

INTEGRATED FINANCIAL PRODUCTS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

REGISTRATION NUMBER 03514659

# INTEGRATED FINANCIAL PRODUCTS LIMITED

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# INTEGRATED FINANCIAL PRODUCTS LIMITED

## Officers and Professional Advisers

### Directors

E. M. Arbib  
M. Clarke  
N. Levene (Resigned 20 Jun 2008)  
D. Mandiya  
D. Masetti  
B. Polic (Resigned 31 March 2009)

### Secretary

O. Egoz

### Registered Office

4 Hill Street  
Mayfair  
London  
W1J 5NE

### Bankers

Barclays Bank Plc  
Business Banking Larger Business  
Floor 28, 1 Churchill Place  
Canary Wharf  
London  
E14 5HP

### Auditors

Moore Stephens LLP  
St. Paul's House  
Warwick Lane  
London  
EC4M 7BP

# INTEGRATED FINANCIAL PRODUCTS LIMITED

## Directors' Report

The directors submit their report together with the audited financial statements of Integrated Financial Products Limited (the "Company") for the year ended 31 December 2008.

### Principal Activity and Review of the Business

The principal activity of the Company is the provision of institutional brokerage in foreign exchange, interest rate derivatives, equities and equity derivatives. Other activities include the provision of marketing and back office services to a large private bank. The Company has branches in the United Kingdom, Italy and Switzerland

The Company is authorised and regulated by the Financial Services Authority.

During a period of significant challenges for the financial services industry, the Company's turnover decreased by 16% and its net assets reduced by 8%. Cash balances were 8% lower than the previous year. The Company continues to actively manage its cost base in line with the difficult circumstances.

The principal risk attached to the brokerage business relates to outstanding matched positions arising from trading on a matched principal basis. This risk is mitigated by robust internal control procedures including the monitoring of the recording and settlement of trades, adherence to internally approved limits and the verification of such trades against independent third party records. Such controls are carried out by a suitably qualified team and their operation is subject to periodic checks by external consultants.

### Results and Dividends

The Company made a loss of £794,786 (2007: Profit £190,641 restated).

The directors do not recommend the payment of a dividend (2007: £ Nil).

During the year the Company made charitable donations of £ Nil (2007: £ Nil).

The Company endeavours to pay its suppliers in accordance with the stated payment terms agreed with each provider.

### Elective Resolution

On 25th June 1998 an elective resolution was passed whereby:

- the Company dispensed with the laying of accounts and reports before the Company in general meeting in respect of the year ended 30th June 1999 and each subsequent financial year.
- the Company dispensed with the obligation to appoint auditors annually.
- the Company dispensed with the holding of the annual general meeting for the period ended 30th June 1999 and subsequent years.

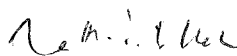
Each of the persons who are directors at the time when the directors' report is approved has confirmed that :

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

Signed on behalf of the Board of Directors on 27 April 2009 by:



**E. Arbib**  
Director



**M. Clarke**  
Director

# INTEGRATED FINANCIAL PRODUCTS LIMITED

## **Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# INTEGRATED FINANCIAL PRODUCTS LIMITED

## Independent Auditors' Report to the Shareholders of Integrated Financial Products Limited

We have audited the financial statements of Integrated Financial Products Limited for the year ended 31 December 2008 which are set out on pages 5 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors Report is consistent with the financial statements.

*Price Stephens LLP*

St Paul's House  
Warwick Lane  
London  
EC4M 7BP

27 April 2009

INTEGRATED FINANCIAL PRODUCTS LIMITED

**Profit and Loss Account for the year ended 31 December 2008**

|   | Note     | 2008<br>£          | (Restated)<br>2007<br>£ |
|---|----------|--------------------|-------------------------|
| Turnover  | 1 (b), 2 | 6,047,471          | 7,223,876               |
| Cost of Sales   | 2        | (1,051,293)        | (1,743,848)             |
| <b>Gross Profit</b>   |          | <b>4,996,178</b>   | <b>5,480,028</b>        |
| Administrative Expenses                                     |          | (6,032,804)        | (5,210,586)             |
| Share-based payments cost                                   |          | (15,782)           | (20,408)                |
| <b>Operating (Loss)/Profit</b>                              | 3        | <b>(1,052,408)</b> | <b>249,034</b>          |
| Interest receivable and similar income                      | 6        | 234,684            | 238,149                 |
| Interest payable and similar expense                        | 7        | (71,794)           | (140,551)               |
| <b>(Loss)/Profit on Ordinary Activities before Taxation</b> |          | <b>(889,518)</b>   | <b>346,632</b>          |
| Taxation  | 8        | 94,732             | (155,991)               |
| <b>(Loss)/Profit on Ordinary Activities after Taxation</b>  |          | <b>(794,786)</b>   | <b>190,641</b>          |

**Statement of Total Recognised Gains and Losses for the year ended 31 December 2008**

|  |    | 2008<br>£ | (Restated)<br>2007<br>£ |
|--|----|-----------|-------------------------|
| Retained (Loss)/Profit for the Year                                |    | (794,786) | 190,641                 |
| Currency translation difference on foreign currency net investment |    | 464,713   | 171,056                 |
| Prior year adjustment  | 16 | (100,681) | -                       |
| Total Recognised Gains and Losses since the last annual report     |    | (430,754) | 361,697                 |

# INTEGRATED FINANCIAL PRODUCTS LIMITED

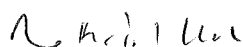
## Balance Sheet at 31 December 2008

|  | Note | 2008<br>£        | (Restated)<br>2007<br>£ |
|--|------|------------------|-------------------------|
| <b>Fixed Assets</b>                                  |      |                  |                         |
| Investments  | 9    | 134,901          | 190,403                 |
| Intangible assets                                    | 10   | 43,116           | 54,397                  |
| Tangible assets                                      | 11   | 287,913          | 282,665                 |
|  |      | <u>465,930</u>   | <u>527,465</u>          |
| <b>Current Assets</b>                                |      |                  |                         |
| Debtors  | 12   | 3,514,787        | 23,762,220              |
| Cash at bank and in hand                             |      | 3,619,698        | 3,943,362               |
|  |      | <u>7,134,485</u> | <u>27,705,582</u>       |
| <b>Current Liabilities</b>                           |      |                  |                         |
| Creditors, amounts falling due in less than one year | 13   | (3,970,755)      | (24,289,101)            |
|  |      | <u>3,163,730</u> | <u>3,416,481</u>        |
| <b>Net Current Assets</b>                            |      |                  |                         |
|  |      | <u>3,629,660</u> | <u>3,943,946</u>        |
| <b>Net Assets</b>                                    |      |                  |                         |
|  |      | <u>3,629,660</u> | <u>3,943,946</u>        |
| <b>Capital and Reserves</b>                          |      |                  |                         |
| Called up share Capital                              | 15   | 282,500          | 282,500                 |
| Capital Redemption Reserve                           | 16   | 30,000           | 30,000                  |
| Capital Contribution Reserve                         | 16   | 2,907,065        | 2,920,078               |
| Exchange Difference Reserve                          | 17   | 565,572          | 100,859                 |
| Profit and Loss Account                              | 16   | (155,477)        | 610,509                 |
|  |      | <u>3,629,660</u> | <u>3,943,946</u>        |
| <b>Shareholders' Funds</b>                           | 18   | <u>3,629,660</u> | <u>3,943,946</u>        |

These financial statements were approved by the Board of Directors on 27 April 2009 and are signed on its behalf by:



**E. Arbib**  
Director



**M. Clarke**  
Director

# INTEGRATED FINANCIAL PRODUCTS LIMITED

## Notes to the Financial Statements for the year ended 31 December 2008

### 1 Principal Accounting Policies

#### (a) Basis of Preparation

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### (b) Turnover

Turnover represents the fair value of consideration received for the provision of services net of value-added tax, rebates and discounts allowed.

#### (c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life as follows:

|                        |                               |
|------------------------|-------------------------------|
| Computer equipment     | Between 20% and 46% of cost   |
| Furniture and fittings | Between 12% and 25% of cost   |
| Leasehold Improvements | 20% of cost                   |
| Motor vehicles         | 25% of cost                   |
| Office equipment       | Between 15% and 33.3% of cost |

#### (d) Intangible fixed assets and amortisation

Intangible fixed assets are stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life. Intangible fixed assets are amortised at a rate of between 10% and 20% of cost.

#### (e) Operating Leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

#### (f) Foreign currencies

Foreign currency transactions are translated into Great British Pounds using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

In accordance with SSAP 20 "Foreign Currency Translation", foreign branches are accounted for using the net investment method. Profit or loss is translated using the average exchange rate for the period and assets and liabilities are translated at the exchange rate prevailing at the balance sheet date. All exchange differences are included in the exchange difference reserve within equity.

#### (g) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled based on tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are not discounted.

# INTEGRATED FINANCIAL PRODUCTS LIMITED

## Notes to the Financial Statements for the year ended 31 December 2008

### (h) Investments

Investments are stated at cost less provision against diminution in value in the investment.

### (i) Cash flow statement

The Company is exempt from preparing a cash flow statement on the grounds that it is more than 90% controlled within the group and it is included in consolidated financial statements which are publicly available.

### (j) Share-based payments

The ultimate parent company, Integrated Asset Management plc, operates an Employee Share Option Plan, and has granted share options to certain employees of the company. In accordance with FRS 20 and UITF 44- "Group and Treasury Shares Transactions", the fair value of the employee services received in exchange for share options is recognised as an expense. The fair value has been calculated using the Binominal Tree pricing model, and has been expensed on a straight line basis over the vesting period, based on the Company's estimate of the number of shares that will actually vest, with a corresponding increase recognised in equity as a contribution from Integrated Asset Management plc. In accordance with the transitional provisions, FRS 20 has been applied only to grants of share options after 7th November 2002 that had not vested as at 1st January 2006.

Prior period comparatives have been restated following this change in accounting policy. The effect of this prior period is to reduce the profit before tax for the year ended 31st December 2007 by £ 20,408, and for the current period by £ 15,781.

## 2 Turnover and Cost of Sales

Turnover represents brokerage fees and commissions which are earned from arranging foreign exchange, interest rate derivatives, equities and equity derivatives transactions between institutional counterparties.

The Company also carries on a matched principal business as part of its brokerage activities. This involves acting as the principal in the simultaneous purchase and sale of securities between third parties. Commission is generated from the difference between the purchase and sale proceeds of the security.

Fees and commissions above are generally calculated as a percentage of the value of the transaction and are recognised in full at the time of the commitment by both counterparties to sell and purchase the financial instrument.

Turnover also includes fees earned for the provision of marketing and back office functions for a large private bank. All activities are carried out in Europe.

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

## 3 Operating (Loss)/Profit

Operating (loss)/profit on ordinary activities is stated after charging:

|   | 2008    | 2007    |
|---|---------|---------|
|   | £       | £       |
| Depreciation of tangible fixed assets   | 136,249 | 115,363 |
| Amortisation of intangible fixed assets | 23,284  | 20,059  |
| Write off of loan to group company      | 138,743 | -       |
| Write off of fixed asset investment     | 64,209  | -       |
| Operating leases:                       |         |         |
| Land and buildings                      | 109,292 | 104,742 |

The Company has taken advantage of the exemption not to disclose auditors' remuneration because it is included in group accounts which disclose this information on a group basis.

# INTEGRATED FINANCIAL PRODUCTS LIMITED

## Notes to the Financial Statements for the year ended 31 December 2008

### 4 Directors' Remuneration

|                               | 2008<br>£      | 2007<br>£      |
|-------------------------------|----------------|----------------|
| Salaries and consultancy fees | 195,685        | 235,419        |
| Pension costs                 | -              | 1,822          |
| Other benefits                | -              | 1,767          |
|                               | <u>195,685</u> | <u>239,008</u> |

Directors' remuneration represents amounts paid to directors for qualifying services as directors of the Company.

Remuneration paid to the highest paid director totalled £66,898 (2007: £106,308).

### 5 Staff Costs (excluding director' remuneration)

|  | 2008<br>£        | 2007<br>£        |
|--|------------------|------------------|
| Wages and salaries                         | 2,033,621        | 1,967,409        |
| Social security costs                      | 365,977          | 331,453          |
| Contributions to employees pension schemes | 63,739           | 69,145           |
| Other staff costs                          | 11,061           | 103,529          |
|  | <u>2,474,398</u> | <u>2,471,536</u> |

The average monthly number of employees during the period was 39 (2007: 34)

All employees are engaged in broking activities.

Wages and salaries includes £63,693 (2007: £57,759) in respect of employee severance indemnity ("TFR") for employees of the Milan branch. A provision has been made for amounts payable to employees on leaving employment with the company in accordance with the requirements of Italian law. The provision has been calculated using an actuarial valuation, and the principal actuarial assumptions are interest rate (4%), inflation rate (2%) and the rate of growth in remuneration (between 2.3% and 2.5%). The provision of £408,505 (2007: £257,943) is included in other creditors.

### 6 Interest Receivable and Similar Income

|                                      | 2008<br>£      | 2007<br>£      |
|--------------------------------------|----------------|----------------|
| Bank deposit interest                | 161,380        | 183,593        |
| Interest on loans to group companies | 73,304         | 54,556         |
|                                      | <u>234,684</u> | <u>238,149</u> |

### 7 Interest Payable and Similar Expense

|                    | 2008<br>£     | 2007<br>£      |
|--------------------|---------------|----------------|
| Bank loan interest | <u>71,794</u> | <u>140,551</u> |

INTEGRATED FINANCIAL PRODUCTS LIMITED

Notes to the Financial Statements for the year ended 31 December 2008

8 Taxation

|   | 2008<br>£        | 2007<br>£         |
|---|------------------|-------------------|
| (a) Analysis of charge in the year      |                  |                   |
| UK corporation tax:                     |                  |                   |
| Current tax on profit for the year      | -                | 156,646           |
| Adjustments in respect of prior periods | (108,728)        | (93,720)          |
|   | <u>(108,728)</u> | <u>62,926</u>     |
| Double taxation relief                  |                  | (62,926)          |
|   | <u>(108,728)</u> | <u>-</u>          |
| Overseas tax:                           |                  |                   |
| Current tax on profit for the year      | 56,265           | 155,991           |
| Adjustments in respect of prior periods | (42,269)         | -                 |
|   | <u>13,996</u>    | <u>155,991</u>    |
|   | <u>(94,732)</u>  | <u>155,991</u>    |
|   | <b>2008</b>      | <b>(Restated)</b> |
|   | <b>£</b>         | <b>2007</b>       |
|   |                  | <b>£</b>          |

(b) Factors affecting the tax charge for the year

The tax charge is lower than the standard rate of corporation tax in the UK (28.5%).  
The differences are explained below.

|  |                  |                |
|--|------------------|----------------|
| (Loss)/Profit on ordinary activities before tax                                  | <u>(889,518)</u> | <u>346,632</u> |
| Multiplied by the standard rate of Corporation tax in the UK @ 28.5% (2007: 30%) | (253,513)        | 103,990        |
| Adjustment in respect of:  |                  |                |
| Differences between capital allowances and depreciation of fixed assets          | 23,579           | 11,307         |
| Disallowable expenses and non-taxable income                                     | 95,885           | 41,349         |
| Tax losses unutilised  | 143,802          | -              |
| Transfer pricing adjustment  | (9,753)          | -              |
| Overprovision in prior years - UK Tax  | (108,728)        | (93,720)       |
| Overprovision in prior years - Overseas tax                                      | (42,269)         | -              |
| Different tax rate on overseas profit  | 56,265           | 93,065         |
|  | <u>(94,732)</u>  | <u>155,991</u> |
| Tax charge for the period  | <u>(94,732)</u>  | <u>155,991</u> |

# INTEGRATED FINANCIAL PRODUCTS LIMITED

## Notes to the Financial Statements for the year ended 31 December 2008

### 9 Investments

|  | 2008<br>£        | 2007<br>£       |
|--|------------------|-----------------|
| <b>Cost</b>                            |                  |                 |
| At 1 January                           | 220,208          | 208,044         |
| Additions                              | -                | 4,489           |
| Disposals                              | (27,941)         | (8,621)         |
| Movement in exchange                   | 59,944           | 16,296          |
|  | <u>252,211</u>   | <u>220,208</u>  |
| <b>Amounts written off</b>             |                  |                 |
| At 1 January                           | (29,805)         | (27,289)        |
| Written off during the year            | (64,209)         | -               |
| Disposals                              | -                | -               |
| Movement in exchange                   | (23,296)         | (2,516)         |
|  | <u>(117,310)</u> | <u>(29,805)</u> |
| <b>Net Book Value at 31st December</b> | <u>134,901</u>   | <u>190,403</u>  |

The investments are in unlisted shares

### 10 Intangible Fixed Assets

|  | 2008<br>£       | 2007<br>£       |
|--|-----------------|-----------------|
| <b>Cost</b>                            |                 |                 |
| At 1 January                           | 107,875         | 98,768          |
| Movement in exchange                   | 33,834          | 9,107           |
|  | <u>141,709</u>  | <u>107,875</u>  |
| <b>Amortisation</b>                    |                 |                 |
| At 1 January                           | (53,478)        | (29,210)        |
| Charge for the year                    | (23,284)        | (20,059)        |
| Movement in exchange                   | (21,831)        | (4,209)         |
|  | <u>(98,593)</u> | <u>(53,478)</u> |
| <b>Net Book Value at 31st December</b> | <u>43,116</u>   | <u>54,397</u>   |

The intangible assets represent costs incurred in amalgamating the operations of the various companies in forming the Milan Branch, together with set up costs incurred in establishing the activity of dealing on a matched principal basis in Milan.

INTEGRATED FINANCIAL PRODUCTS LIMITED

Notes to the Financial Statements for the year ended 31 December 2008

11 Tangible Fixed Assets

|                       | Leasehold<br>Improvements<br>£ | Motor<br>Vehicles<br>£ | Office<br>Equipment<br>£ | Total<br>£       |
|-----------------------|--------------------------------|------------------------|--------------------------|------------------|
| <b>Cost</b>           |                                |                        |                          |                  |
| At 1 January 2008     | 132,048                        | 103,383                | 502,670                  | 738,101          |
| Additions             | -                              | -                      | 101,215                  | 101,215          |
| Disposals             | (5,851)                        | -                      | (17,330)                 | (23,181)         |
| Movement in exchange  | 41,416                         | 32,422                 | 159,921                  | 233,759          |
|                       | <u>167,613</u>                 | <u>135,805</u>         | <u>746,476</u>           | <u>1,049,894</u> |
| <b>Depreciation</b>   |                                |                        |                          |                  |
| At 1 January 2008     | (68,542)                       | (56,719)               | (330,175)                | (455,436)        |
| Charge for the year   | (27,843)                       | (16,576)               | (91,830)                 | (136,249)        |
| Disposals             | -                              | -                      | 2,373                    | 2,373            |
| Movement in exchange  | (27,546)                       | (21,389)               | (123,734)                | (172,669)        |
|                       | <u>(123,931)</u>               | <u>(94,684)</u>        | <u>(543,366)</u>         | <u>(761,981)</u> |
| <b>Net Book Value</b> |                                |                        |                          |                  |
| At 31 December 2008   | <u>43,682</u>                  | <u>41,121</u>          | <u>203,110</u>           | <u>287,913</u>   |
| At 31 December 2007   | <u>63,506</u>                  | <u>46,664</u>          | <u>172,495</u>           | <u>282,665</u>   |

12 Debtors

|                                  | 2008<br>£        | 2007<br>£         |
|----------------------------------|------------------|-------------------|
| Trade debtors                    | 1,735,788        | 22,116,914        |
| Other debtors                    | 207,039          | 52,390            |
| Amounts due from group companies | 1,466,932        | 1,496,631         |
| Prepayments and accrued income   | 105,028          | 96,285            |
|                                  | <u>3,514,787</u> | <u>23,762,220</u> |

Trade debtors at 31 December 2008 includes £661,489 (2007: £21,159,047) of trading book debtors which represents the grossed up value of matched principal trades that were undertaken before the year-end that are still within the settlement cycle

# INTEGRATED FINANCIAL PRODUCTS LIMITED

## Notes to the Financial Statements for the year ended 31 December 2008

### 13 Creditors

|                                 | 2008<br>£        | 2007<br>£         |
|---------------------------------|------------------|-------------------|
| Bank loan                       | 1,308,715        | 996,250           |
| Trade creditors                 | 974,397          | 21,723,440        |
| Social security and other taxes | 123,084          | 47,049            |
| Amounts due to group companies  | 845,704          | 739,270           |
| Accruals and deferred income    | 288,682          | 142,880           |
| Other creditors                 | 408,505          | 404,215           |
| Corporation tax                 | 21,668           | 235,997           |
|                                 | <u>3,970,755</u> | <u>24,289,101</u> |

The bank loan is unsecured, bears interest at 6.125% per annum and is repayable on demand.

Trade creditors at 31 December 2008 includes £661,187 (2007: £21,138,030) of trading book creditors which represents the grossed up value of matched principal trades that were undertaken before the year-end that are still within the settlement cycle.

### 14 Deferred Tax

#### Unrecognised Deferred Tax Asset

|                             | 2008<br>£      | 2007<br>£      |
|-----------------------------|----------------|----------------|
| Unutilised losses           | 129,658        | 8,969          |
| Unutilised foreign tax      | 176,306        | 145,236        |
| Advanced capital allowances | (11,190)       | (4,391)        |
|                             | <u>294,774</u> | <u>149,814</u> |

The deferred tax assets have not been recognised due to the uncertainty of future suitable profits against which the assets can be recovered.

### 15 Share Capital

|  | 2008<br>£        | 2007<br>£        |
|--|------------------|------------------|
| Authorised<br>1,000,000 ordinary shares of £1 each                       | <u>1,000,000</u> | <u>1,000,000</u> |
| Allotted, called up and fully paid<br>282,500 ordinary shares of £1 each | <u>282,500</u>   | <u>282,500</u>   |

INTEGRATED FINANCIAL PRODUCTS LIMITED

Notes to the Financial Statements for the year ended 31 December 2008

16 Reserves

|   | Capital<br>Redemption<br>£ | (Restated)<br>Capital<br>Contribution<br>£ | (Restated)<br>Retained<br>Earnings<br>£ |
|---|----------------------------|--|---|
| Balance at 1st January, 2008 (as previously stated) | 30,000                     | 2,819,402                                  | 711,190                                 |
| Prior year adjustment                               |                            | 100,681                                    | (100,681)                               |
| Balance at 1st January, 2008 (as restated)          | <u>30,000</u>              | <u>2,920,083</u>                           | <u>610,509</u>                          |
| Loss for the year                                   | -                          | -  | (794,786)                               |
| Share-based Payments                                | -                          | 15,782                                     | -                                       |
| Expired share options                               | -                          | (28,800)                                   | 28,800                                  |
| Balance at 31st December, 2008                      | <u>30,000</u>              | <u>2,907,065</u>                           | <u>(155,477)</u>                        |

17 Exchange Difference Reserve

|                       | 2008<br>£      | 2007<br>£      |
|-----------------------|----------------|----------------|
| At 1 January          | 100,859        | (70,197)       |
| Movement for the year | 464,713        | 171,056        |
| At 31st December      | <u>565,572</u> | <u>100,859</u> |

18 Movement in Shareholders' Funds

|                                     | 2008<br>£        | (Restated)<br>2007<br>£ |
|-------------------------------------|------------------|-------------------------|
| Opening shareholders' funds         | 3,943,946        | 3,553,968               |
| Capital contribution reserve        | 5                | 7,873                   |
| Exchange difference reserve         | 464,713          | 171,056                 |
| Retained (loss)/profit for the year | (794,786)        | 190,641                 |
| Share-based Payments                | 15,782           | 20,408                  |
| Closing shareholders' funds         | <u>3,629,660</u> | <u>3,943,946</u>        |

# INTEGRATED FINANCIAL PRODUCTS LIMITED

## Notes to the Financial Statements for the year ended 31 December 2008

### 19 Operating Lease Commitments

|  | 2008<br>£      | 2007<br>£      |
|--|----------------|----------------|
| Annual commitments under non-cancellable operating leases: |                |                |
| Land and Buildings:  |                |                |
| Expiring: within one year                                  | 25,485         | -              |
| Expiring: within two to five years                         | 115,283        | 104,742        |
|  | <u>115,283</u> | <u>104,742</u> |

### 20 Share Options

The Company's holding company Integrated Asset Management plc ("IAM") operates a share option plan whereby directors, employees and consultants are granted share options for the services they provide. Share options can only be exercised once any vesting conditions attached to the options have been satisfied. Vesting conditions can include a minimum period of service or specific performance targets.

Options outstanding over IAM's ordinary shares in respect of employees of the company are as follows:

|  | 2008                                |                                       | 2007                                |                                       |
|--|-------------------------------------|---------------------------------------|-------------------------------------|---------------------------------------|
|  | Number of<br>share options<br>£000s | Weighted<br>average<br>exercise price | Number of<br>share options<br>£000s | Weighted<br>average<br>exercise price |
| Outstanding at the beginning of the year | 655,000                             | 84p                                   | 1,195,000                           | 74p                                   |
| Forfeited/cancelled during the year      | -                                   |                                       | (540,000)                           | 61p                                   |
| Expired during the year                  | (375,000)                           | 82p                                   | -                                   |                                       |
|  | <u>280,000</u>                      | 87p                                   | <u>655,000</u>                      | 84p                                   |
| Outstanding at the end of the year       |                                     |                                       |                                     |                                       |
| Exercisable at the end of the year       | <u>25,000</u>                       | 65p                                   | <u>450,000</u>                      | 59p                                   |

The outstanding share options had an exercise price range of 60p – 128p(2007: 60p-128p). The weighted average remaining contractual life of the share options is 5.5 years (2007: 3.8 years). The maximum life of the share options is ten years.

No options were granted during the year (2007: nil).

No options were exercised during the year (2007: nil).

### 21 Contingent Liabilities

At 31 December 2008, the Company had no contingent liabilities (2007: £ Nil)

### 22 Ultimate Holding Company

The directors consider Integrated Asset Management Plc, the parent company to be the ultimate controlling party. Consolidated financial statements can be obtained from 4 Hill Street, London W1J 5NE

**Notes to the Financial Statements for the year ended 31 December 2008**

**23 Related Party Transactions**

The Company has taken an exemption available under FRS 8 Related Party Transactions not to disclose transactions with entities that are part of the group who qualify as related parties, on the grounds that the Company is a wholly owned subsidiary and consolidated financial statements are publicly available.

The Company paid Blue Financial Communications Srl (formerly Bluerating Limited), a company of which D. Masetti is a director, £82,558 (2007: £56,790) for information technology and marketing consultancy services provided during the year. At the balance sheet date the Company owed £20,302 (2007: £34,589).

The Company paid Rondo Consultants LLC, a company of which David Mandiya is a director, £25,653 (2007: £69,651) in respect of consultancy services provided during the year. At the balance sheet date, the Company owed £nil (2007: £31,404)

The Company also paid David Mandiya £271,553 (2007: £360,955) for consultancy services provided during the year. At the balance sheet date, the Company owed £nil (2007:£Nil).

The Company received £926,346 (2007: £851,225) from Sal Oppenheim in respect of marketing and back office services. At the balance sheet date, the Company was owed £492,943 (2007: £286,678).

# INTEGRATED FINANCIAL PRODUCTS LIMITED

## Capital Requirements Directive Pillar 3 disclosure

### Background

The Capital Requirements Directive ('the Directive') of the European Union created a revised regulatory framework across Europe governing how much capital financial services firms must retain. In the United Kingdom, this is being implemented by our regulator, the Financial Services Authority ('FSA') who has created new rules and guidance specifically through the creation of the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The new FSA framework consists of three 'Pillars':

Pillar 1 sets out the minimum capital requirements that we need to retain to meet our credit, market and operational risk;

Pillar 2 requires us, and the FSA, to take a view on whether we need to hold additional capital against firm-specific risks not covered by Pillar 1; and

Pillar 3 requires us to develop a set of disclosures which will allow market participants to assess key information about our underlying risks, risk management controls and capital position.

The rules in BIPRU 11 set out the provision for Pillar 3 disclosure. This must be done in accordance with a formal disclosure document. The disclosure of this document meets our obligation with respect to Pillar 3.

The rules provide that we may omit one or more of the required disclosures if we believe that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Where we have considered a disclosure to be immaterial, we have stated this in the document.

In addition, we may also omit one or more of the required disclosures where we believe that the information is regarded as proprietary or confidential. In our view, proprietary information is that which, if it were shared, would undermine our competitive position. Information is considered to be confidential where there are obligations binding us to confidentiality with our customers, suppliers and counterparties. Where we have omitted information for either of these two reasons we have stated this in the relevant section and the reason for this.

### Scope and application of the requirements

Integrated Financial Products Limited ("Integrated" or "the Firm") is authorised and regulated by the FSA and has permission to provide discretionary investment management and investment advisory services on behalf of professional clients and eligible counterparties.

The Firm is a wholly owned subsidiary of Integrated Asset Management plc, a UK domiciled company listed on the AIM market of the London Stock Exchange. The Firm is subject to consolidated reporting but holds an investment firm consolidation waiver.