



Integrated Asset  
Management Corp.

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# LEADERSHIP IN ALTERNATIVE ASSET MANAGEMENT

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Annual Report 2011

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## OUR PRODUCTS

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OUR PRODUCT OFFERING IS BROAD AND DEEP AND NEW PRODUCTS ARE CONSTANTLY BEING DEVELOPED. CLIENTS MAY CHOOSE FROM ESTABLISHED PRODUCTS OR WORK WITH ONE OR MORE IAM INVESTMENT TEAMS TO DEVELOP A SOLUTION TAILORED TO SPECIFIC REQUIREMENTS. CLIENTS MAY CHOOSE FROM:

### PRIVATE CORPORATE DEBT

- Managed portfolios of investment-grade senior secured, fixed term loans
- Segregated portfolios of senior secured loans
- Infrastructure

### REAL ESTATE

- Discretionary, closed-end funds investing primarily in industrial properties
- Segregated portfolios of various property sectors combined with development projects

### RETAIL ALTERNATIVE INVESTMENTS

- Family of mutual funds and hedge funds employing a variety of robust, liquid strategies
- Global equity long/short
- Canadian equity long/short
- Global managed futures
- Global listed infrastructure
- Energy
- North American market neutral

### MANAGED FUTURES

- Separately managed accounts of global futures on physical and financial commodities
- Open-end funds investing in global futures on physical and financial commodities

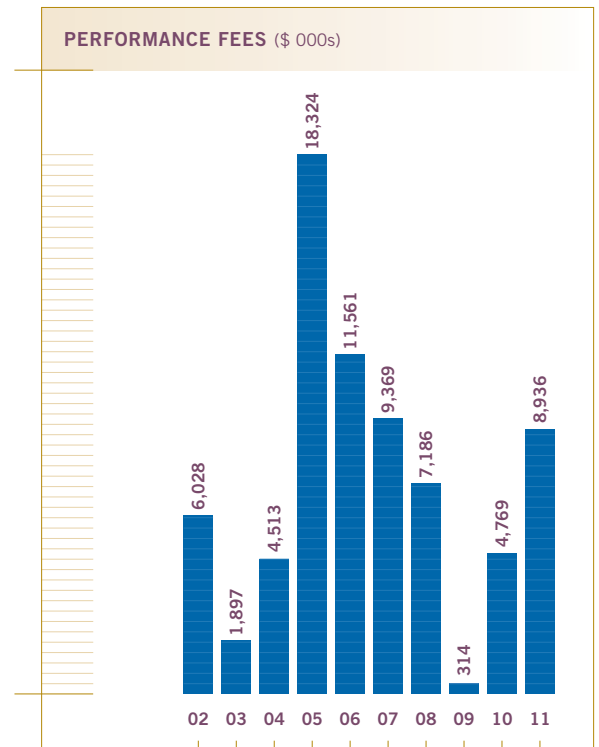
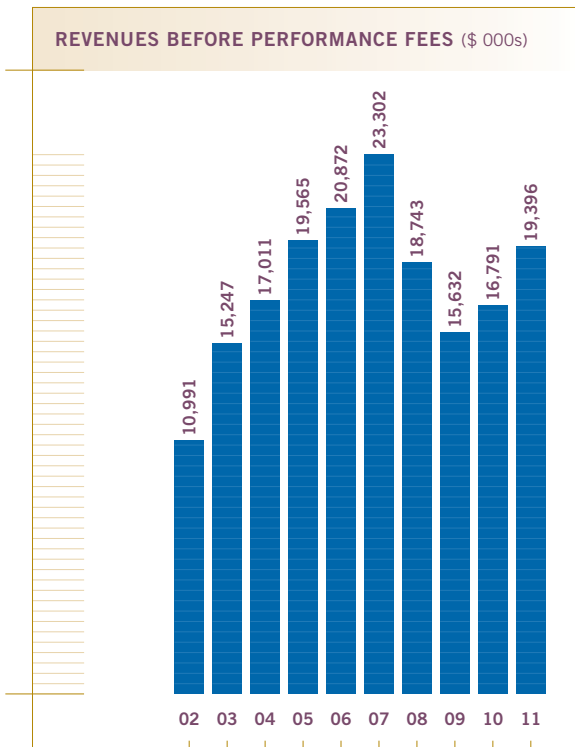
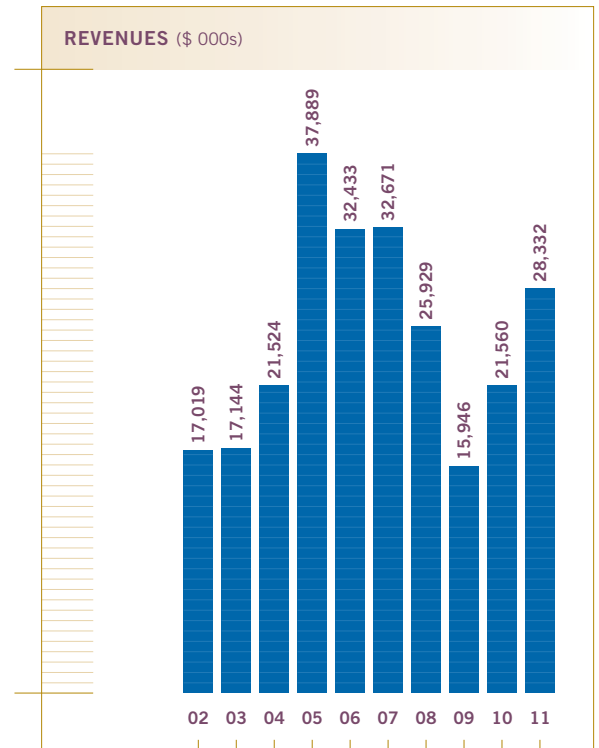
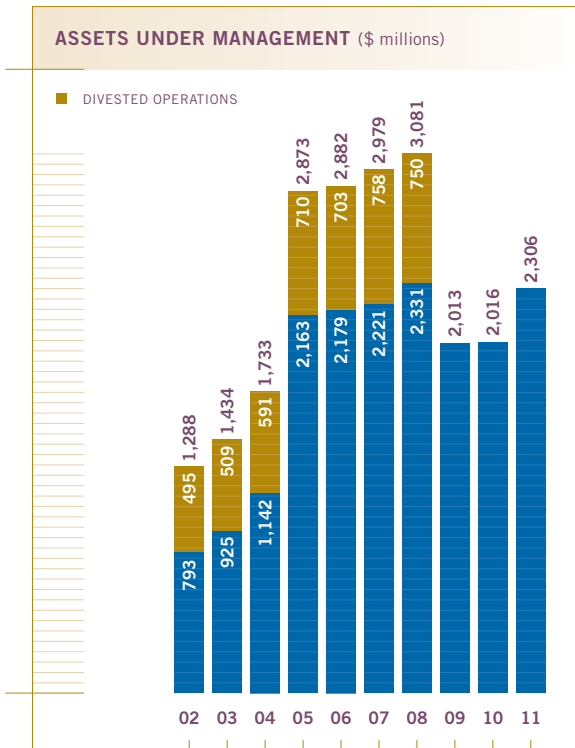
### PRIVATE EQUITY

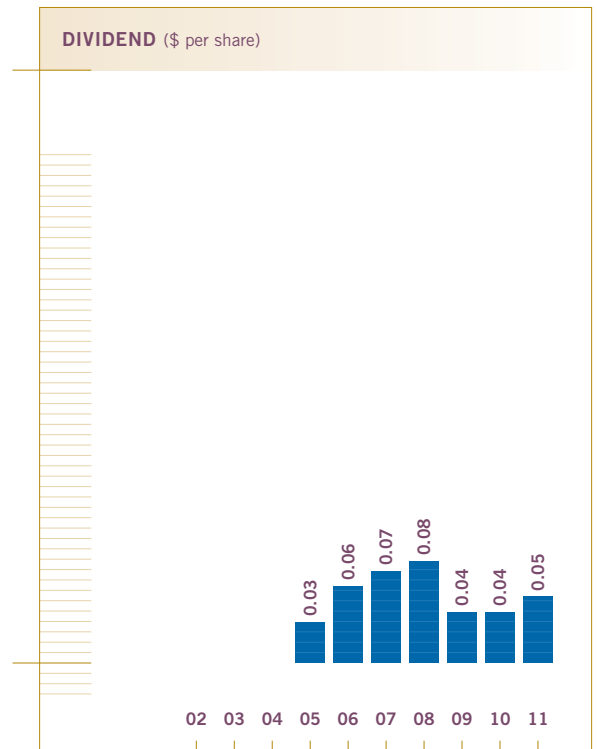
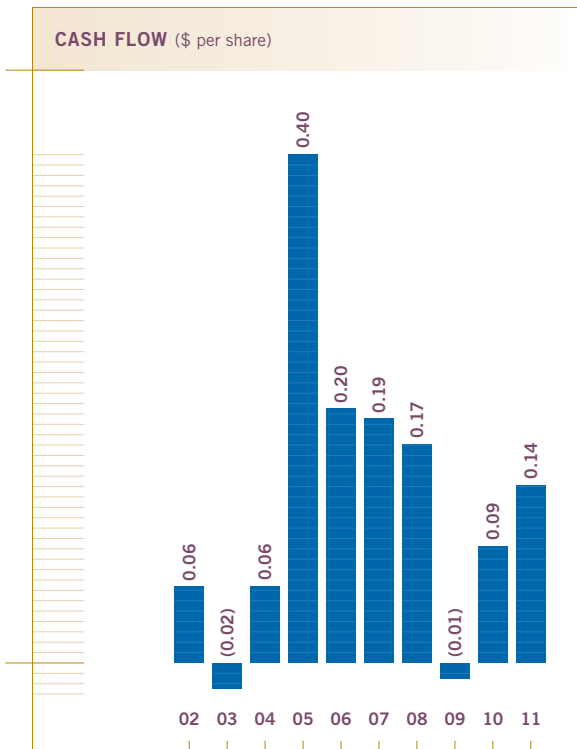
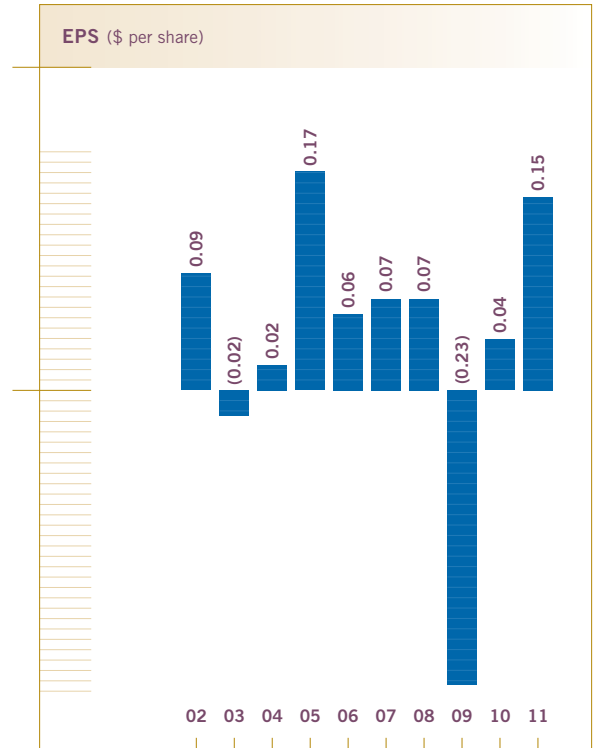
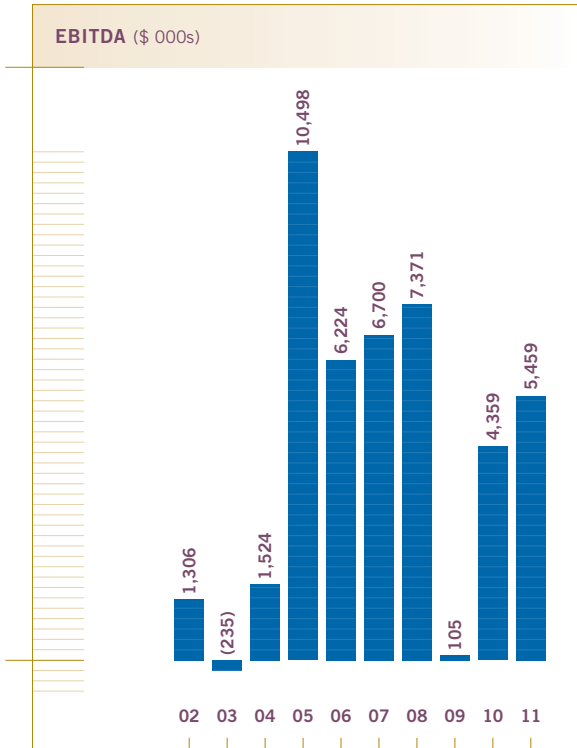
- Managed portfolios of private equity investments
- Healthcare and technology focused micro capitalization

### GLOBAL BONDS

- Macro long/short global government bonds
- Long-only global government bonds
- Liability-driven investing (LDI) and longevity risk management

# 2011 YEAR IN REVIEW





## CHAIRMAN'S REPORT

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### WHEN WE LAUNCHED IAM 14 YEARS AGO, ALTERNATIVE INVESTMENTS WERE OF INTEREST TO ONLY A FEW INVESTORS. MUCH HAS CHANGED SINCE THEN.

Now, the majority of institutional investors, such as pension funds, endowments, foundations and family offices have embraced alternatives. Today it would be unusual to find a mid to large size pension fund without at least some exposure to alternatives.

The credit crunch of 2008 and the subsequent sharp decline in markets around the world drove home the critical importance of owning investments which are less correlated to public stocks and bonds.

With a certain sense of *déjà vu*, as we watch the European debt crisis lurch from the edge of the precipice to resolution and then back to the edge again, it is clear that investors will once more be grateful for the alternative investments they own.

Increasingly, retail investors are following institutional investors into alternatives as they and their advisors realize that traditional investments alone will no longer meet their needs. They want the same attributes that appeal to institutions: stability, predictability, lower volatility, current income and lower correlations to their public stocks and bonds.

### ACROSS IAM'S MANY ASSET CLASSES, THE PERFORMANCE IS EXCEPTIONAL AND IS A TESTAMENT TO THE QUALITY AND SKILL OF OUR PORTFOLIO MANAGERS AND THE STRENGTH OF OUR PROCESSES AND CONTROLS.

From the very beginning we focused on delivering performance through a conservative approach to investment management. That unwavering commitment has paid off for our clients and for us. Private corporate debt, real estate and managed futures have exceptional track records. Our retail products in our Exemplar Portfolios funds have also performed very well and, during fiscal 2011, we broadened the fund line-up to six funds, all managed by excellent portfolio managers.

The alternative investment business remains fundamentally attractive to us. Not only is demand growing but the business is profitable, particularly with the potential for earning performance fees. Alternative investment management demands skills which are not readily available. This represents a significant barrier to entry for competitors. Over the last 14 years we have built very capable alternative investment management teams. IAM now comprises over 60 people, of which 35 are investment professionals. Attempting to replicate these teams would be a long and difficult process with no guarantee of success.

Fiscal 2011 was a good year for IAM. We had some clear wins in raising new capital, with our third private corporate debt fund, IPD 3, closing with commitments of \$275 million. The twelfth in our series of closed end real estate funds, GPM (12), raised commitments of \$174 million. Both of these funds were raised in difficult times when many managers were unsuccessful in raising commitments. However, AUM in our retail business did not grow due to bearish equity markets which drove many retail investors and their advisors to the sidelines.

The Real Estate Asset Management operations had a good year, not only raising GPM (12) but selling the maturing GPM (8) portfolio at a very attractive price, generating performance fees of \$5.7 million.

Private Corporate Debt was profitable, but experienced two slow quarters when the rate of deployment of IPD 3 was slower than anticipated. The pace picked up in the fourth quarter and the pipeline is full. We expect to begin marketing IPD 4 near the end of the second quarter.

Retail Alternative Investments ( BluMont Capital ) was also profitable as a result of performance fees of \$3.2 million, most of which were recognized in December 2010.

We made some progress with initiatives in new strategies, however retail and institutional investors were nervous and hesitant about considering new investment opportunities. The Corporation has a number of new funds, some were introduced in fiscal 2011 and others will be launched in fiscal 2012.

Our financial results for fiscal 2011 were good. Among the highlights, assets under management (“AUM”) increased 14.4 % in fiscal 2011 to \$2.3 billion. Total performance fees were up from \$4.8 million to \$8.9 million. EBITDA ( calculated by excluding investment gains of \$3.1 million) increased 25.2% to \$5.5 million.

For fiscal 2011, earnings per share were \$0.15, versus \$0.04 in the previous year. In recognition of the year’s performance, the Board of Directors approved an increase in the regular annual dividend to \$0.05 per common share, which was paid to shareholders of record on September 6, 2011.

IAM regularly launches its new initiatives by contributing seed capital to these new funds. In September 2011, seed capital of approximately \$7.2 million in total was injected into two new funds; a sovereign global bond fund and a global listed infrastructure fund. At year end our financial position was excellent with net liquid assets of \$11.0 million, up 64% from the prior year end.

We expect results for fiscal 2012 to be mixed as the next 12 months will be a period of marketing new funds and deploying the capital raised in both fiscal 2011 and 2012. We are planning to increase AUM significantly given the number and quality of our existing funds and the new funds which will be launched in fiscal 2012. However, there is a time lag between gaining AUM growth and the resulting revenue increase. While Real Estate Asset Management and Private Corporate Debt have raised commitments of \$174 million and \$275 million respectively in 2011, they are not yet fully deployed and we only earn management fees on the deployed capital.

As always, we are very appreciative of your confidence and support.



**VICTOR KOLOSHUK**  
CHAIRMAN & CHIEF EXECUTIVE OFFICER

## REPORT ON OPERATIONS

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### PRIVATE CORPORATE DEBT

The fully invested funds, IPD 1 and IPD 2, have continued to perform very well and are exceeding client expectations. The composite rate of return from inception in August 2005 to September 30, 2011 is 8.29%. The few problem loans that arose were worked on diligently and were repaid in full with a premium. New investments being made for IPD 3 have maintained a similar high standard of performance.

As the investment team has geared up, the investing of the commitments for IPD 3 was accelerated. It is expected that the fund will cross the 75% committed threshold by the end of 2011. Marketing for IPD 4 will start early in the new year.

There have already been significant expressions of interest in IPD 4 from prospective investors. Demand is building as well for a longer duration fund, so we intend to market a long-duration fund in parallel with IPD 4.

The IPD Infrastructure team has finalized the structure of the proposed Infrastructure fund and the confirmation of investor appetite is well-advanced. It is expected that the decision whether to proceed or not will be made by the end of the first quarter of 2012.

CONSISTENT WITH GPM'S FUNDAMENTAL, INCOME-ORIENTED PHILOSOPHY, OUR NEW FUNDS CONTINUED TO GENERATE STABLE CASH FLOW AND ARE NOW ENJOYING PRICE APPRECIATION AS WELL.

### REAL ESTATE

The investment program for GPM (11) concluded near the end of the fiscal year. The fund now comprises a portfolio of very high quality assets which are performing well.

Earlier in the fiscal year the investment of GPM (11) passed 75% committed and marketing of GPM (12) started. This fund had its second and final close in May 2011 raising \$174 million. Investors were the customary mix of repeat and new clients. This is considered to be an optimal size fund for the GPM core industrial strategy.

By the end of the fiscal year, GPM (12) was ahead of schedule and management expects that 30% of the total commitments will be deployed by December 31, 2011. GPM (8) matured in May and in accordance with the objectives of the fund, the portfolio was sold and the proceeds distributed to the investors. The sale of the portfolio generated a performance fee of \$5.7 million.

## **RETAIL ALTERNATIVE INVESTMENTS**

Uncertain, volatile markets and redemptions affected BluMont Capital throughout fiscal 2011. As a result, net sales were modest, despite some encouraging progress in the sale of Exemplar Portfolios funds.

The Exemplar Portfolios structure remains unique in Canada, enabling non-accredited retail investors to access innovative alternative investments strategies normally available only to accredited investors. The Exemplar Diversified Portfolio, which incorporates a managed futures program managed by Integrated Managed Futures Corp. has been particularly successful.

In September 2011, we launched the Exemplar Global Infrastructure Fund, managed by Capital Innovations LLC of Wisconsin, a leading portfolio manager specializing in publicly traded global infrastructure securities. This fund is designed to meet investor demand for predictable income, lower volatility and a hedge against inflation.

In January 2011, the Northern Rivers Innovation Fund LP, which IAM acquired in 2010, was successfully changed into a closed-end private equity fund and re-named the BluMont Innovation PE Strategy Fund 1. With its focus on small and micro-cap healthcare and technology stocks, the fund now benefits from the ability to acquire substantial ownership positions in quality companies and then own them until full value can be realized. Since the change, the fund has performed very well.

Although BluMont Capital was profitable in fiscal 2011, this was due to earning performance fees, most of which were recognized in December 2010. Retail Alternative Investments needs to increase AUM in order to reach profitability before the impact of performance fees.



**JOHN ROBERTSON**  
PRESIDENT & CHIEF OPERATING OFFICER

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### OVERVIEW

The management's discussion and analysis ("MD&A") of Integrated Asset Management Corp. ("IAM" or the "Corporation") that follows is based on financial information in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A also shows certain measures which do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers.

This MD&A covers IAM's financial condition as at September 30, 2011 and the results of its operations for the years ended September 30, 2011 and 2010. This analysis is supplemental to the Audited Consolidated Financial Statements of the Corporation and its accompanying notes, and is intended to provide additional information on the Corporation's recent performance, its current financial situation and its future prospects. It does not form part of the Audited Consolidated Financial Statements of the Corporation.

*This MD&A may contain forward-looking statements on the Corporation's business, strategies, opportunities and future financial results. These statements are not promises or guarantees and are based on assumptions and estimates which are subject to many different risks and uncertainties, any of which could cause actual results to be significantly different from those derived from the forward-looking statements. The reader should not place undue reliance on any such forward-looking statements, which are presented as of December 9, 2011.*

This MD&A and additional information relating to IAM, including the Annual Information Form, are on SEDAR at [www.sedar.com](http://www.sedar.com).

### BUSINESS REVIEW

IAM is an alternative asset management company offering high quality alternative asset class management to institutional, pension and private clients. The Corporation provides investors with a broad range of asset classes such as real estate, private equity, private corporate debt, managed futures, global bonds and retail alternative investments. The Corporation had assets and committed capital under management ("AUM") of approximately \$2.3 billion at September 30, 2011.

The Corporation's private corporate debt, real estate and private equity products are mostly pools of assets managed by the Corporation for investors and the life of each pool of assets can be up to twelve years. Typically, the Corporation develops and structures each investment product and then markets for commitments from interested investors. The pool is then closed and the pool makes acquisitions of assets to deploy the commitments over a number of years. For some types of pools, the Corporation receives fees only when the commitments are deployed and assets are being managed whereas on some pools the Corporation receives fees on the commitments. Generally, there is little or no liquidity for the investors during the term of a pool and the pool can be liquidated earlier than scheduled only in exceptional circumstances.

The Corporation's other financial products, including retail alternative investments ("Retail Alternative Investments"), are subject to agreements, in accordance with industry practices, whereby clients can withdraw their assets or terminate the contracts on short notice.

Retail Alternative Investments comprise financial products for Canadian retail investors through BluMont Capital Corporation ("BluMont Capital"), a wholly-owned subsidiary of the Corporation.

BluMont Capital's sales force throughout Canada has an extensive financial advising distribution network through which virtually all sales of Retail Alternative Investments are made.

In February 2010, the Corporation acquired Northern Rivers Capital Management Inc. ("Northern Rivers"). This acquisition was an addition to Retail Alternative Investments with approximately \$67 million in AUM.

## FEE REVENUE

The Corporation earns revenue primarily from fees from two sources:

### 1. Management fees

These are typically based on an agreed percentage of AUM, which includes the market value of funds and other assets administered by the Corporation. Revenues generated from management fees are generally expected to change in direct proportion to the deployed amount of AUM. For income statement purposes, this revenue is recognized when it is earned.

### 2. Performance fees

The Corporation earns performance fees, including carried interests, when investment returns outperform a designated benchmark. These benchmarks (“hurdle rates”) are contract specific and only apply to certain investment products. Funds managed by the Real Estate Asset Management and Private Equity operations typically provide for performance fees to be realized only towards the end of the life of the pool of assets being managed, which at times can be up to twelve years. Accordingly, performance fees in these activities are realized sporadically. Certain financial products in Retail Alternative Investments provide for the realization of performance fees generally on an annual basis (December 31).

Unrealized performance fees can build up over time and form a significant portion of the total unrecognized revenue of the Corporation. Unrealized performance fees can also decrease or be eliminated completely over the life of the pool of assets. As the Consolidated Financial Statements of the Corporation recognize performance fees only when realized, the recorded revenues and income of the Corporation will tend to fluctuate from period to period.

## ASSETS AND COMMITTED CAPITAL UNDER MANAGEMENT (“AUM”)

The table below shows the AUM as at the fiscal year end for the last three fiscal years.

(\$ millions)	Sept. 30, 2011	Sept. 30, 2010	Sept. 30, 2009
Private Corporate Debt	\$ 1,013.6	\$ 824.8	\$ 881.2
Real Estate Asset Management	911.6	825.4	802.3
Retail Alternative Investments	334.7	346.6	306.5
Private Equity, Managed Futures and Global Bonds	108.8	67.9	27.1
	\$ 2,368.7	\$ 2,064.7	\$ 2,017.1
Inter-class elimination <sup>(1)</sup>	(62.8)	(48.7)	(3.9)
<b>Total</b>	<b>\$ 2,305.9</b>	<b>\$ 2,016.0</b>	<b>\$ 2,013.2</b>

(1) Represents AUM of Private Equity and Managed Futures also included in Retail Alternative Investments.

AUM increased by approximately \$290 million during fiscal 2011. Private Corporate Debt closed a new fund (IPD 3) in October 2010 with total commitments of \$275 million. AUM in Real Estate Asset Management increased due primarily to the net effect of the closing of a new real estate fund (GPM 12) with commitments of \$174 million and the divestiture of properties in a mature fund (GPM 8).

AUM in Retail Alternative Investments increased modestly until June 2011 with sales of Exemplar Portfolios funds exceeding redemptions in other products. However, the market depreciation in the last quarter of the fiscal year resulted in a net decline in AUM from the prior fiscal year end.

## SELECTED ANNUAL INFORMATION

\$000's except per share amounts	2011	2010	2009
Revenues before performance fees <sup>(1)</sup>	\$ 19,396	\$ 16,791	\$ 15,632
Performance fees	8,936	4,769	314
<b>Total revenues<sup>(1)</sup></b>	<b>\$ 28,332</b>	<b>\$ 21,560</b>	<b>\$ 15,946</b>
Net performance fees <sup>(2)</sup>	\$ 5,755	\$ 3,264	\$ 285
Earnings before interest, taxes depreciation and amortization ("EBITDA") <sup>(1)(3)</sup>	\$ 5,459	\$ 4,359	\$ 105
Income (loss) before income taxes and non-controlling interest <sup>(1)</sup>	\$ 7,007	\$ 2,916	\$ (9,851)
Net income (loss) and comprehensive income	\$ 4,334	\$ 1,035	\$ (6,544)
Basic and diluted earnings (loss) per share	\$ 0.15	\$ 0.04	\$ (0.23)
Dividends per share	\$ 0.05	\$ 0.04	\$ 0.04
Total assets	\$ 32,767	\$ 27,893	\$ 23,910
Total long-term financial liabilities	\$ 116	\$ 340	\$ 446
Common shares outstanding, end of year	28,310	28,310	28,310

(1) For comparative purposes, excludes property management operations (Darton Property Advisors & Managers Inc.) sold in fiscal 2009.

(2) Net performance fees is a non-GAAP financial measure used by the Corporation. This measure is calculated as performance fee revenue less investment adviser, service fees and expenses incurred relating to performance fees revenue earned.

(3) EBITDA is a non-GAAP financial measure used by the Corporation. This measure is calculated as earnings before the deduction of non-controlling interest, interest expense, income taxes, depreciation and amortization, stock-based compensation and investment gain (loss).

Revenues before performance fees of \$19.4 million in fiscal 2011 were up \$2.6 million from \$16.8 million in fiscal 2010 due to investment gains of \$3.1 million in the latest fiscal year compared with a net investment loss of \$0.1 million in the prior year. The Corporation realized a gain of \$3.3 million on the sale of a single real estate investment that was acquired and had been managed by the Corporation since fiscal 2003.

Performance fees of \$8.9 million were realized in fiscal 2011; of which \$5.7 million were in Real Estate Asset Management and \$3.2 million in Retail Alternative Investments. In fiscal 2010, performance fees of \$4.8 million were realized, the majority of which were also in Real Estate Asset Management.

EBITDA increased from \$4.4 million in fiscal 2010 to \$5.5 million in fiscal 2011 due to an increase in net performance fees of \$2.5 million. Excluding net performance fees, earnings were lower in both Real Estate Asset Management and Private Corporate Debt due to lower levels of deployment of commitments and there were operating losses at startup divisions. The investment gains of \$3.1 million are not included in the calculation of the EBITDA amount of \$5.5 million.

In fiscal 2009, given the operating losses at BluMont Capital, the Corporation considered it appropriate to write off all goodwill and other intangible assets (fund management contract acquisition costs) associated with BluMont Capital. This resulted in a one-time non cash accounting charge to income of \$7.7 million pre-tax and \$5.8 million after tax.

In September 2010, IAM announced the reinstatement of a regular cash dividend and the declaration of a dividend of \$0.04 per common share which was paid in October 2010. In August 2011, the Board of Directors of the Corporation approved the payment of a regular cash dividend of \$0.05 per common share which was paid in September 2011.

## FINANCIAL STATEMENTS

The accompanying Audited Consolidated Financial Statements included in this Annual Report comprise the results for the years ended September 30, 2011 and September 30, 2010.

## SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

### OPERATING RESULTS

#### Income and Earnings Per Share

Net income for the year ended September 30, 2011 was \$4.3 million or \$0.15 per share compared with a net income of \$1.0 million or \$0.04 per share. EBITDA increased from \$4.4 million in fiscal 2010 to \$5.5 million in fiscal 2011.

EBITDA increased from \$4.4 million in fiscal 2010 to \$5.5 million in fiscal 2011 due primarily to net performance fees which were \$2.5 million higher. Deployment of commitments at both Private Corporate Debt and Real Estate Asset Management was lower in fiscal 2011 resulting in lower commitment and development fees. Operating losses at BluMont Capital (before the impact of net performance fees) were lower in fiscal 2011, however the operating costs of the startup global bond operations were approximately \$0.8 million in fiscal 2011.

### RECONCILIATION OF EBITDA TO NET INCOME AND COMPREHENSIVE INCOME

	2011	2010
\$000's except per share amounts		
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	\$ 5,459	\$ 4,359
Depreciation and amortization	(1,397)	(1,297)
Interest expense	(29)	(60)
Stock-based compensation	(86)	(8)
Investment gain (loss)	3,060	(78)
Income before income taxes and non-controlling interest	7,007	2,916
Income taxes	(1,169)	(1,326)
Non-controlling interest share of income	(1,504)	(555)
Net income and comprehensive income for the year	\$ 4,334	\$ 1,035

## REVENUES

Total revenues increased from \$21.6 million in fiscal 2010 to \$28.3 million in fiscal 2011 due to increases in both performance fees and investment income.

Performance fees increased \$4.2 million in fiscal 2011 to \$8.9 million of which \$5.7 million were in Real Estate Asset Management and \$3.2 million in Retail Alternative Investments.

Investment gains in aggregate were \$3.1 million in fiscal 2011 (2010: investment loss of \$0.1 million) which includes the investment gain of \$3.3 million on the sale of a real estate investment managed by the Corporation.

Management fees, administration and redemption fees decreased from \$16.6 million in fiscal 2010 to \$16.0 million in fiscal 2011. There was a year over year increase of approximately \$1.0 million from Retail Alternative Investments however lower deployment of commitments in Private Corporate Debt and Real Estate Asset Management resulted in a combined \$1.4 million of reduced revenue.

## EXPENSES

The Corporation reported consolidated expenses for the year ended September 30, 2011 of \$21.3 million compared to \$18.6 million for the year ended September 30, 2010. Excluding expenses relating to performance fees (\$3.2 and \$1.5 million in fiscal 2011 and 2010 respectively) expenses were \$1.0 million higher in fiscal 2011 (\$18.1 million in fiscal 2011 and \$17.1 million in fiscal 2010). Service fees paid to dealers increased \$0.6 million to \$1.5 million from \$0.9 million as AUM of Exemplar Portfolios funds increased to represent approximately half of the AUM of Retail Alternative Investments.

The principal components of expenses are selling, general and administration ("SG&A") of \$14.8 million (2010: \$14.4 million), approximately 72% of which is salaries and related costs (2010: 74%).

Amortization of fund management contracts was \$1.2 million in fiscal 2011 compared with \$1.1 million in fiscal 2010 and is comprised of amortization of fund management contracts set up to account for acquisitions by the Corporation. The increase of \$0.1 million reflects a full year's amortization in respect of the acquisition of Northern Rivers during fiscal 2010.

The current and future income tax assets and liabilities are recorded on the Consolidated Balance Sheet based on legislated future income tax rates, interpretation of tax legislation and assumptions about the realization and timing of future benefits and costs. Future income tax rates can be changed through legislation at any time and a small change in rates or in interpretation or timing could result in a significant change in the income taxes shown on the Consolidated Statements of Operations.

The non-controlling share of income of approximately \$1.5 million in fiscal 2011 (2010: \$ 0.6 million) reflects primarily the payments to a former non-controlling shareholder of Real Estate Asset Management of a portion of performance fees and the after-tax gain on the sale of the real estate investment that were received by the Corporation in the fiscal year.

## QUARTERLY SUMMARY

Revenues and EBITDA vary considerably from quarter to quarter depending on whether or not performance fees are realized. Products in Retail Alternative Investments are structured to permit the realization of performance fees generally on an annual basis which is Q1 for IAM. In fiscal 2011, the Corporation realized performance fees in Q1 from Retail Alternative Investments and realized performance fees from Real Estate Asset Management primarily in Q3 with a residual fee earned in Q4 as the fund was monetized in two stages. The investment gain of \$3.3 million on the sale of a single real estate investment was recognized in Q3.

Revenues before performance fees of \$3.5 million in Q4 were adversely impacted by investment losses of approximately \$0.4 million. EBITDA which excludes investment gains and losses was \$0.2 million in the last quarter of fiscal 2011.

EBITDA in fiscal 2011 has increased from fiscal 2010 as a result of higher net performance fees.

### Fiscal 2011

\$000's, except per share amounts and AUM	Q1	Q2	Q3	Q4	Total
Revenues before performance fees	\$ 4,513	\$ 4,051	\$ 7,325	\$ 3,507	\$ 19,396
Performance fees	2,991	2	5,381	562	8,936
<b>Total revenues</b>	<b>\$ 7,504</b>	<b>\$ 4,053</b>	<b>\$ 12,706</b>	<b>\$ 4,069</b>	<b>\$ 28,332</b>
Net performance fees	\$ 1,733	\$ 2	\$ 3,601	\$ 419	\$ 5,755
EBITDA	\$ 1,737	\$ 170	\$ 3,363	\$ 189	\$ 5,459
Income (loss) before income taxes and non-controlling interest	\$ 1,553	\$ (180)	\$ 6,262	\$ (628)	\$ 7,007
Net income (loss) and comprehensive income	\$ 1,444	\$ (279)	\$ 3,755	\$ (586)	\$ 4,334
Earnings (loss) per share	\$ 0.05	\$ (0.01)	\$ 0.13	\$ (0.02)	\$ 0.15
AUM (\$ millions)	\$ 2,312	\$ 2,309	\$ 2,347	\$ 2,306	

### Fiscal 2010

\$000's, except per share amounts and AUM	Q1	Q2	Q3	Q4	Total
Revenues before performance fees	\$ 3,561	\$ 3,599	\$ 4,032	\$ 5,599	\$ 16,791
Performance fees	4,653	88	15	13	4,769
<b>Total revenues</b>	<b>\$ 8,214</b>	<b>\$ 3,687</b>	<b>\$ 4,407</b>	<b>\$ 5,612</b>	<b>\$ 21,560</b>
Net performance fees	\$ 3,155	\$ 88	\$ 8	\$ 13	\$ 3,264
EBITDA	\$ 3,191	\$ (68)	\$ 424	\$ 812	\$ 4,359
Income (loss) before income taxes and non-controlling interest	\$ 2,896	\$ (412)	\$ (66)	\$ 498	\$ 2,916
Net income (loss) and comprehensive income	\$ 1,586	\$ (494)	\$ (277)	\$ 220	\$ 1,035
Earnings (loss) per share	\$ 0.06	\$ (0.02)	\$ (0.01)	\$ 0.01	\$ 0.04
AUM (\$ millions)	\$ 1,988	\$ 2,045	\$ 1,997	\$ 2,016	

## CONSOLIDATED FINANCIAL POSITION AT SEPTEMBER 30, 2011

### Estimate of unrealized performance fees

Unrealized performance fees can build up over time and are important to the Corporation. Unrealized performance fees are not reflected in the Consolidated Financial Statements and will only be reflected when realized. These unrealized performance fees are subject to the deduction of third party and corporate expenses.

(\$ 000's)	Sept. 30, 2011
Real Estate Asset Management	\$ 5,100
Retail Alternative Investments, Private Equity and Managed Futures	100
<b>Total</b>	<b>\$ 5,200</b>

IAM manages investment products in which significant amounts of unrealized performance fees have built up because the performance to date has exceeded the applicable benchmarks. However, the excess returns have not yet been monetized.

Performance fees in Real Estate Asset Management are realized sporadically as they tend to be recognized generally towards the end of the life of the pool of assets being managed, which at times can be up to twelve years.

(\$ 000's)	Unrealized Performance Fees	Fiscal Year of Expected Realization
GPM 9	\$ 2,300	2014
Segregated account and other	1,200	2015
GPM 11	1,600	2021
<b>Total</b>	<b>\$ 5,100</b>	

Any estimate of unrealized performance fees is subject to significant change, given the various stages of development of the properties, the period to realization and the volatile nature of the real estate market. Accordingly, the estimate of unrealized performance fees shown could be substantially over or understated. Performance fees of Retail Alternative Investments and Managed Futures are generally recognized on an annual basis (December 31).

During fiscal 2011, performance fees of \$8.9 million were realized by the Corporation of which approximately \$5.7 million was from Real Estate Asset Management and \$3.2 million from Retail Alternative Investments and Managed Futures.

### Liquidity and capital resources

The Corporation's primary liquidity requirement is to generate sufficient cash flow to meet its operating obligations on a continuous basis.

In September 2011, the Corporation seeded two of its new funds and at September 30, 2011 the Corporation owned over 50% of the units of both funds. In aggregate, these funds had \$10.3 million of assets, of which the Corporation owned units worth \$6.8 million and unrelated third party investors owned units worth \$3.5 million. For accounting purposes, those units that are not owned by the Corporation (\$3.5 million) are included in the Consolidated Balance Sheet as an asset in "Investments in funds managed by the Corporation" and as an offsetting liability in "Non-Controlling Interest". For the following discussion on the Corporation's liquidity and capital resources, these offsetting amounts of \$3.5 million have been disregarded as they are neither an asset nor a liability of the Corporation that impact day to day operations.

At September 30, 2011, the Corporation's net liquid assets (excluding futures income taxes) increased to \$11.0 million compared to \$6.7 million as at September 30, 2010. The increase of approximately \$4.3 million in the Corporation's net liquid assets during fiscal 2011 is represented primarily by the cash flow from operations of \$3.9 million and the proceeds of \$4.2 million from the sale of the real estate investment (a combined cash flow of \$8.1 million) less payments of approximately \$1.7 million to non-controlling interests and dividends of \$1.4 million paid to shareholders in September 2011.

Cash flow from operations (which is a non-GAAP measure) and dividends in fiscal years 2009 to 2011 are summarized below:

\$000's except per share amounts	2011	2010	2009
Cash provided by (used in) operating activities <sup>(1)</sup>	\$ 4,111	\$ 6,671	\$ (2,691)
Net change in non-cash balances relating to operations <sup>(1)</sup>	(252)	(4,186)	2,456
Cash flow from operations <sup>(1)</sup>	\$ 3,859	\$ 2,485	\$ (235)
Dividends	\$ 1,416	\$ 1,132	\$ 1,134
Cash flow from operations per share <sup>(2)</sup>	\$ 0.14	\$ 0.09	\$ (0.01)
Dividends per share	\$ 0.05	\$ 0.04	\$ 0.04

(1) These amounts are shown on the Consolidated Statements of Cash Flows in the Consolidated Financial Statements. Cash flow from property management operations (Darton) sold in fiscal 2009 has been excluded.

(2) Calculated by dividing cash flow from operations by the weighted average number of shares outstanding in the fiscal year.

## **CONSOLIDATED FINANCIAL POSITION AT SEPTEMBER 30, 2011 (CONTINUED)**

As indicated in this section, investments in funds managed by the Corporation of \$12.6 million at September 30, 2011 (including the current portion) includes \$3.5 million of units which are not owned by the Corporation but are included for accounting purposes. Accordingly, at September 30, 2011, the Corporation owned investments in its funds totalling \$9.1 million compared with \$3.9 million as at September 30, 2010, an increase of \$5.2 million.

IAM seeds many of its new funds and in September 2011 invested approximately \$7.2 million into two new funds. Concurrently with those investments, the Corporation monetized an investment in another of its funds for proceeds of approximately \$1.7 million.

The non-controlling interest of \$4.0 million at September 30, 2011 includes \$3.5 million as a result of the consolidation of the two funds in which the Corporation owned more than 50% of the units of both funds at that date. Excluding this accounting item of \$3.5 million, the non-controlling interest of \$0.5 million has declined from \$0.7 million at September 30, 2010.

The future income tax liability of \$1.4 million (including the current portion of \$0.3 million) as at September 30, 2011 is not a cash liability of the Corporation but is an accounting item resulting from the accounting for the acquisitions by the Corporation in prior fiscal years. This future income tax liability is derived from the setting up of fund management contracts as an asset on the balance sheet (\$5.2 million at September 30, 2011), and both are being amortized over 7 years.

At September 30, 2011, the Corporation had 28.3 million common shares outstanding (September 30, 2010 – 28.3 million) representing capital stock of \$20.1 million (September 30, 2010 - \$20.1 million). At December 9, 2011, the Corporation had 28.3 million common shares outstanding.

In August 2011, the Corporation announced a cash dividend of approximately \$1.4 million (\$0.05 per common share) which was paid in September 2011.

In September 2011, Retail Alternative Investments introduced a low load deferred sales charge (“DSC”) sales option on certain funds in Exemplar Portfolios whereby the Corporation is self-financing upfront commissions to investment advisors. At present, the Corporation has sufficient capital resources to meet the expected level of future DSC sales of units of Exemplar Portfolios. The Corporation is considering bank financing to provide an additional financial resource should sales under the DSC option exceed this level.

## FINANCIAL OUTLOOK

All asset management companies and their retail and institutional clients have been adversely affected by the global financial crises beginning in the second half of 2008 and continuing with varying degrees of intensity to the present date. For IAM, revenues and profitability were adversely impacted over this period, particularly in Retail Alternative Investments, through declines in AUM and the apprehension and hesitance on the part of retail and institutional investors to consider new investment opportunities.

The financial outlook for IAM during the next one to two years is that there is the potential for significant growth in AUM as the Corporation has a number of investment products currently being marketed or to be introduced in fiscal 2012. However this potential growth in AUM will not be reflected fully in IAM's profitability in fiscal 2012 as the Corporation continues to incur considerable expenses and operating losses in building a number of its divisions. There will also be a time lag from achieving the AUM growth, through the successful closing of funds, to the associated increase in fee revenue due to the time needed to deploy those commitments prudently.

As well, there are no significant performance fees scheduled to be realized in the next few years.

## CRITICAL ACCOUNTING ESTIMATES

### Revenue Recognition

Management fees are calculated as a percentage of AUM and this revenue is recognized when it is earned.

Performance fees are calculated by applying an agreed upon formula as a percentage of the fund investment returns. Performance fees are recognized as revenue only when they are realized. Depending on the terms of the funds, performance fees in Retail Alternative Investments are calculated and recognized periodically, typically on December 31.

### Investments in Funds Managed by the Corporation

The Corporation accounts for its investments in funds managed by the Corporation in accordance with CICA Handbook Section 3855, *Financial Instruments — Recognition and Measurement*. Investments in funds managed by the Corporation are classified as either held for trading securities or available for sale securities that do not have a quoted market price in an active market. When the Corporation owns 50% or more of the units of a fund, these funds are consolidated in the Consolidated Financial Statements of the Corporation.

### Business Acquisitions

The allocation of the purchase price by the Corporation to the assets purchased and liabilities assumed requires management to make certain estimates of value. The excess of the purchase price over the amounts assigned to the assets acquired and liabilities assumed is referred to as goodwill.

### Goodwill and Other Intangible Assets

Goodwill and other intangible assets are subject to impairment tests whereby significant judgement is required in the selection of methodology to estimate fair value, including the determination of the appropriate underlying assumptions. These subjective judgements will affect the estimates of the fair value of goodwill and other intangible assets and any associated impairment charges or write-downs that result from those estimates.

## CHANGES IN ACCOUNTING POLICIES

During the year ended September 30, 2010, the Corporation adopted the amendments to Section 3862, *Financial Instruments - Disclosures* of the Canadian Institute of Chartered Accountants CICA Handbook regarding the inputs to fair value measurements. The section was amended to include enhanced disclosures about inputs to fair value measurement, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are:

- Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2** Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3** Inputs that are not based on observable market data

See Note 16 of the Audited Consolidated Financial Statements for the fair value hierarchy and financial instruments disclosure.

Accounting Changes prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. This standard did not affect the Corporation's consolidated financial position or results of operations.

Capital Disclosures requires that the Corporation disclose information that enables users of its financial statements to evaluate the Corporation's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance.

CICA Handbook Sections 3862 and 3863 replace CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the Corporation manages those risks.

## FUTURE ACCOUNTING CHANGES

### International Financial Report Standards

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The Corporation has adopted IFRS for the fiscal year 2012 starting October 1, 2011. The fiscal 2012 Consolidated Financial Statements will include comparative 2011 financial results under IFRS.

Although much of Canadian GAAP is similar to IFRS, there are some differences that may significantly impact the Corporation's processes and financial results. The Corporation has transitioned to IFRS and is preparing the financial presentation for the first quarterly report to shareholders (quarter ending December 31, 2011). This includes identifying and reporting on the differences between existing Canadian GAAP and IFRS. Based on its review of the current requirements of IFRS and on the current operations of the Corporation, management does not expect that there will be any material effect on its financial results.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet financial arrangements and no material contractual obligations other than those described in the 2011 Annual Report.

#### **RELATED PARTY TRANSACTIONS**

There were no material related party transactions other than those described in the 2011 Annual Report and the Management Information Circular of the Corporation dated December 6, 2011.

#### **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Corporation maintains a set of disclosure controls and procedures (“DC&P”) and internal controls over financial reporting (“ICFR”). The DC&P has been designed to provide reasonable assurance that material information relating to the Corporation is made known to the Corporation’s Chief Executive Officer and Chief Financial Officer by the other officers of the Corporation, particularly during the period in which the annual filings are being prepared; and information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. The ICFR has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Corporation’s Generally Accepted Accounting Principles.

Consistent with National Instrument 52-109, the Corporation’s Chief Executive Officer and Chief Financial Officer have evaluated the DC&P and ICFR as of September 30, 2011 and concluded that the controls have been designed and are operating effectively.

#### **CHANGES TO INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There was no change in the Corporation’s internal controls over financial reporting that occurred during fiscal 2011 that has materially affected, or is reasonably likely to materially affect, the Corporation’s internal controls over financial reporting.

## RISKS AND UNCERTAINTIES

Similar to other asset management companies, IAM faces risks and uncertainties that can be managed but not eliminated. The Corporation has various corporate governance policies and procedures which are revised periodically. These policies and procedures require specific business units to assist in the identification, assessment and control of these risks. Major risks and uncertainties associated with IAM include:

1. Poor investment performance (market risk)
2. Loss of key employees
3. Implementation of business strategy
4. Lack of client diversification
5. Insufficient product diversification
6. Operational risk

Poor investment performance can lead to a loss of AUM resulting in lower revenues and an adverse impact on profitability. To mitigate this risk, IAM has diversified across several different alternative asset classes unrelated to each other: Private Corporate Debt, Real Estate and Retail Alternative Investments products. In addition, new products are continuously being developed and additional asset class categories sought.

All senior employees of IAM are considered to be important in the performance of the Corporation. IAM has ensured that each senior employee has been compensated accordingly with some combination of salary, bonus and stock incentives. While some employee turnover is expected, IAM makes every effort to prevent the loss of key employees. The board of directors at September 30, 2011 included six officers of the Corporation who, with the independent directors, own approximately 60% of shares of IAM. In addition, many other employees also own shares or have stock options in the common shares of the Corporation.

Overall, IAM's strategy of managing several alternative asset classes partially mitigated the adverse impact of the recent global financial crises. However, the AUM of Retail Alternative Investments were significantly adversely impacted during the last quarter of fiscal 2008 and into fiscal 2009 and again in fiscal 2011.

A risk arises when significant revenues generated by a corporation are contributed by one client or a group of related clients. The Corporation offers several different alternative asset classes for clients to invest in and there are few clients or related client groups that currently invest in more than one alternative asset class product of the Corporation. Three unrelated clients of IAM, in aggregate, accounted for approximately 34.4% of AUM at September 30, 2011 and approximately 15.2% of IAM's total revenues for the year then ended.

A further risk arises when significant reliance is placed on a specific product or family of products. The Corporation has several different operating divisions, each specializing in a different alternative asset class that contributes to the operations of the Corporation. The Corporation considers that its line of products is more broadly diversified than most asset management companies.

One aspect of operational risk facing the Corporation is revenue volatility. It is caused by changes in business and economic conditions and public expectations of the markets. Poor equity markets and economic and political uncertainty are just a few variables that contribute to increasing revenue volatility. To manage this risk, IAM continues to diversify its product line to promote alternatives for our client base and by offering superior risk-adjusted returns that have low correlation to equity and fixed income markets.

Another aspect of operating risk is the Corporation's ability to accumulate, process and communicate information necessary to conduct business. The Corporation anticipates that with further anticipated growth, the current methodology in place will require enhancement which will require both financial and human resources.

Additional risk factors that may affect the Corporation are in the Corporation's most recent Annual Information Form.

#### **OTHER INFORMATION**

Additional information about the Corporation, including its most recent Annual Information Form and Management Information Circular, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

## MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

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The Corporation's management is responsible for the integrity, objectivity, reliability and fairness of presentation of the accompanying consolidated financial statements and all information in this Annual Report. The consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors. The consolidated financial statements have been prepared by management, in accordance with accounting principles generally accepted in Canada and where appropriate reflect management's judgement and best estimates. Preparation of financial statements necessarily requires inclusion of amounts which have been based on management's best estimates, which have been made using careful judgement. Financial information contained elsewhere in this Annual Report are consistent with the consolidated financial statements.

The Corporation's management is responsible for maintaining systems of internal accounting and administrative controls that provide reasonable assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. Such systems are designed to meet the management needs of a growing business and to provide assurance that financial information is accurate and reliable in all material respects, consistent with reasonable costs. The Corporation's management believes that such systems are operating effectively and that the systems of internal controls meet management's responsibilities for the integrity of the consolidated financial statements.

The Audit Committee of the Board of Directors, all of whom are independent directors, meets with management and the auditors to discuss the Corporation's financial reporting and internal control. The Committee meets at least quarterly with management to satisfy itself that management is properly discharging their responsibilities. The Committee, among other things, reviews financial matters related to Corporate Governance, the quality of audits and financial reporting and maintains practices intended to preserve the independence of the external auditors including a review of their economic independence. The Audit Committee reviews the consolidated financial statements, the independent auditor's report and the annual and quarterly reports to the shareholders prior to submitting the information to the Board of Directors for approval. Both the independent auditor and the Audit Committee have the right to request a meeting in the absence of management at any time.

Management recognizes its responsibility to conduct the Corporation's affairs in the best interest of its shareholders.



**VICTOR KOLOSHUK**  
CHAIRMAN & CHIEF EXECUTIVE OFFICER

## INDEPENDENT AUDITOR'S REPORT

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### TO THE SHAREHOLDERS OF INTEGRATED ASSET MANAGEMENT CORP.

We have audited the accompanying consolidated financial statements of Integrated Asset Management Corp. (the Corporation), which comprise the consolidated balance sheets as at September 30, 2011 and September 30, 2010 and the consolidated statements of operations, comprehensive income and retained earnings (deficit) and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2011 and September 30, 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

#### PRICEWATERHOUSECOOPERS LLP

Chartered Accountants,  
Licensed Public Accountants  
Toronto, Canada  
December 9, 2011

**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE INCOME  
RETAINED EARNINGS (DEFICIT)**

Years Ended September 30	2011	2010
<b>REVENUES</b>		
Management fees, administration and redemption fees	\$ 16,037,170	\$ 16,587,337
Performance fees	8,935,892	4,768,994
Interest and other income	298,168	281,566
Investment gain (loss) (Note 9)	3,060,464	(77,577)
	<b>28,331,694</b>	<b>21,560,320</b>
<b>EXPENSES</b>		
Selling, general and administration	14,788,187	14,389,647
Stock based compensation (Notes 8 and 10)	85,837	7,588
Investment advisor fees	378,208	470,393
Service fees paid to dealers	1,465,822	914,302
Investment advisor, service fees and expenses paid relating to performance fees revenue earned	3,181,381	1,504,795
Amortization of property and equipment	188,847	188,080
Amortization of fund management contracts and deferred sales commissions	1,207,720	1,108,685
Interest expense	28,644	60,456
	<b>21,324,646</b>	<b>18,643,946</b>
Income before income taxes and non-controlling interest	<b>7,007,048</b>	<b>2,916,374</b>
Income taxes (recovery) (Note 11)		
Current	1,557,255	1,805,088
Future	(388,189)	(479,181)
	<b>1,169,066</b>	<b>1,325,907</b>
Income before non-controlling interest	<b>5,837,982</b>	<b>1,590,467</b>
Non-controlling interest share of income	(1,504,190)	(555,740)
Net income and comprehensive income <sup>(1)</sup>	<b>\$ 4,333,792</b>	<b>\$ 1,034,727</b>
Basic and diluted earnings per share	<b>\$ 0.15</b>	<b>\$ 0.04</b>
Weighted average number of shares outstanding, basic and diluted	<b>28,310,150</b>	<b>28,310,150</b>
Retained earnings (deficit), beginning of year	<b>\$ (4,553,492)</b>	<b>\$ (4,455,813)</b>
Net income	4,333,792	1,034,727
Dividends paid (Note 15)	(1,415,508)	(1,132,406)
Retained earnings (deficit), end of year	<b>\$ (1,635,208)</b>	<b>\$ (4,553,492)</b>

(1) The Corporation has no Accumulated Other Comprehensive Income as at September 30, 2011 and 2010 (Note 8).

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED BALANCE SHEETS

September 30	2011	2010
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 8,158,037	\$ 9,715,604
Receivables	2,059,187	2,277,584
Income taxes recoverable	97,806	223,922
Prepays	267,059	349,225
Investments in funds managed by the Corporation (Note 6)	11,674,406	2,694,580
Other assets (Note 7)	30,500	26,000
Future income taxes (Note 11)	26,923	42,369
	<b>22,313,918</b>	<b>15,329,284</b>
Property and equipment (Note 4)	462,596	556,341
Fund management contracts (Note 5)	5,169,800	6,375,340
Goodwill (Note 5)	1,578,471	1,578,471
Investments in funds managed by the Corporation (Note 6)	919,295	1,155,514
Other assets (Note 7)	2,146,646	2,712,594
Future income taxes (Note 11)	175,893	185,477
	<b>\$ 32,766,619</b>	<b>\$ 27,893,021</b>
<b>LIABILITIES</b>		
Current		
Payables and accruals	\$ 6,165,507	\$ 5,319,732
Deferred revenue	120,348	210,105
Dividends payable	-	1,132,406
Preferred shares of subsidiary	100,000	100,000
Income taxes payable	1,407,807	1,857,874
Future income taxes (Note 11)	323,066	349,485
	<b>8,116,728</b>	<b>8,969,602</b>
Tenant inducements and deferred revenue	115,544	339,744
Future income taxes (Note 11)	1,054,325	1,435,269
	<b>9,286,597</b>	<b>10,744,615</b>
Non-controlling interest (Note 6)	4,017,181	689,686
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 8)	20,109,870	20,109,870
Contributed surplus (Note 8)	988,179	902,342
Retained earnings (deficit)	(1,635,208)	(4,553,492)
	<b>19,462,841</b>	<b>16,458,720</b>
	<b>\$ 32,766,619</b>	<b>\$ 27,893,021</b>

Commitments (Note 14)

On behalf of the Board



Director



Director

See accompanying notes to the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30	2011	2010
Increase (decrease) in cash and cash equivalents		
<b>OPERATING ACTIVITIES</b>		
Net Income	\$ 4,333,792	\$ 1,034,727
Non-cash items (Note 13)	(475,222)	1,450,281
	<b>3,858,570</b>	2,485,008
Net change in non-cash balances relating to operations (Note 13)	<b>252,376</b>	4,185,785
Cash provided by operating activities	<b>4,110,946</b>	6,670,793
<b>FINANCING ACTIVITIES</b>		
Dividends paid to shareholders	(2,547,914)	-
Distributions paid to non-controlling interests	(1,723,053)	(557,738)
Repayment of management loans (Note 7)	24,000	2,500
Issuance of common shares of subsidiary	-	49
Issuance of preferred shares of subsidiary	-	100,000
Cash used in financing activities	<b>(4,246,967)</b>	(455,189)
<b>INVESTING ACTIVITIES</b>		
Purchase of subsidiary, net of cash acquired	-	(1,640,281)
Investing in funds managed by the Corporation	(7,200,000)	(1,113,698)
Proceeds from funds managed by the Corporation	1,695,140	60,498
Proceeds from sale of other assets	4,178,417	-
Purchase of property and equipment	(95,103)	(91,763)
Cash used in investing activities	<b>(1,421,546)</b>	(2,785,244)
Increase (decrease) in cash and cash equivalents	<b>(1,557,567)</b>	3,430,360
Cash and cash equivalents, beginning of year	<b>9,715,604</b>	6,285,244
Cash and cash equivalents, end of year	<b>\$ 8,158,037</b>	\$ 9,715,604

See accompanying notes to the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2011 and 2010

## 1. ORGANIZATION

Integrated Asset Management Corp. (the "Corporation" or "IAM") is incorporated under the laws of Ontario and its common shares are listed on the TSX. The Corporation's principal business is alternative asset management and operates in one geographic segment (Canada).

The Corporation manages assets across a variety of alternative asset classes for retail, institutional and high net worth customers. Generally the Corporation's revenues are derived from managing and administering this business.

## 2. CHANGES IN ACCOUNTING POLICIES

### Future Accounting Changes

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The Corporation has adopted IFRS for the fiscal year 2012 starting October 1, 2011. The fiscal 2012 Consolidated Financial Statements will include comparative 2011 financial results under IFRS.

Although much of Canadian GAAP is similar to IFRS, there are some GAAP differences that may significantly impact the Corporation's processes and financial disclosures. This includes identifying the differences between existing Canadian GAAP and IFRS, identifying potential business impacts, developing the project plan, assessing resource requirements and training staff. Based on its review of the current requirements of IFRS and on the current operations of the Corporation, management does not expect that there will be any material effect on its financial results.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

### Basis of presentation

The consolidated financial statements include the accounts of the Corporation and the following subsidiaries:

GPM Investment Management ("GPM") (a partnership)	100% <sup>(1)</sup>
Integrated Private Debt Corp. ("IPD")	100%
BluMont Capital Inc. ("BluMont Capital")	100%
Integrated Managed Futures Corp ("IMFC")	77.5% <sup>(2)</sup>
River Plate House Capital Management Inc. ("River Plate House")	51% <sup>(3)</sup>
OreReserve Asset Management Inc. ("OreReserve")	51% <sup>(4)</sup>
Integrated Partners Holding GP One Limited ("IPHGPOL")	57.8%

(1) In fiscal 2009, the Corporation acquired the remaining 25.025% of GPM that it did not already own. The Vendor retained his 25.025% pro-rata economic interest in two assets of GPM: (i) performance fees that may be realized by GPM from specific funds in the future, and (ii) proceeds on the disposition of a single real estate investment (Note 8).

(2) Includes 32.5% owned by BluMont Capital

(3) Incorporated April 28, 2010

(4) Incorporated January 23, 2009

The consolidated financial statements include all the assets, liabilities and operations of two funds managed by the Corporation in which the Corporation owned more than a 50% interest in those funds (Note 6).

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Use of estimates

The consolidated financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts, and short term investments with maturities of three months or less.

#### Income taxes

The Corporation provides for income taxes using the asset and liability method of tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets, liabilities and unused tax loss carryforwards and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

#### Property and equipment

Property and equipment are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Furniture and fixtures	20% diminishing balance basis
Computer hardware and software	30% diminishing balance basis
Leasehold improvements	straight line over the term of the lease

#### Investments in funds managed by the Corporation

Investments in funds managed by the Corporation are classified as either held for trading securities or available for sale securities that do not have a quoted market price in an active market. Held for trading securities are securities that the Corporation purchases for resale over a short period of time. These securities are reported at their fair value on the Consolidated Balance Sheet and mark-to-market adjustments and any gains and losses on the sale of these securities are reported in the Consolidated Statement of Operations under investment income (loss). Available for sale securities that do not have a quoted market price in an active market are measured at cost on the Consolidated Balance Sheet of the Corporation and there is no impact to the Consolidated Statement of Operations unless there is an other than temporary impairment in value or realization on disposal during the year. When the Corporation owns at least 50% of the units or shares of a fund it manages, it consolidates that fund. The investments held by those funds are also classified as held for trading and reported at fair value.

#### Fund management contracts

Fund management contracts are recorded net of any write-down for impairment. The Corporation evaluates the carrying value of fund management contracts for potential impairment based on estimated future cash flows. These evaluations are performed on an annual basis, or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment is written off to income. Fund management contracts are amortized on a straight-line basis over seven years.

## **Financial Instruments**

All financial instruments are required to be measured at fair value on initial recognition. Measurement and recognition in subsequent years depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities.

The Corporation's financial instruments consists of cash and cash equivalents, held-for-trading investments an available-for-sale investment, receivables, investment in funds managed by the Corporation, management loans, receivable from fund managed by the Corporation, accounts payable, accrued liabilities and preferred shares of subsidiary. Held-for-trading investments and funds managed by the Corporation are recorded at fair value, established at the closing bid price for these investments on the recognized exchange on which it is principally traded. Investments which are not publicly traded or other assets for which no public market exists are valued at estimated fair value. The fair value of these investments is determined using an appropriate valuation methodology and use of unobservable data, as determined appropriate by management. The accounts receivable, accounts payable and accrued liabilities are classified as loans and receivables or other financial liabilities and are carried at amortized cost.

The available-for-sale investment does not have a quoted market price in an active market. This financial asset is measured at cost on the balance sheets of the Corporation, with gains and losses on disposition, or losses as a result of impairment in value recognized on the statements of operations.

### **Financial instruments – Recognition and Measurement**

During the year ended September 30, 2010, the Corporation adopted the amendments to Section 3862, Financial Instruments - Disclosures of the Canadian Institute of Chartered Accountants (CICA) Handbook regarding the inputs to fair value measurements. The section was amended to include enhanced disclosures about inputs to fair value measurement, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are:

- Level 1** Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2** Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3** Inputs that are not based on observable market data

Refer to Note 16 for fair value hierarchy and financial instruments disclosure.

## **Goodwill**

Goodwill is tested for impairment at least annually. This evaluation is performed on an annual basis, or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment would be written off to income.

## **Revenue recognition**

Management and administration fees are based upon the net asset value of the respective funds and are recognized on an accrual basis. Performance fees are recognized when management is assured of their realization. Redemption fees payable by unitholders of deferred sales charge funds, the sales commissions of which have been financed by the Corporation, are recognized as revenue on the trade date of the redemption of the applicable fund security.

## **Earnings (loss) per share**

Earnings (loss) per share amounts are based on the application of the treasury stock method for the calculation of the dilutive effect of stock options and other dilutive securities. Basic per share amounts are determined by dividing income by the weighted average number of shares outstanding during the year. Diluted per share amounts are determined by adjusting the weighted average number of shares outstanding for any dilutive effect of stock options.

For diluted per share amounts, the effect of options for 2,570,000 shares in fiscal 2011 (2010 – 2,707,857 shares) has not been reflected as to do so would be anti-dilutive.

## **Stock-based compensation**

The Corporation applies the fair value based method of accounting for stock options granted to employees for awards granted on or after October 1, 2002. Further information on the Corporation's stock-based compensation is explained in Note 10 to the consolidated financial statements.

## **Tenant inducements**

Tenant inducements are deferred and amortized on a straight-line basis over the term of the respective lease.

#### 4. PROPERTY AND EQUIPMENT

	2011	2010
<b>Cost</b>		
Furniture and fixtures	\$ 246,707	\$ 218,631
Computer hardware and software	1,768,447	1,701,420
Leasehold improvements	446,861	446,861
	<b>\$ 2,462,015</b>	<b>\$ 2,366,912</b>
<b>Accumulated amortization</b>		
Furniture and fixtures	\$ 167,529	\$ 156,178
Computer hardware and software	1,505,039	1,399,548
Leasehold improvements	326,851	254,845
	<b>\$ 1,999,419</b>	<b>\$ 1,810,571</b>
<b>Net book value</b>		
Furniture and fixtures	\$ 79,178	\$ 62,453
Computer hardware and software	263,408	301,872
Leasehold improvements	120,010	192,016
	<b>\$ 462,596</b>	<b>\$ 556,341</b>

#### 5. FUND MANAGEMENT CONTRACTS AND GOODWILL

	2011	2010
Fund management contracts	\$ 18,710,858	\$ 18,710,858
Accumulated amortization	(13,541,058)	(12,335,518)
	<b>\$ 5,169,800</b>	<b>\$ 6,375,340</b>
Goodwill	<b>\$ 1,578,471</b>	<b>\$ 1,578,471</b>

Fund management contracts are contracts between the Corporation and the funds acquired by the Corporation which set out the management services to be provided by the Corporation to those funds and the fees payable to the Corporation for those services.

For accounting purposes, at the time the fund management contracts were set up as an asset on the balance sheet, an associated future income tax liability was also recorded. Both the fund management contracts asset and the associated future income tax liability are being amortized over 7 years.

During the year ended September 30, 2010, the Corporation recorded an amount of \$1.7 million to fund management contracts in respect of the purchase of 100% of Northern Rivers Capital Management Inc.

An impairment test was performed as at September 30, 2011 and in management's judgment, it was determined that there is no impairment in the value of the fund management contracts and goodwill that is reported in the consolidated financial statements.

## 6. INVESTMENTS IN FUNDS MANAGED BY THE CORPORATION

	2011	2010
Held for trading securities, positions held long (Note 16)	<b>\$ 11,773,507</b>	\$ 2,997,702
Held for trading securities, positions held short (Note 16)	<b>(31,727)</b>	0
Available for sale securities, positions held long (Note 16)	<b>851,921</b>	852,392
	<b>12,593,701</b>	3,850,094
Less amount included in current assets	<b>(11,674,406)</b>	(2,694,580)
	<b>\$ 919,295</b>	\$ 1,155,514

During the year ended September 30, 2010, the Corporation invested \$1.0 million to seed a new fund managed by a subsidiary of the Corporation which has been categorized as held for trading.

During the year ended September 30, 2011, the Corporation invested \$2.15 million to seed a new fund managed by a subsidiary of the Corporation and invested \$5.0 million in a existing fund managed by a subsidiary of the Corporation. These amounts have been categorized as held for trading and are in current assets.

As at September 30, 2011, the Corporation owned in excess of a 50% interest in two funds and, in accordance with GAAP, included all of the assets, liabilities and results of operations of the funds in the Corporation's consolidated financial statements. Non-controlling interest in the amount of \$3,476,991 has been included on the Corporation's consolidated balance sheet as a result of this consolidation.

## 7. OTHER ASSETS

	2011	2010
Management loans (a)	<b>\$ 60,667</b>	\$ 84,667
Receivable from fund managed by the Corporation (b)	<b>2,053,979</b>	1,742,268
Other (c)	<b>62,500</b>	911,659
	<b>2,177,146</b>	2,738,594
Less amount of management loans included in current assets	<b>(30,500)</b>	(26,000)
	<b>\$ 2,146,646</b>	\$ 2,712,594

(a) Each of the management loans is collateralized against the shares of the Corporation acquired by the employee under the loan agreement. The loans bear interest at 6% annually, are secured by the shares and other security posted by the employee, and are repayable in accordance with their respective loan agreements. In the event of termination, the repayment schedule of the principal amount outstanding will be accelerated.

The fair value of the shares at September 30, 2011 was \$209,875 (2010 - \$215,625).

(b) The receivable is in respect of management fees charged by the Corporation to a fund managed by the Corporation. The amount receivable (of which \$1.7 million is over one year old) will be received when the fund's investments are monetized, which may occur in fiscal 2012.

(c) Included in Other is an investment of \$37,500 (2010 - \$886,163) in a company in which the Corporation and other related parties to the Corporation are shareholders. In fiscal 2011, this company sold its investment in real estate and distributed all the proceeds except for a residual amount to its shareholders.

## 8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

### Authorized:

The Corporation is authorized to issue an unlimited number of common shares.

### Issued:

	Number of Common shares	Amount	Contributed Surplus
Balance, October 1, 2009	28,310,150	\$ 20,109,870	\$ 894,754
Stock-based compensation (Note 10)	-	-	7,588
<b>Balance, September 30, 2010</b>	<b>28,310,150</b>	<b>\$ 20,109,870</b>	<b>\$ 902,342</b>
Stock-based compensation (Note 10)	-	-	85,837
<b>Balance, September 30, 2011</b>	<b>28,310,150</b>	<b>\$ 20,109,870</b>	<b>\$ 988,179</b>

During the year ended September 30, 2011, the amount of \$85,837 (2010 – \$7,588) credited to Contributed Surplus represents the stock-based compensation expense of \$85,837 (2010 - \$7,588) for stock options granted by the Corporation as shown on the Consolidated Statement of Operations.

The Corporation had no Other Comprehensive Income for the year ended September 30, 2011 or 2010 and the Corporation does not have any Accumulated Other Comprehensive Income as at September 30, 2011 or 2010.

## 9. INVESTMENT GAIN (LOSS)

	2011	2010
Held for trading securities (a)	\$ (236,363)	\$ (77,577)
Other assets (b)	3,296,827	-
	\$ 3,060,464	\$ (77,577)

(a) The Corporation invests in funds managed by the Corporation (Note 6) and recognizes the change in market value for held for trading securities on the Consolidated Statement of Operations. The held for trading securities represent investments made by the Corporation in the Exemplar Portfolios, its global bond fund and the common shares of a publicly listed Corporation. Those securities classified as available for sale securities that do not have a quoted market price in an active market are measured at cost with gains and losses on disposition, or as a result of impairments in value, recognized on the Consolidated Statement of Operations. The available for sale security represents an investment by the Corporation in a private equity fund it manages.

(b) The Corporation realized a gain on its shareholding in a company which sold its investment in real estate during fiscal 2011 (see Note 7).

## 10. STOCK-BASED COMPENSATION

The Corporation has established an incentive stock option plan for the executives, key employees, directors and consultants to the Corporation. As at September 30, 2011, there were 2,570,000 common shares (2010 – 2,707,857) reserved for issuance on exercise of stock options. There were no new shares issued under the directors' compensation plan which was implemented in 2009.

These options expire in fiscal years 2013 through 2018 and may be exercised at prices ranging from \$0.70 to \$1.50 per common share with a total exercisable value of \$2,469,000 (2010 – \$2,674,000). The market value of IAM stock closed at \$0.85 on the day the current fiscal year's options were granted.

Incentive stock options have one of the following vesting schedules.

- (i) one-third on the date of grant and one-third on each of the first and second anniversary of the date of grant, or
- (ii) one-third on each of the first, second and third anniversary of the date of grant, or
- (iii) one-third on each of the second, third and fourth anniversary of the date of grant (current practice).

Under the incentive stock option plan, the exercise price of each stock option is equal to or greater than the volume weighted average trading price of the Corporation's common shares on the TSX for the five trading days immediately preceding the day the stock option is granted and each stock option's maximum term is ten years.

The following table summarizes information about the Corporation's stock option plan at September 30, 2011:

	Number of Options Outstanding	Number of Options Vested	Exercise Price	Expiry Date
	1,625,000	-	\$ 0.70	2017
	140,000	-	\$ 0.90	2018
	40,000	26,667	\$ 1.45	2014
	765,000	510,000	\$ 1.50	2013
	<b>2,570,000</b>	<b>536,667</b>		

The changes in the stock options are as follows:

	Total number of Options	Weighted Average Exercise Price
September 30, 2010		
Outstanding at beginning of year	2,226,469	\$ 1.43
Granted	1,755,000	\$ 0.70
Cancelled and expired	(1,273,612)	\$ 1.36
Outstanding at end of year	2,707,857	\$ 0.99
September 30, 2011		
Granted	140,000	\$ 0.90
Cancelled and expired	(277,857)	\$ 1.39
Outstanding at end of year	<b>2,570,000</b>	<b>\$ 0.96</b>

## 10. STOCK-BASED COMPENSATION (CONTINUED)

The weighted average grant-date fair value of the stock options issued in fiscal 2011 is \$0.14 (2010 - \$0.12). The Corporation estimated the fair value of options granted under the Black-Scholes option-pricing model and the following weighted average assumptions:

	2011	2010
Risk free rate	<b>1.98%</b>	2.25%
Expected life of options (in years)	<b>5.5</b>	4.0
Expected volatility of the Corporation's share price	<b>39.4%</b>	40.2%
Expected dividend yield	<b>7.35%</b>	0.00%

The Black-Scholes option-pricing model was developed for estimating the fair value of traded options that have no vesting restrictions and are fully transferable. As the Corporation's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions, such as expected stock market price volatility, can materially affect the fair value estimate, other pricing model techniques may produce alternative values for the fair value of the employee stock options.

## 11. INCOME TAXES

The provision for income taxes differs from the amount computed by applying statutory federal and provincial income tax rates to income before income taxes and non-controlling interest. This difference results from the following:

Years ended September 30	2011	2010
Income (loss) before income taxes and non-controlling interest	<b>\$ 7,007,048</b>	\$ 2,916,374
Statutory income tax rate	<b>28.75%</b>	31.75%
Expected income tax (recovery)	<b>2,014,525</b>	925,948
Effect of income tax of:		
Rate change of future income taxes	-	(60,357)
Future income tax on Northern Rivers' fund management contracts	-	(43,673)
Gains for which prior year's losses have not been recognized	<b>(166,407)</b>	-
Losses for which an income tax benefit has not been recognized	<b>221,297</b>	465,420
Permanent items	<b>(947,838)</b>	80,087
Other	<b>47,489</b>	(41,518)
	<b>\$ 1,169,066</b>	\$ 1,325,907

As at September 30, 2011, the Corporation and its subsidiaries had non-capital losses for tax purposes of approximately \$3,268,000 (2010 - \$3,785,000).

The non-capital losses expire as follows:

2014	\$ 1,000
2025	12,000
2026	195,000
2027	210,000
2028	576,000
2029	94,000
2030	1,405,000
2031	775,000
	3,268,000
Non-capital losses for which a future income tax asset has not been realized	(2,499,000)
	\$ 769,000

A future income tax asset has been recognized relating thereto, representing the amount of the future tax benefit that the Corporation believes is more likely than not to be realized in future years. See Note 12 for the future income tax liability arising on the business acquisition.

## 12. BUSINESS ACQUISITION

During the year ended September 30, 2010, the Corporation acquired all of the shares of Northern Rivers Capital Management Inc. for approximately \$2.0 million.

Details of the net asset acquired, at fair value, are as follows;

Current assets (including cash of \$354,669)	\$ 1,123,933
Fund management contracts, net of future income taxes	1,222,710 <sup>(1)</sup>
Current liabilities	(351,695)
	\$ 1,994,948

(1) Fund management contracts of \$1,663,854 (a finite intangible asset determined at the time of acquisition) and a future income tax liability of \$441,144 have been set up for accounting purposes and are being amortized straight line over the terms of the contracts, which is seven years. As at September 30, 2011, the book value of the fund management contracts and future income tax liability relating to this business acquisition were \$1,289,687 and \$328,685 respectively

Details of the consideration given, at fair value, are as follows:

Cash	\$ 1,954,948
Transaction costs	40,000
	\$ 1,994,948

### 13. NON-CASH ITEMS AND SUPPLEMENTAL CASH FLOW INFORMATION

	2011	2010
Non-cash items:		
Stock based compensation (Note 8)	\$ 85,837	\$ 7,588
Amortization of property and equipment	188,847	188,080
Amortization of fund management contracts and deferred sales commissions	1,207,720	1,108,685
Future income tax recovery	(388,189)	(479,181)
Non-controlling interest share of income	1,504,190	555,740
Investment loss (gain)	(3,060,464)	77,577
Other	(13,163)	(8,208)
	<b>\$ (475,222)</b>	<b>\$ 1,450,281</b>
Net change in non-cash balances relating to operations:		
Receivables, income taxes recoverable and prepaids	170,625	\$ 1,337,709
Payables, accruals, income taxes payable, deferred revenue and tenant inducements	81,751	2,848,076
	<b>\$ 252,376</b>	<b>\$ 4,185,785</b>
Interest and income taxes paid:		
Interest paid	\$ 28,644	\$ 60,456
Income taxes paid	<b>\$ 2,075,000</b>	<b>\$ 226,427</b>

### 14. COMMITMENTS

(a) Future minimum annual lease payments under operating leases are as follows:

2012	\$ 888,000
2013	603,000
2014 and thereafter	-
	<b>\$ 1,491,000</b>

(b) A subsidiary is the manager of retail alternative funds and has agreed to fund the annual operating costs of the funds in excess of a predetermined level. It is the subsidiary's current policy to absorb or waive these costs in order to establish an upper limit for the management expense ratio for each fund for the benefit of its unit holders. These absorptions or waivers by the subsidiary may be terminated at any time by the subsidiary and at the subsidiary's direction may be continued indefinitely.

(c) The Corporation has agreed to indemnify its directors in accordance with its by-laws. The Corporation maintains insurance policies that may provide coverage against certain claims.

## 15. DIVIDENDS

The Corporation declared a cash dividend of \$0.05 per common share to shareholders in fiscal 2011 (2010 - \$0.04) and the dividend was paid in September 2011.

## 16. FINANCIAL INSTRUMENTS

Financial instruments are classified based on categories according to CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement as follows:

	Available For Sale	Held for Trading	Loans and Receivables or Other Financial Liabilities
<b>As at September 30, 2011</b>			
Cash and cash equivalents	\$ -	\$ 8,158,037	\$ -
Receivables	-	-	2,059,187
Investments in funds managed by the Corporation	851,921	11,773,507	-
Other assets	-	-	2,145,146
<b>Total financial assets</b>	<b>\$ 851,921</b>	<b>\$ 19,931,544</b>	<b>\$ 4,204,333</b>
Payables and accruals	\$ -	\$ -	\$ 6,165,507
Investments in funds managed by the Corporation	-	3,508,718	-
Preferred shares of subsidiary	-	-	100,000
<b>Total financial liabilities</b>	<b>\$ -</b>	<b>\$ 3,508,718</b>	<b>\$ 6,265,507</b>

	Available For Sale	Held for Trading	Loans and Receivables or Other Financial Liabilities
<b>As at September 30, 2010</b>			
Cash and cash equivalents	\$ -	\$ 9,715,604	\$ -
Receivables	-	-	2,277,584
Investments in funds managed by the Corporation	852,392	2,997,702	-
Other assets	-	-	1,852,431
<b>Total financial assets</b>	<b>\$ 852,392</b>	<b>\$ 12,713,306</b>	<b>\$ 4,130,015</b>
Payables and accruals	\$ -	\$ -	\$ 5,319,731
Preferred shares of subsidiary	-	-	100,000
<b>Total financial liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,419,731</b>

In the normal course of business, the Corporation is exposed to select financial risks by virtue of its activities, encompassing market risk, credit risk and liquidity risk. The Corporation has nominal exposure to interest rate risk.

## 16. FINANCIAL INSTRUMENTS (CONTINUED)

### Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, equity market fluctuations and other relevant market rate or price changes. Market risk is directly influenced by the volatility and liquidity in the markets in which the related underlying assets are traded.

The Corporation's only financial instrument affected by market risk is its investments in funds managed by the Corporation, which consist of capital the Corporation invests in new products in order to ensure their successful introduction into the marketplace. Products currently consist of funds in the retail alternative investments market, including a portion for which the underlying securities are non-Canadian, an allocation to a global bond fund managed by the Corporation and common shares of a publicly-listed Canadian company. Consequently, the Corporation is impacted by both the changing value of the securities in the market, as well as changes in the relative value of foreign currencies. There may be some liquidity risk depending on the underlying securities in the funds, however, this is mitigated through the diversification of the funds' portfolios, regulatory restrictions on investing in illiquid securities and ensuring securities acquired are sufficiently liquid in nature. The Corporation believes that it is not practical or cost effective to hedge these risks; rather, it seeks to minimize risk by limiting the amount of capital allocated to new product introduction to amounts which should not adversely impact the financial strength and capacity of the Corporation and also to limit the time that the capital is at risk.

In the year ended September 30, 2010, the Corporation invested \$1.0 million in a new fund managed by a new subsidiary, River Plate House. An additional \$5.0 million was invested in fiscal 2011. Based on the carrying value of the investments in funds managed by the Corporation at September 30, 2011, the effect of a 10% increase or decline in the value of investments would result in approximately a \$0.6 million (September 30, 2010 - \$0.2 million) unrealized gain or loss on the Corporation's Consolidated Statement of Operations.

In the year ended September 30, 2011, the Corporation invested \$2.15 million as seed capital in two new funds managed by its subsidiary, Blumont Capital Corporation. Based on the carrying value of the investments in funds managed by the Corporation at September 30, 2011, the effect of a 10% increase or decline in the value of investments would result in approximately a \$0.2 million unrealized gain or loss on the Corporation's Consolidated Statement of Operations.

The investment in the private equity fund is excluded from this analysis as it is classified as an available for sale security that does not have a quoted market price in an active market. This security is difficult to value due to the inherent difficulty in valuing private companies and as a result is measured at cost, net of any impairment in value.

The Corporation held approximately US \$0.5 million in cash and cash equivalents as at September 30, 2011 (September 30, 2010 – US \$0.3 million). Accordingly, the Corporation would not be materially impacted if the US dollar strengthened or weakened against the Canadian dollar.

### Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The Corporation is exposed to credit risk principally on its receivables which have normal thirty day terms. No allowance for bad debts has been recorded.

Approximately 74% of the Corporation's receivables at September 30, 2011 are due within thirty days (September 30, 2010 – 88%). Approximately \$2.1 million (2010 - \$1.7 million) of receivables have been classified as long term, of which \$1.7 million (2010 - \$1.3 million) are over one year old (Note 7).

Cash and cash equivalents of the Corporation are held at Schedule 1 banks.

### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The Corporation has contractual obligations and financial liabilities and therefore is exposed to liquidity risk. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. The Corporation monitors its current and expected cash flow requirements to ensure it has sufficient cash and cash equivalents to meet its liquidity requirements short and longer terms. To manage cash flow requirements, the Corporation maintains a cash balance with Schedule 1 banks sufficient to meet its liquidity requirements. The Corporation does not hold any asset-backed commercial paper. The Corporation has no outstanding borrowings at September 30, 2011 and 2010, and all payables, preferred shares of subsidiary and accrued liabilities are due within one year.

### Fair Value Hierarchy

Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. There were no transfers between levels during the year.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified as Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. There were no transfers between levels during the year.

The following tables illustrate the classification of the Corporation's financial instruments within the fair value hierarchy as at September 30, 2011:

	Level 1	Level 2	Level 3	Total
Marketable securities	\$ 8,259,722	\$ 319,402	-	\$ 8,579,124
	\$ 8,259,722	\$ 319,402	-	\$ 8,579,124

### Marketable Securities

The Corporation's marketable securities are classified as Level 1 when they are actively traded and reliable quotes are available. Marketable securities consist of investments in funds managed by the Corporation (held for trading securities) and common shares of a publicly – listed Canadian company. Investments in funds managed by the Corporation (available for sale securities) are carried at cost with no fair value adjustment, therefore are not included in the table above.

## 17. CAPITAL MANAGEMENT

The Corporation's capital is comprised solely of Shareholders' Equity, as disclosed on the Corporation's Consolidated Balance Sheet. The Corporation has no debt and has determined that debt will not be a material component of its capital structure at this time.

The Corporation's primary objectives when managing capital are:

- (i) to maintain financial strength;
- (ii) to manage liquidity requirements;
- (iii) to provide a sufficient level of shareholders' equity and cash on hand to fund anticipated dividend payments;
- (iv) to provide financial flexibility to fund product initiatives and possible acquisitions;
- (v) to maintain compliance with regulatory capital requirements; and,
- (vi) to maximize returns for shareholders over the long term.

The Corporation's registrations with securities commissions in Canada requires it to maintain a minimum free capital of \$300,000. The Corporation has complied with this requirement as at September 30, 2011 and 2010.

## 18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's financial statements presentation.

## BOARD OF DIRECTORS

**Victor Koloshuk**  
Chairman and Chief  
Executive Officer  
Integrated Asset  
Management Corp.

**David Atkins**<sup>(1)(2)</sup>  
Chairman,  
Nightingale Informatix  
Corporation

**Joseph Benarrosh**  
Directeur, Quebec  
Integrated Asset  
Management Corp.

**Bruce Day**<sup>(1)(2)</sup>  
Corporate Director

**Veronika Hirsch**  
Chief Investment Officer  
BluMont Capital  
Corporation

**Stephen Johnson**<sup>(3)</sup>  
Chief Financial Officer  
Integrated Asset  
Management Corp.

**Donald Lowe**<sup>(1)(2)</sup>  
Corporate Director

**David Mather**  
Executive Vice President  
Integrated Asset  
Management Corp.

**John Robertson**  
President and Chief  
Operating Officer  
Integrated Asset  
Management Corp.

(1) Member of the Audit Committee

(2) Member of the Compensation,  
Nominating and Governance  
Committee

(3) Secretary of the Corporation

## PRINCIPAL OFFICERS

### INTEGRATED ASSET MANAGEMENT CORP.

**Victor Koloshuk**  
Chairman and Chief  
Executive Officer

**John Robertson**  
President and Chief  
Operating Officer

**Stephen Johnson**  
Chief Financial Officer

**David Mather**  
Executive Vice President

**Paul Patterson**  
Vice President  
Private Investment

**Tom Felkai**  
Corporate Controller

### QUEBEC REPRESENTATIVE

**Joseph Benarrosh**  
Directeur, Quebec

### INTEGRATED PARTNERS

**Victor Koloshuk**  
Chairman

**Stephen Johnson**  
Senior Vice President

### GPM INVESTMENT MANAGEMENT

**David Warkentin**  
Senior Vice President  
Investments

**Rick Zagrodny**  
Senior Vice President  
Asset Management

**Robert Burns**  
Chief Financial Officer

**David Becket**  
Vice President  
Asset Management

**Frank Bartello**  
Vice President  
Acquisitions

### GPH

**Robert Hamilton**  
President

### INTEGRATED PRIVATE DEBT CORP.

**John Robertson**  
Chairman

**Philip Robson**  
President

**Donald Bangay**  
Chief Investment Officer

**Dennis McCluskey**  
Chief Risk Officer

**Frank Duffy**  
Managing Director

**Michael LeClair**  
Managing Director

**Douglas Zinkiewich**  
Managing Director

### INTEGRATED MANAGED FUTURES CORP.

**Stephen Johnson**  
Chairman

**Roland Austrup**  
Chief Executive Officer and  
Chief Investment Officer

**David Mather**  
President and  
Chief Operating Officer

**Robert Koloshuk**  
Senior Strategist and  
Director of Trading

**Paul Patterson**  
Director of Business  
Development

### BLUMONT CAPITAL CORPORATION

**Victor Koloshuk**  
Chairman

**James Wanstall**  
Chief Executive Officer

**Veronika Hirsch**  
Chief Investment Officer

**Hugh Cleland**  
Executive Vice President  
and Portfolio Manager

**Alex Ruus**  
Executive Vice President  
and Portfolio Manager

**Stephen Johnson**  
Chief Financial Officer

**Richard Goode**  
Senior Vice President  
National Sales

**Lisa Christie**  
Vice President  
Fund Operations

### RIVER PLATE HOUSE CAPITAL MANAGEMENT INC.

**Michael Hyman**  
President, Chief Executive  
Officer and Chief  
Investment Officer

**Julian Smith**  
Executive Vice President  
and Chief Operating Officer

## CORPORATE INFORMATION

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### AUDITORS

PricewaterhouseCoopers LLP

### TRANSFER AGENT

Equity Transfer  
& Trust Company

### STOCK LISTING

TSX:IAM

### CORPORATE HEADQUARTERS

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### RELATED WEBSITES

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Management Corp.**

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