

INTEGRATED

asset management

Annual Report

Year ended 31st December 2007

Integrated Asset Management plc (“Integrated”)

At a glance

Integrated is a London-based fund of hedge funds manager, and the owner of one of the leading institutional brokerage firms in Italy. It was founded in 1997 and has a 17 year track record in fund management. It is among the top 100 Fund of Hedge Funds Groups in the world and continues to grow, both organically and through carefully selected acquisitions.

Fund Management

Through regulated subsidiaries in London and Paris, Integrated manages assets in a wide variety of FoHF vehicles, as well as providing advisory and distribution services. FoHF vehicles have been designed to be attractive to clients with a wide range of investment preferences via the use of both multi-strategy and single strategy portfolios.

Brokerage

Integrated Financial Products Ltd provides institutional brokerage in Europe, foreign exchange, interest rate derivatives, equities, bonds and equity derivatives.

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Highlights *for the year ended 31st December 2007*

Financial Highlights

	2007	2006	Change
Assets under Management	\$2.89bn	\$1.48bn	+95%
Net Management Fee Income	£3.7m	£2.6m	+42%
Net Performance Fee Income	£1.6m	£1.3m	+23%
Net Brokerage Income	£5.1m	£4.3m	+19%
Profits before Tax from Continuing Operations*	£1.4m	£1.0m	+40%
Cash on hand†	£12.0m	£5.1m	+137%
Adjusted Earnings per Share‡	2.64p	2.02p	+31%

* Stated before amortisation of intangible assets arising on consolidation and share-based payment expense.

† Excluding cash held by the Employee Benefit Trust.

‡ Calculated on earnings from continuing operations before amortisation of intangible assets arising on consolidation and share-based payment expense on a diluted basis.

Operational Highlights

- ▲ Integration of Altigefi and Attica acquisitions completed on time and on budget
- ▲ European presence increased with operations now in UK, Italy, Switzerland and France
- ▲ Significant investment in new products, distribution capability and risk management

Chairman's Statement

Profit and revenue growth were driven by tight cost control coupled with good performance from Integrated's funds and a strong performance from the Company's brokerage business.

2007 has been another year of continued development and growth for Integrated Asset Management plc.

Turnover for the year was £14.3 million (2006: £11.6 million), an increase of 23%. Profit, before tax and amortisation of intangible assets arising on consolidation and share based payment expense, from continuing operations was £1.4 million (2006: £1.0 million), an increase of 40% giving EPS, adjusted on the same basis, of 2.64p (2006: 2.02p). We ended the year with Net Assets of £29.9 million compared with £8.9 million at 31st December 2006. Both our fund management and broking businesses have contributed strongly to this growth.

Following the acquisition of the majority of Altigefi, our assets under management ("AUM") were approximately \$2.9 billion at 31st December 2007 (2006: \$1.5 billion).

Alongside the continuous development and improvement of our underlying businesses, the year has also seen some significant and transformational events for the Company. Specifically, we raised a total of £17.5 million in May and June 2007 from both existing Shareholders and new institutions and investors. The support received from our existing major Shareholder, Sal. Oppenheim, and from Lehman Brothers is welcomed by the Company.

A transformational year in which we grew turnover by 23% whilst completing a major strategic acquisition.

J D S Booth

This strengthening of our balance sheet was carried out with the express intention of enabling us to deliver on one of our key strategies, growth via acquisition. This we have subsequently delivered first with the purchase in early September 2007 of the remaining 49.9% of Attica, completing the acquisition started in 2006, and secondly by the purchase of a majority interest in Altigefi, a leading Paris-based fund of hedge funds manager, in October 2007.

We purchased 49% of Altigefi in October 2007 and completed the purchase of a further 2% on 31st December 2007. As a consequence, the results for 2007 reflect those of Altigefi as an associated company for the year, but the balance sheet reflects it as a subsidiary, as it will be treated going forward. Altigefi has brought to us new products, new staff and access to new markets and we are delighted with the integration of their business into our Group.

As noted above, this acquisition takes Integrated's AUM to approximately \$2.9 billion at 31st December 2007 compared with \$1.5 billion at 31st December 2006 and \$0.7 billion at 31st December 2005. This increased scale in fund of hedge funds management enables us to deliver a true institutional investment process with strong and independent risk management functions. This infrastructure cannot be sustained by lower levels of AUM but, once in place, brings the benefit of scalability for future growth. Integrated's achievement of this milestone is particularly pleasing and will serve us well in years to come.

Our underlying businesses have also continued to develop. On the fund management side, the launch of the single strategy modular fund platform in February 2007 has enabled us to raise net subscriptions of \$130 million for our core Integrated funds and provide products that meet our customers' requirements.

The second half of the year was considerably more challenging for funds of hedge funds but we consider the performance of our core funds to be more than satisfactory against our peer group with returns of 4.9% to 13.6 % for the year. Our relative performance has remained strong in the second half of the year as market conditions became increasingly difficult. Though we remain confident about the ability of our funds of hedge funds to outperform their peer groups, the generation of substantial performance fee income in the immediate future remains uncertain.

Market conditions in the first quarter of 2008 further deteriorated and there continues to be no certainty that they will improve in the near term. The Board believes, however, that such market conditions present excellent opportunities for our industry, and specifically for Integrated, to demonstrate the value of our products and the strength of our risk management. We are confident that our institutional Shareholder base, proven experience through both up and down markets and strong balance sheet strongly position us to take advantage of corporate opportunities that we believe will become available in the fund of hedge funds industry.

During 2007, our broking business benefited from the difficult market conditions, building strongly on the progress we had made in previous years with an ever broader client base and product range.

Integrated's success is due to the contribution and dedication of its staff, each of whom I and my fellow Directors thank for their continued hard work.

J D S Booth
Chairman
14th May 2008

The Company approaches 2008 with optimism, a bigger, more focused and healthier business, as it strives to create further value for its Shareholders.

The Company expects to see considerable consolidation opportunities in 2008.

An excellent year for Integrated's Hedge Fund Group with progress driven both organically and by acquisition.

E M Arbib

During 2007, we have made further significant progress in becoming a leading institutional fund of hedge fund manager and institutional broker.

Growth by selective acquisition

Growth by acquisition remains a core strategy for Integrated, with 2007 witnessing two further important acquisitions in the continued delivery of this strategy. We acquired the remaining 49.9% of Attica Holdings in September, and in October announced plans to acquire the majority of Altigefi, a Paris-based fund of hedge funds manager. The Altigefi acquisition was completed in December 2007.

Both of these businesses have now been successfully integrated into the Group, and we are pleased to have achieved this with high levels of retention of the acquired assets.

Separately, I am pleased with the scale that we now have to deliver the institutional level of investment process and risk management that we feel is imperative, particularly given current market conditions.

Furthermore, the increased size of our fund management operations better enables us to improve our margins by focusing on higher yielding fully discretionary Assets under Management.

Product innovation

Different investors have varying requirements and we aim to provide products that meet those various requirements. The launch of our single strategy modular fund platform in February 2007, which disaggregates the core strategies of our flagship Integrated Multi-Strategy Fund, permits investors to

invest directly in the underlying strategies (Directional Trading, Emerging Market, Event Driven and Relative Value) in a weighting of their choice. This development has subsequently enabled us to launch a series of certificates linked to the performance of these single strategy funds. We launched two daily traded German compliant Certificates in 2007 and plan to issue several more this year.

The acquisition of Altigefi has also given us a further highly regarded product, the Altipro family of funds. Despite the introduction of MiFiD, there are still distinct requirements, fiscal if not regulatory, for differing jurisdictions within the EU and we value highly the exposure that Altigefi gives the Group to the French market both through its product and the distribution capabilities of our partner, Financière Atlas.

Fund performance

The performance of our funds is the ultimate test of our success, not just for the benefit of the investors in our funds but also for our Shareholders. In the increasingly sophisticated world of alternative investments, there are a variety of products with different investment objectives and mandates and the achievement of a headline rate of return is not necessarily the best indicator of the successful meeting of those objectives. Within our range of products, there are an array of comprehensive risk and return profiles as well as strategies which should enable good fund performance regardless of market conditions.

The combination of product development and fund performance is the key to Integrated achieving the organic growth in its Assets under Management that is also one of its strategic objectives.

Brokerage

While not on the scale of some of our better known competitors, our brokerage business continues to thrive and has built solidly on all areas of its operations in 2007. As with fund management, the greater the size of the business, the greater the prospects of operational gearing and enhancement to margins and to this end we are always seeking new opportunities for expanding the business.

Whilst the market turbulence experienced in the global capital markets in 2007 undoubtedly helped trading volumes in many products, the continued doubts over the financial strength of institutions and the reduction in activity in the credit markets is not a healthy indicator for the business if such conditions were to be sustained over a long period.

Governance and Risk Management

Operating as a public company in the regulated financial services markets, we place the highest importance on maintaining best practice levels of corporate governance and risk management both for the benefit of our Shareholders and also for the investors and customers of our fund management and brokerage businesses.

We cannot over-emphasise the importance placed by the Board on maintaining our corporate integrity and reputation. We view the effective operation of the Risk Management function at the fund management level to be the core ingredient of our funds actually delivering the risk/return profile that they set out to achieve and in the preservation of our investors' capital.

The market: 2008 and beyond

The change in market conditions from July 2007 onwards and continuing into 2008 should not be underestimated. Whilst certain strategies will find it difficult to achieve positive returns in the short term, we believe that over the next several quarters hedge funds should benefit strongly from the increased dispersion and the availability of once in a decade opportunities to make high double digit returns.

Whilst we expect the next few months to continue to be challenging, we are well positioned to take advantage of any upturn in demand and performance for our products during the remainder of the year.

Integrated has grown rapidly in the last three years. We plan to continue a rapid pace of growth over the next three years to be achieved through a combination of acquisitions and organic growth. Having invested heavily in our investment and risk management in the last two years, we are planning in 2008 to significantly upgrade our distribution capabilities in our core markets.

We are fortunate to count as our main Shareholders world class institutions that understand that successful businesses are built on long-term relationships and quality people. I would like to extend my thanks to our teams in London, Paris, Milan, Switzerland and New York for their hard work and commitment.

E M Arbib
Chief Executive Officer
14th May 2008

Hedge funds remained a rewarding investment class throughout the period.

Business Review

The Group consists of two businesses – asset management, more specifically fund of hedge fund management, and institutional brokerage.

Asset Management

Assets under Management (“AUM”)

AUM is analysed between the following products and mandates:

	31st December 2007 US\$ millions	31st December 2006 US\$ millions
Total discretionary portfolios	2,052	921
Non-discretionary portfolios	384	170
Other assets under advice	460	396
Total AUM	2,896	1,487

AUM growth excluding acquisitions for the year was \$232 million.

Discretionary portfolios are constituted of the following products:

Integrated Multi-Strategy Fund and Integrated Strategic Funds – the single strategies

Integrated Multi Strategy Fund is the original Integrated Fund that was opened to public investment in 2001. The five core strategies that comprise the Multi Strategy are Directional Trading, Equity Hedge, Emerging Markets, Event Driven and Relative Value. To give greater flexibility to investors, these five strategies are maintained as separate portfolios within Integrated Strategic Funds and investors have the choice of either investing in the Multi Strategy Fund or directly into the Strategic Funds with a weighting of their own choice. A further portfolio, into which the Multi Strategy Fund does not invest, the Integrated Long Short Selector Fund was added to the Strategic Funds range in December 2007.

We are pleased with the level of subscriptions during 2007 to our new fund offerings and as both the track records of the new products become more substantial and the assets in each portfolio grow, we are confident that they should become increasingly attractive to investors during 2008.

Altipro

Altigefi's core product is the Altipro family of funds. The main Altipro master fund has an eight year track record of consistent performance with low volatility.

Other portfolios

Other portfolios have a range of different mandates, both single and multi-strategy, for specific sets of customers. They include two German onshore funds managed for Sal. Oppenheim and two managed accounts for Sal. Oppenheim clients.

The total of the above funds constitute Integrated's discretionary AUM. Movement in AUM of discretionary portfolios in 2007 is analysed as follows:

	US\$ millions
Discretionary assets at 31st December 2006	921
Net subscriptions	36
Discontinued portfolios	(188)
Acquisitions	1,177
Fund performance	33
Foreign exchange movements	73
Discretionary assets at 31st December 2007	2,052

One of Integrated's strategies is to concentrate on higher yielding and preferably discretionary assets. Discontinued portfolios relate to portfolios which have either ceased due to changes in investors' requirements or becoming an uneconomic size or Integrated no longer holding the mandate. However, the impact on fee income is relatively negligible as the mandates were either low yielding and/or ceased in the earlier part of the year.

Subsequent to the year end and further in accordance with its strategy of concentrating on higher yielding managed assets, Integrated has ceased to provide services under one non-discretionary and one advisory contract. The cessation of provision of these services was known in advance of the year end and any revenue associated with these contracts is not included in any forecasts for the Company.

Fund performance

Fund performance for our core funds for 2007 with related volatility measures is detailed in the table below:

Fund Name/Benchmark	Currency	Share Class	2007 Performance*	2007 Annualised Volatility
Integrated Multi Strategy Fund	USD	B	9.39%	4.63%
HFRX Global Hedge Fund Index	USD		4.24%	6.18%
Altipro	EUR	III	6.20%	0.71%
Eonia	EUR		3.97%	0.06%
Integrated Event Driven Fund	USD	A	11.37%	6.00%
HFRX Event-Driven Index	USD		4.89%	6.54%
Integrated Relative Value Fund	USD	B	4.98%	2.02%
HFRX Relative Value Arbitrage Index	USD		5.79%	5.22%
Integrated Directional Trading Fund	USD	C	13.64%	5.53%
HFRX Macro Index	USD		3.19%	13.30%
Integrated Emerging Markets Fund	USD	D	11.58%	7.18%
Tremont Emerging Markets	USD		16.12%	4.80%
Integrated Equity Hedge Fund	USD		8.77%	8.20%
HFRX Equity Hedge Index	USD		3.22%	7.02%

Source: Integrated Asset Management, Bloomberg, HFR, HFN

* If the share class was not in existence for the whole of 2007, the performance reported represents the portfolio of funds previously held within Integrated Multi Strategy Fund net of fees and expenses.

Management Fees and Distribution Costs

Management fees are normally charged at 1.0% to 2.25% per annum, dependent on the investor type and on the underlying AUM.

As is common throughout the industry, Integrated raises its assets through a network of distributors, intermediaries and institutions buying the product on behalf of underlying customers. These third parties are remunerated by the retrocession or rebate of a portion of the management fees paid by the fund to Integrated.

In addition, where Integrated manages portfolios that have been established by third parties and Integrated is not involved in raising assets for that portfolio, Integrated is not the direct recipient of the management fee from the fund, but receives a share of such fee from the originator of the fund, for instance 0.75% per annum. However, in these instances, the fee would not normally be subject to any retrocession or rebate.

As a consequence of these variations in rates of gross revenue, the management fee net of any retrocession or rebate, the net management fee, is considered a more reliable guide of the success of the Company. Net yields on our portfolios for 2007 are analysed as follows:

Asset type	Net margin in basis points†
Discretionary assets	73
Non-discretionary assets	39
Other assets	11

† Excluding discontinued portfolios.

For 2008, average yields on discretionary assets are expected to fall slightly with the introduction of the Altipro funds to these assets which yield on average a net 60 basis points per annum.

Performance Fees

Performance fees may be generated by all discretionary and some non-discretionary portfolios subject to certain criteria being met. All funds have a high water mark whereby the fund price at the close of a given performance period must be higher than that at the close of the last performance period on which a performance fee was paid. In addition, certain funds have a hurdle whereby fund performance in the given period must exceed a pre-determined benchmark or hurdle and a performance fee is paid in the excess of the performance over this benchmark, subject to any high water mark. Performance periods usually range from three months to twelve months. Performance fees are normally calculated at the rate of 10% of the relevant performance and retrocession to distributors is only usually granted in exceptional circumstances.

The Altipro funds have a complex performance fee structure which, whilst potentially highly remunerative to Integrated, has a number of conditions to achieve and no performance fee income is forecast for 2008.

Net performance fees totalled £1.6 million (2006: £1.3 million), reflecting the more difficult conditions in the second half of the year. Whilst Integrated is not dependent on performance fees, representing 30.5% and 14.9% of fund management income and Group income respectively, they remain a key element of our financial success for any given period.

Brokerage Products

In the wide range of products that are covered by the global inter-dealer/institutional markets, IFP is focused on foreign exchange, interest rate derivatives, equities, bonds, equity derivatives and the marketing and promotion of securities and derivatives for Sal. Oppenheim in Italy.

Performance is measured by both gross and net revenues, but more generally the latter, and returns on both of those streams.

	2007 £000	2006 £000
Net brokerage	4,137	2,962
Net marketing	993	1,106
Other	43	188
Total net brokerage	5,173	4,256

The analysis of net brokerage by product is set out below.

	2007 %
Equity derivatives	25.7%
Equities	28.1%
Foreign exchange	22.7%
Interest rate derivatives	16.7%
Bonds	6.8%
	100%

All of the above products contributed strongly to the near 40% increase in net revenues in 2007, with the exception of interest rate derivatives which suffered in the second half of the year when interbank lending was curtailed by the dislocation in the wholesale money markets. The most notable contributor to the growth was the equity desk which was established in the latter half of 2006 and witnessed steadily growing turnover throughout the course of 2007. Both equity derivatives and foreign exchange increased net revenues by in excess of 30% year on year and are well established in their specific markets. Bonds showed a very high percentage increase, reflecting their first full year of operation in 2007, albeit at lower absolute levels of revenue.

In addition to the costs of settlement services for matched principal business, the broking and marketing businesses may generate revenue from customers introduced by third parties and any commission paid to such third parties is also included within cost of sales.

For its marketing and promotional activities, IFP is remunerated by means of a fixed retainer and variable compensation dependent primarily upon the volume of products that are sold by Sal. Oppenheim, their profitability to the bank and the level of actual marketing activity.

Results summary

	Fund Management £000	Brokerage £000	Total £000	2006 £000
Turnover	7,650	6,692	14,342	11,574
Cost of sales	(2,120)	(1,519)	(3,639)	(3,418)
Net revenue	5,530	5,173	10,703	8,156
Operating costs	(4,623)	(4,749)	(9,372)	(7,026)
Operating profit before amortisation of intangibles, share-based payment expense and currency exchange differences	907	424	1,331	1,130
Amortisation of intangibles	(327)	–	(327)	(75)
Share-based payment expense	(132)	(23)	(155)	(241)
Currency exchange differences	(311)	(78)	(389)	53
Operating profit	137	323	460	867
Net finance and other income*	369	85	454	(162)
Profit on continuing activities before tax	506	408	914	705

* Including Integrated's share of Altigefi's post-tax result from 12th October 2007 to 31st December 2007.

Operating margins

It remains one of the Group's core strategies to improve our margins. The careful management of the cost base against AUM and revenue growth in order to benefit from the economies of scale that such growth offers is the key to delivering this strategy, allowing for sufficient investment to support the future growth of the business.

The most significant item of operating expenditure was staff compensation which represented 55% of operating costs in 2007.

Under International Financial Reporting Standard 2 – Share-based Payment ("IFRS 2"), deferred bonuses are charged to the Income Statement over the performance and vesting period, dependent upon vesting conditions, rather than in the year in which the performance is generated. The maturing of such deferrals, including payments made into an Employee Benefit Trust during the year from which no allocations to employees at 31st December 2007 had been made, may generate an increase in variable compensation costs in years to come.

Included within operating costs are two significant charges arising from the movement in the sterling/euro exchange rates in the latter half of 2007.

- Firstly, the payment for the purchase of the 49.9% of Attica completed in September 2007 was denominated in euro but deferred until 31st December 2007. Accounting rules and policies determine that the cost of the acquisition is calculated on the date of completion and any movement in the cost of settlement after that date is to be taken to the profit and loss. The depreciation of sterling against the euro caused a loss of £290,000 to be charged to the profit and loss.
- Secondly, in order to reduce the exposure of the Group to movements in the euro, assets surplus to working capital requirements held in foreign operations are held in sterling. However, these sterling assets are revalued to euros in the results of the foreign operations, such revaluation being taken through profit and loss, whilst the reverse revaluation of the foreign operation back into sterling is taken through reserves. There is a charge to the current year profit and loss of £90,000 for this revaluation, the reverse of which is effectively included within the Exchange Difference Reserve gain of £498,000 reported in the Group Statement of Recognised Income and Expense.

The significant non-cash charge for the amortisation of intangibles arising on consolidation which, in 2007, was generated by the acquisition of Attica is expected to increase significantly in 2008 following the acquisition of Altigefi on 31st December 2007.

Business Review continued

Capital and Cash Flow

	2007	2006
	£000	£000
Net assets	29,907	8,987
Cash at bank*	12,072	5,077

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

Net assets increased primarily as a result of the equity issued in May and June totalling some £17.5 million before expenses. In addition, there were significant conversions of the Convertible Unsecured Loan Notes of £2.4 million during the year.

Subsequent to the year end, the residual balance of £1.0 million of the Convertible Unsecured Loan Notes that had not been converted prior to 31st December 2007 were either redeemed or converted on 28th January 2008.

Included within Net Assets are cash balances of £12.0 million excluding cash held under Trust by the Employment Benefit Trust established during the year. Whilst certain amounts of cash are held by subsidiaries for both working capital and regulatory requirements, there remains significant liquidity within the Group.

Net cash flow for the year from operating activities was positive.

Employee Share Ownership

We consider it essential that share ownership is widely distributed amongst employees and that key professionals either retain, receive or be entitled to receive, subject to performance conditions where applicable, meaningful interest in Integrated's equity.

During 2007, financing of £2.5 million was provided for the initial purchase by the Integrated Share Ownership Trust ("ESOT") of shares in Integrated both by means of subscription and in the market.

The remuneration of our investment professionals is correlated with fund performance in order to align the interests of our employees with the investors in the funds.

Dividends

The surplus cash flow noted above is not considered sufficient to justify the payment of a dividend given the policy of the Group to retain adequate surpluses of regulatory working capital, and have funding available for potential acquisitions.

Such dividend policy remains under close review by the Board.

Risk Management

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

Investment risk

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

- The use and continued evolution of an institutional quality Investment Process which combines a top down approach, guided by a Senior Advisory Board comprising individuals from within and without the Group, and an in-depth bottom up analysis carried out by specialists within each core hedge fund strategy.
- The operation of such a process by highly experienced, qualified and motivated staff who have clearly defined roles and responsibilities as required by the investment process.
- An independent and well-staffed Risk Management team which not only ensures that the Investment Process is adhered to but also monitors each portfolio continuously to ensure its compliance with pre-determined limits using sophisticated in-house developed software.

Operational Risk

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

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

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

Financial Risks

The Group operates in a number of different countries and is exposed to a number of financial risks and particularly currency risk. Details of these and the measures undertaken by the Group to manage them are given in Note 25 to the financial statements.

Regulatory environment

Each of Integrated's principal operating subsidiaries is subject to regulation. In the United Kingdom, the two fund management companies, Integrated Alternative Advisors Limited and Integrated Alternative Investments Limited, which together trade as Integrated Alternative Investments, are regulated and authorised by the Financial Services Authority as is the broking subsidiary Integrated Financial Products Limited ("IFP").

IFP's Milan branch is responsible to the Italian regulator ("Consob") for its conduct of business.

In France, Altigefi is authorised and regulated by the Autorite Monetaire Francaise ("AMF").

During 2007, both the EU Capital Requirements Directive ("CRD") and the Markets in Financial Instruments Directive ("MiFID") came in to force. The implementation of MiFID was successfully carried out across the various Group businesses.

CRD introduces new rules for the calculation of financial resources and financial resources requirements, dependent upon the scope of regulated firms' permissions. In March 2008, IFP amended its FSA permission so that, in common with the other regulated firms in the Group, it became a limited licence firm. This affects the way that IFP's capital requirement is calculated. In addition, it technically permits the Group to be eligible for a waiver from consolidated supervisory reporting. This waiver has been applied for but as at the date of this report, it is not known whether or not it will be granted. With or without the waiver, the Group has excess regulatory capital over the requirement.

Board of Directors

John Booth began his investment banking career in 1983 at Merrill Lynch in London and New York. He became a partner of Hutton International Associates in 1986 and Senior Vice-President of Prudential Securities in 1988. John was appointed Managing Director of Bankers Trust International plc in 1992. He also chairs Maintel Holdings plc, a telecommunications Company, and serves as a non-executive director of a number of private companies. John is Chairman of leading global equity derivatives firm Link Icap and a consultant to Herald Ventures, a venture capital partnership. John is a graduate of Oxford University.

Emanuel Arbib holds an ABA Degree in Business and a Graduate Degree in Economics and Finance from Bocconi University in Milan. He is the co-founder and Executive Chairman of Integrated Alternative Advisors Ltd, a wholly owned subsidiary of Integrated Asset Management. From 1993 to 2000, Emanuel was a Director of Capital Management Limited, a family office which specialised in alternative investments and the global fixed income market, based in Jersey and Monte Carlo. From 1997 to 2004, Emanuel was a Director of the Trident Rowan Group Inc., a NASDAQ quoted Company that controlled Moto Guzzi SpA, the Italian motorbike manufacturer. Between 1990 and 1991, Emanuel ran Italian Eurobond sales at Prudential Bache Securities (UK).

Detlef Bierbaum was appointed to the Board on 8th August 2006. Detlef is a general partner of Sal. Oppenheim jr & Cie KGaA, Cologne and also serves on the Board of Directors of the Association of German Banks. Detlef started working in the investment department of Bayerische Vereinsbank in 1969 moving to Allgemeine Deutsche Investment Gesellschaft the following year. He spent twelve years at ADIG and was appointed Managing Director of ADIG Investment responsible for fund management in 1974. In 1982, he joined the Board of Nordstern Versicherungen, Cologne and was responsible for the areas of finance, foreign subsidiaries and fine art insurance. In spring 1991 Detlef joined Sal. Oppenheim as a partner of the Bank. In March 2002 he was elected to the Board of Directors of the Association of German Banks. As a personally liable partner at Sal. Oppenheim, Detlef is in overall charge of institutional Asset Management including Real Estate activities, the mutual fund business and alternative investments, as well as the private equity business.

Norman Epstein is a Chartered Accountant. He has particular knowledge in the field of international finance and taxation and specialises in offshore jurisdictions. Norman joined Moore Stephens in 1973 rising to Managing Partner in New York (1992) and to Senior Partner in Monaco (1995/96). He is currently an international financial consultant and Director of Cheval Property Finance plc. Norman also serves as a Director of Hansen Natural Corp., a NASDAQ listed company.

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|---|--|
| <p>1 John Booth
Non-Executive Chairman</p> <p>2 Emanuel Arbib
Chief Executive</p> <p>3 Detlef Bierbaum
Non-Executive Director</p> <p>4 Norman Epstein
Non-Executive Director</p> <p>5 Nicholas Levene
Non-Executive Director</p> | <p>6 Denis Masetti
Executive Director</p> <p>7 Christopher Freiherr von Oppenheim
Non-Executive Director</p> <p>8 George A Robb
Non-Executive Director</p> <p>9 Mark Segall
Non-Executive Director</p> |
|---|--|

Nick Levene has over 20 years' experience within the equity and derivatives markets. He worked within Phillips & Drew and Tullett & Tokyo and most recently held the post of Managing Director of Trio Equity Derivatives Ltd, the old-established money and securities broking house, for eight years. Nick also acts as Deputy Chairman of Bramdean Asset Management and Vice-Chairman of Leyton Orient Football Club.

Denis Masetti graduated *cum laude* in Business Administration, and has been active in the financial services industry for over 25 years. He has worked for Rasbank (Allianz Group) and SAI-Fondiarria and as a general manager for ING-Sviluppo Investimenti. Denis later joined Robert Fleming SIM in Italy, serving as member of the Board of Directors and developing the distribution of Flemings range of funds. He then founded Lombard Marketing Service, a company linked to the Luxembourg-based Lombard International Insurance. Denis also served as a partner and Director of JD Farrods Securities Ltd, an FSA-regulated company based in London and Spirito Santo Financial Consultants in Lisbon.

Christopher Freiherr von Oppenheim was appointed Director of Integrated Asset Management on 8th August 2006. Christopher is a general partner of Sal Oppenheim jr & Cie KGaA, Cologne. In 1993 Christopher joined the bank Sal. Oppenheim jr & Cie KGaA. His responsibilities included Real Estate Banking and Private Banking for high and ultra high net worth individuals, families and family offices. Between 1998 and 1999 he was delegated to the Foreign Secretary Dr Klaus Kinkel in Bonn, serving as a member of the Policy Advisory Committee in the Foreign Office. In January 2000 he became a Personally Liable Partner of Sal. Oppenheim jr & Cie, representing the seventh generation of the Oppenheim family at the Bank. Between the years 2000 and 2002 Christopher was responsible for risk management at the bank; since 2002 he has been responsible for the entire private banking division of the Group.

George Robb After qualifying as a solicitor, George began a career in investment management in 1971. He was one of the founding shareholders of Aberdeen Asset Management plc in 1983 and in 1994 established Asset Management Investment Company plc ("AMIC"), being appointed Managing Director of the company following its flotation. George is also a Director of City of London Investment Group plc and of a number of companies in which AMIC has investments.

Mark Segall is the founder of Kidron Corporate Advisors LLC, a corporate advisory and mergers & acquisitions boutique, which represents public and private companies. The company focuses primarily on emerging growth companies with cross-border activities. Prior to forming Kidron, Mark was the Chief Executive Officer of Investec Inc., the US investment banking operation arm of Investec Group. Before becoming CEO of Investec Inc., he served as the Director of Investment Banking and General Counsel to Investec Ernst and Company, which was engaged in retail brokerage, securities clearing, market making and prime brokerage. Mark practised law as a partner at Kramer Levin Naftalis & Frankel LLP before commencing his investment banking career. He serves on the Board of Directors of several US publicly traded companies including the Escala Group, Answers Corporation and the Comtech Group. Mark earned his Bachelor of Arts degree at Columbia University and his Juris Doctorate degree at New York University.

Directors' Report

The Directors present their annual report together with the audited financial statements for the year ended 31st December 2007.

Principal Activities and Business Review

Integrated Asset Management plc ("the Company") is the parent company of an asset management and brokerage group. A review of the Company's business activities during 2007 along with future developments and risk management are given in the Chairman's Statement, Chief Executive Officer's Statement and Business Review on pages 2 to 11.

Results and Dividends

The profit attributable to equity holders for the year ended 31st December 2007 was £16k (2006 re-stated: £374k). The Directors have not proposed the payment of a dividend for the year ended 31st December 2007 (2006: £nil).

Acquisitions

On 7th September 2007, the Company acquired the remaining 49.9% of the share capital of Attica Holdings (UK) Limited ("AHUK"), which it did not already own. This followed the original purchase of 50.1% on 8th August 2006 and as a result the Company now owns 100% of the shareholding of AHUK.

Also during the year, the Company acquired 51% of Altigefi S.A., a Paris-based fund of hedge funds manager.

Details of the acquisitions can be found at Note 22 to the financial statements.

Share Issue and Own Shares

During the year, the Company raised £17.5 million of additional share capital via two share placings on AIM. Further information can be found at Note 19 to the financial statements.

Also during the year, the Integrated Asset Management Employee Share Ownership Trust (ESOT) was established to provide a vehicle through which share incentives may be provided to present or future employees or officers of the Group. During 2007, the trustee of the ESOT subscribed to 1,300,000 ordinary shares in the Company for the aggregate sum of £1,950,000 and, in addition, purchased in the markets 500,000 ordinary shares in the Company for £568,896. The ESOT's percentage share in the Company's ordinary share capital is shown in the table below.

Details of significant share transactions after the year end are disclosed in note 28.

Directors

There were no changes to the Board of Directors during the year. The following Directors will retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for reappointment: John Booth, Denis Masetti and George Robb.

The interests of the Directors in the Company's ordinary shares are detailed in the Remuneration Report on page 19.

Substantial Shareholdings

At 1st May 2008 there were 42,008,826 ordinary shares of 5p each in issue. The following significant shareholdings in the Company's ordinary share capital have been disclosed to the Company:

	Number	Percentage Holding
Sal Oppenheim jr. & Cie. S.C.A.	11,496,111	27.37%
LB UK RE Holdings Ltd	3,500,000	8.33%
Nick Levene (Director)	2,069,473	4.93%
Asset Management Investment Company plc	2,052,568	4.89%
Employee Share Ownership Trust	1,800,000	4.28%
Credit Agricole Chevreux International Limited	1,776,174	4.23%
Walker Crips Asset Management Ltd	1,288,341	3.07%

Employees

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

Donations

During the year the Group made charitable donations of £nil (2006: £67,500).

No political donations were made in 2007 or 2006.

Research and Development

During the year, the Company developed internally generated software which is currently used by employees in the investment division of the asset management business. Details of the developed software are given at Note 8 to the financial statements.

Creditor Payment Policy

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

1. To agree payment terms with suppliers in accordance with contractual or other legal obligations.
2. To ensure that suppliers are aware of the terms of payment.
3. To make payment in accordance with the payment terms.

Average trade creditor days at 31st December 2007 were 80 days (2006: 79 days) for the Group and 67 days for the Company (2006: 75 days).

Annual General Meeting ("AGM")

The Company's AGM will be held on 19th June 2008 at the Company's registered office.

Auditor

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

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

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

Going Concern

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

By Order of the Board

J D S Booth

Director

14th May 2008

Corporate Governance Report

The Board is committed to creating and implementing high corporate governance standards and practices throughout the Group. The Directors recognise the importance that corporate governance plays in the protection and maintenance of Shareholders' interests and strive to implement best practice policies to achieve this. Although not required to do so, the Company aims to comply with the Combined Code (2006) on Corporate Governance, issued by the Financial Reporting Council.

The Board of Directors

The Company is headed by an experienced Board of Directors which consists of two Executive Directors and seven Non-Executive Directors.

The profiles of the Directors are shown on pages 12 and 13.

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

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

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

The roles of the Chairman, John Booth, and Chief Executive Officer, Emanuel Arbib, are clearly divided. John Booth is primarily responsible for the leadership of the Board and for ensuring effective communication with

Shareholders whilst Emanuel Arbib is responsible for making and approving senior management decisions which affect the operating and financial performance of the business.

The Board fulfils its duties to the Company's Shareholders through Board meetings or by delegating responsibilities to Board Committees. Details of the Audit Committee and Nomination Committee are shown below. Details of the Remuneration Committee are shown in the Remuneration Report on pages 18 and 19.

Appointments to the Board

Any Directors appointed by the Board are subject to re-election by the Shareholders at the Annual General Meeting following their appointment. All Directors are subject to reappointment at intervals of not more than three years.

Prior to their appointment, Non-Executive Directors are subject to a review process to assess their independence and to confirm that they have no other relationships that may affect their judgement as a Director of the Company.

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

Support to the Board

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

Board Meetings

The number of Board and Board Committee meetings held during the year and the individual attendance by Directors is set out in the table below:

	Board	Audit Committee	Remuneration Committee
Number of meetings	8	2	3
Directors' attendance			
Emanuel Arbib	8	—	—
Detlef Bierbaum	5	—	—
John Booth	8	—	3
Norman Epstein	6	2	3
Nicholas Levene	8	2	—
Denis Masetti	6	—	—
Christopher Freiherr von Oppenheim	2	—	—
George A Robb	8	2	—
Mark Segall	8	—	3

The Nomination Committee did not meet during the year.

After the year end, two further Board meetings were held in March and April 2008.

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

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

Audit Committee

The Audit Committee comprises three Non-Executive Directors. The Directors who served on the Committee during the year were Norman Epstein (Audit Committee Chairman), Nick Levene, and George Robb. Nick Levene replaced John Booth as a member of the Committee during the year. The Committee is primarily responsible for the following:

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

Nomination Committee

The Nomination Committee is responsible for identifying, assessing and nominating individuals for Board positions as and when they arise. This includes consideration of the reappointment of Non-Executive Directors at the conclusion of their specified term of office. It is also responsible for considering succession planning for both the Board and senior management positions. The Committee comprises John Booth (Chairman of the Board and of the Nomination Committee), Mark Segall (Chairman of the Remuneration Committee) and Norman Epstein (Chairman of the Audit Committee), all of which are Non-Executive Directors. There were no changes to the composition of the Committee during the year.

Internal Control and Risk Management

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

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

Investor Relations

The Company regularly updates its Investor Relations section of its website (www.integratedam.com) to provide investors with important information regarding the Company's activities. This includes information such as annual and interim financial statements as well as announcements which the Company is required to make in accordance with the AIM Listing Rules.

During the year, the Chief Executive Officer met with and made presentations to institutional investors, analysts and prospective Shareholders. The Company regularly provides Shareholders and clients with material that shows the performance of managed funds and the brokerage business. Shareholders are always encouraged to make enquiries regarding the events and activities which affect their investment in the Company.

Going Forward

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

Remuneration Report

This report sets out the Group's remuneration policy and details the remuneration of each of the Directors for the year ended 31st December 2007.

Remuneration Committee

The Remuneration Committee comprises three Non-Executive Directors. The Directors who served on the Committee during the year were Mark Segall (Remuneration Committee Chairman), John Booth (Chairman of the Board) and Norman Epstein (Chairman of the Audit Committee). Mark Segall replaced George Robb as a member of the Committee during the year and also replaced John Booth as Remuneration Committee Chairman. The Committee is primarily responsible for the following:

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

Details of the number of meetings and attendance during the year are set out on page 16.

Remuneration Policy

The Group aims to attract and retain high calibre Executives by rewarding them with competitive salary and benefit packages which are linked to the combined achievement of the Group's financial targets and individual objectives. In assessing the competitiveness of the Group's remuneration policy, salaries and other benefits have been reviewed against external market data and the remuneration policies of comparable companies in the finance industry.

In order to align the interests of Executives and the Group's Shareholders, the Group encourages share ownership by offering participation in share-based long-term incentive schemes, details of which are set out in this report.

Developments during the year

As mentioned in the Directors' Report, the Integrated Asset Management Employee Share Ownership Trust ("ESOT") was established during the year to provide a vehicle through which share incentives may be provided to present or future employees or officers of the Group. Under the terms of the ESOT, the ESOT will sell an interest in the growth in value of the shares now owned by the ESOT to certain senior Executives. The ESOT is funded by a loan from the Company. The ESOT will have a right to claw back the interest in the growth value of the shares if the relevant senior Executive leaves the Company other than as a good leaver or if the performance criteria attached to the grant to the specific senior Executive are not fulfilled. No awards were made by the trustee during the year ended 31st December 2007.

During the year, the Integrated Asset Management Employee Benefit Trust ("EBT") was also established. The Company transferred to the EBT an amount of £1,344,475 to be utilised by the trustee of the EBT in accordance with the terms of the EBT. The EBT was created to motivate and retain the Group's Directors and employees, each of whom is a potential beneficiary of the EBT. No awards were made by the trustee during the year ended 31st December 2007.

Directors' remuneration during the year was as follows:

	Salaries and Fees		Bonuses		Benefits in Kind		Total	
	2007 £	2006 £	2007 £	2006 £	2007 £	2006 £	2007 £	2006 £
J D S Booth	35,000	25,000	—	—	—	—	35,000	25,000
E M Arbib	256,786	203,632	—	127,000	7,500	15,308	264,286	345,940
N C Epstein	15,000	23,632	—	—	—	—	15,000	23,632
N D A Levene	167,891	—	—	—	1,467	1,333	169,358	1,333
M B Segall	20,000	20,000	—	—	—	—	20,000	20,000
G A Robb	7,500	—	—	—	—	—	7,500	—
D Masetti	76,633	59,918	—	30,000	—	—	76,633	89,918
D Bierbaum	—	—	—	—	—	—	—	—
C F von Oppenheim	—	—	—	—	—	—	—	—
	578,810	332,182	—	157,000	8,967	16,641	587,777	505,823

Directors' interests in the Company's share capital during the year was as follows:

	2007 % Holding	2007 No. of shares	2006 No. of shares
E M Arbib	1.44%	600,967	477,786
J D S Booth	2.98%	1,242,105	500,000
N C Epstein	1.51%	627,507	627,507
N D A Levene	4.97%	2,069,473	1,320,000
D Masetti	2.62%	1,091,891	1,091,891
M B Segall	0.06%	25,000	—

No other Director had a beneficial interest, as defined by the Companies Act 1985, in the share capital of the Company during the year.

Directors' interests in share options in the Company during the year were as follows:

Director	Date of Grant	Exercise price (pence)	Held at 1st Jan 2007	Granted	Exercised	Lapsed	Held at 31st Dec 2007	Exercisable Date	Expiry Date
J D S Booth	02/06/2000	82.50	20,000	—	—	—	20,000	02/06/2003	02/06/2010
E M Arbib	02/06/2000	82.50	80,000	—	30,000	—	50,000	02/06/2003	02/06/2010
	27/11/2003	50.00	660,000	—	—	—	660,000	27/11/2006	27/11/2013
	15/03/2006	60.00	200,000	—	—	—	200,000	15/03/2009	15/03/2016
N C Epstein	02/06/2000	82.50	20,000	—	—	—	20,000	02/06/2003	02/06/2010
N D A Levene	14/08/2003	50.00	166,666	—	—	—	166,666	Perf. Related	Perf. Related
D Masetti	15/03/2006	60.00	60,000	—	—	—	60,000	15/03/2009	15/03/2016
	30/03/2006	80.00	120,000	—	—	—	120,000	30/03/2009	30/03/2016
M B Segall	02/06/2000	82.50	20,000	—	—	—	20,000	02/06/2003	02/06/2010

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for the year.

In preparing these financial statements, the Directors have:

- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that are reasonable and prudent.
- Complied with IFRS as adopted by the EU.
- Prepared the financial statements on a going concern basis.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and, as regards the Group financial statements, article 4 of the International Accounting Standards Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps in the prevention and detection of fraud and other irregularities.

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

We have audited the Group and parent Company financial statements (the "financial statements") of Integrated Asset Management plc for the year ended 31st December 2007 which comprise the Group Income Statement, the Group and parent Company Statements of Total Recognised Income and Expense, the Group and parent Company Balance Sheets, the Group and parent Company Cash Flow Statements and the related notes. 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 Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive Officer's Review, the Business Review, the Corporate Governance Report and the Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any other information.

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 judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31st December 2007 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 31st December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

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

16th May 2008

Group Income Statement

for the year ended 31st December 2007

		Year ended 31st December 2007 £000	(Restated) Year ended 31st December 2006 £000
	Note		
Continuing operations			
Revenue		14,342	11,574
Cost of sales		(3,639)	(3,418)
Net revenue		10,703	8,156
Operating costs	3,4	(9,761)	(6,973)
Amortisation of intangibles arising on consolidation		(327)	(75)
Share-based payments cost		(155)	(241)
Operating profit		460	867
Finance income		685	106
Finance expense	15	(362)	(268)
Share of profit of associate	9	131	–
Profit before taxation		914	705
Taxation	5	(117)	(222)
Profit from continuing operations		797	483
Discontinued operations			
(Loss) from discontinued operations		–	(44)
(Loss)/profit on sale of subsidiary	6	(535)	218
Profit for the year		262	657
Attributable to:			
Equity holders of the parent		16	374
Minority interests		246	283
		262	657
Earnings per share			
Continuing operations			
Basic	7	1.69p	1.02p
Diluted		1.64p	0.96p
Total			
Basic	7	0.05p	1.90p
Diluted		0.05p	1.79p

Statement of Recognised Income and Expense

for the year ended 31st December 2007

	(Restated)	
	Year ended 31st December 2007 £000	Year ended 31st December 2006 £000
Group		
Profit for the year	262	657
Currency translation differences on overseas operations	498	(139)
Total recognised income for the year	760	518
Attributable to:		
Equity holders of the parent	514	235
Minority interests	246	283
	760	518

	(Restated)	
	Year ended 31st December 2007 £000	Year ended 31st December 2006 £000
Company		
Loss for the year	(896)	(722)
Total recognised income for the year	(896)	(722)

Group Balance Sheet

as at 31st December 2007

		(Restated)
	31st December	31st December
	2007	2006
	£000	£000
	Note	
Assets		
Non-current assets		
Intangible assets	8	17,958
Property, plant and equipment	10	750
Financial assets	13	173
		18,881
Current assets		
Trade and other receivables	11	26,065
Cash and cash equivalents	12	13,418
Financial assets	13	131
		39,614
Total assets		58,495
Liabilities		
Non-current liabilities		
Borrowings	15	–
Deferred tax liabilities	16	(921)
Trade and other payables	17	–
		(921)
Current liabilities		
Borrowings	15	(2,090)
Trade and other payables	17	(25,134)
Tax payable		(443)
		(27,667)
Total liabilities		(28,588)
Net assets		29,907
Capital and reserves		
Called up share capital	19	2,083
Share premium account	20	26,527
Shares to be issued	20	251
Share options reserve	20	473
Exchange difference reserve	21	423
Investment in own shares	21	(2,525)
Retained earnings	21	1,472
Equity attributable to equity holders of the parent		28,704
Equity attributable to minority interests		1,203
Total equity		29,907

The annual financial statements were approved by the Board on 14th May 2008 and signed on their behalf by:

J D S Booth
Director

E M Arbib
Director

Company Balance Sheet

as at 31st December 2007

(Restated)

	Note	31st December 2007 £000	31st December 2006 £000
Assets			
Non-current assets			
Intangible assets	8	—	—
Property, plant and equipment	10	382	334
Investment in subsidiaries	14	29,135	13,707
Deferred tax assets	16	141	117
		29,658	14,158
Current assets			
Trade and other receivables	11	1,141	1,746
Cash and cash equivalents	12	2,966	1,183
Financial assets	13	131	166
Tax receivable		—	4
		4,238	3,099
Total assets		33,896	17,257
Liabilities			
Non-current liabilities			
Borrowings	15	—	(3,579)
Trade and other payables	17	—	(48)
		—	(3,627)
Current liabilities			
Borrowings	15	(1,095)	—
Trade and other payables	17	(2,630)	(4,924)
		(3,725)	(4,924)
Total liabilities		(3,725)	(8,551)
Net assets		30,171	8,706
Capital and reserves			
Called up share capital	19	2,083	1,194
Share premium account	20	26,527	5,025
Shares to be issued	20	251	417
Share options reserve	20	473	390
Retained earnings	21	837	1,680
Total equity		30,171	8,706

The annual financial statements were approved by the Board on 14th May 2008 and signed on their behalf by:

J D S Booth
Director

E M Arbib
Director

Group Cash Flow Statement

for the year ended 31st December 2007

	Year ended 31st December 2007 £000	(Restated) Year ended 31st December 2006 £000
Cash flows from operating activities		
Cash generated from operations	386	2,091
Income tax paid	(190)	(152)
Net cash generated from operating activities	196	1,939
Cash flows from investing activities		
Purchase of property, plant and equipment	(293)	(425)
Proceeds on sale of property, plant and equipment	1	5
Purchase of available-for-sale financial assets	(86)	–
Purchase of other financial assets	–	(344)
Proceeds on sale of other financial assets	153	316
Purchase of intangible assets	(37)	–
Acquisition of subsidiaries	(10,950)	(580)
Disposal of subsidiary	–	42
Net cash acquired with subsidiary	2,610	170
Shares purchased by ESOT	(589)	–
Deferred consideration paid	(37)	(38)
Interest received	685	108
Net cash used in investing activities	(8,543)	(746)
Cash flows from financing activities		
Issue of ordinary share capital	17,050	165
Interest paid	(362)	(289)
Net cash generated/(used) in financing activities	16,688	(124)
Net increase in cash and cash equivalents	8,341	1,069
Cash and cash equivalents at beginning of period	5,077	4,008
Cash and cash equivalents at end of period	13,418	5,077

Company Cash Flow Statement

for the year ended 31st December 2007

(Restated)

	Year ended 31st December 2007 £000	Year ended 31st December 2006 £000
Cash flows from operating activities		
Cash generated from operations	(2,397)	99
Cash flows from investing activities		
Purchase of property, plant and equipment	(141)	(329)
Proceeds on sale of property, plant and equipment	–	5
Purchase of available-for-sale financial assets	(86)	(344)
Proceeds on sale of other financial assets	130	316
Acquisition of subsidiaries	(10,950)	(580)
Disposal of subsidiary	–	487
Loans to Employee Trusts	(3,863)	–
Deferred consideration paid	(37)	(38)
Dividend received	–	300
Interest received	418	66
Net cash used in investing activities	(14,529)	(117)
Cash flows from financing activities		
Issue of ordinary share capital	18,980	165
Interest paid	(271)	(226)
Net cash generated/(used) in financing activities	18,709	(61)
Net increase/(decrease) in cash and cash equivalents	1,783	(79)
Cash and cash equivalents at beginning of period	1,183	1,262
Cash and cash equivalents at end of period	2,966	1,183

Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

for the year ended 31st December 2007

Group	(Restated)	
	Year ended 31st December 2007 £000	Year ended 31st December 2006 £000
Operating profit on ordinary activities	460	867
Share options cost	155	241
Profit on sale of property, plant and equipment	14	—
Depreciation	227	115
Amortisation of intangible assets	327	208
Foreign currency translation	272	(53)
(Increase) in trade and other receivables	(18,395)	(3,719)
Increase in trade and other payables	17,326	4,432
Net cash inflow from operating activities	386	2,091

Company	(Restated)	
	Year ended 31st December 2007 £000	Year ended 31st December 2006 £000
Operating loss on ordinary activities	(1,018)	(369)
Share options cost	155	241
Depreciation	92	29
Foreign currency translation	63	(48)
Decrease/(increase) in trade and other receivables	605	(829)
(Decrease)/increase in trade and other payables	(2,294)	1,075
Net cash (outflow)/inflow from operating activities	(2,397)	99

Notes to the Financial Statements

for the year ended 31st December 2007

1. Principal Accounting Policies

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

(a) Basis of Preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and relevant International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU").

The Group adopted IFRS for the first time in its interim financial statements for the half-year ended 30th June 2007. A full description of the major effects of the transition from United Kingdom Generally Accepted Accounting Practices (UK GAAP) to IFRS is included in the notes to those financial statements.

The Group's IFRS transition date was 1st January 2006. The comparative information for the year ended 31st December 2006 has been restated to comply with IFRS. Reconciliations between IFRS figures and UK GAAP figures for both the Group and parent Company are shown at Note 30.

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

(b) New IFRS standards and interpretations

Standards effective in 2007:

IFRS 7 'Financial Instruments: Disclosures' and an amendment to IAS 1, 'Presentation of financial statements'. These introduce new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group's financial instruments.

Standards and interpretations which become effective in future periods:

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

IAS 1	Presentation of Financial Statements
IAS 23	Borrowing costs
IFRS 8	Operating Segments
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

(c) Critical accounting estimates and judgements

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

i) Goodwill and other intangible assets

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

Notes to the Financial Statements continued

for the year ended 31st December 2007

1. Principal Accounting Policies (continued)

ii) Share-based payments

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

(d) Consolidation

i) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

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

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

ii) Minority interests

The Group has applied the parent Company method for accounting for transactions with minority interests.

iii) Associates

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

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

(e) Segment Reporting

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

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

1. Principal Accounting Policies (continued)

(f) Foreign Currency Translation

i) Functional and presentation currency

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

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

ii) Transactions and balances

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

iii) Group companies

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

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

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

(g) Property, plant and equipment

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

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

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

* For specific items of artwork, included within furniture, fixtures and fittings, whose residual value is expected to be at least equal to cost, no depreciation is provided.

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

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

(h) Intangible Assets

i) Goodwill

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

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

Notes to the Financial Statements continued

for the year ended 31st December 2007

1. Principal Accounting Policies (continued)

ii) Management Contracts

Management contracts are recognised when they are acquired through a business combination. They represent contracts between the acquired businesses and the funds they manage. The fair values of the management contracts are calculated at the acquisition date using a discounted cash flow methodology. This method estimates the net cash inflows that are expected to arise from the management contracts over their economic lives and discounts them to present value using an appropriate discount rate. Management contracts are amortised using the straight-line method over their estimated useful lives of between one and six years.

iii) Computer software

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

(i) Impairment of non-financial assets

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

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

(j) Financial assets

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

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

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

Loans and receivables: Loans and receivables are non-derivative financial assets which have a fixed or easily determinable value. They are included in current assets except for those with maturities greater than 12 months after the balance sheet date, which are included in non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

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

(k) Trade receivables

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

(l) Cash and cash equivalents

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

1. Principal Accounting Policies (continued)

(m) Borrowings

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

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

(n) Share-based compensation

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

(o) Deferred income tax

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

(p) Revenue recognition

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

Revenue includes the following:

Management and performance fees

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

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

Fee commission on brokerage

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

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

Finance income

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

(q) Cost of sales

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

Notes to the Financial Statements continued

for the year ended 31st December 2007

2. Segment Information

(a) Business Segments

The Group is organised into two business segments:

- Hedge Fund
- Brokerage

The table below does not include the results of discontinued operations which are outlined in Note 6.

The segment results are as follows:

Business type

31st December 2007	Hedge Fund £000	Brokerage £000	Inter- segment elimination £000	Group £000
Revenue	7,650	6,692	–	14,342
Cost of sales	(2,120)	(1,519)	–	(3,639)
Net revenue	5,530	5,173	–	10,703
Operating expenses	(4,623)	(4,749)	–	(9,372)
Amortisation of intangibles	(327)	–	–	(327)
Share-based payments cost	(132)	(23)	–	(155)
Currency exchange differences	(311)	(78)	–	(389)
Operating profit	137	323	–	460
Finance income	416	269	–	685
Finance expense	(178)	(184)	–	(362)
Share of profit of associate	131	–	–	131
Profit before taxation	506	408	–	914
Operating costs include the following non-cash expenses:				
Depreciation	(74)	(154)	–	(228)
Segment assets	34,364	31,707	(7,576)	58,495
Segment liabilities	(10,088)	(26,076)	7,576	(28,588)
	24,276	5,631	–	29,907
Capital expenditure on segment assets	149	181	–	330

2. Segment Information (continued)

Business type

31st December 2006	Hedge Fund £000	Brokerage £000	Inter- segment elimination £000	Group £000
Revenue	5,892	5,682	–	11,574
Cost of sales	(1,993)	(1,425)	–	(3,418)
Net revenue	3,899	4,257	–	8,156
Operating expenses	(3,098)	(3,928)	–	(7,026)
Amortisation of Intangibles	(75)	–	–	(75)
Share-based payments cost	(181)	(60)	–	(241)
Currency exchange differences	40	13	–	53
Operating profit	585	282	–	867
Finance income	42	64	–	106
Finance expense	(140)	(128)	–	(268)
Profit before taxation	487	218	–	705
Operating costs include the following non-cash expenses:				
Depreciation	(30)	(85)	–	(115)
Segment assets	16,367	9,505	(5,033)	20,839
Segment liabilities	(8,574)	(8,311)	5,033	(11,852)
	7,793	1,194	–	8,987
Capital expenditure on segment assets	250	175	–	425

For the year ended 31st December 2006, amounts in the above table have been restated to include the IFRS adjustments that are outlined in Note 30.

Head office costs are allocated to the above two segments on the basis of a formulaic methodology which is reviewed on a half-yearly basis by senior management.

(b) Geographical Segments

During the second half of 2006, the Group reviewed its geographical segments and determined that the financial results and positions of subsidiaries based in Monaco and Switzerland should be included in the Europe segment instead of Other. It was decided that there was minimal variance between the financial environments that these subsidiaries operated in compared to the financial environments experienced by subsidiaries already included in the Europe segment.

The geographical segments have also been restated to remove the results of GAIM Paragon Inc. which was disposed of in June 2006. The results of that discontinued operation are outlined in Note 6. As a result, the Group's continuing operations are deemed to have been carried out solely in Europe for all periods presented. Therefore, the result and position of the Europe segment are shown in the Group Income Statement and Group Balance Sheet for the current and previous year.

Notes to the Financial Statements continued

for the year ended 31st December 2007

3. Profit on ordinary activities before taxation

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

	2007	2006
	£000	£000
Depreciation of property, plant and equipment	216	112
Exchange loss/(gain)	397	(31)
Loss on disposal of property, plant and equipment	–	16
Net (gains) on financial assets at fair value through P&L	(9)	(22)
Auditor's Remuneration:		
Local – Audit fees	89	104
Local – Tax services	62	27
Local – Payroll services	8	12
Foreign – Audit services	30	19
Foreign – Tax services	4	4

4. Staff costs and employees

	2007	2006
	£000	£000
Wages and salaries (including bonuses)	3,923	3,751
Social security costs	642	491
Share-based payments	155	241
Other staff costs	263	304
Total	4,983	4,787

The average monthly number of persons employed by the Group including Executive Directors was 63 (2006: 49) and is analysed as follows:

	2007	2006
Asset Management	23	22
Brokerage	34	21
Group	6	6
Total	63	49

5. Taxation

(a) Analysis of tax charge for the year

	2007	2006
	£000	£000
Current tax		
UK Corporation tax on profits for the year	122	75
Adjustments in respect of prior periods	(13)	(32)
Foreign tax	160	274
Total current tax	269	317
Deferred tax (Note 16)		
Origination and reversal of temporary differences	(152)	(95)
Total tax charge for the year	117	222

(b) Factors affecting the tax charge for the year

	2007	2006
	£000	£000
Profit before taxation on continuing operations	914	705
(Loss)/profit before taxation on discontinued operations	(535)	174
Total profit	379	879
Tax on profit at the standard UK Corporation tax rate of 30% (2006: 30%)	113	263
Effect of:		
Disallowable expenses and non-taxable income	279	40
Capital allowances less than depreciation	13	2
Tax losses utilised	(277)	(155)
Small companies relief	(6)	(3)
Adjustments in respect of prior periods	(13)	120
Overseas tax	160	50
Movement in deferred tax	(152)	(95)
Total tax charge for the year	117	222

6. Discontinued Operations

In accordance with the requirements of IFRS 5 – “Non-current assets held for sale and discontinued operations”, the results of GAIM Paragon Inc. and the (loss)/gain on its disposal for the current and comparative periods are shown below:

	Year ended 31st December 2007 £000	(Restated) Year ended 31st December 2006 £000
Revenue	–	296
Expenses	–	(339)
Loss before taxation		(43)
Tax	–	(1)
Loss after taxation	–	(44)
(Loss)/gain on disposal	(535)	218
Total (loss)/profit	(535)	174

The information shown above represents the discontinued operation of GAIM Paragon Inc., which was sold by Integrated on 2nd June 2006. A loss on disposal arises in the year ended 31st December 2007 due to a combination of the reduction in estimates of the deferred consideration that was part of the original proceeds on sale reported and the liquidation of the Company that purchased GAIM Paragon Inc. causing the likely irrecoverability of other amounts owed from the disposal. The loss on disposal for the year ended 31st December 2007 includes the write-off of all amounts that were expected to be received from the purchaser. The loss included in the above table represents the most prudent estimation that senior management has derived, based on the information currently available.

The above table has been adjusted to reflect the IFRS adjustments outlined in Note 30.

GAIM Paragon Inc. operated in the Hedge Fund division of the business.

Notes to the Financial Statements continued

for the year ended 31st December 2007

7. Earnings per Share

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

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

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

	31st December	(Restated) 31st December
	2007	2006
	£000	£000
Profit from continuing operations	797	483
Minority interests	(246)	(283)
Profit from continuing operations used in calculating basic and diluted EPS	551	200
Total profit for the period	262	657
Minority interests	(246)	(283)
Total profit used in calculating basic and diluted EPS	16	374
	No. '000	No. '000
Weighted average number of ordinary shares used in calculating basic EPS	32,531	19,698
Effect of dilutive potential ordinary shares:		
– share options	1,145	370
– shares to be issued	–	494
– contingently issuable shares	–	275
Weighted average number of ordinary shares used in calculating diluted EPS	33,676	20,837

Basic EPS from continuing operations has been calculated using the profit from continuing operations of £551k (excluding minority interests) divided by the weighted average number of ordinary shares 32,531k.

Diluted EPS from continuing operations has been calculated using the profit from continuing operations of £551k (excluding minority interests) divided by the weighted average number of ordinary shares 33,676k.

Potentially dilutive instruments that have not been included in the calculation of diluted EPS because they were antidilutive comprise share options over 615,000 (2006: 575,000) ordinary shares, shares to be issued (Note 20) and convertible loan notes (Note 15).

8. Intangible Assets

Group	Management Development			Total £000
	Goodwill £000	Contracts £000	Costs £000	
Cost				
At 1st January 2007	6,753	1,047	–	7,800
Additions	–	–	37	37
Acquisition of subsidiaries	7,692	2,925	–	10,617
Reclassifications	19	(19)	–	–
Currency translation difference	375	–	–	375
Changes in deferred consideration	(71)	–	–	(71)
At 31st December 2007	14,768	3,953	37	18,758
Amortisation				
At 1st January 2007	(366)	(75)	–	(441)
Amortisation	–	(354)	–	(354)
Impairment	(5)	–	–	(5)
At 31st December 2007	(371)	(429)	–	(800)
Net Book Value at 31st December 2007	14,397	3,524	37	17,958
Cost				
At 1st January 2006	2,192	–	23	2,215
Acquisition of subsidiary	4,518	1,047	–	5,565
Disposals	–	–	(23)	(23)
Currency translation difference	(19)	–	–	(19)
Changes in deferred consideration	62	–	–	62
At 31st December 2006	6,753	1,047	–	7,800
Amortisation				
At 1st January 2006	–	–	(5)	(5)
Amortisation	–	(75)	(18)	(93)
Impairment	(366)	–	–	(366)
Disposals	–	–	23	23
At 31st December 2006	(366)	(75)	–	(441)
Net Book Value at 31st December 2006	6,387	972	–	7,359

Notes to the Financial Statements continued

for the year ended 31st December 2007

8. Intangible Assets (continued)

Goodwill and Management Contracts

The Group is required to separate goodwill from other intangibles that arise on business combinations in accordance with IFRS. The following split has been calculated for business combinations that have occurred since the IFRS transition date of 1st January 2006.

		Altigefi	Attica	Total	Attica
		2007	2007	2007	2006
		£000	£000	£000	£000
% of Ordinary Shares acquired		51%	49.9%	–	50.1%
Goodwill	(a)	3,703	3,989	7,692	4,518
Management Contracts	(a)	2,092	833	2,925	1,047
Total		5,795	4,822	10,617	5,565

An analysis of the acquisitions is included in Note 22.

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

Management contracts represent contracts between the acquired businesses and the funds they manage. The management contracts are recorded at fair value at the acquisition date and are amortised on a straight-line basis over their expected useful lives of between 1 and 6 years.

The fair values of the management contracts are calculated using a discounted cash flow methodology and represent the valuation of the net residual income streams arising from the fund management contracts in place at the acquisition date.

Development Costs

Development costs include the development of internally generated risk management software programs. The software will be amortised in accordance with the Group's amortisation policy on computer equipment. No amortisation has been charged against the asset during 2007 as the software only became ready for use on 1st January 2008.

Goodwill Impairment Testing

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

	2007	2006
	£000	£000
Hedge Fund	12,933	4,929
Brokerage	1,464	1,458
Total goodwill	14,397	6,387

8. Intangible Assets (continued)

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

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

	%
Gross fee growth	10.0
General inflation	(2.5)
Specific costs due to increased business	(5.0)
Net growth	2.5

The discount rate applied to cash flow projections is 15% (2006: 15%). Discount rates used are pre-tax and reflect estimates that the market would expect of an investment with an equivalent risk profile. The value-in-use calculations include terminal values which reflect the long-term nature of the business. The Board considers that there is no reason to believe that the business will not continue in the long-term. The discounted terminal values are added to the net present value of the projected cash flows to calculate an overall recoverable value.

The impairment reviews revealed a surplus of recoverable value over the carrying value for both CGUs at 31st December 2007. Thus, no impairment charge for goodwill has been included in these financial statements.

Company	Goodwill £000
Cost	
At 1st January and 31st December 2007	347
Amortisation	
At 1st January and 31st December 2007	(347)
Net Book Value at 31 December 2007	—
Cost	
At 1st January and 31st December 2006	347
Amortisation	
At 1st January 2006	(279)
Impairment charge for the year	(68)
At 31st December 2006	(347)
Net Book Value at 31st December 2006	—

Notes to the Financial Statements continued

for the year ended 31st December 2007

9. Investment in Associate

	2007
	£000
1st January	–
Additions	5,940
Share of profit after tax	131
Reclassification	(6,071)
31st December	–

On 31st December 2007, the Company increased its shareholding in its associate to 51% via an additional purchase of 2% of the associate's share capital. The additional investment subsequently gave the Company control at 31st December 2007 and therefore the associate was reclassified as a subsidiary for the purpose of preparing these Group financial statements. See Note 22 for more details.

There were no investments in associates during 2006 and therefore no comparative figures have been presented.

10. Property, plant and equipment

Group	Vehicles & equipment	Fixtures & fittings	Leasehold improvements	Total
	£000	£000	£000	
Cost				
At 1st January 2007	469	808	321	1,598
Additions	147	89	46	282
Disposals	(173)	(497)	(1)	(671)
Business combination	32	52	–	84
Movement on exchange	32	63	11	106
At 31st December 2007	507	515	377	1,399
Depreciation				
At 1st January 2007	(274)	(651)	(80)	(1,005)
Charge in the year	(101)	(43)	(72)	(216)
Disposals	172	493	–	665
Movement on exchange	(29)	(59)	(5)	(93)
At 31st December 2007	(232)	(260)	(157)	(649)
Net Book Value				
At 31st December 2007	275	255	220	750
Cost				
At 1st January 2006	550	771	159	1,480
Additions	143	117	165	425
Disposals	(216)	(63)	–	(279)
Movement on exchange	(8)	(17)	(3)	(28)
At 31st December 2006	469	808	321	1,598
Depreciation				
At 1st January 2006	(434)	(688)	(46)	(1,168)
Charge in the year	(47)	(30)	(35)	(112)
Disposals	201	52	–	253
Movement on exchange	6	15	1	22
At 31st December 2006	(274)	(651)	(80)	(1,005)
Net Book Value				
At 31st December 2006	195	157	241	593

10. Property, plant and equipment (continued)

Company	Leasehold improvements £000	Office equipment £000	Computer equipment £000	Total £000
Cost				
At 1st January 2007	200	143	47	390
Additions	46	85	10	141
Disposals	—	—	—	—
At 31st December 2007	246	228	57	531
Depreciation				
At 1st January 2007	(44)	(10)	(2)	(56)
Charge in the year	(45)	(35)	(13)	(93)
Disposals	—	—	—	—
At 31st December 2007	(89)	(45)	(15)	(149)
Net Book Value				
At 31st December 2007	157	183	42	382
Cost				
At 1st January 2006	50	71	—	121
Additions	150	132	47	329
Disposals	—	(60)	—	(60)
At 31st December 2006	200	143	47	390
Depreciation				
At 1st January 2006	(30)	(48)	—	(78)
Charge in the year	(14)	(13)	(2)	(29)
Disposals	—	51	—	51
At 31st December 2006	(44)	(10)	(2)	(56)
Net Book Value				
At 31st December 2006	156	133	45	334

11. Trade and other receivables

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade receivables	3,804	3,028	—	—
Matched principal trade receivables	21,159	3,233	—	—
Amounts owed by related parties	—	—	755	888
Other receivables	738	934	330	786
Prepayments	364	268	56	72
	26,065	7,463	1,141	1,746

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

Notes to the Financial Statements continued

for the year ended 31st December 2007

12. Cash and cash equivalents

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Cash at bank and in hand	12,072	5,077	2,966	1,183
Cash at bank and in hand: EBT	1,346	—	—	—
Total cash and cash equivalents	13,418	5,077	2,966	1,183

Included within cash and cash equivalents held by the Group is cash held by an Employee Benefit Trust (EBT), which was set up during 2007. Cash held by the EBT is controlled by the EBT's trustee and is allocated to potential beneficiaries when a constructive obligation arises to pay them. At 31st December 2007, no such constructive obligation existed and therefore no amounts have been provided against the cash held by the EBT.

13. Financial assets

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Non-current				
Available-for-sale	173	158	—	—

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Current				
Fair value through profit or loss	131	189	131	166

Current financial assets represent bonds, which are purchased and redeemed at the discretion of senior management. The value of the bonds is calculated with reference to their market value and adjusted for any foreign exchange rate fluctuations. Any gains or losses are taken through profit or loss.

14. Investments

Company	Employee		Total
	Subsidiaries	Trusts	
	£000	£000	£000
At 1st January 2007	13,707	—	13,707
Additions	11,565	3,863	15,428
At 31st December 2007	25,272	3,863	29,135
At 1st January 2006	8,799	—	8,799
Additions	5,621	—	5,621
Disposals	(713)	—	(713)
At 31st December 2006	13,707	—	13,707

Details of acquisitions of subsidiaries during the year are shown at Note 22. A list of the Company's subsidiaries can be found at Note 27. Additions for subsidiaries in 2006 have been restated to include a £1,515k adjustment to the acquisition cost of Attica, which is outlined in Note 30.

15. Borrowings

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Non-current				
Convertible loan notes	–	3,579	–	3,579
	–	3,579	–	3,579
Current				
Convertible loan notes	1,095	–	1,095	–
Bank loan	995	912	–	–
	2,090	912	1,095	–

Twelve parcels of loan notes totalling £2,484,000 were converted into 2,614,730 ordinary shares during the current year. The number of shares allotted upon conversion is calculated at a rate of 1 share per every £0.95 loan note held.

The convertible loan notes had a final redemption date of 27th January 2008 and hence their reclassification from non-current to current borrowings at 31st December 2007. Subsequent to 31st December 2007, £782,750 of loan notes were repaid to loan note holders. The remaining £311,750 of loan notes were converted into 328,158 ordinary shares. Following the redemption and conversion, there were no loan notes in issue.

The values of the liability component and the equity conversion component have been measured in accordance with IAS 32. In the opinion of the Directors any split between a liability and equity component would be immaterial.

The convertible loan notes bear interest at a fixed rate of 5% per annum plus a variable element linked to the performance of the CSFB Tremont Index.

The bank loan is unsecured, bears interest on the euro at 6.27% per annum and is repayable on demand.

The finance expense for the year is analysed as follows:

	2007 £000	2006 £000
Bank loans and overdrafts	144	41
Other loans	218	227
Other interest payable	–	21
Total	362	289

16. Deferred Tax

The movement in deferred tax assets and liabilities during the year was as follows:

Group	2007 £000	2006 £000
Deferred tax liabilities – intangible assets		
At 1st January	(291)	–
Acquisition of subsidiaries	(877)	(314)
Income statement credit	106	23
At 31st December	(1,062)	(291)
Deferred tax assets – share-based payments		
At 1st January	117	–
Income statement credit	46	72
(Debited)/credited directly to equity	(22)	45
At 31st December	141	117

Notes to the Financial Statements continued

for the year ended 31st December 2007

16. Deferred Tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2007	2006
	£000	£000
Net deferred tax liabilities	(921)	(174)

The Group has deferred tax assets of £2,164,000 (2006: £2,289,000) in respect of tax losses, which have not been recognised due to the lack of certainty as to the utilisation of these assets.

Deferred Tax – Company

The movement in deferred tax assets and liabilities during the year was as follows:

	2007	2006
	£000	£000
Deferred tax assets – share-based payments		
At 1st January	117	–
Income statement credit	46	72
(Debited)/credited directly to equity	(22)	45
At 31st December	141	117

The Company has deferred tax assets of £996,000 (2006: £1,012,000) in respect of tax losses, which have not been recognised due to the lack of certainty as to the utilisation of these assets.

17. Trade and other payables

	Group		Company	
	2007	2006	2007	2006
	£000	£000	£000	£000
Non-current				
Cash consideration on acquisition	–	48	–	48
	–	48	–	48
Current				
Trade payables	1,838	1,579	93	144
Matched principal trade creditors	21,142	3,233	–	–
Amounts owed to related parties	–	–	2,300	4,260
Other taxation and social security costs	1,199	1,035	52	360
Accruals and deferred income	955	1,107	185	160
	25,134	6,954	2,630	4,924

18. Changes in equity

Group	Note	(Restated)	
		2007	2006
		£000	£000
Equity at 1st January		8,355	2,443
Profit for the year		262	657
Attributable to minority interests		(246)	(283)
Profit attributable to equity holders		16	374
Increase in other retained earnings	21	52	8,996
Increase/(decrease) in share capital	19	889	(2,202)
Increase/(decrease) in share premium account	20	21,502	(1,268)
Decrease in shares to be issued	20	(166)	(26)
Increase in share options reserve	20	83	177
Currency translation differences on overseas operations	21	498	(139)
Shares purchased by ESOT	21	(2,525)	–
Equity at 31st December		28,704	8,355

18. Changes in equity (continued)

Company	Note	(Restated)	
		2007	2006
		£000	£000
Equity at 1st January		8,706	3,751
Loss for the year		(896)	(722)
Increase in other retained earnings	21	53	8,996
Increase/(decrease) in share capital	19	889	(2,202)
Increase/(decrease) in share premium account	20	21,502	(1,268)
Decrease in shares to be issued	20	(166)	(26)
Increase in share options reserve	20	83	177
Equity at 31st December		30,171	8,706

19. Share Capital

Group and Company	2007	2007	2006	2006
	£000	Number of ordinary 5p shares	£000	Number of ordinary 5p shares
Authorised:				
At 1st January	2,500	50,000	2,500	50,000
At 31st December	2,500	50,000	2,500	50,000
Allotted and fully paid:				
At 1st January	1,194	23,879	3,396	16,979
Placing of shares	648	12,965	–	–
Attica acquisition	14	275	316	6,311
Conversion of loan notes	131	2,615	4	95
Exercise of share options	7	145	25	494
Deferred consideration	6	123	–	–
Altigefi acquisition	18	360	–	–
Shares purchased by ESOT	65	1,300	–	–
Capital reduction	–	–	(2,547)	–
Movement during the year	889	17,783	(2,202)	6,900
At 31st December	2,083	41,662	1,194	23,879

The placing of shares comprises two allotments of 8,000,000 and 4,964,540 ordinary shares at a price of 135p per share. The new shares raised £17.5 million (before expenses) and were admitted for trading on the Alternative Investment Market of the London Stock Exchange on 30th May and 20th June 2007 respectively. The Company used part of the funds to acquire the remaining 49.9% of Attica and the 51% of Altigefi. The Company plans to use the excess cash to finance additional selected acquisitions in future periods.

A capital reduction was effected in 2006 through the sub-division of the original issued ordinary share capital and the subsequent cancellation of part of the then sub-divided share capital and its related reserves.

Notes to the Financial Statements continued

for the year ended 31st December 2007

20. Share Premium, Shares to be Issued and Share Options Reserve

Group and Company	Share premium £000	Shares to be issued £000	Share options reserve £000	Total £000
At 1st January 2007	5,025	417	390	5,832
Placing of shares	16,306	–	–	16,306
Attica acquisition	352	–	–	352
Conversion of loan notes	2,353	–	–	2,353
Exercise of share options	96	–	–	96
Deferred consideration	100	(189)	–	(89)
Altigefi acquisition	410	23	–	433
Shares purchased by ESOT	1,885	–	–	1,885
Share options expense	–	–	155	155
Forfeited share options	–	–	(72)	(72)
Movement during the year	21,502	(166)	83	21,419
At 31st December 2007	26,527	251	473	27,251
At 1st January 2006	6,293	443	213	6,949
Capital reduction	(6,293)	–	–	(6,293)
Allotment of new shares	3,447	–	–	3,447
Exercise of share options	63	–	–	63
Attica acquisition	1,515	–	–	1,515
Deferred consideration	–	(26)	–	(26)
Share options expense	–	–	177	177
Movement during the year	(1,268)	(26)	177	(1,117)
At 31st December 2006	5,025	417	390	5,832

Shares to be issued represent outstanding deferred consideration in respect of the acquisition of ICM SpA in 2004 and Altigefi in 2007. Share option reserve represents the cumulative share-based payment expense charged to the income statement less any adjustments for expenses relating to options that have been forfeited and for amendments to estimates used in the calculation of the original expense.

21. Exchange Difference Reserve, Investment in Own Shares and Retained Earnings

Group	Exchange difference reserve £000	Investment in own shares £000	Retained earnings £000
At 1st January 2007	(75)	–	1,404
Cancelled share options	–	–	75
Currency translation of overseas operations	498	–	–
Deferred tax on share options	–	–	(23)
Shares purchased by ESOT	–	(2,525)	–
Movement during the year	498	(2,525)	52
Profit attributable to equity holders of the parent	–	–	16
At 31st December 2007	423	(2,525)	1,472
At 1st January 2006	64	–	(7,966)
Capital reduction	–	–	8,797
Movement in other reserves	–	–	199
Currency translation of overseas operations	(139)	–	–
Movement during the year	(139)	–	8,996
Profit attributable to equity holders of the parent	–	–	374
At 31st December 2006	(75)	–	1,404

Investment in Own Shares represents shares purchased and held by the Employee Share Ownership Trust for the benefit of the Group's current and future employees.

Company	Retained earnings £000
At 1st January 2007	1,680
Cancelled share options	75
Deferred tax on share options	(22)
Loss for the year	(896)
Movement during the year	(843)
At 31st December 2007	837
At 1st January 2006	(6,594)
Capital reduction	8,797
Movement in other reserves	199
Loss for the year	(722)
Movement during the year	8,274
At 31st December 2006	1,680

The Company has taken advantage of S320 of the Companies Act 1985 from presenting its own income statement.

Notes to the Financial Statements continued

for the year ended 31st December 2007

22. Acquisitions

On 7th September 2007 the Company acquired the remaining 49.9% of the share capital of Attica Holdings (UK) Limited ("AHUK"). This purchase follows the original purchase of 50.1% on 8 August 2006 and the Company now owns 100% of AHUK.

Also during the year, the Company acquired 51% of the share capital of Altigefi. This acquisition was completed in stages and is discussed in more detail below.

Details of net assets, goodwill and other intangible assets acquired are as follows:

	Altigefi	Attica	Total	(Restated) Attica 50.1% 2006 £000
	2007	2007	2007	
	£000	£000	£000	£000
Purchase consideration:				
Cash paid	5,032	3,380	8,412	—
Fair value of shares issued	449	—	449	4,987
Deferred consideration	—	1,540	1,540	—
Acquisition costs	726	515	1,241	575
Total	6,207	5,435	11,642	5,562
Net assets acquired (Below)	(412)	(613)	(1,025)	3
Intangible assets acquired	5,795	4,822	10,617	5,565
Split between:				
Goodwill	3,703	3,989	7,692	4,518
Management contracts	2,092	833	2,925	1,047
	5,795	4,822	10,617	5,565

Included within Attica 2007 purchase consideration are deferred consideration of £1,540,000 and acquisition costs of £399,000 relating to the purchase of the original 50.1% in 2006 which were not recognised in 2006 as they were contingent on certain performance conditions which could not reliably be quantified at 31st December 2006.

Additional deferred cash consideration of up to €750,000 is payable over a three-year period for Altigefi provided that certain performance conditions related to growth of assets under management are met. At the date of this report, the Directors consider that there is insufficient data available to make a reliable calculation of any potential payments and therefore no contingent consideration has been provided for in these financial statements. The Directors will continue to review the assets under management of Altigefi in accordance with the performance conditions set out in the acquisition agreement and will determine over time whether any contingent consideration should be recognised.

The assets and liabilities of each entity at each acquisition date were as follows:

	Altigefi	Altigefi	Total	Attica	Attica
	2007	2007	Altigefi	2007	2006
	£000	£000	£000	£000	£000
Acquisition date	12th October	31st December	7th September		8th August
Cash and cash equivalents	2,010	2,610	—	1,328	254
Trade and other receivables	665	742	—	932	805
Property, plant and equipment	97	85	—	—	21
Trade and other payables	(749)	(1,020)	—	(531)	(459)
Net assets	2,023	2,417	—	1,729	621
% of net assets acquired	49%	2%	51%	49.9%	50.1%
Net assets acquired	991	49	1,040	863	311
Adjustment for deferred tax liabilities			(628)	(250)	(314)
Fair value of net assets acquired			412	613	(3)

22. Acquisitions (continued)

The 51% acquisition of Altigefi during 2007 comprised three separate investments in its share capital. On 7th August 2007, the Company purchased 9% of Altigefi's share capital, which was followed by an additional 40% purchase on 12th October 2007. The 49% ownership created significant influence with Altigefi treated as an associate for consolidation purposes from 12th October 2007 until 31st December 2007.

On 31st December 2007, the Company purchased an additional 2% of Altigefi's share capital and subsequently Altigefi was treated as a subsidiary at 31st December 2007.

For the purpose of determining intangible assets acquired, two separate calculations were carried out on 12th October and 31st December 2007 in accordance with the relevant accounting standard. The cost of the 9% and 40% investments in Altigefi were aggregated for the purpose of the calculation on 12th October 2007.

23. Related Parties**Group**

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

	Revenue		Expenses	
	2007	2006	2007	2006
	£000	£000	£000	£000
Associates	139	—	—	—
Related companies	2,481	2,221	(481)	(315)
Total	2,620	2,221	(481)	(315)

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

	Revenue		Expenses	
	Amounts owed by related parties		Amounts owed to related parties	
	2007	2006	2007	2006
	£000	£000	£000	£000
Related companies	494	635	(87)	(62)
Total	494	635	(87)	(62)

Related companies represent those companies which certain Directors of the Company are also Directors of, namely Kidron Corporate Advisors LLC, where M Segall is a Director, for the provision of corporate finance services and Blue Financial Communications SRL where D Masetti is a Director, for the provision of marketing services. It also includes transactions and balances relating to investment management services and the marketing and promotion of financial products with Sal. Oppenheim, which has significant influence over the Company.

Sal. Oppenheim, the Company's largest Shareholder, increased its shareholding in the Company from 6,311,032 shares at 31st December 2006 to 11,496,111 shares at 31st December 2007. The increase was primarily effected by Sal. Oppenheim taking up a total of 4,636,829 in the two separate share offerings in May 2007 and June 2007.

Key Management Personnel

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

	2007	2006
	£000	£000
Short-term employee benefits	588	506
Share-based payment	12	133
Total	600	639

Remuneration of the highest paid Director totalled £264,286 (2006: £345,940).

The highest paid Director exercised share options during the year.

Notes to the Financial Statements continued

for the year ended 31st December 2007

23. Related Parties (continued)

Company

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

	2007	2006
	£000	£000
Dividends received	–	300
Finance income	–	23
Finance expense	(55)	(39)
Management fees receivable	1,751	1,121
Administration fees payable	(140)	(132)
Amounts due to subsidiaries	(2,300)	(4,260)
Amounts due from subsidiaries	755	888

24. Operating Lease Commitments

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

	2007	2006
	£000	£000
Within one year	230	206
Between two and five years	565	240
After five years	–	60
Total	795	506

25. Financial Risk Management

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

Currency Risk

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

In view of the current strength of the euro against sterling relative to prior periods, the Group has hedged a substantial portion of the transactional exposures of its subsidiaries which have a functional currency of sterling. This exposure is principally the net management fees expected to be generated by the UK based fund management companies from existing AUM in 2008. Such exposure is principally to the euro and hedging to date has been carried by means of forward foreign exchange contracts at a rate of €1.31. Such hedging covers the substantial part of this exposure for the financial year 2008. There is an exposure to the US Dollar; however, the exposure itself has not been deemed significant enough to hedge nor the current rates available suitably attractive.

All euro hedging transactions were taken out after 31st December 2007 and there are no balances to report as at 31st December 2007 (2006: nil).

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

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

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

At 31st December 2007, if the euro had strengthened/weakened by 10% against sterling with all other variables held constant, pre-tax profit would increase/decrease by £162,000/£133,000 respectively (2006: £250,000/£205,000), principally as a result of the increase/decrease in assets and liabilities denominated in foreign currencies; other components of equity would increase/decrease by £791,000/£647,000 (2006: £215,000/£176,000), principally as a result of the unhedged portion of net investment in foreign operations.

25. Financial Risk Management (continued)

Interest rate risk

The Group has limited exposure to interest rate risk on its cash positions and any borrowings. Such exposures are managed as efficiently as possible, given that working capital needs to be maintained in the different operating subsidiaries and inter-Company exposure may be subject to regulatory limits. Cash and cash equivalents are usually invested in short-term cash deposits with maturities of no greater than three months. Borrowings consist of an overdraft with a variable interest rate and convertible loan notes which have a part fixed/part variable interest rate (Note 15). The effect of a 100 basis points increase/decrease in interest rates would not have a material impact on pre-tax profits or equity.

Liquidity risk

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

Financial liabilities consist of a bank overdraft repayable on demand and convertible unsecured loan notes which had a final maturity on 27th January 2008.

Credit risk

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

Matched principal transactions are carried out on a delivery versus payment basis and the underlying exposure on non-performance of a counterparty is described in market risk below. All matched principal trade receivables at 31st December 2007 and 31st December 2006 were within the ordinary settlement cycle. Credit limits in the matched principal broking business are set by a specifically tasked credit committee which meets regularly not only to approve new credit lines but also to review and monitor existing limits.

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

Group	2007	2006
	£000	£000
Trade receivables		
Carrying amount (Note 11)	3,804	3,028
Neither past due nor impaired		
Low risk	3,214	2,497
Carrying amount	3,214	2,497
Past due but not impaired		
Low risk	590	531
Carrying amount	590	531
Past due but not impaired consists of:		
31 to 60 days	375	149
61 to 90 days	63	54
91 to 120 days	16	14
Over 120 days	136	314
	590	531
Total carrying amount	3,804	3,028

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

Market risk

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

Capital risk management

The Group manages its capital to ensure that all entities within the Group are able to operate as going concerns and exceed any minimum externally imposed capital requirements. The capital of the Group and Company consists of equity attributable to the equity holders of the parent Company, comprising issued share capital, share premium, retained earnings and other reserves as disclosed in Notes 19–21.

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

Financial liabilities maturity analysis

Financial liabilities consist of a bank overdraft repayable on demand and convertible unsecured loan notes which had a final maturity on 27th January 2008.

Notes to the Financial Statements continued

for the year ended 31st December 2007

26. Share Options

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

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

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

	2007		2006	
	Number of share options £000	Weighted average exercise price	Number of share options £000	Weighted average exercise price
Outstanding at the beginning of the year	4,092	69p	2,034	57p
Granted during the year	315	137p	2,585	89p
Forfeited/cancelled during the year	(1,375)	67p	(180)	56p
Exercised during the year	(75)	70p	(337)	54p
Expired during the year	—	—	(10)	83p
Outstanding at the end of the year	2,957	86p	4,092	69p
Exercisable at the end of the year	1,395	66p	2,309	66p

The outstanding share options had an exercise price range of 50p–165p (2006: 45p–165p). The weighted average remaining contractual life of the share options is 6.6 years (2006: 7.5 years). The maximum life of the share options is ten years.

The weighted average fair value of share options granted during the year was 86p (2006: 22p). The fair value of the share options granted during the year has been estimated using a binomial option pricing model. The following assumptions were used in that model: share price at grant date of approximately 160p (2006: 73p); estimated annualised dividend yield of 0% (2006: 2%); risk-free interest rates of approximately 4%; an average expected share price volatility of approximately 32% (2006: 25%); and an option life that is the same as the exercise life. Volatility is determined with reference to the change in IAM's share price over a 260 trading-day period prior to the grant date.

Two parcels of share options were exercised during the year. The weighted average share price at each exercise date is shown below:

Exercise date	No. of options exercised £000	Weighted average share price
17th January 2007	30,000	147p
14th June 2007	45,000	166p

27. Principal Subsidiary Undertakings

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

	Country of incorporation	% Owned
Hedge Fund Management		
Integrated Alternative Advisors Ltd	UK	100%
Integrated Alternative Investments Ltd	UK	100%
Altigefi S.A.	France	51%
Brokerage		
Integrated Financial Products Ltd	UK	100%
Administration		
Capital Management (Monaco) S.A.M	Monaco	80%
Holding Companies		
Attica Holdings (UK) Ltd	UK	100%
Capital Management Ltd	UK	100%

28. Events after the Balance Sheet Date

Following the current year-end balance sheet date and prior to the signing date of this report, the Company's outstanding convertible unsecured loan notes at 31st December 2007 were either repaid or converted into ordinary shares. See Note 15 for more details. In addition, the Company has also issued 18,933 ordinary shares as part of the deferred consideration for the acquisition of Altigefi since the year end.

29. Annual Report

The annual report will be sent to registered Shareholders. Further copies will be available to the public from the Company's registered office at 4 Hill Street, London, W1J 5NE. For further information on the Group, please access our website at www.integratedam.com.

Notes to the Financial Statements continued

for the year ended 31st December 2007

30. IFRS Transition

The adjustments required to convert the Group's financial information from UK GAAP to IFRS are outlined in the reconciliations below.

(a) Group IFRS Balance Sheet at 1 January 2006 – Opening IFRS Balance Sheet

	UK GAAP 1st January 2006 £000	Intangibles £000	Share-based payments £000	IFRS 1st January 2006 £000
		Note (a)	Note (b)	
Assets				
Non-current assets				
Intangible assets	2,585	(375)	–	2,210
Property, plant and equipment	312	–	–	312
Financial assets	212	–	–	212
	3,109	(375)	–	2,734
Current assets				
Trade and other receivables	2,773	–	–	2,773
Cash and cash equivalents	4,008	–	–	4,008
Financial assets	134	–	–	134
	6,915	–	–	6,915
Total assets	10,024	(375)	–	9,649
Liabilities				
Non-current liabilities				
Borrowings	(3,668)	–	–	(3,668)
Other non-current liabilities	(89)	–	–	(89)
	(3,757)	–	–	(3,757)
Current liabilities				
Borrowings	(933)	–	–	(933)
Trade and other payables	(2,405)	–	–	(2,405)
Tax payable	(172)	–	–	(172)
	(3,510)	–	–	(3,510)
Total liabilities	(7,267)	–	–	(7,267)
Net assets	2,757	(375)	–	2,382
Capital and reserves				
Called up share capital	3,396	–	–	3,396
Share premium account	6,293	–	–	6,293
Shares to be issued	443	–	–	443
Share options reserve	–	–	213	213
Exchange difference reserve	64	–	–	64
Retained earnings	(7,378)	(375)	(213)	(7,966)
Equity attributable to equity holders of the parent	2,818	(375)	–	2,443
Equity attributable to minority interests	(61)	–	–	(61)
Total equity	2,757	(375)	–	2,382

(a) Represents intangible assets written off that do not qualify as intangible assets under IFRS.

(b) Represents the fair value of share options that were granted after 7th November 2002 but which had not vested at 1st January 2005.

30. IFRS Transition (continued)

(b) Group IFRS Balance Sheet at 31st December 2006

	UK GAAP 31st December 2006 £000	Intangibles £000	Goodwill amortisation £000	Deferred tax £000	IFRS 31st December 2006 £000s
		Note (a)	Note (b)	Note (c)	
Assets					
Non-current assets					
Intangible assets	5,470	1,161	414	314	7,359
Property, plant and equipment	593	—	—	—	593
Financial assets	158	—	—	—	158
	6,221	1,161	414	314	8,110
Current assets					
Trade and other receivables	7,463	—	—	—	7,463
Cash and cash equivalents	5,077	—	—	—	5,077
Financial assets	189	—	—	—	189
	12,729	—	—	—	12,729
Total assets	18,950	1,161	414	314	20,839
Liabilities					
Non-current liabilities					
Borrowings	(3,579)	—	—	—	(3,579)
Deferred tax liabilities	—	—	—	(174)	(174)
Trade and other payables	(48)	—	—	—	(48)
	(3,627)	—	—	(174)	(3,801)
Current liabilities					
Borrowings	(912)	—	—	—	(912)
Trade and other payables	(6,954)	—	—	—	(6,954)
Tax payable	(185)	—	—	—	(185)
	(8,051)	—	—	—	(8,051)
Total liabilities	(11,678)	—	—	(174)	(11,852)
Net assets	7,272	1,161	414	140	8,987
Capital and reserves					
Called up share capital	1,194	—	—	—	1,194
Share premium account	3,510	1,515	—	—	5,025
Shares to be issued	417	—	—	—	417
Share options reserve	390	—	—	—	390
Exchange difference reserve	(57)	(18)	—	—	(75)
Retained earnings	1,186	(336)	414	140	1,404
Equity attributable to equity holders of the parent	6,640	1,161	414	140	8,355
Equity attributable to minority interests	632	—	—	—	632
Total equity	7,272	1,161	414	140	8,987

(a) Includes intangible assets written off that do not qualify as intangible assets under IFRS.

(a) Includes amortisation of intangible assets that were acquired as part of the acquisition of Attica on 8th August 2006.

(a) Includes £1,515k additional goodwill recognised on the purchase of Attica on 8th August 2006. The additional goodwill acquired represents the difference between Integrated's share price at the date of final negotiations (24th April 2006: 55p) to purchase 50.1% of Attica to the date of completion of the purchase (8th August 2006: 79p) multiplied by the number of shares that Integrated agreed to issue to the vendor (6,311,032).

(b) The adjustment of £414k is a combination of adding back the full year's goodwill amortisation charge less the amortisation of goodwill in GAIM Paragon Inc. and less the impairment of certain goodwill amounts that were identified during 2006. As GAIM Paragon Inc. was sold in June 2006 the amortisation charge was transferred from the goodwill amortisation line to the profit on sale of subsidiary line in the Income Statement. The adjustment can be seen in the Group IFRS Income Statement for the year ended 31st December 2006 below.

(c) Includes deferred tax calculated on temporary differences arising from the recognition of intangibles on consolidation and share-based payments.

Notes to the Financial Statements continued

for the year ended 31st December 2007

30. IFRS Transition (continued)

(c) Group IFRS Income Statement for the year ended 31st December 2006

	UK GAAP				IFRS
	31st December	Reclassifi-	Intangibles	Deferred Tax	31st December
	2006	cation	and Goodwill	and Other	2006
Note	£000	£000	£000	£000	£000
Continuing operations					
Revenue	11,574	–	–	–	11,574
Costs of sales	(a) –	(3,418)	–	–	(3,418)
Net revenue	11,574	(3,418)	–	–	8,156
Operating costs	(a) (10,336)	3,418	(41)	(14)	(6,973)
Amortisation of intangibles arising on consolidation	–	–	(75)	–	(75)
Share-based payments cost	(241)	–	–	–	(241)
Operating profit	997	–	(116)	(14)	867
Goodwill amortisation	(b) (728)	–	728	–	–
Finance income	106	–	–	–	106
Finance expense	(268)	–	–	–	(268)
Profit before taxation	107	–	612	(14)	705
Taxation	(315)	–	22	71	(222)
Profit/(loss) from continuing activities	(208)	–	634	57	483
Discontinued operations					
Loss from discontinued operations	(44)	–	–	–	(44)
Profit/(loss) on sale of subsidiary	(c) 361	–	(143)	–	218
Profit for the year	109	–	491	57	657
Attributable to:					
Equity holders of the parent	(174)	–	491	57	374
Minority interests	283	–	–	–	283
	109	–	491	57	657
Earnings per share					
Continuing operations					
Basic	(2.49p)				1.02p
Diluted	(2.36p)				0.96p
Total					
Basic	(0.90p)				1.90p
Diluted	(0.90p)				1.79p

(a) Transfer of costs from operating costs to costs of sales in accordance with the Group's new accounting policy.

(b) Adjustments to intangibles include the addback of amortisation on goodwill and other intangibles, the impairment of goodwill and other intangibles, goodwill offset against the profit on the sale of a subsidiary, and currency translation differences and deferred tax recognised on intangibles.

(c) Deferred tax on share-based payments and intangible assets, and the write-off of assets that do not qualify for recognition under IFRS.

30. IFRS Transition (continued)

(d) Company reconciliation of changes in net assets and equity at 1st January 2006 and 31st December 2006

	Note	1st January 2006 £000	31st December 2006 £000
UK GAAP net assets		3,751	7,074
Investment in subsidiaries	(a)	–	1,515
Deferred tax assets	(c)	–	117
IFRS net assets		3,751	8,706

	Note	1st January 2006 £000	31st December 2006 £000
UK GAAP equity		3,751	7,074
Share options reserve	(b)	213	–
Profit and loss account	(b), (c)	(213)	117
Share premium account	(a)	–	1,515
IFRS equity		3,751	8,706

(a) Additional investment amount recorded on the purchase of Attica on 8th August 2006. See Note 22.

(b) Fair value expense of share options that were granted after 7th November 2002 but which had not vested at 1st January 2005.

(c) Deferred tax on share-based payments.

(e) The following table shows the differences in terminology used between UK GAAP and IFRS

As reported under UK GAAP	As reported under IFRS
Consolidated Profit and Loss Account	Group Income Statement
Turnover	Revenue
Investment Income	Finance income
Interest payable	Finance expense
Consolidated Balance Sheet	Group Balance Sheet
Fixed assets	Non-current assets
Tangible assets	Property, plant and equipment
Investments (Fixed Assets)	Financial assets (Non-current)
Debtors	Trade and other receivables
Cash at bank and in hand	Cash and cash equivalents
Short-term investments (Current Assets)	Financial assets (Current)
Creditors, amounts falling due after one year	Borrowings
	Deferred tax liabilities
	Trade and other payables (Non-current)
Creditors, amounts falling due within one year	Borrowings
	Trade and other payables (Current)
	Tax payable
Profit and loss account	Retained earnings

The presentation of the balance sheets has changed to show total assets and total liabilities separately. This is a change from UK GAAP where current liabilities were deducted from total assets on the face of the balance sheet.

The presentation of the Group Income Statement has changed to include a cost of sales line and also separates the amortisation of intangibles arising on consolidation from operating costs.

A Statement of Recognised Income and Expense ("SORIE") has also been prepared which replaces the Consolidated Statement of Total Recognised Gains and Losses.

Under IFRS the Group Cash Flow Statement is modified to separately show the total cash flows of operating, investing and financing activities.

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