



Integrated Asset  
Management Corp.

**Leadership in**

# Alternative Asset Management

## Our Company

**Integrated Asset Management Corp.** is a public company (TSX:IAM), majority-owned by management. IAM develops and manages alternative investments (including Private Corporate Debt, Real Estate, Managed Futures, Global Bonds, Private Equity and Retail Alternative Investments) which enable institutional, high net worth and retail investors to reduce risk and enhance returns in their portfolios. We have 35 investment professionals and more than 60 staff located in Toronto, Montreal, Calgary and Vancouver.

## Our Strategy

**Integrated Asset Management Corp.** seeks out the best alternative portfolio managers. Over the past 12 years, we have built specialized teams of talented, experienced, highly successful investment professionals. Conservative and prudent, we are determined to be the best in terms of innovation, service and consistently superior risk-adjusted returns.

### **IFC** Our Company/Our Strategy

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## Our Products

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

### 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

### Global bonds

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

### 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
- Energy
- North American market neutral

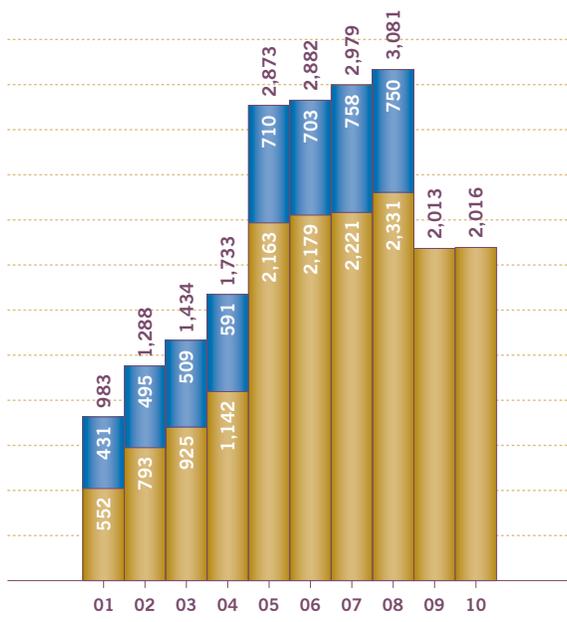
### Private equity

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

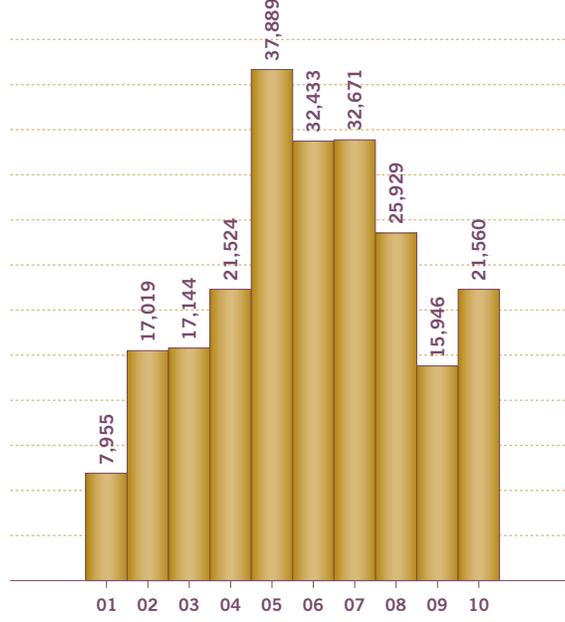
# 2010 Year in Review

## Assets Under Management (\$ millions)

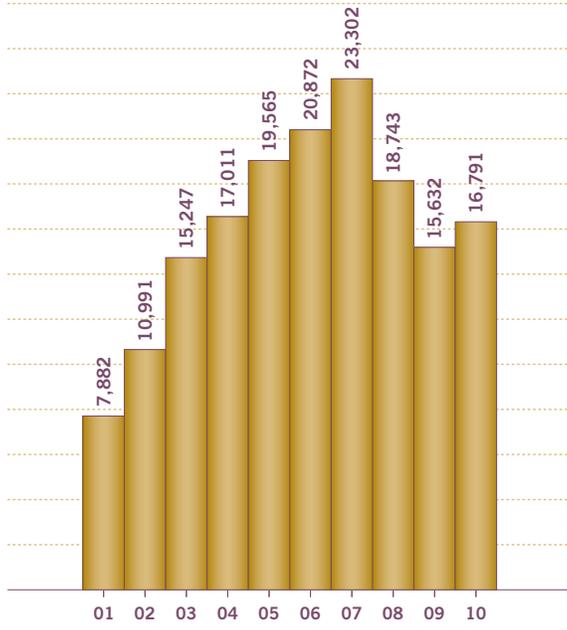
● Discontinued Operations



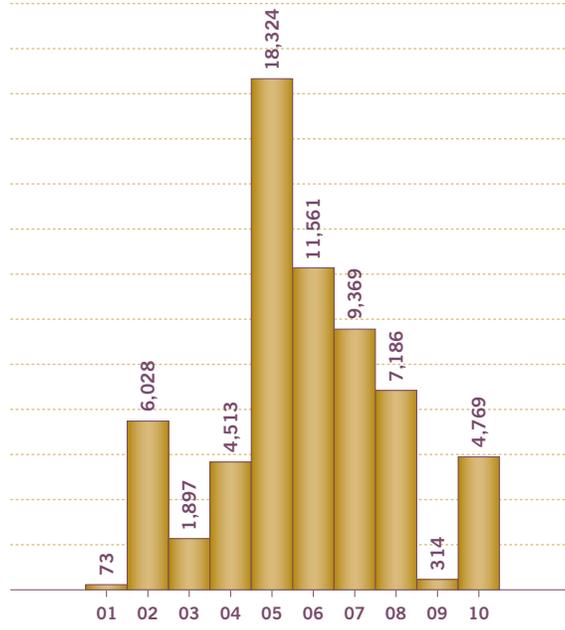
## Revenues (\$ 000s)



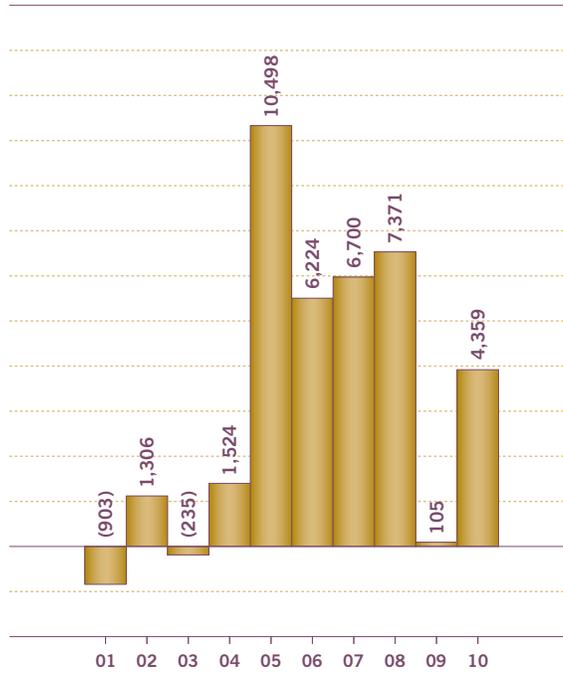
## Revenues Before Performance Fees (\$ 000s)



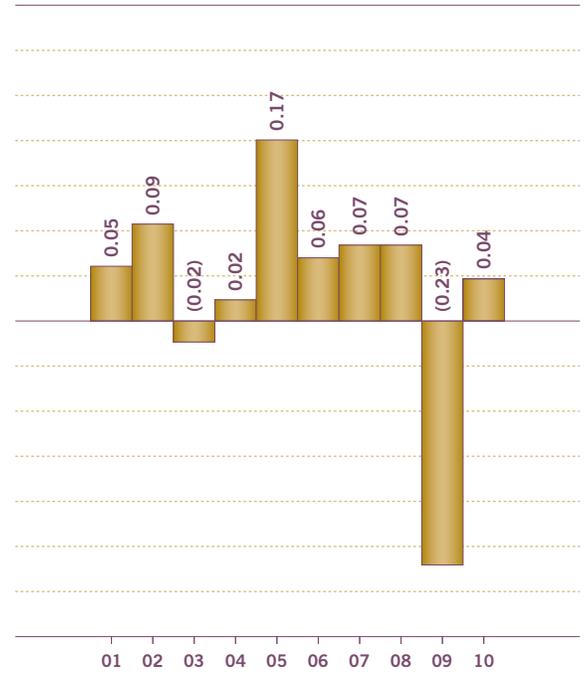
## Performance Fees (\$ 000s)



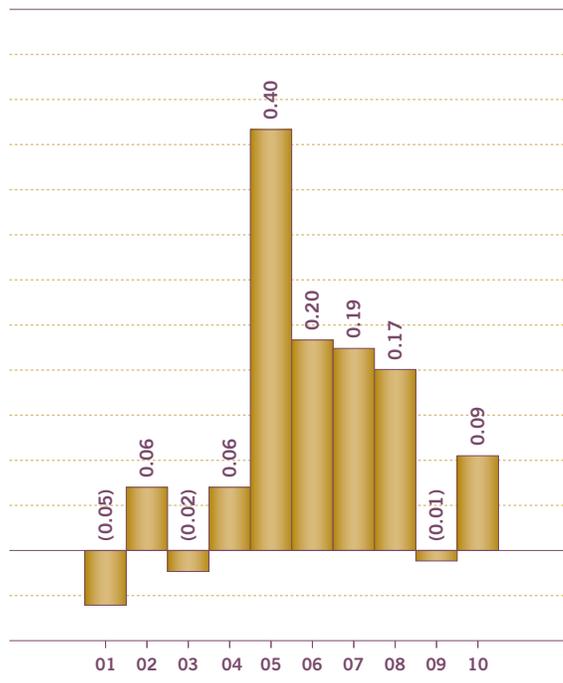
### EBITDA (\$ 000s)



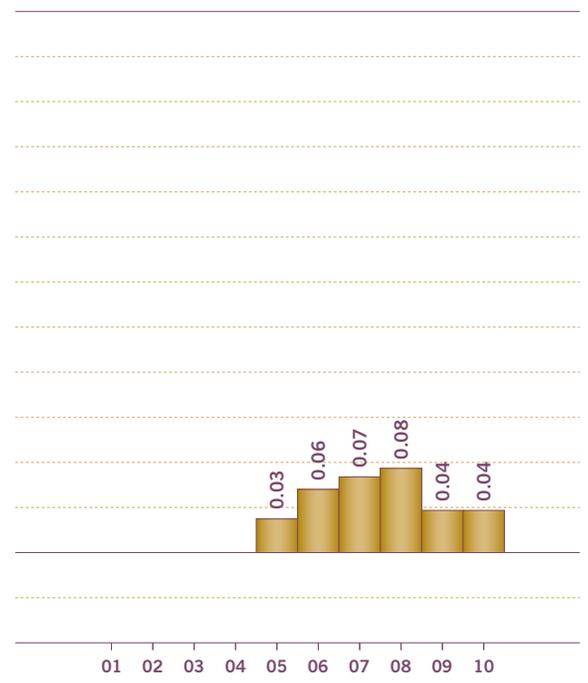
### EPS (\$ per share)



### Cash Flow (\$ per share)



### Dividend (\$ per share)



EBITDA and Cash Flow are non-GAAP measures used by the Corporation

## Chairman's Message

“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.”

**Integrated Asset Management Corp. (“IAM”) has focused exclusively on alternative asset management throughout its 12 year history. Despite this, we are still asked what exactly alternative assets are and how they fit in the world of investment portfolio management.**

IAM is exclusively an asset manager of alternative asset classes. We undertake no other activities.

“Alternative assets” are aptly named because they are an alternative to traditionally managed publicly traded stocks and bonds. Thus alternative assets are classes of investments such as real estate, private corporate debt, private equity, hedge funds, commodities, timberland, etc. Often, they are grouped into categories with labels like absolute return strategies or real assets.

The largest, most sophisticated pension and endowment funds in the world with excellent long term track records typically have allocated between 40% and 60% of their total investment portfolios to alternative assets. Almost all major pension plans in the world have significant allocations to alternative asset classes.

At IAM we concentrate on those alternative asset classes that we believe are essential for every investment portfolio, from very large pension funds to small individual portfolios. Alternative assets are not a fad; they are essential for every portfolio. I believe it is only a matter of time before the investment consulting industry completely endorses alternative asset management and more importantly, communicates this to their clients.

Alternative assets have two major characteristics which make them indispensable in all investment portfolios:

- They deliver valuable diversification; and
- They deliver enhanced risk-adjusted returns

Alternative asset management is complicated, time-consuming and requires organization and a broad range of skills from portfolio managers. At IAM, we concentrate on generating returns through skill and hard work and not through leverage. Our funds are conservatively structured with little or no leverage.

Let me illustrate these points with reference to our largest asset class – private corporate debt. (over \$ 1 billion of AUM).

Our private corporate debt management is completely different from investing in publicly traded investment grade bonds. We search for credit worthy corporations requiring senior secured private debt. We undertake our own detailed underwriting procedures with prospective borrowers and we negotiate the terms and covenants in the security agreements. We continually monitor the borrowers and act promptly if potential problems arise.

We do not offer high yield debt returns. Our clients want secure cash flow and stable returns, along with greater diversification in their fixed income portfolios than a portfolio of publicly traded bonds alone could provide. The portfolio management process is thorough, disciplined and labour-intensive.

Another illustration may be helpful. Our second largest asset class is real estate. (about \$ 800 million of AUM).

We build real estate portfolios for our clients by acquiring industrial buildings, shopping centres and other properties. We are active in all phases of managing these properties, including leasing and potentially the redevelopment of properties. Our composite portfolio return over the last 28 years has been approximately 12%, net of all fees and expenses. This is an exceptional long-term risk-adjusted performance because our funds have been built with virtually no mortgages or other debt. As a result, our clients are assured of conservatively managed investments.

As with private corporate debt, our approach to real estate asset management requires a large team of highly skilled professionals.

In the absolute return category we offer our clients (via wholly-owned BluMont Capital) market neutral strategies as well as strategies which involve hedged positions in marketable securities so that the returns are less dependent on overall market moves. In some funds (such as managed futures) we are able to offer returns completely uncorrelated to the overall stock or bond market.

It has taken us well over a decade to assemble our present team of over 60 staff, of which 35 are investment professionals. 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.

As an asset management company we are highly diversified by the number of alternative asset classes provided. In addition, we are highly diversified in terms of our client base. Our clients include pension funds, large and small, public and private, endowments and foundations and insurance companies, large and small. The institutional investors are joined by family offices and individual investors who have been introduced to IAM's products by their financial advisors. Our investment time horizons are diversified as well; some of our products are closed-end funds with a time to maturity between 10 and 13 years. Other products offer monthly liquidity and some feature daily liquidity.

Our product offering is broad and deep, and will continue to grow. In fiscal 2010 we added two new product lines and several portfolio managers to our roster. We acquired 100% of Northern Rivers Capital Management Inc. in February 2010 and as part of that transaction gained two portfolio managers; Hugh Cleland, who specializes in small capitalization healthcare and technology companies and Alex Ruus, who specializes in oil and gas. They are working closely with Veronika Hirsch, BluMont Capital's Chief Investment Officer.

Later in the year, we established River Plate House Capital Management Inc. with Michael Hyman and Julian Smith, who have unmatched expertise in global bonds. They are working with IAM to offer their unique solutions for managing longevity risk and liability-driven investing.

Our AUM were relatively unchanged during the fiscal year at approximately \$2.0 billion. Subsequently, in October 2010 we announced the closing of a new private corporate debt fund with total commitments of \$275 million, and, in November 2010, we announced the launch of a new real estate fund targeted to raise between \$150 million and \$200 million, with a first close expected in March 2011.

We believe we are the leading diversified alternative asset manager in Canada although we have barely scratched the surface of this vast and expanding market. We have the talent, focus and determination to capture an increasing share.



**Victor Koloshuk**

Chairman and Chief Executive Officer

## Report On Operations

“By the end of the fiscal year, the erosion in property values experienced in prior years had been largely recovered. Consistent with GPM’s fundamental, income-oriented philosophy, our funds continued to generate stable income and are now enjoying price appreciation as well.”

### Private Corporate Debt

Just before the end of the fiscal year, the investment program for IPD 2, the second fund in the series, was completed. Both IPD 1 and IPD 2 have well-diversified portfolios of high quality investments with average interest rates of 6.5% and 6.7% respectively.

Marketing of the third fund (IPD 3) was launched early in the fiscal year as IPD 2 passed the substantially-invested threshold. One of the key objectives was to broaden the investor base. We were successful in this, as 4 new investors joined the repeat investors. At the close, announced in October 2010, IPD 3 raised \$ 275 million in committed capital. The announcement of the close has generated considerable interest from potential investors for the next fund.

IPD 1 and IPD 2 made a number of infrastructure investments, in areas as diverse as wind energy, co-generation, deep-lake cooling, long-term care facilities and an international bridge. The IPD team has built considerable expertise in this sector. Recognizing the strong demand for infrastructure investments from North American pension funds, IPD has formed IPD Infrastructure to develop an infrastructure offering.

### Real Estate

Real Estate Asset Management had an excellent fiscal 2010 on a number of fronts. Diligent, active management of portfolio properties through the recession meant that as the recovery took hold, our funds were well-positioned to benefit. During fiscal 2010, performance fees of approximately \$ 4.4 million were realized, as the segregated portfolio reached a scheduled incentive fee payment date.

By the end of the fiscal year, the erosion in property values experienced in prior years had been largely recovered. Consistent with GPM’s fundamental, income-oriented philosophy, our funds continued to generate stable income and are now enjoying price appreciation as well.

The investment program for GPM (11) accelerated and by the end of fiscal 2010 the fund was approximately 85% invested. As a result, we were able to formally launch the marketing of GPM (12), with a target of \$150 to \$200 million and a first close expected at the end of March 2011.

### **Retail Alternative Investments**

BluMont Capital made progress in what remained a difficult retail investment environment. Operating losses (before the benefit of performance fees) were lower in fiscal 2010. BluMont Capital reduced expenses and AUM were relatively unchanged during the fiscal year. Growth in AUM of Exemplar Portfolios funds was offset by redemptions in other funds, including BluMont Man products.

All of the Exemplar Portfolios funds - the Canadian Focus Portfolio, the Global Opportunity Portfolio, and Diversified Portfolio - have delivered very strong performance and performance fees have accumulated during the fiscal year that have not yet been realized.

The Exemplar Diversified Portfolio, which incorporates the managed futures strategy of Integrated Managed Futures Corp. ("IMFC") is gaining attention from financial advisors who appreciate its attractive returns and lack of correlation to equity and bond markets. The IMFC Global Investment Program is also attracting growing interest from allocators and institutional investors in Canada, the United States and Europe.

### **New Ventures**

IAM is constantly evaluating new strategies and managers that might be added to our product offering.

In February 2010, BluMont Capital acquired Northern Rivers Capital Management Inc. with approximately \$67 million in AUM. More importantly, two excellent portfolio managers, Hugh Cleland, who specializes in small and micro-cap technology and healthcare stocks, and Alex Ruus, who specializes in oil and gas, joined our expanding team of portfolio managers.

Later in fiscal 2010, IAM established River Plate House Capital Management Inc. ("River Plate House") with Michael Hyman and Julian Smith. Michael has an exceptional track record in the management of global bond portfolios. River Plate House offers macro long / short global government bonds, long-only global government bonds and highly sophisticated solutions for LDI (liability-driven investing) and the management of longevity risk.

The common thread in both of these new ventures is adding superior portfolio managers to our team and expanding our product offering of alternative asset classes.

# Management's Discussion And Analysis

## 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 the financial condition and results of operations of IAM for the years ended September 30, 2010, 2009 and 2008 and is as of December 7, 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 7, 2010.*

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 and retail alternative investments. The Corporation had assets and committed capital under management ("AUM") of approximately \$2.0 billion at September 30, 2010.

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 December 2008, the Corporation sold all of its ownership interest in Darton Property Advisors & Managers Inc. ("Darton") which represented all of the Corporation's real estate property management activities. The Audited Consolidated Financial Statements of the Corporation show Darton as a "discontinued operation" whereby the financial results and assets and liabilities of Darton are disclosed separately.

In February 2010, the Corporation acquired Northern Rivers Capital Management Inc. ("Northern Rivers") for cash consideration of approximately \$2.0 million. 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 pool 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 year ends showing separately the AUM of the Real Estate Property Management operations (Darton) which was sold in fiscal 2009.

(\$ millions)	Sept. 30, 2010	Sept. 30, 2009	Sept. 30, 2008
Private Corporate Debt	\$ 824.8	\$ 881.2	\$ 970.4
Real Estate Asset Management	825.4	802.3	792.4
Retail Alternative Investments	346.6	306.5	549.1
Private Equity and Managed Futures	19.2	23.2	18.5
	\$ 2,016.0	\$ 2,013.2	\$ 2,330.4
Real Estate Property Management <sup>(1)</sup>	-	-	750.3
<b>Total</b>	<b>\$ 2,016.0</b>	<b>\$ 2,013.2</b>	<b>\$ 3,080.7</b>

(1) Represents AUM of Darton which was sold in December 2008

Private Corporate Debt and Real Estate Asset Management were active in deploying outstanding commitments in their funds during fiscal 2010 and did not close any new funds in the fiscal year.

AUM at Private Corporate Debt, as reported in the table, declined due to the regular repayments of principal on outstanding loans. It is important to note that as AUM include outstanding commitments, the reported AUM will be unchanged as outstanding commitments are deployed.

AUM at Retail Alternative Investments continued to decline during fiscal 2010 until mid-2010 due to net redemptions of its funds and redemptions in the BluMont Man products. The acquisition of Northern Rivers added approximately \$52 million to the AUM as at September 30, 2010. In the last quarter of fiscal 2010, AUM increased approximately \$20 million due primarily to sales of Exemplar Portfolios and market appreciation.

Subsequent to the fiscal year end, in October 2010, Private Corporate Debt announced the closing of a new fund with total commitments of \$275 million. In November 2010, the Corporation announced the launch of a new real estate fund targeted to raise between \$150 million and \$200 million, with the first close expected in March 2011.

## Selected Annual Information

\$000's except per share amounts	2010	2009	2008
Revenues before performance fees <sup>(1)</sup>	\$ 16,791	\$ 15,632	\$ 18,743
Performance fees	4,769	314	7,186
Total revenues <sup>(1)</sup>	\$ 21,560	\$ 15,946	\$ 25,929
Net performance fees <sup>(2)</sup>	\$ 3,264	\$ 285	\$ 4,519
Earnings before interest, taxes depreciation and amortization ("EBITDA") <sup>(1)(3)</sup>	\$ 4,359	\$ 105	\$ 6,824
Income (loss) from continuing operations before income taxes and non-controlling interest <sup>(1)</sup>	\$ 2,916	\$ (9,851)	\$ 4,194
Net income (loss) and comprehensive income	\$ 1,035	\$ (6,544)	\$ 1,894
Basic and diluted earnings (loss) per share	\$ 0.04	\$ (0.23)	\$ 0.07
Dividends per share	\$ 0.04	\$ 0.04	\$ 0.08
Total assets	\$ 27,893	\$ 23,910	\$ 37,796
Total long-term financial liabilities	\$ 340	\$ 446	\$ 586
Common shares outstanding, end of year	28,310	28,310	28,568

(1) Excludes discontinued operations (Darton) in fiscal 2009 and 2008 for comparative purposes.

(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 paid 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 income (loss).

Revenues before performance fees of \$16.8 million in fiscal 2010 were up \$1.2 million from \$15.6 million in fiscal 2009 primarily due to higher fee revenue in Private Corporate Debt and Real Estate Asset Management but partially offset by lower management fees in Retail Alternative Investments.

Performance fees of \$4.8 million were realized in fiscal 2010; the majority of which were in Real Estate Asset Management. In fiscal 2009, performance fees of \$0.3 million were realized, the majority of which were in the Managed Futures operations.

EBITDA increased from \$0.1 million in fiscal 2009 to \$4.4 million in fiscal 2010 due to higher net performance fees of \$3.0 million and due to improved profitability in Private Corporate Debt and Real Estate Asset Management and lower operating losses in Retail Alternative Investments.

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 (\$0.20 per share).

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.

## Financial Statements

The accompanying Audited Consolidated Financial Statements in this Annual Report include the results for the years ended September 30, 2010 and September 30, 2009.

## Summary Of Consolidated Financial Results

### Operating Results

#### Income (Loss) and Earnings (Loss) Per Share

Net income for the year ended September 30, 2010 was \$1.0 million or \$0.04 per share compared with a net loss of \$6.5 million or \$(0.23) per share. EBITDA increased from \$0.1 million in fiscal 2009 to \$4.4 million in fiscal 2010.

In fiscal 2009, the Corporation wrote off all goodwill and other intangible assets (fund management contracts acquisition costs) associated with BluMont Capital. This resulted in a non-cash charge of \$7.7 million (pre-tax) and \$5.8 million after tax (\$0.20 per share).

EBITDA increased \$4.3 million as a result of higher net performance fees of \$3.0 million (\$3.3 million in fiscal 2010 and \$0.3 million in fiscal 2009) and from a combination of increased profitability in Real Estate Asset Management and Private Corporate Debt and reduced operating losses in BluMont Capital.

#### Reconciliation of EBITDA to Net Income (Loss) and Comprehensive Income

\$000's except per share amounts	2010	2009
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	\$ 4,359	\$ 105
Amortization	(1,297)	(2,138)
Interest expense	(60)	(23)
Stock-based compensation	(8)	(123)
Investment income (loss)	(78)	53
Impairment of goodwill and fund management contracts <sup>(1)</sup>	-	(7,725)
Income (loss) from continuing operations before income taxes and non-controlling interest	2,916	(9,851)
Income taxes	(1,326)	2,369
Non-controlling interest share of income	(555)	(29)
Gain on sale of discontinued operations, net of tax	-	1,001
Net income (loss) and comprehensive income from discontinued operations, net of tax	-	(34)
Net income (loss) and comprehensive income for the year	\$ 1,035	\$ (6,544)

(1) During fiscal 2009, the Corporation recorded a non-cash accounting impairment charge to intangible assets in respect of goodwill and fund management contracts in the Retail Alternative Investments operations (see Note 6 of the Audited Consolidated Financial Statements).

## Revenues

Total revenues increased from \$15.9 million in fiscal 2009 to \$21.6 million in fiscal 2010 due to increases in both performance fees and management fees.

Performance fees increased \$4.5 million in fiscal 2010 to \$4.8 million, of which \$4.4 million was generated from a fund in Real Estate Asset Management and the remaining \$0.4 million from Retail Alternative Investments and the Managed Futures operations.

Management fees, administration and redemption fees increased from \$15.1 million in fiscal 2009 to \$16.6 million in fiscal 2010 due to higher fee revenue in Private Corporate Debt and Real Estate Asset Management. Although AUM in Retail Alternative Investments increased in fiscal 2010, management fees were lower than in fiscal 2009 because AUM in fiscal 2009 were on average higher during that year (AUM in fiscal 2009 declined from \$549.1 million at September 30, 2008 to \$306.5 million at September 30, 2009).

## Expenses

The Corporation reported consolidated expenses for the year ended September 30, 2010 of \$18.6 million compared to \$25.8 million for the year ended September 30, 2009. Excluding expenses relating to performance fees (\$1.5 million and a nominal amount in fiscal 2010 and 2009 respectively) and the non-cash impairment of goodwill and fund management contracts of \$7.7 million in fiscal 2009, expenses were \$0.9 million lower in fiscal 2010 (\$17.1 million in fiscal 2010 compared with \$18.0 million in fiscal 2009). This lower level of expenses in fiscal 2010 is due primarily to lower amortization of fund management contracts as a result of the write-off in fiscal 2009 of all the net book value of the fund management contracts associated with BluMont Capital.

The principal components of expenses are selling, general and administration (“SG&A”) of \$14.4 million (2009: \$14.0 million), approximately 74% of which is salaries and related costs (2009: 72%). The employee compensation was higher in fiscal 2010 due to increased bonuses reflecting the year’s increased profitability.

Investment advisor fees paid by the Corporation, excluding the portion relating to performance fees, declined from \$0.8 million in fiscal 2009 to \$0.5 million in fiscal 2010. Fiscal 2009 included activity in the flow-through business managed by Retail Alternative Investments and there was no activity in this sector in fiscal 2010.

Amortization of fund management contracts and deferred sales commissions (“DSC”) was \$1.1 million in fiscal 2010 compared with \$1.9 million in fiscal 2009 and is comprised of amortization of fund management contracts of \$1.1 million (2009: \$1.7 million) and amortization of DSC of \$nil (2009: \$0.2 million).

The amortization of fund management contracts in fiscal 2010 is lower due to the write-off in fiscal 2009 of all the net book value of the fund management contracts associated with BluMont Capital, the effect of which reduces amortization in subsequent fiscal years. As a result of the acquisition of Northern Rivers in February 2010, the Corporation recorded an amount of \$1.7 million to fund management contracts which is being amortized over 7 years (see Note 13 of the Audited Consolidated Financial Statements).

The non-cash accounting charge in fiscal 2009 of \$7.7 million in respect of the impairment of goodwill and fund management contracts relates to BluMont Capital's fund management contracts as described above.

In fiscal 2010, the Corporation had current income taxes of \$1.8 million and a future income tax recovery of \$0.5 million. The amount of current income taxes of \$1.8 million appears high given reported income before income taxes and non-controlling interest of \$2.9 million. The amortization of fund management contracts of \$1.1 million is a non-cash accounting charge and is not deductible for income tax purposes. In addition, the Corporation did not recognize in fiscal 2010 an accounting income tax benefit for losses incurred by Retail Alternative Investments and the managed futures operation. The benefit of these losses will be recognized for financial statement purposes in the event that the operations of Retail Alternative Investments become profitable again. The future income tax recovery of \$0.5 million is primarily a non-cash accounting item resulting from the amortization of the future income tax liability which is set up as a liability when fund management contracts are correspondingly set up as an asset on the Corporation's Consolidated Balance Sheet (see Note 13 of the Audited Consolidated Financial Statements).

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 current income taxes payable of \$1.9 million as at September 30, 2010 is payable in the first quarter of fiscal 2011.

The non-controlling share of income of approximately \$0.6 million in fiscal 2010 (2009: \$ nil) reflects the portion of performance fees realized by Real Estate Asset Management which was paid to its former non-controlling shareholder.

## 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 Q1, fiscal 2010, the Corporation realized performance fees of \$4.3 million in Real Estate Asset Management and \$0.4 million in Retail Alternative Investments.

EBITDA in fiscal 2010 has increased from fiscal 2009 as a result of higher net performance fees and from a combination of increased profitability in Real Estate Asset Management and Private Corporate Debt and reduced operating losses in Retail Alternative Investments. Revenues for the fourth quarter of fiscal 2010 included a higher level of commitment fees than in previous quarters due to greater deployment of outstanding commitments in real estate and private corporate debt.

### Fiscal 2010

\$000's, except per share amounts	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>\$ 4,047</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) from continuing operations 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

### Fiscal 2009

\$000's, except per share amounts	Q1	Q2	Q3	Q4	Total
Revenues before performance fees <sup>(1)</sup>	\$ 3,876	\$ 3,743	\$ 4,188	\$ 3,825	\$ 15,632
Performance fees	172	-	4	139	314
<b>Total revenues<sup>(1)</sup></b>	<b>\$ 4,048</b>	<b>\$ 3,743</b>	<b>\$ 4,192</b>	<b>\$ 3,964</b>	<b>\$ 15,946</b>
Net performance fees	\$ 167	\$ -	\$ 4	\$ 114	\$ 285
EBITDA <sup>(1)</sup>	\$ 241	\$ (184)	\$ 195	\$ (147)	\$ 105
Loss from continuing operations before income taxes and non-controlling interest <sup>(1)</sup>	\$ (748)	\$ (8,607)	\$ (144)	\$ (352)	\$ (9,851)
Net income (loss) and comprehensive income	\$ 434	\$ (6,398)	\$ (125)	\$ (455)	\$ (6,544)
Earnings (loss) per share	\$ 0.02	\$ (0.23)	\$ 0.00	\$ (0.02)	\$ (0.23)

(1) Excludes discontinued operations (Darton).

## Consolidated Financial Position At September 30, 2010

### 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, 2010
Real Estate Asset Management and Private Equity	\$ 4,900
Retail Alternative Investments and Managed Futures	1,200
<b>Total</b>	<b>\$ 6,100</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 of Real Estate Asset Management are realized sporadically as they tend to be recognized towards the end of the life of the pool of assets being managed, which at times can be up to twelve years. Performance fees are expected to be realized in Real Estate Asset Management in fiscal 2011. There were no unrealized performance fees as at September 30, 2010 for Private Equity.

(\$ 000's)	Unrealized Performance Fees	Fiscal Year of Expected Realization
GPM 8	\$ 3,800	2011
GPM 9	1,100	2014
<b>Total</b>	<b>\$ 4,900</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. The unrealized performance fees of the funds in Real Estate Asset Management have declined in both fiscal 2009 and 2010 as a result of lower property values.

Performance fees of Retail Alternative Investments and Managed Futures are generally recognized on an annual basis (December 31).

During fiscal 2010, performance fees of \$4.8 million were realized by the Corporation of which approximately \$4.4 million was from Real Estate Asset Management.

Assuming the unrealized performance fees shown above are actually realized on schedule, the Corporation would record approximately \$5.0 million of performance fees in fiscal 2011 (Real Estate Asset Management: \$3.8 million, Retail Alternative Investments: \$1.2 million).

## 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.

At September 30, 2010, the Corporation's net liquid assets (excluding futures income taxes) decreased to \$6.7 million compared to \$8.0 million as at September 30, 2009. During the second quarter of fiscal 2010, the Corporation completed the acquisition of Northern Rivers which reduced net liquid assets by \$1.2 million. The Corporation's net liquid assets of \$6.7 million as at September 30, 2010 includes a deduction for dividends payable of \$1.1 million.

Cash flow from operations (which is a non-GAAP measure) and dividends in fiscal years 2008 to 2010 are summarized below:

\$000's except per share amounts	2010	2009	2008
Cash provided by (used in) operating activities <sup>(1)</sup>	\$ 6,671	\$ (2,691)	\$ 5,440
Net change in non-cash balances relating to operations <sup>(1)</sup>	(4,186)	2,456	(459)
Cash flow from operations	\$ 2,485	\$ (235)	\$ 4,981
Dividends	\$ 1,132	\$ 1,134	\$ 2,284
Cash flow from operations per share <sup>(2)</sup>	\$ 0.09	\$ (0.01)	\$ 0.17
Dividends per share	\$ 0.04	\$ 0.04	\$ 0.08

(1) These amounts are shown on the Consolidated Statements of Cash Flows in the Consolidated Financial Statements.

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

Investments in funds managed by the Corporation (including the current portion) increased from \$2.9 million as at September 30, 2009 to \$3.9 million as at September 30, 2010. In September 2010, the Corporation made a cash investment of \$1.0 million to seed a new fund managed by River Plate House Capital Management Inc. ("River Plate House"), a newly formed 51% owned subsidiary of the Corporation. River Plate House is a global bond asset management company.

The non-controlling interest of \$0.7 million as at September 30, 2010 is similar to that at the previous fiscal year end. The principal components of the non-controlling interest are the interests of employees and former employees of IAM in the investments in a fund managed by the Corporation (\$0.4 million) and a retired employee's 25% residual interest in certain performance fees and real estate (\$0.3 million).

The future income tax liability of \$1.8 million (including the current portion of \$0.3 million) as at September 30, 2010 is not a cash liability of the Corporation but is an accounting item resulting from the accounting for the acquisitions by the Corporation in fiscal 2010 and 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 (\$6.4 million at September 30, 2010), and both are being amortized over 7 years.

At September 30, 2010, the Corporation had 28.3 million common shares outstanding (September 30, 2009 – 28.3 million) representing capital stock of \$20.1 million (September 30, 2009 - \$20.1 million). At December 3, 2010, the Corporation had 28.3 million common shares outstanding.

In September 2010, the Corporation announced the reinstatement of a regular cash dividend and accrued a dividend of approximately \$1.1 million (\$0.04 per common share) which was paid in October 2010.

The Corporation has a single real estate investment acquired by the Corporation in fiscal 2003. The investment is not part of the Corporation's business activities and is included under Other Assets (see Note 8 of the Audited Consolidated Financial Statements) with a book value of approximately \$0.9 million. Certain steps were taken during fiscal 2009 to enhance the value of the property and this delayed the expected sale of the property. The Corporation listed the property for sale in fiscal 2010 and in the event that the Corporation sells the property in fiscal 2011 a gain would be expected. This potential realization would increase the Corporation's cash resources.

## Financial Outlook

In general, asset management companies and their retail and institutional clients have been adversely affected to varying degrees by the global financial crisis in late 2008, the effects of which continued into 2009 and 2010. In fiscal 2009, IAM's revenues and profitability were adversely impacted. In particular, Retail Alternative Investments experienced a significant decline in AUM during the last quarter of fiscal 2008 and this decline continued into fiscal 2009. The Corporation effected measures to reduce operating expenses including reducing staff levels and merging small, unprofitable funds. These actions have reduced operating losses and BluMont Capital has refocused its resources into building the Exemplar Portfolios launched in fiscal 2008. There have been net sales in these funds but at modest levels and the level of AUM will need to increase for BluMont Capital to return to profitability before the benefit of any performance fees.

While Retail Alternative Investments still face challenges in building AUM back to the levels of fiscal 2007 and 2008, the Corporation is making progress in both its retail and institutional businesses. Real Estate Asset Management and Private Corporate Debt continued to deploy commitments during fiscal 2010 and launched new funds in fiscal 2011. In October 2010, Private Corporate Debt announced the closing of a new fund with total commitments of \$275 million.

While the effects of the global financial crisis have had significant financial implications in 2009 and 2010, IAM remains well positioned over the longer term. The Corporation's alternative asset products continue to attract investors and we see growing opportunities in the retail and institutional markets. IAM has experienced growing interest in its asset classes and continues to seek other alternative asset classes to add to the IAM portfolio.

## 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.

### 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

Effective December 1, 2008, the Corporation adopted CICA Handbook Section 3064, *Goodwill and Intangible Assets*. The standard clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset, and as a result, start-up costs must be expensed as incurred. This standard did not affect the Corporation's consolidated financial position or results of operations.

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 17 of the Audited Consolidated Financial Statements for the fair value hierarchy and financial instruments disclosure.

## 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 years beginning on or after January 1, 2011. The Corporation will adopt 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. The Corporation is currently in the planning phase of the conversion. 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 IFRS to date and on the current operations of the Corporation, management does not expect that there will be any material effect on its financial results.

### Business Combinations, Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Handbook Sections 1582, *Business Combinations*, 1601, *Consolidated Financial Statements* and 1602, *Non-Controlling Interests* which replace CICA Handbook Sections 1581, *Business Combinations* and 1600, *Consolidated Financial Statements*. Handbook Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Handbook Section 1601 together with Handbook Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Corporation's interim and annual consolidated financial statements for its fiscal year beginning October 1, 2011. Early adoption of these sections is permitted and all three sections must be adopted concurrently. The Corporation has not adopted these three new sections for its current reporting period.

### **Off-Balance Sheet Arrangements**

The Corporation has no off-balance sheet financial arrangements and no material contractual obligations other than those described in the 2010 Annual Report.

### **Related Party Transactions**

There were no material related party transactions other than those described in the 2010 Annual Report and the Management Information Circular of the Corporation dated December 7, 2010.

### **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, 2010 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 control over financial reporting that occurred during fiscal 2010 that has materially affected, or is reasonably likely to materially affect, the Corporation’s internal control 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. Implementation of business strategy
3. Lack of client diversification
4. Lack of product diversification
5. Operational risk
6. Loss of key employees

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. In fiscal 2010, the Corporation formed a new subsidiary, River Plate House, to undertake global bond asset management primarily for institutional investors.

Overall, IAM's strategy of managing several alternative asset classes partially mitigated the adverse impact of the global financial crisis in 2008 and 2009. However, the AUM of Retail Alternative Investments were significantly adversely impacted during the last quarter of fiscal 2008 and into fiscal 2009, which resulted in lower revenues and adversely affected the profitability of this asset class in fiscal 2009 and 2010.

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 37% of AUM at September 30, 2010 and approximately 40% 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. Therefore the Corporation has implicitly diversified its line of products.

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. At this stage of the Corporation's life, this aspect of operational risk is minimal. The Corporation anticipates that with further anticipated growth, the current methodology in place will require advancement. In fiscal 2007, the Corporation moved to one office location thereby accelerating the implementation of a process that accumulates, processes and communicates information necessary to conduct business efficiently and effectively.

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, 2010 comprised six officers of the Corporation who, with the independent directors, own approximately 58% of shares of IAM. In addition, many other employees also own shares or have stock options in the common shares of the Corporation.

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 located on the System for Electronic Document Analysis and Retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

## Management's Statement on Financial Reporting

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 auditors' 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 auditors 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 and Chief Executive Officer  
December 7, 2010

## Auditors' Report

### To the Shareholders of Integrated Asset Management Corp.

We have audited the consolidated balance sheets of Integrated Asset Management Corp. as at September 30, 2010 and 2009 and the consolidated statements of operations, comprehensive income and retained earnings (deficit) and cash flows for each of the years in the two-year period then ended. These financial statements are the responsibility of the Corporation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2010 and 2009 and the results of its operations and its cash flows for each of the years in the two-year period then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

**PricewaterhouseCoopers LLP**  
Chartered Accountants,  
Licensed Public Accountants  
Toronto, Canada  
December 7, 2010

## Consolidated Statements of Operations, Comprehensive Income and Retained Earnings (Deficit)

Years Ended September 30	2010	2009
<b>Revenue</b>		
Management fees, administration and redemption fees	\$ 16,587,337	\$ 15,120,971
Performance fees	4,768,994	314,187
Interest and other income	281,566	457,849
Investment income (loss) (Note 10)	(77,577)	53,321
	<b>21,560,320</b>	<b>15,946,328</b>
<b>Expenses</b>		
Selling, general and administration	14,389,647	14,045,177
Stock-based compensation (Notes 9 and 11)	7,588	122,854
Investment adviser fees	470,393	833,159
Service fees paid to dealers	914,302	880,772
Investment adviser, service fees and expenses paid relating to performance fees revenue earned	1,504,795	28,512
Amortization of property and equipment	188,080	205,251
Amortization of fund management contracts and deferred sales commissions	1,108,685	1,933,428
Impairment of goodwill and fund management contracts (Note 6)	-	7,724,934
Interest expense	60,456	22,938
	<b>18,643,946</b>	<b>25,797,025</b>
Income (loss) from continuing operations before income taxes and non-controlling interest	<b>2,916,374</b>	<b>(9,850,697)</b>
Income taxes (recovery) (Note 12)		
Current	1,805,088	(77,724)
Future	(479,181)	(2,291,457)
	<b>1,325,907</b>	<b>(2,369,181)</b>
Income (loss) from continuing operations before non-controlling interest	<b>1,590,467</b>	<b>(7,481,516)</b>
Non-controlling interest share of income	<b>(555,740)</b>	<b>(29,301)</b>
Net income (loss) and comprehensive income from continuing operations for the year	<b>1,034,727</b>	<b>(7,510,817)</b>
Gain on sale of discontinued operations, net of tax (Note 4)	-	1,001,574
Net income (loss) and comprehensive income from discontinued operations, net of tax (Note 4)	-	(34,402)
Net income (loss) and comprehensive income for the year <sup>(1)</sup>	<b>\$ 1,034,727</b>	<b>\$ (6,543,645)</b>
Basic and diluted earnings (loss) per share from continuing operations	<b>\$ 0.04</b>	<b>\$ (0.26)</b>
Basic and diluted earnings (loss) per share	<b>\$ 0.04</b>	<b>\$ (0.23)</b>
Weighted average number of shares outstanding		
Basic and diluted	<b>28,310,150</b>	<b>28,397,311</b>
Retained earnings, (deficit), beginning of year	<b>\$ (4,455,813)</b>	<b>\$ 3,221,666</b>
Net income (loss)	<b>1,034,727</b>	<b>(6,543,645)</b>
Dividends paid (Note 16)	<b>(1,132,406)</b>	<b>(1,133,834)</b>
Retained earnings (deficit), end of year	<b>\$ (4,553,492)</b>	<b>\$ (4,455,813)</b>

(1) The Corporation has no Accumulated Other Comprehensive Income as at September 30, 2010 and 2009 (Note 9)

See accompanying notes to the consolidated financial statements.

## Consolidated Balance Sheets

September 30	2010	2009
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 9,715,604	\$ 6,285,244
Receivables	2,277,584	3,293,667
Income taxes recoverable	223,922	596,640
Prepays	349,225	349,010
Investments in funds managed by the Corporation (Note 7)	2,694,580	1,853,765
Other assets (Note 8)	26,000	87,167
Future income taxes (Note 12)	42,369	15,483
	<b>15,329,284</b>	<b>12,480,976</b>
Property and equipment (Note 5)	556,341	652,658
Fund management contracts (Note 6)	6,375,340	5,820,171
Goodwill (Note 6)	1,578,471	1,578,471
Investments in funds managed by the Corporation (Note 7)	1,155,514	1,017,068
Other assets (Note 8)	2,712,594	2,180,912
Future income taxes (Note 12)	185,477	179,252
	<b>\$ 27,893,021</b>	<b>\$ 23,909,508</b>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 5,319,732	\$ 3,138,499
Deferred revenue	210,105	323,652
Dividends payable	1,132,406	-
Preferred shares of subsidiary	100,000	-
Income taxes payable	1,857,874	971,415
Future income taxes (Note 12)	349,485	335,919
	<b>8,969,602</b>	<b>4,769,485</b>
Tenant inducements and deferred revenue	339,744	445,813
Future income taxes (Note 12)	1,435,269	1,453,763
	<b>10,744,615</b>	<b>6,669,061</b>
Non-controlling interest	689,686	691,636
<b>Shareholders' Equity</b>		
Capital stock (Note 9)	20,109,870	20,109,870
Contributed surplus (Note 9)	902,342	894,754
Retained earnings (deficit)	(4,553,492)	(4,455,813)
	<b>16,458,720</b>	<b>16,548,811</b>
	<b>\$ 27,893,021</b>	<b>\$ 23,909,508</b>

Commitments (Note 15)

On behalf of the Board



Director



Director

See accompanying notes to the consolidated financial statements.

## Consolidated Statements of Cash Flows

Years Ended September 30	2010	2009
Increase (decrease) in cash and cash equivalents		
<b>Operating activities</b>		
Net income (loss)	\$ 1,034,727	\$ (6,543,645)
Loss from discontinued operations, net of tax	-	34,402
Gain on sale of discontinued operations, net of tax	-	(1,001,574)
Non-cash items (Note 14)	1,450,281	7,672,312
	2,485,008	161,495
Net change in non-cash balances relating to operations (Note 14)	4,185,785	(2,455,566)
Net cash provided by (used in) continuing operating activities	6,670,793	(2,294,071)
Net cash provided by (used in) discontinued operating activities	-	(396,699)
Cash provided by (used in) operating activities	6,670,793	(2,690,770)
<b>Financing activities</b>		
Dividends paid to shareholders	-	(1,133,834)
Dividends paid to non-controlling interests	(557,738)	(703,621)
Repayment of management loans (Note 8)	2,500	144,832
Issuance of common shares of subsidiary	49	-
Issuance of preferred shares of subsidiary	100,000	-
Cash used in continuing financing activities	(455,189)	(1,692,623)
<b>Investing activities</b>		
Purchase of subsidiary, net of cash acquired	(1,640,281)	-
Investment in funds managed by the Corporation	(1,113,698)	(1,927,884)
Proceeds from funds managed by the Corporation	60,498	4,131,600
Acquisition of non-controlling shareholders' interest in subsidiary	-	(6,101,837)
Proceeds on sale of discontinued operations of \$3.0 million less subsidiary cash	-	2,084,894
Purchase of property and equipment	(91,763)	(81,978)
Payment of sales commissions	-	(4,420)
Cash used in continuing investing activities	(2,785,244)	(1,899,625)
Cash used in discontinued investing activities	-	(5,165)
Cash used in investing activities	(2,785,244)	(1,904,790)
Increase (decrease) in cash and cash equivalents	3,430,360	(6,288,183)
Cash and cash equivalents, beginning of year	6,285,244	12,573,427
Cash and cash equivalents, end of year	\$ 9,715,604	\$ 6,285,244

See accompanying notes to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

September 30, 2010 and 2009

## 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).

## 2. Changes in accounting policies

### 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 17 for fair value hierarchy and financial instruments disclosure.

### Future Accounting Changes

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards ("IFRS") for years beginning on or after January 1, 2011. The Corporation will adopt 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. The Corporation is currently in the planning phase of the conversion. 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 IFRS to date and on the current operations of the corporation, management does not expect that there will be any material effect to its financial results.

### Business Combinations, Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, 1601, Consolidated Financial Statements and 1602, Non-Controlling Interests which replace CICA Handbook Sections 1581, Business Combinations and 1600, Consolidated Financial Statements. Handbook Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Handbook Section 1601 together with Handbook Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Corporation's interim and annual consolidated financial statements for its fiscal year beginning October 1, 2011. Early adoption of these sections is permitted and all three sections must be adopted concurrently. The Corporation has not adopted these three new sections for its current reporting period.

### 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%
River Plate House Capital Management Inc. (“River Plate House”)	51% <sup>(2)</sup>
OreReserve Asset Management Inc. (“OreReserve”)	51% <sup>(3)</sup>
Integrated Partners	
Integrated Management Limited (“IML”)	100% <sup>(4)</sup>
Integrated Partners Holding GP One Limited (“IPHGPOL”)	57.8%
Integrated Managed Futures Corp (“IMFC”)	77.5% <sup>(5)</sup>

(1) 100% effective October 23, 2008 (Note 13)

(2) Incorporated April 28, 2010

(3) Incorporated January 23, 2009

(4) Amalgamated with the Corporation, October 1, 2009

(5) Includes 32.5% owned by BluMont Capital

#### 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 depreciation. Depreciation 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.

**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 and 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.

**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 2,707,857 shares in fiscal 2010 (2009 – 2,226,469 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 11 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. Discontinued operations

On December 1, 2008, the Corporation sold its entire ownership in Darton for \$3.0 million cash and additional contingent consideration. The contingent consideration will be payable to the Corporation in 2009 through 2013 if certain revenue targets are reached by Darton. There was no contingent consideration earned during 2009 and 2010.

Management of the Corporation determined that the sale of Darton satisfied the criteria for disclosing discontinued operations at September 30, 2008. Accordingly, Darton's operations for the 2009 fiscal years have been reported as discontinued operations.

Year ended September 30	2009
Revenue	\$ 766,798
Net earnings from discontinued operations, net of tax	\$ 967,172
Basic and diluted earnings per share of discontinued operations	\$ 0.03

(1) Includes gain on sale of discontinued operations, net of tax of \$1,001,574.

Details of the gain on sale of discontinued operations are as follows:

	2009
Proceeds on sale	\$ 3,000,000
Carrying value of net assets	(1,654,445)
Gain on sale before income taxes	1,345,555
Income taxes	(343,981)
	\$ 1,001,574

#### 5. Property and equipment

	2010	2009
<b>Cost</b>		
Furniture and fixtures	\$ 218,631	\$ 218,628
Computer hardware and software	1,701,420	1,609,665
Leasehold improvements	446,861	462,347
	\$ 2,366,912	\$ 2,290,640
<b>Accumulated amortization</b>		
Furniture and fixtures	\$ 156,178	\$ 145,539
Computer hardware and software	1,399,548	1,294,119
Leasehold improvements	254,845	198,324
	\$ 1,810,571	\$ 1,637,982
<b>Net book value</b>		
Furniture and fixtures	\$ 62,453	\$ 73,089
Computer hardware and software	301,872	315,546
Leasehold improvements	192,016	264,023
	\$ 556,341	\$ 652,658

## 6. Fund management contracts and goodwill

	2010	2009
Fund management contracts	\$ 18,710,858	\$ 17,047,004
Accumulated amortization	(12,335,518)	(11,226,833)
	\$ 6,375,340	\$ 5,820,171
Goodwill	\$ 1,578,471	\$ 1,578,471

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.

In October 2008, the Corporation recorded an amount of approximately \$7.2 million to fund management contracts in respect of the purchase of the 25.025% interest in GPM that it did not already own (Note 13). On December 1, 2008, \$0.4 million of fund management contracts were disposed of when the Corporation sold its entire ownership of Darton (Note 4).

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, 2009, the Corporation recorded a non-cash impairment of goodwill and fund management contracts in the aggregated of \$7.7 million, comprising \$0.6 million in respect of goodwill and \$7.1 million in respect of fund management contracts. This impairment charge is the result of the losses experienced in BluMont Capital's operations. The goodwill and fund management contracts in BluMont Capital have been written down to \$nil.

During the year ended September 30, 2010, the Corporation recorded an amount \$1.7 million to fund management contracts in respect of the purchase of 100% of Northern Rivers Capital Management Inc. (Note 13).

An impairment test was performed again as at September 30, 2010 and in management's judgment, it was determined that there is no further impairment in the value of the remaining fund management contracts and goodwill that is reported in these audited financial statements.

## 7. Investments in funds managed by the Corporation

	2010	2009
Held for trading securities, positions held long (Note 17)	\$ 2,997,702	\$ 2,018,441
Available for sale securities, positions held long (Note 17)	852,392	852,392
	3,850,094	2,870,833
Less amount included in current assets	(2,694,580)	(1,853,765)
	\$ 1,155,514	\$ 1,017,068

During the year ended September 30, 2009, the Corporation monetized approximately \$4.1 million in funds managed by the Corporation that had previously been categorized as held for trading. The Corporation also invested \$1.9 million in funds managed by the Corporation during fiscal 2009 that has been categorized as held for trading.

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.

## 8. Other assets

	2010	2009
Management loans (a)	\$ 84,667	\$ 87,167
Receivable from fund managed by the Corporation (b)	1,742,268	1,274,249
Other (c)	911,659	906,663
Deferred sales commissions	-	-
	<b>2,738,594</b>	2,268,079
Less amount of management loans included in current assets	<b>(26,000)</b>	(87,167)
	<b>\$ 2,712,594</b>	\$ 2,180,912

(a) Each of the management loans is secured 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 over the next year. In the event of termination, the repayment schedule of the principal amount outstanding will be accelerated. During the year ended September 30, 2009, a management loan in the amount of approximately \$0.2 million was discharged upon the Corporation cancelling the common shares secured against this loan (see Note 9).

The fair value of the shares at September 30, 2010 was \$215,625 (2009 – \$141,667).

(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 \$1.3 million is over one year old) will be received when the fund's investments are monetized, which may occur in fiscal 2011.

(c) Included in Other is an investment of \$886,163 (2009 - \$886,163) in real estate held in a company in which the Corporation and other related parties to the Corporation are shareholders.

## 9. Capital stock

### Authorized:

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

### Issued:

	Number of Common Shares	Amount	Contributed Surplus
Balance, October 1, 2008	28,568,377	\$ 20,192,387	\$ 873,918
Shares cancelled on discharge of management loans	(258,227)	(82,517)	(102,018)
Stock-based compensation (Note 11)	-	-	122,854
<b>Balance, September 30, 2009</b>	<b>28,310,150</b>	<b>20,109,870</b>	<b>894,754</b>
Stock-based compensation (Note 11)	-	-	7,588
<b>Balance, September 30, 2010</b>	<b>28,310,150</b>	<b>\$ 20,109,870</b>	<b>\$ 902,342</b>

During the year ended September 30, 2009, two management loans that were secured by common shares of the Corporation were discharged by cancelling 258,227 common shares held as security against the loans. These transactions resulted in a reduction to share capital and contributed surplus of \$82,517 and \$102,018 respectively.

During the year ended September 30, 2010, the amount of \$7,588 (2009 – \$122,854) credited to Contributed Surplus represents the stock-based compensation expense of \$7,588 (2009 - \$122,854) for stock options granted by both the Corporation as shown on the Consolidated Statement of Operations.

The Corporation had no Other Comprehensive Income for the year ended September 30, 2010 or 2009 and the Corporation does not have any Accumulated Other Comprehensive Income as at September 30, 2010 or 2009.

## 10. Investment income (loss)

	2010	2009
Held for trading securities	\$ (77,577)	\$ 53,321

The Corporation invests in funds managed by the Corporation (Note 7) 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 managed futures 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.

## 11. 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, 2010, there were 2,707,857 common shares (2009 – 2,226,469) reserved for issuance on exercise of stock options. There were no new shares issued under the new director's compensation plan which was implemented in 2009.

These options expire in fiscal years 2011 through 2017 and may be exercised at prices ranging from \$0.70 to \$2.00 per common share with a total exercisable value of \$2,674,000 (2009 – \$3,178,124).

Incentive stock options have one of the following vesting schedules.

- (i) one-third on the date of grant and one 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

	Number of Options	Number of Options Vested	Exercise Price	Expiry Date
	1,755,000	-	\$ 0.70	2017
	17,857	17,857	\$ 1.40	2011
	40,000	13,333	\$ 1.45	2014
	855,000	285,000	\$ 1.50	2013
	40,000	40,000	\$ 2.00	2011
	<b>2,707,857</b>	<b>356,190</b>		

The changes in the stock options are as follows:

	Total Number Of Options	Weighted Average Exercise Price
September 30, 2009		
Outstanding at beginning of year	2,227,898	\$ 1.43
Cancelled and expired	(51,429)	\$ 1.60
Outstanding at end of year	2,226,469	\$ 1.43
September 30, 2010		
Granted	1,755,000	\$ 0.70
Cancelled, forfeited and expired	(1,273,612)	\$ 1.36
Outstanding at end of year	<b>2,707,857</b>	<b>\$ 0.99</b>

## 11. Stock-based compensation (continued)

The weighted average grant-date fair value of the stock options issued in fiscal 2010 is \$0.12 (2009 - \$0.00). The Corporation estimated the fair value of options granted under the Black-Scholes option-pricing model and the following weighted average assumptions:

	2010	2009
Risk free rate	2.25%	(1)
Expected life of options (in years)	4	(1)
Expected volatility of the Corporation's share price	40.20%	(1)
Expected dividend yield	0.00%	(1)

(1) The Corporation did not issue any stock options during the year ended September 30, 2009.

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, in management's opinion, other pricing model techniques would produce alternative value of the fair value of its employee stock options.

## 12. 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	2010	2009
Income (loss) from continuing operations before income taxes and non-controlling interest	\$ 2,916,374	\$ (9,850,697)
Statutory income tax rate	31.75%	32.94%
Expected income tax (recovery)	925,948	(3,244,410)
Effect on income tax of:		
Rate change of future income taxes	(60,357)	195,076
Previously unrecorded tax benefits and liabilities	-	(129,389)
Future income tax on Northern Rivers' fund management contracts	(43,673)	-
Losses for which an income tax benefit has not been recognized	465,420	437,309
Permanent items	80,087	377,000
Other	(41,518)	(4,767)
Income tax expense (recovery)	\$ 1,325,907	\$ (2,369,181)

As at September 30, 2010, the Corporation and its subsidiaries had non-capital losses for tax purposes of approximately \$3,785,000 (2009 - \$2,042,000).

The non-capital losses expire as follows:

2014	\$ 24,000
2025	121,000
2026	195,000
2027	225,000
2028	576,000
2029	837,000
2030	1,807,000
	3,785,000
Non-capital losses for which a future income tax asset has not been realized	(3,023,000)
	\$ 762,000

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 13 for the future income tax liability arising on the business acquisition.

### 13. Business acquisitions

During the year, 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 \$354,669)	\$ 1,123,933
Capital assets	-
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 seven years. As at September 30, 2010, the book value of the fund management contracts and future income tax liability relating to this business acquisition were \$1,525,200 and \$397,468 respectively.

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

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

During the year ended September 30, 2009, the Corporation acquired the remaining 25.025% of GPM that it did not already own for \$5.2 million.

In aggregate, the consideration including interest and transaction costs was \$6,102,000 and paid in cash.

Details of the net assets acquired, at fair value, are as follows:

Current assets	\$ 3,173,622
Property and equipment	41,945
Other assets	120,677
Fund management contracts, net of future income taxes	5,004,508 <sup>(2)</sup>
Current liabilities	(2,081,415)
Other liabilities	(157,500)
	\$ 6,101,837

(2) Fund management contracts of \$7,204,433 (of which \$414,233 was allocated to Darton), a finite life intangible asset determined at the time of acquisition, and a future income tax liability of \$2,199,925 (of which \$126,489 was allocated to Darton) have been set up for accounting purposes and are being amortized straight line over seven years. As at September 30, 2010, the book value of the fund management contracts and future income tax liability relating to this business acquisition were \$4,850,142 and \$1,276,800 respectively

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

Cash	\$ 5,750,616
Transaction costs	351,221
	\$ 6,101,837

The vendor will retain his 25.025% pro-rata economic interests in two assets of GPM.

- (i) Performance fees that may be realized by GPM from specific funds in the future, and
- (ii) Proceeds that may be realized on the disposition of real estate included in Other Assets (see Note 8).

#### 14. Non-cash items and supplemental cash flow information

	2010	2009
Non-cash items:		
Stock-based compensation (Note 9)	\$ 7,588	\$ 122,854
Amortization of property and equipment	188,080	205,251
Amortization of fund management contracts and deferred sales commissions	1,108,685	1,933,428
Impairment of goodwill and fund management contracts	-	7,724,934
Future income tax recovery	(479,181)	(2,291,457)
Non-controlling interest share of income	555,740	29,301
Investment loss (income)	77,577	(53,321)
Other	(8,208)	1,322
	<b>\$ 1,450,281</b>	<b>\$ 7,672,312</b>
Net change in non-cash balances relating to operations:		
Receivables, income taxes recoverable and prepaids	\$ 1,337,709	\$ 949,794
Payables, accruals, income taxes payable, deferred revenue and tenant inducements	2,848,076	(3,405,360)
	<b>\$ 4,185,785</b>	<b>\$ (2,455,566)</b>
Interest and income taxes paid:		
Interest paid	\$ 60,456	\$ 22,938
Income taxes paid	\$ 226,427	\$ 1,325,890

#### 15. Commitments

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

2011	\$ 871,000
2012	888,000
2013	603,000
2014 and thereafter	-
	<b>\$ 2,362,000</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 unitholders. 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.

## 16. Dividends

The Corporation declared cash dividends of \$0.04 per common share to shareholders in fiscal 2010 (2009 - \$0.04).

## 17. Financial instruments

The Corporation's business is alternative asset management. The key performance driver of the Corporation's future results is expected to be the level of assets and committed capital under management ("AUM"). The level of AUM is directly correlated to investment returns, the successful launch of new investment initiatives, retention and hiring of key personnel and the Corporation's ability to retain existing AUM.

Risk management is the responsibility of the Executives of the Corporation which includes the Chief Executive Officer, Chief Financial Officer, Executive Vice-President and each investment team's President. Oversight of reputational, regulatory, legal and financial risk is within the mandate of the Executives. The Chief Executive Officer reports to the Board of Directors for all of the Corporation's risk-taking activities.

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

As at September 30, 2010	Available For Sale	Held For Trading	Loans and Receivables or Other Financial Liabilities
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	\$ -	\$ -	\$ 5,319,732
Preferred shares of subsidiary	\$ -	\$ -	\$ 100,000
<b>Total financial liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,419,732</b>

As at September 30, 2009	Available For Sale	Held For Trading	Loans and Receivables or Other Financial Liabilities
Cash and cash equivalents	\$ -	\$ 6,285,244	-
Receivables	-	-	3,293,667
Investments in funds managed by the Corporation	852,392	2,018,441	-
Other assets	-	-	1,381,916
<b>Total financial assets</b>	<b>\$ 852,392</b>	<b>\$ 8,303,685</b>	<b>\$ 4,675,583</b>
Payables and accruals	\$ -	\$ -	\$ 3,138,499
<b>Total financial liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,138,499</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.

## 17. 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 managed futures 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, 2009, the Corporation has reduced its exposure to these financial instruments by monetizing \$4.1 million that were in the retail alternative investments market. 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.

Based on the carrying value of the investments in funds managed by the Corporation at September 30, 2010, the effect of a 10% increase or decline in the value of investments would result in approximately a \$0.3 million (September 30, 2009 - \$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 \$0.3 million in cash and cash equivalents as at September 30, 2010 (September 30, 2009 – 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 88% of the Corporation's receivables at September 30, 2010 are due within thirty days (September 30, 2009 – 91%). Approximately \$1.7 million (2009 - \$1.3 million) of receivables have been classified as long term, of which \$1.3 million (2009 - \$0.8 million) are over one year old (Note 8).

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 sizable cash balance held at Schedule 1 banks. The Corporation does not hold any asset-backed commercial paper. The Corporation has no outstanding borrowings at September 30, 2010 and 2009, 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, 2010:

	Level 1	Level 2	Level 3	Total
Marketable securities	\$ 2,910,936	\$ 86,766	-	\$ 2,997,702
	\$ 2,910,936	\$ 86,766	-	\$ 2,997,702

### 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.

## 18. 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 no debt will be included in 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 \$222,000. The Corporation has complied with this requirement as at September 30, 2010 and 2009.

## 19. Comparative figures

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

## 20. Subsequent event

In November 2010, the sole fund management contract of OreReserve was terminated and OreReserve received payment in respect of the termination and incurred certain costs. The Corporation expects the impact of this termination of the management contract in its financial statements to be immaterial.

## Board of Directors

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

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

**Brent Chapman**  
President and  
Chief Executive Officer  
GPM

**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  
Executive Officer  
Integrated Private  
Debt 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

**Brent Chapman**  
President and Chief  
Executive Officer

**Robert Burns**  
Chief Financial Officer

**David Warkentin**  
Senior Vice President  
Investments

**Rick Zagrodny**  
Senior Vice President  
Asset Management

**David Becket**  
Vice President  
Asset Management

**Frank Bartello**  
Vice President  
Acquisitions

### GPH

**Robert Hamilton**  
President

### Integrated Private Debt Corp.

**John Robertson**  
President and  
Chief Executive Officer

**Donald Bangay**  
Chief Investment Officer

**Frank Duffy**  
Managing Director

**Michael LeClair**  
Managing Director

**Dennis McCluskey**  
Chief Risk Officer

**Philip Robson**  
Managing Director

**Douglas Zinkiewich**  
Managing Director

### Integrated Managed Futures Corp.

**Stephen Johnson**  
Chairman

**Roland Austrup**  
President and  
Chief Executive Officer

**David Mather**  
Vice President

### 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

### Auditors

PricewaterhouseCoopers LLP

### Transfer Agent

Equity Transfer  
& Trust Company

### Stock Listing

TSX:IAM

### Corporate Headquarters

70 University Avenue  
Suite 1200  
Toronto, Ontario  
M5J 2M4 Canada  
t: 416 360 7667  
f: 416 360 7446  
e: info@iamgroup.ca  
www.iamgroup.ca

### Related websites

[www.gpma.ca](http://www.gpma.ca)  
[www.imfc.ca](http://www.imfc.ca)  
[www.blumontcapital.com](http://www.blumontcapital.com)  
[www.rphcapital.com](http://www.rphcapital.com)

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**Integrated Asset  
Management Corp.**

**Integrated Asset Management Corp.**

70 University Avenue, Suite 1200  
Toronto, Ontario, Canada M5J 2M4  
tel: 416 360 7667 fax: 416 360 7446

[www.iamgroup.ca](http://www.iamgroup.ca)