include the following non-cash expenses:

Depreciation	-	-	(58)	-	(24)	(82)
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Included within the Revenue from External customers of £6,310,000 are amounts of £nil (within hedge fund segment) and £963,000 (within brokerage segment) received from one customer, each of which generate more than 10% of the total external income.

	Hedge Fund £000s	Brokerage £000s	Consultancy £000s	Central costs £000s	Inter-segment elimination £000s	Continuing Group £000s
Segment assets	4,253	10,479	-	6,432	(2,892)	18,272
Segment liabilities	(188)	(9,757)	-	(3,428)	2,892	(10,481)
	4,065	722	-	3,004	-	7,791
Capital expenditure on segment assets	-	95	-	7	-	102



## Notes to the Financial Statements continued

## 2 Segmental reporting (continued)

	Discontinued Hedge Fund £000s	Continuing Hedge Fund £000s	Continuing Brokerage £000s	Continuing Consultancy £000s	Central Operating costs £000s	Continuing Group £000s
<b>31 December 2010</b>						
Revenue from external customers	-	1,289	4,512	338	-	6,139
Cost of sales	-	(599)	(1,663)	-	-	(2,262)
Net Revenue	-	690	2,849	338	-	3,877
Operating costs	-	(442)	(2,705)	-	(1,964)	(5,111)
Amortisation of intangibles	-	(8)	-	-	(4)	(12)
Share-based payments cost	-	78	-	-	66	144
Currency exchange differences	-	(1)	50	-	(167)	(118)
Profit on sale of subsidiary/business	20	(20)	-	-	145	125
Net gain/(loss) on financial assets	-	60	110	-	(5)	165
Operating profit/(loss)	20	357	304	338	(1,929)	(930)
External interest receivable and similar income	-	73	61	-	11	145
Inter-segment interest receivable	-	-	-	-	-	-
External interest payable and similar charges	-	-	(11)	-	(8)	(19)
Inter-segment interest payable	-	-	-	-	-	-
Profit/(loss) before taxation	20	430	354	338	(1,926)	(804)

Operating costs include the following non-cash expenses:

Depreciation	-	(2)	(74)	-	(124)	(200)
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Included within the Revenue from External customers of £6,139,000 are amounts of £627,000 (within hedge fund segment) and £748,000 (within brokerage segment) received from two customers, each of which generate more than 10% of the total external income.

	Hedge Fund £000s	Brokerage £000s	Consultancy £000s	Central costs £000s	Inter-segment elimination £000s	Continuing Group £000s
Segment assets	3,977	2,900	-	7,259	(2,070)	12,066
Segment liabilities	(273)	(2,087)	-	(3,588)	2,070	(3,878)
	3,704	813	-	3,671	-	8,188
Capital expenditure on segment assets	-	17	-	-	-	17

## (b) Geographical segments

The Group's operations are deemed to have been carried out solely in Europe.

Notes to the Financial Statements continued

**3 Loss on ordinary activities before taxation**

Loss on ordinary activities before taxation is stated after charging/(crediting):

	2011 £000s	2010 £000s
Depreciation of property, plant and equipment	82	200
Exchange (gain)/loss	(3)	118
Operating lease rentals - land and buildings	217	264
Bank interest income	(9)	(6)
Income from cash equivalents	(93)	(139)
Auditor's Remuneration:		
BDO LLP - Audit fees	24	37
BDO LLP - Tax services	16	14
Other auditors - Audit services	11	31
Other auditors - Tax services	5	35
Other auditors - Payroll services	4	4

**4 Staff costs and employees**

**Staff costs including Directors' emoluments:**

	2011 £000s	2010 £000s
Wages and salaries (Including bonuses)	2,731	2,972
Social security costs	414	476
Share-based payments	-	(144)
Other staff costs	420	144
<b>Total</b>	<b>3,565</b>	<b>3,448</b>

The average monthly number of persons employed by the Group including Executive Directors was 38 (2010: 40) and is analysed as follows:

	2011	2010
Asset Management	5	5
Brokerage	27	28
Group	6	7
<b>Total</b>	<b>38</b>	<b>40</b>

**Directors' emoluments:**

	2011 £000s	2010 £000s
<b>Group</b>		
Directors' emoluments	717	814

The Directors are potential beneficiaries of the Employee Benefit Trust and the Employee Share Ownership Scheme. £262,000 has been contributed in respect of Directors money purchase pension schemes during the period (2010: £nil). None of the Directors exercised share options during the period.

The highest paid Director received salary and related benefits of £578,000 (2010: £711,000), which included contributions to money purchase pension schemes.

## Notes to the Financial Statements continued

## 5 Taxation

## (a) Analysis of tax charge for the year

	Discontinued 2011 £000s	Continuing 2011 £000s	Discontinued 2010 £000s	Continuing 2010 £000s
<b>Current tax</b>				
UK corporation tax on profits for the period	-	75	-	-
Adjustments in respect of prior periods	-	-	-	104
Double taxation relief	-	(75)	-	-
Foreign tax	-	265	-	104
Total current tax	-	265	-	208
Deferred tax (Note 15)	-	-	-	-
Effects of changes in corporation tax rates	-	-	-	-
Origination and reversal of temporary differences	-	-	-	-
Total tax charge for the year	-	265	-	208

## (b) Factors affecting the tax charge for the year

	Discontinued 2011 £000s	Continuing 2011 £000s	Discontinued 2010 £000s	Continuing 2010 £000s
(Loss)/Profit before taxation on continuing operations	-	(281)	-	(804)
Profit before taxation on discontinued operations	-	-	20	-
Total profit/(loss)	-	(281)	20	(804)
Tax on profit/(loss) at the standard UK Corporation tax rate of 26.5% (2010: 28%)	-	(74)	6	(225)
Effect of:				
Disallowable expenses and non-taxable income	-	40	-	25
Tax losses utilised	-	(101)	(6)	(146)
Tax losses unutilised	-	210	-	386
Adjustments in respect of prior periods	-	-	-	104
Unrelieved foreign tax	-	190	-	-
Different tax rates on overseas income	-	-	-	64
Total tax charge for the year	-	265	-	208

## 6 Discontinued operations

On 17 September 2009 the Group completed the sale of the majority of its fund of hedge funds business, including its 51% stake in Altigefi, to Sal. Oppenheim (France), the Paris based wholly-owned subsidiary of Sal. Oppenheim jr & Cie S.C.A. ("Sal. Oppenheim"). The operations included in this sale have been treated as discontinued operations for the year ended 31st December 2009. In 2010 there was a write back of costs totalling £17k.

During the previous year there was a further write back on the final amounts that were received on the sale of GAIM Paragon Inc., which was sold by Integrated in 2006. Gaim Paragon Inc. operated in the Hedge Fund division of the business as well as on the sale to Sal. Oppenheim (France) mentioned above. This adjustment has been treated as discontinued operations for the year ended 31st December, 2010 and totalled £3k.

The table shown on page 26 provides further detail of the amount shown in the income statement.

## Notes to the Financial Statements continued

**6 Discontinued operations (continued)**

	2011 £000s	2010 £000s
<b>Revenue</b>	-	-
Cost of sales	-	-
<b>Net revenue</b>	-	-
Operating costs	-	-
Amortisation of intangibles	-	-
Share-based payments cost	-	-
<b>Operating profit before impairment of goodwill and intangibles</b>	-	-
Write down of sale proceeds	-	-
Profit on sale of subsidiary/business	-	20
Exchange difference reserve realisation	-	-
<b>Operating profit before finance income and expenses</b>	-	20
Finance income	-	-
Finance expense	-	-
<b>Profit before taxation</b>	-	20
Taxation	-	-
<b>Profit from discontinued operations</b>	-	20

The net cash flows after tax of discontinued operations are as follows:

	2011 £000s	2010 £000s
Operating	-	20
Investing	-	-
Financing	-	-
<b>Net cash inflow</b>	-	20

**7 Earnings per share**

The calculation of Earnings per Share ("EPS") is based on profit that is attributable to equity owners of the parent Company only.

Potential ordinary shares have only been included in the diluted EPS calculation where their effect has been dilutive to basic EPS.

Details of the figures used in calculating basic and diluted EPS are shown below:

	2011 £000s	2010 £000s
Loss from continuing operations	(546)	(1,012)
Non controlling interests	19	9
<b>Loss from continuing operations used in calculating basic and diluted EPS</b>	<b>(527)</b>	<b>(1,003)</b>
Total loss for the year	(546)	(992)
Non controlling interests	19	(5)
<b>Total loss used in calculating basic and diluted EPS</b>	<b>(527)</b>	<b>(997)</b>
	No. '000s	No. '000s
<b>Weighted average number of ordinary shares used in calculating basic EPS</b>	<b>19,419</b>	<b>30,320</b>
Effect of dilutive potential ordinary shares:		
- share options	-	-
- shares to be issued	-	-
- contingently issuable shares	-	-
<b>Weighted average number of ordinary shares used in calculating diluted EPS</b>	<b>19,419</b>	<b>30,320</b>

Basic EPS from continuing operations has been calculated using the loss from continuing operations £527,000 (excluding non controlling interests) divided by the weighted average number of ordinary shares 19,419,197.

Diluted EPS from continuing operations has been calculated using the loss from continuing operations £527,000 (excluding non controlling interests) divided by the weighted average number of ordinary shares 19,419,197.

Potentially dilutive instruments that have not been included in the calculation of diluted EPS, because they were antidilutive, comprise share options over 240,000 (2010: 420,000) ordinary shares.

## Notes to the Financial Statements continued

## 8 Intangible assets

Group	Development		Total £000s
	Goodwill £000s	Costs £000s	
<b>Cost</b>			
At 1st January, 2011	1,205	36	1,241
Disposals	-	-	-
Movement on exchange	(24)	-	(24)
<b>At 31st December 2011</b>	<b>1,181</b>	<b>36</b>	<b>1,217</b>
<b>Amortisation and Impairment</b>			
At 1st January, 2011	-	(36)	(36)
Amortisation	-	-	-
Impairment	-	-	-
<b>At 31st December 2011</b>	<b>-</b>	<b>(36)</b>	<b>(36)</b>
<b>Net Book Value at 31st December 2011</b>	<b>1,181</b>	<b>-</b>	<b>1,181</b>
<b>Cost</b>			
At 1st January, 2010	1,672	36	1,708
Disposals	(389)	-	(389)
Movement on exchange	(78)	-	(78)
At 31st December 2010	1,205	36	1,241
<b>Amortisation and Impairment</b>			
At 1st January, 2010	-	(24)	(24)
Amortisation	-	(12)	(12)
Impairment	-	-	-
At 31st December 2010	-	(36)	(36)
<b>Net Book Value at 31st December 2010</b>	<b>1,205</b>	<b>-</b>	<b>1,205</b>

Goodwill and management contracts

The Group is required to separate goodwill from other intangibles that arise on business combinations in accordance with IFRS 3 "Business Combinations".

Goodwill represents the value assigned to the future benefits which the Group expects to achieve from acquired businesses.

Development costs

Development costs include the development of internally-generated risk management software programs. The software is being amortised in accordance with the Group's amortisation policy on computer equipment.

Notes to the Financial Statements continued

8 Intangible assets (continued)

Goodwill impairment testing

Two Cash-Generating Units (CGUs) exist for the purpose of testing goodwill for impairment. These have been determined by reference to the Group's business segments. Goodwill existing at the IFRS transition date and goodwill acquired since that date have been allocated to the CGUs of either Hedge Fund or Brokerage. The carrying value of goodwill attributable to each CGU is as follows:

	2011 £000s	2010 £000s
Hedge Fund	-	-
Brokerage	1,181	1,205
<b>Total Goodwill</b>	<b>1,181</b>	<b>1,205</b>

To determine whether impairment exists, the carrying value of each CGU is compared with its recoverable amount at each statement of financial position date. The recoverable amount of each CGU is determined based on the higher of fair value less costs to sell and value-in-use. The value-in-use calculation uses cash flow projections, which are based on financial budgets approved by senior management for the next financial year. Long term projections are extrapolated over a 5-year period with assumptions made on revenue, market growth and increases in overheads to cover inflation and increased levels of business.

The key assumptions used by management for the value in use calculations include:

	%
Gross fee growth	10.0
General inflation	(2.5)
Specific costs due to increased business	(5.0)
<b>Total</b>	<b>2.5</b>

The discount rate applied to cash flow projections is 15% (2010:15%). Discount rates used are pre-tax and reflect estimates that the market would expect of an investment with an equivalent risk profile. The value-in-use calculations include terminal values which reflect the long term nature of the business. The discounted terminal values are added to the net present value of the projected cash flows to calculate an overall recoverable value.

The impairment review for the Brokerage CGU revealed a surplus of recoverable value over the carrying value at 31 December 2011, and therefore no impairment charge has been included for this unit. The recoverable value is based on value in use.

There is no goodwill attributable to the Hedge Fund business.

Company	Goodwill £000s
<b>Cost</b>	
At 1st January and 31st December,2011	347
<b>Amortisation</b>	
At 1st January and 31st December,2011	(347)
<b>Net Book Value at 31st December, 2011</b>	<b>-</b>
<b>Cost</b>	
At 1st January and 31st December,2010	347
<b>Amortisation</b>	
At 1st January and 31st December,2010	(347)
<b>Net Book Value at 31st December, 2010</b>	<b>-</b>

## Notes to the Financial Statements continued

## 9 Property, plant and equipment

Group	Vehicles & equipment £000s	Fixtures & fittings £000s	Leasehold improvements £000s	Total £000s
<b>Cost</b>				
At 1st January 2011	522	652	403	1,577
Additions	83	19	-	102
Disposals	(9)	(14)	-	(23)
Movement on exchange	(11)	(9)	(5)	(25)
<b>At 31st December 2011</b>	<b>585</b>	<b>648</b>	<b>398</b>	<b>1,631</b>
<b>Depreciation</b>				
At 1st January 2011	(477)	(496)	(391)	(1,364)
Charge in the year	(33)	(41)	(8)	(82)
Disposals	9	14	-	23
Movement on exchange	11	9	4	24
<b>At 31st December 2011</b>	<b>(490)</b>	<b>(514)</b>	<b>(395)</b>	<b>(1,399)</b>
<b>Net Book Value</b>				
<b>At 31st December 2011</b>	<b>95</b>	<b>134</b>	<b>3</b>	<b>232</b>
<b>Cost</b>				
At 1st January 2010	526	666	408	1,600
Additions	12	4	1	17
Disposals	(1)	(4)	-	(5)
Movement on exchange	(15)	(14)	(6)	(35)
<b>At 31st December 2010</b>	<b>522</b>	<b>652</b>	<b>403</b>	<b>1,577</b>
<b>Depreciation</b>				
At 1st January 2010	(438)	(438)	(320)	(1,196)
Charge in the year	(52)	(71)	(77)	(200)
Disposals	-	2	-	2
Movement on exchange	13	11	6	30
<b>At 31st December 2010</b>	<b>(477)</b>	<b>(496)</b>	<b>(391)</b>	<b>(1,364)</b>
<b>Net Book Value</b>				
<b>At 31st December 2010</b>	<b>45</b>	<b>156</b>	<b>12</b>	<b>213</b>

## Notes to the Financial Statements continued

## 9 Property, plant and equipment (continued)

Company	Office equipment £000s	Computer equipment £000s	Leasehold improvements £000s	Total £000s
<b>Cost</b>				
At 1st January 2011	240	114	249	603
Additions	-	6	-	6
Disposals	-	-	-	-
<b>At 31st December 2011</b>	<b>240</b>	<b>120</b>	<b>249</b>	<b>609</b>
<b>Depreciation</b>				
At 1st January 2011	(158)	(93)	(249)	(500)
Charge in the year	(7)	(17)	-	(24)
Disposals	-	-	-	-
<b>At 31st December 2011</b>	<b>(165)</b>	<b>(110)</b>	<b>(249)</b>	<b>(524)</b>
<b>Net Book Value</b>				
<b>At 31st December 2011</b>	<b>75</b>	<b>10</b>	<b>-</b>	<b>85</b>
<b>Cost</b>				
At 1st January 2010	239	114	249	602
Additions	1	-	-	1
Disposals	-	-	-	-
<b>At 31st December 2010</b>	<b>240</b>	<b>114</b>	<b>249</b>	<b>603</b>
<b>Depreciation</b>				
At 1st January 2010	(124)	(66)	(189)	(379)
Charge in the year	(34)	(27)	(60)	(121)
Disposals	-	-	-	-
<b>At 31st December 2010</b>	<b>(158)</b>	<b>(93)</b>	<b>(249)</b>	<b>(500)</b>
<b>Net Book Value</b>				
<b>At 31st December 2010</b>	<b>82</b>	<b>21</b>	<b>-</b>	<b>103</b>

## 10 Trade and other receivables

	Group		Company	
	2011 £000s	2010 £000s	2011 £000s	2010 £000s
Trade receivables	498	639	-	9
Matched principal trade receivables	8,190	769	-	-
Amounts owed by group undertakings	-	-	38	-
Other receivables	348	785	274	293
Prepayments	172	145	98	74
<b>Total</b>	<b>9,208</b>	<b>2,338</b>	<b>410</b>	<b>376</b>

Matched principal trade receivables represent the grossed-up value of matched trades that were undertaken by the Brokerage business before the period end, but which while within the settlement cycle remained unsettled at the statement of financial position date. The margin relating to these trades is the difference between the receivable and the matched payable and is recorded in the group's income statement.

## 11 Cash and cash equivalents

	Group		Company	
	2011 £000s	2010 £000s	2011 £000s	2010 £000s
Cash at bank and in hand	1,715	2,233	110	768
Cash at bank and in hand: EBT	18	8	-	-
<b>Total cash and cash equivalents</b>	<b>1,733</b>	<b>2,241</b>	<b>110</b>	<b>768</b>

Included within cash and cash equivalents held by the Group is cash held by an Employee Benefit Trust ("EBT"), which was set up during 2007. Cash held by the EBT is controlled by the EBT's trustee and is allocated to potential beneficiaries when a constructive obligation arises to pay them.



## Notes to the Financial Statements continued

## 12 Financial assets

## (a) Movement in fair value

	Group		Company	
	2011 £000s	2010 £000s	2011 £000s	2010 £000s
<b>Non-current</b>				
<b>Available-for-sale financial assets</b>				
<b>Movement in fair value</b>				
At 1st January	3,962	215	3,962	211
Additions	872	2,954	872	2,954
Disposals	(66)	(258)	(66)	(254)
Movement on exchange	-	19	-	19
Realised gain through profit and loss	38	12	38	12
Net gain in movement in fair value through other comprehensive income	(972)	1,020	(972)	1,020
At 31st December	3,834	3,962	3,834	3,962

On 19 March 2010, the Company announced that it had agreed to invest up to \$4 million in a JRJ Limited Partnership forming part of the JRJ Group which had recently acquired approximately 75 per cent of Marex Group Ltd. \$4 million (£2.88 million) was invested on 1 April 2010 in the JRJ Limited Partnership.

In March 2011 Marex Group Ltd acquired Spectron Group Ltd. As a participant in the ownership of Marex Group Ltd, the Company participated in the financing of the acquisition and invested a further £0.8m into this transaction, and this additional investment is included in the additions of £873,000 above.

The Group's other investments are principally in the funds it manages.

	Group		Company	
	2011 £000s	2010 £000s	2011 £000s	2010 £000s
<b>Current</b>				
<b>Fair value through profit and loss financial assets</b>				
<b>Movement in fair value</b>				
At 1st January	2,107	5,630	836	2,675
Additions	271	87	271	1,610
Disposals	(290)	(3,615)	(290)	(3,291)
Movement on exchange	(3)	(148)	2	(140)
Net gain in movement in fair value through profit and loss	(1)	153	(26)	(18)
At 31st December	2,084	2,107	793	836

The Group's current financial assets represent both corporate bonds and investments in the funds that it manages. The value of the bonds and investments is calculated with reference to their market value and adjusted for any foreign exchange rate fluctuations. Any gains or losses are taken through profit or loss.

## (b) Fair value hierarchy

The following table analyses "Available-for-sale" and "Fair value through profit and loss" financial assets carried at fair value. The fair value hierarchy levels have been defined as follows:

- Instruments with unadjusted quoted prices in active markets for identical assets as Level 1.
- Instruments valued using inputs other than quoted prices for the instruments, but where those inputs are observable either directly or indirectly as Level 2.
- Instruments using valuation techniques for which any significant input is not based on observable market data as Level 3

	Group		Company	
	2011 £000s	2010 £000s	2011 £000s	2010 £000s
<b>Available-for-sale financial assets</b>				
Level 1	-	-	-	-
Level 2	-	-	-	-
Level 3	3,834	3,962	3,834	3,962
	3,834	3,962	3,834	3,962

	Group		Company	
	2011 £000s	2010 £000s	2011 £000s	2010 £000s
<b>Fair value through profit and loss financial assets</b>				
Level 1	2,056	2,107	765	836
Level 2	28	-	28	-
Level 3	-	-	-	-
	2,084	2,107	793	836

During the period there were no transfers between Level 1 and Level 2 valuation methods and no transfer into or out of Level 3 valuation method.

Level 1 instruments represent listed corporate bonds and listed shares, the value for which comes from quoted prices on active markets.

For valuations of the investments in funds managed by the Group which do not have redemption restrictions, the net asset value of the fund is used, which is calculated by a third party. These investments are shown as Level 2 instruments.

Level 3 instruments represent the investment in Marex Group Ltd as well as investments in funds managed by the Group, which are considered to be more illiquid in nature due to redemption restrictions. These investments are not considered to have a quoted market price in an active market.

The valuation for the investment in Marex Group at the year end is based on the last trade date that happened in April, 2011.

## Notes to the Financial Statements continued

## 13 Investments

Company	Subsidiaries £000s	Employee Trusts £000s	Total £000s
<b>Cost</b>			
<b>At 1st January 2011</b>	5,691	2,519	8,210
Additions	-	-	-
Subsidiary capital reduction	-	-	-
Subsidiaries placed into members voluntary liquidation	(17)	-	(17)
Disbursements of benefits	-	-	-
Share-based payments	(20)	-	(20)
<b>At 31st December 2011</b>	5,654	2,519	8,173
<b>Impairment</b>			
<b>At 1st January 2011</b>	(157)	(2,159)	(2,316)
Subsidiaries placed into members voluntary liquidation	-	-	-
Charge for the year	(78)	-	(78)
<b>At 31st December 2011</b>	(235)	(2,159)	(2,394)
<b>Net book value at 31st December 2011</b>	5,419	360	5,779
<b>Cost</b>			
At 1st January 2010	19,186	2,569	21,755
Additions	3,650	-	3,650
Subsidiary capital reduction	(2,600)	-	(2,600)
Subsidiaries placed into members voluntary liquidation	(14,471)	-	(14,471)
Disbursements of benefits	-	(50)	(50)
Share-based payments	(74)	-	(74)
At 31st December 2010	5,691	2,519	8,210
<b>Impairment</b>			
At 1st January 2010	(8,772)	(2,195)	(10,967)
Subsidiaries placed into members voluntary liquidation	8,538	-	8,538
Charge for the year	77	36	113
At 31st December 2010	(157)	(2,159)	(2,316)
<b>Net book value at 31st December 2010</b>	5,534	360	5,894

Details of changes in ownership interest of subsidiaries during the year are shown at Note 18. A list of the Company's subsidiaries can be found at Note 23.

## 14 Borrowings

	Group		Company	
	2011 £000s	2010 £000s	2011 £000s	2010 £000s
<b>Current</b>				
Other loan	-	750	-	750
<b>Total</b>	-	750	-	750

On 27 October 2010, the Company completed the sale of 24.9 % of Integrated Financial Products Ltd to Argolis Ltd. In addition to this transaction Argolis Ltd agreed to provide an unsecured short term loan to the Company of £750,000 bearing interest at LIBOR plus 1%. The cash received by the Company was used for general corporate purposes. The loan in full and accrued interest was repaid to Argolis Ltd on 9 March 2011.

The finance expense for the year is analysed as follows:

	2011 £000s	2010 £000s
Bank loans and overdrafts	18	15
Other loans	2	4
Other interest payable	-	-
<b>Total</b>	20	19

## Notes to the Financial Statements continued

**15 Deferred tax**

The group has deferred tax assets of £2,570,000 (2010: £2,831,000) in respect of tax losses, which have not been recognised due to the lack of certainty as to the utilisation of these assets.

The Company has deferred tax assets of £2,010,000 (2010: £1,941,000) in respect of tax losses, which have not been recognised due to the lack of certainty as to the utilisation of these assets.

**16 Trade and other payables**

	Group		Company	
	2011 £000s	2010 £000s	2011 £000s	2010 £000s
<b>Current</b>				
Trade payables	579	646	72	79
Matched principal trade payables	8,183	769	-	-
Amounts owed to group undertakings	-	-	2,877	2,070
Other taxation and social security costs	168	164	13	22
Accruals and deferred income	1,430	1,547	455	668
<b>Total</b>	<b>10,360</b>	<b>3,126</b>	<b>3,417</b>	<b>2,839</b>

**17 Share capital**

	2011	2011	2010	2010
	£000s	Number of ordinary 5p shares 000s	£000s	Number of ordinary 5p shares 000s
<b>Authorised:</b>				
At 1st January	9,425	188,504	9,425	188,504
At 31st December	9,425	188,504	9,425	188,504
<b>Allotted and fully paid:</b>				
At 1st January	861	17,219	1,533	30,651
Shares issued	137	2,750	-	-
Shares purchased by Company and cancelled	-	-	(672)	(13,432)
Movement during the year	137	2,750	(672)	(13,432)
At 31st December	998	19,969	861	17,219

The Company announced on 8th December 2010, that a Tender Offer was being launched to qualifying shareholders to buy back its ordinary shares at a price of 20 pence per ordinary share. The results of the Tender offer were announced on 23rd December 2010, confirming that valid acceptances had been received from qualifying shareholders in respect of 13.43 million shares. Following the Tender Offer the Company's issued share capital was 17,219,123 Ordinary shares.

On 15 March 2011, as agreed with JRJ partners, the Company received the subscription funds from Argolis Limited. The subscription agreement required modification as a result of the reduction in the Company's issued shares resulting from the buy-back which took place on 23 December 2010 where pursuant to a tender offer the Company purchased some 13.43 million of its shares at 20p per share. The Argolis subscription was for 2,750,092 shares at 43.6p per share, with the Company receiving £1.2 million. Following this subscription the Company has 19,969,215 shares in issue.

**18 Changes in ownership interests of subsidiaries**

During the year one of the Company's wholly owned subsidiaries, Integrated Financial Products Services Ltd, was placed into members voluntary liquidation. This subsidiary was dormant and was the final part of a restructuring exercise within the Group that started in 2010.

In the previous year, apart from the disposal of 24.9% of its shareholding in Integrated Financial Products Ltd to Argolis Ltd, there were six of its wholly owned subsidiaries that were placed into members voluntary liquidation during the year. These subsidiaries were dormant with the exception of Integrated Alternative Advisors Ltd whose business and assets were transferred to Integrated Alternative Investments Ltd as part of a restructuring exercise with the Group.

## Notes to the Financial Statements continued

## 19 Related parties

**Group**

Transactions between the Group and related parties during the year were as follows:

	Revenue		Expenses	
	2011 £000s	2010 £000s	2011 £000s	2010 £000s
<b>Current</b>				
Related companies	-	-	55	167
Total	-	-	55	167

Amounts outstanding between the Group and related parties at the year end were as follows:

	Revenue Amounts owed by related parties		Expenses Amounts owed to related parties	
	2011 £000s	2010 £000s	2011 £000s	2010 £000s
Related companies	-	-	-	-
Total	-	-	-	-

Related companies represent those companies of which certain Directors of the Company are also Directors, namely Kidron Corporate Advisors LLC, where M Segall is a Director, for the provision of corporate finance services.

**Key Management Personnel**

The Group considers Executive and Non-Executive Directors to be key management personnel. Remuneration paid to key management personnel during the year was as follows:

	2011 £000s	2010 £000s
Short-term employee benefits	717	814
Share-based payments	-	-
Total	717	814

**Company**

Details of transactions between the Company and its subsidiaries which are related parties are as follows:

	2011 £000s	2010 £000s
Management fees receivable	(67)	-
Management fees payable	7	-

Amounts outstanding between the Company and its subsidiaries at the year end were as follows:

	2011 £000s	2010 £000s
Amounts due to subsidiaries	(2,877)	(2,070)
Amounts due from subsidiaries	38	-

## Notes to the Financial Statements continued

**20 Operating lease commitments**

At 31st December the Group was committed to make the following minimum payments under non-cancellable leases of land and buildings falling due as follows:

	2011 £000s	2010 £000s
Within one year	220	222
Between two and five years	730	887
After five years	-	71
<b>Total</b>	<b>950</b>	<b>1,180</b>

**21 Financial risk management**

The Group operates in different countries and is exposed to a number of financial risks and particularly currency risk.

**Currency risk**

The Group publishes its consolidated financial statements in Sterling, but conducts its business in a number of different currencies but principally the Euro and US Dollar. As a result the Group is exposed to foreign exchange risk due to exchange rate movements which affect the Group's transactional revenues and the translation of the earnings and net assets of its overseas operations.

The Group constantly reviews its position and where necessary will hedge a portion of the transactional exposures of its subsidiaries which have a functional currency of Sterling. This exposure review principally highlights the net management fees expected to be generated by the UK based fund management companies from existing AUM. Such exposure is principally to the Euro and US Dollar and hedging, if deemed necessary is carried out by means of forward foreign exchange contracts. No additional hedging over that which was in place at 31 December, 2010 was undertaken during 2011 due to the fall in the level of management fee income..

Hedging arrangements have not been accounted for under IAS 39 hedge accounting rules.

At 31 December 2011, the total amount of US Dollar's hedged was \$Nil (2010: \$1.56m). The fair value of the open hedging contracts was £Nil (2010:£7,000) and this was included in accruals and deferred income.

Should additional exposure be generated by material changes in either Euro or US Dollar denominated AUM or by probable crystallisation of foreign currency denominated performance fees, further hedging may be taken out if the rates available at the time of such changes becoming apparent are deemed to be favourable.

Hedging of the Group's other transactional exposures, the translation of the results of our operations in Europe whose functional currency is the Euro are not hedged as such transactions create movements in the profit and loss account, which while offset by equal and opposite effect in reserve. Movements do nonetheless affect reported earnings.

The Group also has significant exposure to the Euro arising from its foreign operations at the end of the reporting period. This is not normally hedged other than through foreign currency debt. As with the translation of its foreign operations' results, other hedging could expose the Group to significant net cash flows and profit and loss distortions, as demonstrated by the effect of holding surplus assets in the foreign operations in Sterling.

At 31 December 2011, if the Euro had strengthened/weakened by 10% against Sterling with all other variables held constant, pre-tax result would increase/decrease by £31,000/£25,000 respectively (2010: £37,000/£31,000), principally as a result of the increase/decrease in assets and liabilities denominated in foreign currencies; other components of equity would increase/decrease by £96,000/£6,000 (2010: £244,000/£67,000), principally as a result of the unhedged portion of net investment in foreign operations.

**Interest rate risk**

The Group has limited exposure to interest rate risk on its cash positions and any borrowings. Such exposures are managed as efficiently as possible, given that working capital needs to be maintained in the different operating subsidiaries and inter-company exposure may be subject to regulatory limits. Cash and cash equivalents are usually invested in short term cash deposits with maturities of no greater than three months. Borrowings consist of an overdraft with a variable interest rate. The effect of a 100 basis points increase/decrease in interest rates would not have a material impact on pre-tax profits or equity.

**Liquidity risk**

The Group has exposure to liquidity risk where it has insufficient financial resources that may be used to settle liabilities as they fall due. Overdraft facilities are maintained to cover any short term occurrences and the Group seeks to ensure that it maintains sufficient liquidity not only to finance its ongoing operations but, where possible, to assist in funding proposed acquisitions or unanticipated events. As noted above, cash and cash equivalents are usually on a short-term basis.

Financial liabilities consist of a bank overdraft repayable on demand and a short term unsecured loan, which was repaid in full during the year - they also include the trade and other payables.

## Notes to the Financial Statements continued

**21 Financial risk management (continued)****Credit risk**

The Group has exposure to credit risk in respect of non-performance by counterparties in respect of its matched principal broking business, fee debtors in the agency brokerage and fund management business and its treasury operations.

Matched principal transactions are carried out on a delivery versus payment basis and the underlying exposure on non-performance of a counterparty is described in market risk below. All matched principal trade receivables at 31 December 2011 and 31 December 2010 were within the ordinary settlement cycle. Matched principal trade receivables shown at 31 December do not give a true representation of the amounts throughout the year as they reflect low broking levels during the holiday period up to the end of the calendar year. Credit limits in the matched principal broking business are set by a specifically tasked credit committee which meets regularly not only to approve new credit lines but also to review and monitor existing limits.

Trade receivables for fee debtors in the agency brokerage and fund management businesses are analysed below.

Group	2011 £000s	2010 £000s
<b>Trade receivables</b>		
Carrying amount (Note 10)	498	639
Neither past due nor impaired		
Low risk	362	436
Carrying amount	362	436
Past due but not impaired		
Low risk	136	203
Carrying amount	136	203
Past due but not impaired consists of:		
31 to 60 days	118	143
61 to 90 days	1	25
91 to 120 days	17	11
Over 120 days	-	24
	136	203
<b>Total Carrying amount</b>	<b>498</b>	<b>639</b>

Delays in the receipt of certain management fees and other receivables were in the ordinary course of business and have been rectified subsequent to the year end.

For treasury operations, only financial institutions of an investment grade are used.

**Price Risk**

The Group's holding of "Fair value through profit and loss" financial assets, which consist of listed corporate bonds, quoted shares and investments in the funds that it manages, is sensitive to a wide range of market prices. The following table details the Group's sensitivity to a 15% (2010: 15%) movement in market prices, that would effect the value of its "Fair value through profit and loss" financial assets at the statement of financial position date.

	Group		Company	
	2011 £000s	2010 £000s	2011 £000s	2010 £000s
<b>Current assets</b>	<b>313</b>	<b>316</b>	<b>119</b>	<b>125</b>

**Market risk**

Market risk arises in the event of failure by a counterparty in a matched principal transaction to fulfil their obligation to buy or sell the instrument. The Group's exposure is limited to the difference in contracted price and that at which the position resulting from the failure to complete the transaction can be liquidated in the market, effectively short term movements in market price.

**Capital risk management**

The Group manages its capital to ensure that all entities within the Group are able to operate as going concerns and exceed any minimum externally imposed capital requirements. The capital of the Group and Company consists of equity attributable to the equity owners of the parent company, comprising issued share capital, share premium, retained earnings and other reserves as disclosed in the Statement of Changes in Shareholders' Equity.

Various operating subsidiaries within the Group are subject to the requirements of their respective regulators, primarily the Financial Services Authority ("FSA") in the UK. These subsidiaries held surplus capital over their respective requirements throughout the year. The Group is also subject to reporting on a consolidated basis to the FSA for which it holds surplus capital over regulatory requirements.

**Financial liabilities maturity analysis**

Financial liabilities consist of a bank overdraft repayable on demand and a short term unsecured loan.

## Notes to the Financial Statements continued

**22 Share options**

The Company operates a share option plan whereby directors, employees and consultants are granted share options for the services they provide. Share options can only be exercised once any vesting conditions attached to the options have been satisfied. Vesting conditions can include a minimum period of service or specific performance targets.

The fair value of share options granted under the Company's share options scheme is determined using an option pricing model, which takes into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the Company's share price over the life of the option and other relevant factors (e.g. projected dividend payment per share).

Options outstanding over the Company's ordinary shares were as follows:

	2011		2010	
	Number of shares under option 000s	Weighted average exercise price	Number of shares under option 000s	Weighted average exercise price
Outstanding at the beginning of the year	420	87p	943	92p
Granted during the year	-	-	-	-
Cancelled during the year	(180)	73p	-	-
Forfeited during the year	-	-	(463)	98p
Exercised during the year	-	-	-	-
Expired during the year	-	-	(60)	83p
Outstanding at the end of the year	240	97p	420	87p
Exercisable at the end of the year	240	97p	420	87p

The outstanding share options had an exercise price range of 50p – 150p (2010: 50p-150p). The weighted average remaining contractual life of the share options is 3.8 years (2010: 4.8 years). The maximum life of the share options is ten years.

No options were granted or exercised during the year or the previous year.

The last time options were granted was 2008. The weighted average fair value of share options granted during 2008 was 27p. The fair value of the share options granted during 2008 was estimated using a binomial option pricing model. The following assumptions were used in that model: share price at grant date of approximately 68p; estimated annualised dividend yield of 0%; risk free interest rates of approximately 5%, an average expected share price volatility of approximately 28% and an option life that is the same as the exercise life. Volatility is determined with reference to the change in IAM's share price over a 260 trading-day period prior to the grant date.

**23 Principal subsidiary undertakings**

The following information is given in respect of those subsidiary undertakings which, in the opinion of the directors, principally affect the consolidated profits or assets of the Company. They are wholly-owned subsidiary undertakings of the Company except where shown and their issued share capital consists of equity shares.

	Country of incorporation	% Owned
<b>Hedge Fund Management</b>		
Integrated Alternative Investments Ltd	UK	100%
<b>Brokerage</b>		
Integrated Financial Products Ltd	UK	75.1%

**24 Contingent liabilities**

From time to time the Group is engaged in disputes on employment and/or other related matters. Such matters are inherently subject to many uncertainties and the Group cannot predict their outcome. There are no issues which are currently expected to have a material adverse impact on the Group's results or net assets.

**25 Events after the Statement of Financial Position date**

There were no events after the Statement of Financial Position date to report.

## Company Information

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D Masetti  
M B Segall

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O Egoz

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