



FSA Annual Review
Including special section on City employment

Will the recovery continue in 2011?

Trends in the regulated UK financial services industry
February 2011

Will the recovery continue in 2011?

Sustained improvements in Approved Persons and net new business authorisations during the year

Strong quarter for Approved Persons in Q4 2010 is consistent with an overall improvement in AP employment in 2010 versus 2009, despite a blip in Q2 2010.

Significant improvements have also been seen in net FSA authorisation of new entities (for the quarter and the year), with Q4 2010 just short of net positive authorisations (after cancellations), the best position since Q2 2008.

Whilst questions still remain over the health of the UK economy, both Approved Persons and entity authorisation volumes suggest that 2010 has been a year of good progress in the recovery of the UK financial services industry.

Although SME City employment was sharply down in 2010, new business authorisations were up for hedge funds and IFAs

Whilst analysis of Approved Person employment for SME City businesses reveals sharp declines in 2010 against a relatively benign 2009, new

business authorisations of new hedge funds (and IFAs) has seen strong

Hedge funds in particular exemplify the “entrepreneurial City” where the 22% fall in employment of Approved Persons in the SME sector (10 to 50 APs) was also matched with a 50% growth in new FSA entity authorisations in the sector

Global interest in ownership of FSA entities was consistently strong throughout 2010

Overseas interest in supporting newly authorised entities throughout 2010 was consistent at around 13% of all quarterly authorisations excluding IFAs for the year.

In addition to North America continuing to increase its lead in overseas ownership of the UK financial services industry, emerging market economies in Asia and Africa have demonstrated increased interest in UK financial services during 2010, which we believe will continue through 2011.

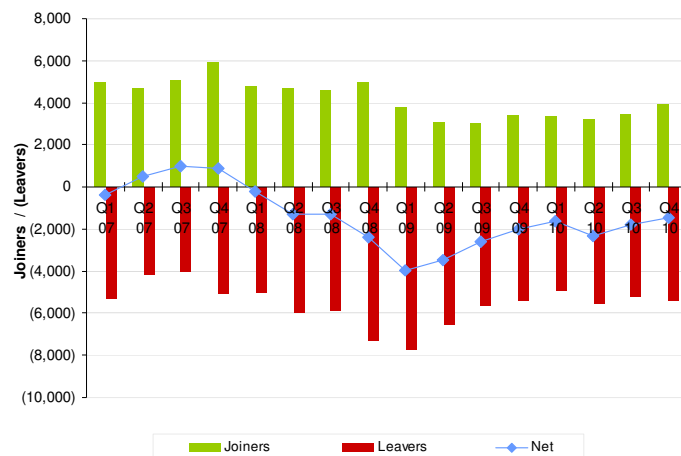
About IMAS Corporate Advisors

IMAS is a corporate finance adviser specialising in managing sales of financial services businesses in the UK. We advise owners on all stages of the disposal process, from the initial preparation for the transaction through to its completion. Having completed over 100 transactions, we use our unique and proprietary knowledge management system (“*IMAS-insight*”) that ‘maps’ the entire financial services industry in the UK, to identify the fullest possible range of buyers, both domestic and overseas.

For further details please contact Olly Laughton-Scott (ols@imas.uk.com tel: 0207 444 4392) or Bruce McIntyre (bwm@imas.uk.com tel: 0207 444 4395), or visit our website: www.imas.uk.com.

Continued improvement in FSA Approved Persons employment in 2010

Total active FSA Approved Persons, 2007 to 2010⁽¹⁾



Source: FSA Register

⁽¹⁾ Employment in this report refers to FSA Approved Persons employed in control functions

Highlights

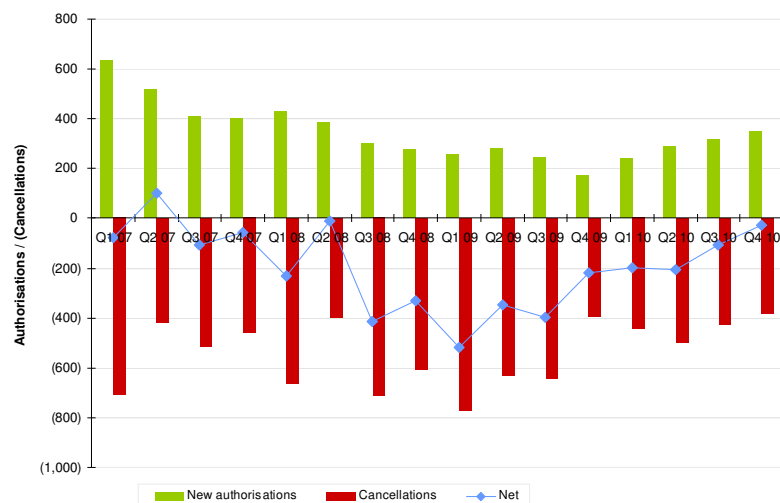
- Strong quarter for employment of FSA Approved Persons (“APs”)
 - Q4 2010 net position strongest since Q3 2008
 - Driven by highest quarterly increase in APs since Q4 2008
 - Consistent improvement in net quarterly employment since Q1 2009, with the exception of a ‘blip’ in Q2 2010
- Latest quarter has driven overall improvement in net APs in 2010 compared to 2009
 - New joiners were up 5% in 2010 compared to 2009
 - Coupled with a sharp decline in 2010 annual leavers of over 15%
 - However overall net figures still negative i.e. the FSA-regulated financial services industry still seeing net AP leavers
- Demonstrates the continued stabilisation of AP losses in UK financial services over recent quarters
 - Leavers have been consistently at the 5,000 to 5,500 level throughout 2010
 - Differs from sharp quarterly declines in 2009 from over 7,700
 - Lowest quarterly leavers in Q2 and Q3 2007, however, still over 4,000

Implications

- Overall, the UK financial services industry is showing consistent signs of recovery, with 2010 stronger than 2009 despite a blip in Q2 2010
- Looking ahead to 2011, further potential improvements could see net joiners in the industry for the first time since 2007

Strongest net FSA firm authorisations since 2007

FSA authorisations of entities from 2007 to 2010⁽¹⁾



Source: FSA Register

⁽¹⁾ Represents businesses being authorised with the FSA in the quarter

Highlights

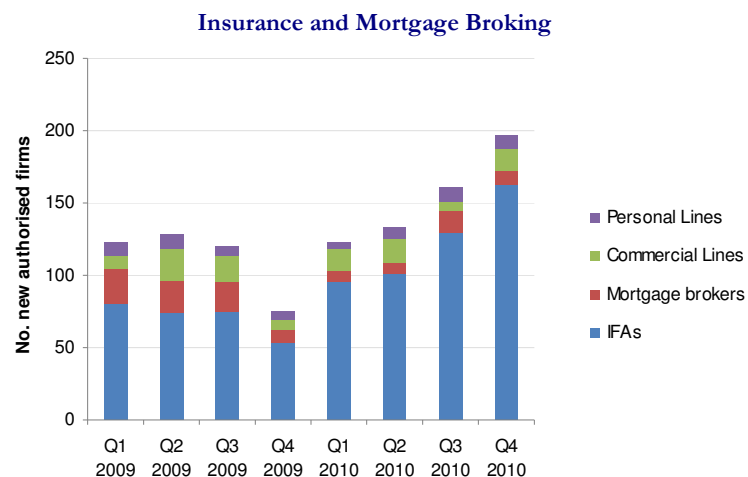
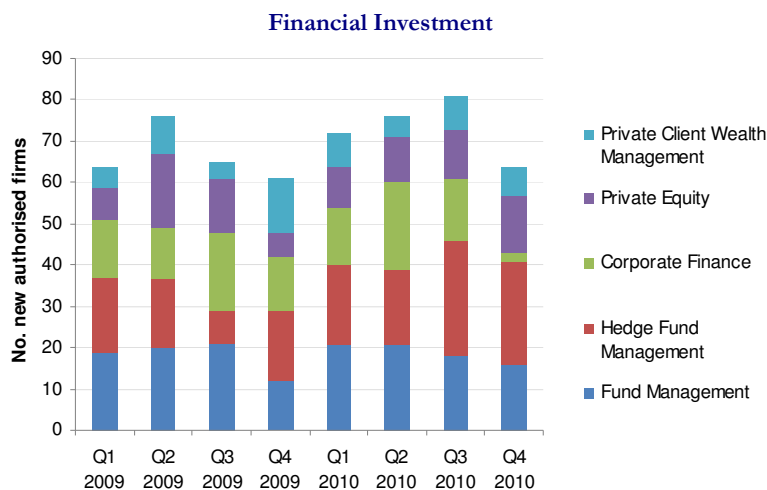
- Significant improvement in net quarterly FSA authorisations (new authorisations less cancellations) in 2010
 - 63% fall in overall decline in annual net authorisations versus prior year
 - Net cancellations of 540 in 2010 versus 1478 in 2009
- Lowest annual negative net authorisations, i.e. net cancellations, since 2007
 - Further evidence of recovery from the recent economic downturn in 2008 / 2009
- 2010 annual increase driven by a rise in FSA authorisations as well as a strong decline in cancellations
 - 1,203 new authorisations in 2010 up from 960 in 2009
 - 2010 cancellations of 1743 (2009: 2,438)
- According to data from The IMS Group, the average duration for FSA authorisation applications has considerably increased during 2010
 - Average duration for hedge fund authorisations increased from c. 80 days (January 2010) to c. 150 days (November 2010), though this is currently c. 135 days (February 2011)

Implications

- Encouraging progress given that the net quarterly trend has been broadly improving since Q1 2009
 - Highest number of quarterly new authorisations since Q2 2008 in Q4 2010
 - Lowest quarterly cancellations in Q4 2010 for the whole 2007 to 2010 period
- Possible breakthrough to positive quarterly net authorisations in 2011, particularly given the potential backlog of FSA authorisation applications

Authorisations growth continues lead by Hedge Funds and IFAs

2009/10 Quarterly FSA firm authorisations by sector



Source: IMAS-*insight*, FSA Register

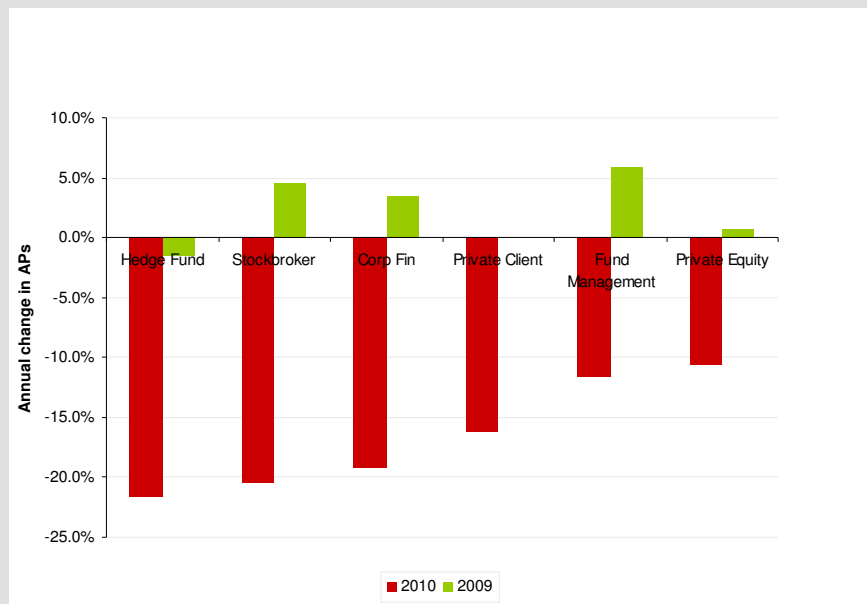
Highlights

- Overall growth in Financial Investment sector authorisations in 2010 from 2009, despite a weak final quarter in 2010
 - Total of 293 new authorisations in 2010; up on the previous year's authorisations total of 266
 - 10% annual growth in 2010 largely accounted for by growth in hedge fund authorisations (see below)
- Authorisations of new hedge funds has been particularly strong throughout 2010
 - 90 hedge fund businesses have been authorised in 2010, up 50% on 2009
 - Reflects continued fall out from the investment banks and large hedge funds, in part driven by regulatory changes
- Authorisations in other Financial Investment sectors showed more marginal changes in 2010 versus 2009
 - However, private client wealth management and corporate finance authorisations were both down 10% in 2010
- IFAs continue to be particularly active
 - At 163 authorisations, IFAs represent over 45% of total new authorisations for the quarter
 - The proposed RDR regulation in 2012 continues to drive change in the sector including significant new start up activity
- Although 2010 authorisation of insurance brokers overall was flat on 2009, mortgage broker authorisations have almost halved
 - Commercial lines broker annual authorisations were down 7% in 2010, personal lines brokers were up 6%
 - Mortgage broker authorisations were down 47% from 76 in 2009 to just 40 in 2010

Special Interest Topic: SME City employment 2009 – 2010

SME City ⁽¹⁾ employment of FSA Approved Persons was down sharply in 2010 following a stable 2009

SME City ⁽¹⁾ Approved Person employment annual change, 2009 & 2010



Source: IMAS-*insight*, FSA Register

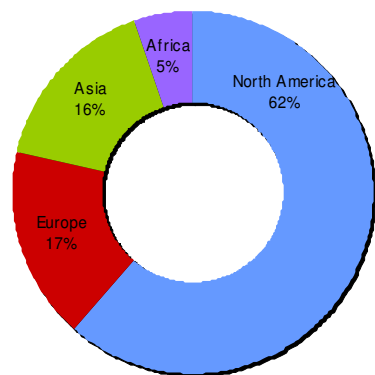
⁽¹⁾ Defined as all firms for the relevant City sectors employing between ten and 50 Approved Persons as at 1/1/09 (2009) and 1/1/10 (2010), representing a total of 379 and 409 companies respectively

Highlights

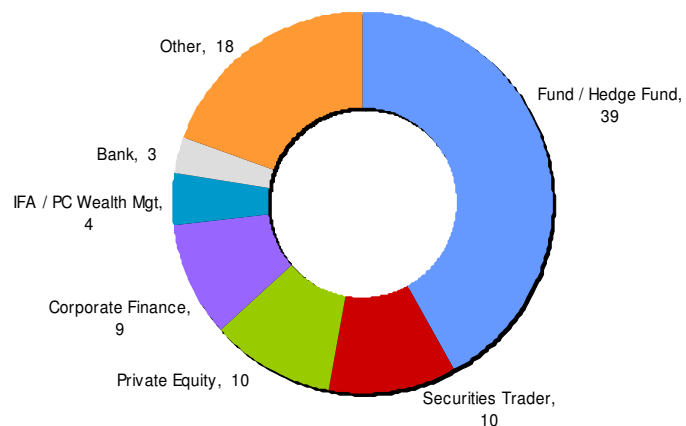
- Stable SME City employment⁽¹⁾ of Approved Persons in 2009 followed by material falls in 2010
 - Overall increase in employment by 2% in 2009 as fund management, stockbrokers and corporate finance increased APs
 - Sharp change in 2010 when SME City employment fell across all selected sectors by 17% on average
 - Suggests firms held back from cutting staff in 2009 but took decisive action in 2010
- Hardest hit were the transaction-related sectors including hedge funds and corporate finance businesses, where 2009 to 2010 swings were above 20 percentage points
 - Hedge fund employment fell 22% in 2010 (2009: -2%)
 - Corporate finance had the greatest swing of 23 percentage points between 2009 (+4%) and 2010 (-19%)
- The absolute size of the fund management sector meant that its losses accounted for over 40% of the fall in SME City employment APs
 - In relative terms, SME fund management employment fell 12% in 2010
- Longer term 'fund-related' businesses such as private equity and fund management businesses have scaled back less in 2010
 - Private equity and fund management employment fell 12% and 11% respectively in 2010

Significant overseas interest in UK financial services throughout 2010

Breakdown of 2010 firm authorisations with overseas owners By continent



By sector



Highlights

- Overseas investors have been an important component of new FSA authorisations during 2010, having backed 93 newly authorised firms
 - Represented 13% of all newly authorised firms excluding the IFA sector
 - Asset management dominates the overseas interest by sector
 - Over 40% all overseas-backed authorisations in 2010
 - Over 20% of all overseas-backed entities in UK Financial Services at 30th June 2010⁽¹⁾
 - Other sectors with consistent overseas interest include securities trading, private equity and corporate finance

- North America accounted for over 60% of overseas owned firms authorised in 2010
 - Fund and hedge fund management continue to be the leading sectors
 - North America continues to build its lead as the most active overseas investor in UK financial services entities

- Asia & Africa have been active investors throughout 2010
 - Includes ownership interests from Singapore, China, Hong Kong, South Korea and New Zealand
 - At 21%, Asia and Africa's interests exceeded the interests of Europe (17%) in newly authorised entities for 2010
 - See Appendix for further details on overseas ownership

(1) Source: IMAS's report, "Global Interests - Overseas ownership trends in the UK financial services industry", December 2010

About this report

All base data for this report has been sourced from the FSA Register with further analysis undertaken by IMAS Corporate Advisors to provide a breakdown by business activity, geographical spread and legal structure using its proprietary knowledge management system, IMAS-*insight*.

If you would like to view further IMAS reports, including FSA quarterly review reports, please go to downloads at www.imas.uk.com.

About IMAS

Founded in 1992, IMAS is a corporate finance adviser with unparalleled expertise in selling companies across the UK financial services sector. We have completed over 100 transactions since inception.

IMAS's principals all have extensive experience in working for major UK financial institutions. IMAS combines in-depth knowledge and understanding of the specific issues affecting the financial services sector with our corporate finance experience to provide our clients with discreet, experienced and independent advice.

In addition, IMAS-*insight* allows us to present a range of options to our clients that would otherwise be unavailable. For further details, please contact us or visit our website: www.imas.uk.com.

About IMAS-*insight*

IMAS-*insight* is IMAS's proprietary knowledge management system that 'maps' the UK financial services industry, analysing over 40,000 UK financial services businesses and over 300,000 FSA registered individuals.

IMAS-*insight* provides us with detailed knowledge and insight into individual sectors within the UK financial services industry, including the participants within them as well as financial and other trends. We use this proprietary knowledge to help our clients achieve their strategic objectives.

Summary data derived from the underlying analysis on IMAS-*insight* can be viewed at www.imas.uk.com.

Contacts for further information

If you are interested in buying or selling in the UK financial services sector and would like to increase the range of options available to you, please contact:

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IMAS - Selected Closed Transactions

This announcement appears as a matter of record only

Advice to the shareholders of
Border Asset Management



a regional discretionary
portfolio manager

on its sale to

Sanlam Group

This announcement appears as a matter of record only

Advice to the shareholders of
Axco Information Services Limited



a leading provider of information to the global
insurance industry

on its sale to

Wilmington Group plc

This announcement appears as a matter of record only

Advice to the shareholders of
Andersen Charnley Limited



a private client wealth
management firm

on its sale to

Collins Stewart plc

This announcement appears as a matter of record only

Advice to the shareholders of
Fish Administration Holdings Limited



a specialist insurance broker

on its sale to

Inflexion Private Equity

This announcement appears as a matter of record only

Advice to the shareholders of
Crowe Livestock Underwriting Ltd



a specialist underwriting agency
on its sale to

Amlin PLC

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Advice to the shareholders of
Cavendish Young Ltd



CAVENDISH YOUNG

an IFA / Wealth Manager

on its sale to

Merchant Securities plc

This announcement appears as a matter of record only

Advice to
Marsh UK Group Ltd
on the sale of the assets and business of



provider of medical benefits and health risk
management

on its sale to

Simplyhealth Group Ltd

This announcement appears as a matter of record only

Advice to the shareholders of
SBP Group Limited



a specialist commercial insurance broker
on its sale to

Giles Holdings Limited

This announcement appears as a matter of record only

Advice to the shareholders of
E.B. Consultants Limited



a pensions specialist

on its sale to

SBJ Group Limited

This announcement appears as a matter of record only

Advice to the shareholders of
Mobile Money Ltd



an impaired credit lending business

on the disposal of the shares to

Central Trust plc

This announcement appears as a matter of record only

Advice to the shareholders of
Garrison Investment Analysis Ltd



a discount broker

on its sale to

Charles Stanley Group Plc

This announcement appears as a matter of record only

Advice to the shareholders of
Astaire & Partners Ltd



a stockbroker

on its sale to

Blue Oar Plc

Appendix

FSA authorisations and cancellations by legal structure

Business Sector	2010 Authorisations										2009 Authorisations									
	FY 10		Q4 10		Q3 10		Q2 10		Q1 10		FY 09		Q4 09		Q3 09		Q2 09		Q1 09	
	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix
Financial Advisory	308	97%	70	22%	84	26%	79	28%	75	31%	274	29%	66	38%	67	27%	76	27%	65	25%
Financial Trading	55	17%	11	3%	14	4%	13	5%	17	7%	65	7%	10	6%	16	6%	22	8%	17	7%
General Insurance	150	47%	43	13%	34	11%	43	15%	30	12%	147	15%	23	13%	40	16%	48	17%	36	14%
Life Insurance	509	160%	165	52%	139	44%	105	37%	100	41%	295	31%	54	31%	80	32%	76	27%	85	33%
Lending	59	18%	16	5%	17	5%	14	5%	12	5%	83	9%	11	6%	23	9%	23	8%	26	10%
Other financial services	52	16%	33	10%	10	3%	6	2%	3	1%	16	2%	6	3%	2	1%	6	2%	2	1%
Other non financial services	57	18%	15	5%	20	6%	18	6%	4	2%	57	6%	2	1%	10	4%	25	9%	20	8%
Other	13	4%	0	0%	1	0%	9	3%	3	1%	23	2%	2	1%	9	4%	6	2%	6	2%
TOTAL ANALYSED SAMPLE	1203	377%	353	111%	319	100%	287	100%	244	100%	960	100%	174	100%	247	100%	282	100%	257	100%
TOTAL ALL ENTITIES	1203		353		319		287		244		960		174		247		282		257	

Source: FSA Register

Composition of FSA regulated firms

Legal Structure	2010 Authorisations										2009 Authorisations									
	FY 10		Q4 10		Q3 10		Q2 10		Q1 10		FY 09		Q4 09		Q3 09		Q2 09		Q1 09	
	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix	No.	Mix
Limited	754	236%	215	75%	194	61%	187	65%	158	65%	648	68%	110	63%	151	61%	199	71%	188	73%
Limited Liability Partnership	283	89%	74	26%	84	26%	69	24%	56	23%	223	23%	45	26%	65	26%	68	24%	45	18%
Public Limited Company	15	5%	7	2%	1	0%	4	1%	3	1%	4	0%	1	1%	1	0%	1	0%	1	0%
Building Society	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Unincorporated	151	47%	57	20%	40	13%	27	9%	27	11%	85	9%	18	10%	30	12%	14	5%	23	9%
TOTAL ANALYSED SAMPLE	1203	377%	353	123%	319	100%	287	100%	244	100%	960	100%	174	100%	247	100%	282	100%	257	100%

Source: FSA Register

Authorisations by region, 2009 & 2010

Geography	2010 Authorisations		2009 Authorisations	
	No.	Mix	No.	Mix
London	434	36%	374	39%
South England (excl. London)	288	24%	239	25%
Midlands and East Anglia	129	11%	91	9%
North England	217	18%	160	17%
Scotland	83	7%	51	5%
Wales	35	3%	34	4%
Northern Ireland	17	1%	11	1%
TOTAL	1,203	100%	960	100%

Appendix (cont.)

Nationalities of overseas owners and activities of newly authorised businesses: January – September 2010

Continent:	Total	Fund and/or Hedge Fund	Securities Trader	Corporate Finance	IFA/Private Wealth Manager	Private Equity	Investment Bank	Commercial/ Retail Bank	Insurance	Other
Q1 2010	19	9	3	2	1	1	-	1	1	1
Q2 2010	10	5	-	-	-	1	-	-	1	3
Q3 2010	15	6	3	2	0	2	0	-	0	2
Q4 2010	13	6	-	1	-	3	-	-	1	2
North America	57	26	6	5	1	7	-	1	3	8
Q1 2010	4	3	-	1	-	-	-	-	-	-
Q2 2010	4	1	-	1	-	1	-	-	-	1
Q3 2010	5	1	1	-	1	-	-	-	-	2
Q4 2010	3	-	-	-	-	1	-	-	-	2
Europe	16	5	1	2	1	2	-	-	-	5
Q1 2010	5	3	-	-	1	-	1	-	-	-
Q2 2010	4	1	2	-	-	-	-	-	-	1
Q3 2010	5	3	1	-	-	-	1	-	-	-
Q4 2010	1	-	-	-	1	-	-	-	-	-
Asia	15	7	3	-	2	-	2	-	-	1
Q1 2010	-	-	-	-	-	-	-	-	-	-
Q2 2010	3	-	-	2	-	-	-	-	-	1
Q3 2010	1	-	-	-	-	1	-	-	-	-
Q4 2010	1	1	-	-	-	-	-	-	-	-
Africa	5	1	-	2	-	1	-	-	-	1
Q1 2010	28	15	3	3	2	1	1	1	1	1
Q2 2010	21	7	2	3	-	2	-	-	1	6
Q3 2010	26	10	5	2	1	3	1	-	-	4
Q4 2010	18	7	-	1	1	4	-	-	1	4
TOTAL	93	39	10	9	4	10	2	1	3	15

Source: IMAS-*insight*, FSA Register

Appendix (cont.)

Nationalities of overseas owners and activities of newly authorised businesses: Q3 2010

Country:	Total	Fund and/or Hedge Fund	Securities Trader	Corporate Finance	IFA / Private Client Wealth	Private Equity	Commercial/ Retail Bank	Insurance	Other
USA	13	6	-	1	-	3	-	1	2
North America	13	6	0	1	0	3	0	1	2
Channel Islands	1	-	-	-	-	-	-	-	1
Switzerland	2	-	-	-	-	1	-	-	1
Europe	3	0	0	0	0	1	0	0	2
India	1	-	-	-	1	-	-	-	-
Asia	1	0	0	0	1	0	0	0	0
Libya	1	1	-	-	-	-	-	-	-
Africa	1	1	0	0	0	0	0	0	0
TOTAL	18	7	0	1	1	4	0	1	4

Source: IMAS-*insight*, FSA Register