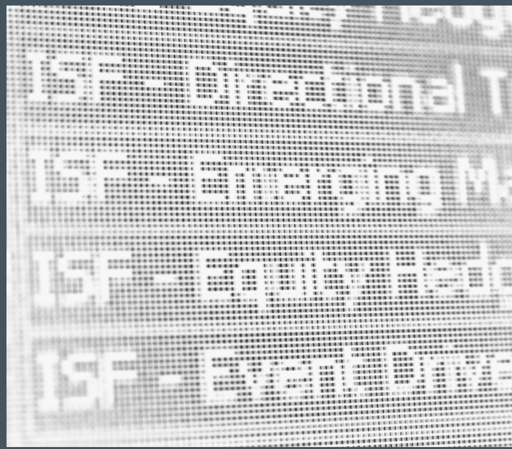
INTEGRATED
asset management

Annual Report

Year ended 31st December 2008

Integrated Asset Management plc ("Integrated")



At a glance

Integrated is a London-based alternative investment group listed on the Alternative Investment Market of the London Stock Exchange under the symbol IAM. Integrated Asset Management's core businesses are asset management, more specifically fund of hedge fund management, and institutional brokerage.

It was founded in 1997 and has an 18 year track record in fund management.

Fund Management

Through regulated subsidiaries in London, Integrated manages assets in a wide variety of Fund of Hedge Funds ("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, in foreign exchange, interest rate derivatives, equities, bonds and equity derivatives.

CONTENTS

Operational Overview *for the year ended 31st December 2008*

Financial Overview

	2008	2007	Change
Assets under Management	**$1.21bn**	$2.89bn	–58%
Net Management Fee Income	**£6.1m**	£4.0m	+52%
Net Performance Fee Income	**£0.2m**	£1.6m	–87%
Net Brokerage Income	**£4.8m**	£5.1m	–6%
(Loss)/Profit before Tax from Continuing Operations*	**£(2.3)m**	£1.4m	–264%
Cash on hand†	**£11.0m**	£12.0m	–8%
Adjusted Earnings per Share‡	**(6.75)p**	2.64p	–356%

* Stated before amortisation and impairment of intangible assets arising on consolidation and share-based payment expense. Continuing operations include those related to the conditional disposal.

† Excluding cash held by the Employee Benefit Trust.

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

Operational Overview

- Conditional agreement to sell the majority of the hedge fund division to Sal. Oppenheim (France) for approximately €3.5 million in cash and the cancellation of Sal. Oppenheim’s entire interest in Integrated of 11,496,111 shares
- Healthy balance sheet, with net assets largely comprised of cash
- Successful restructuring exercise undertaken to reduce the underlying cost base
- Strong position to evaluate and pursue business opportunities that may arise in future

Chairman's Statement

The economic crisis of 2008 had a particularly destructive impact on the world of alternative investments. The hedge fund industry as a whole, and most fund of hedge funds businesses such as ours, have suffered disproportionately to the wider market.

While our relative investment performance was generally very good, we witnessed market trauma reaching feverish proportions late last summer, and a sudden and draconian deleveraging was inflicted on hedge funds. These factors, coupled with severe restrictions on the abilities of many investors to employ traditional short selling strategies, prevented hedge funds as an asset class from delivering returns uncorrelated to the broader markets or providing resilient capital protection.

At Integrated, the resulting negative performance provided the first of a number of blows to our assets under management ("AUM"). We faced additional setbacks as investors redeemed our relatively liquid funds to raise cash either as a safe haven or to cover losses incurred elsewhere.

Moreover, those of our products that had been arranged or guaranteed by Lehman Brothers provoked a further wave of redemptions when Lehman Brothers went into administration in September 2008. A spate of fraudulent activities, culminating in December with the Madoff scandal (which did not impact or involve any of our funds), further undermined the broader fund of hedge fund business.

While Group turnover for the year grew to £17.0 million in 2008 from £14.3 million in 2007, an increase of 19%, the loss, before tax and amortisation of intangible assets arising on consolidation and share-based payment expense and exceptional items, from continuing operations was £2.3 million compared to a profit of £1.4 million for the prior year, giving EPS, adjusted on the same basis of 6.75p loss per share (2007: 2.64p earnings per share). At the year-end, Net Assets of £14.7 million compared with £29.9 million at 31st December 2007, the decrease being primarily due to the impairment of goodwill in the hedge fund division. Net Current Assets stood at £10.2 million compared with £11.9 million at 31st December 2007 and included cash balances, excluding amounts held in trust, of £11.0 million (2007: £12.0 million).

Our AUM declined to approximately $1.2 billion at 31st December 2008 from $2.8 billion at the end of 2007 and discretionary assets under management stood at $1.1 billion (2007: $2.05 billion).

The increase in turnover was attributable to the acquisition of Altigefi S.A. ("Altigefi"), the Paris based fund of hedge funds manager, in which we completed the acquisition of our 51% stake on 31st December 2007, and hence their results are consolidated within the Group for the entirety of 2008. However, further turnover growth was held back by the absence of material performance fees during the year and the precipitous market meltdown during the second half of the year that accelerated the decrease in AUM and consequently management fee income, and a downturn in brokerage income for the year.

The increasingly difficult market conditions for our fund management business in the face of high levels of redemptions — without regard to actual and or prospective performance of our products — led the Board to review its strategy for the business in the latter part of 2008 and to consider various offers to purchase its fund management business.

After reviewing a number of different options, including evaluating the merits of continuing to develop our fund management business in accordance with our longstanding business strategy, Integrated signed on 29th April 2009 an agreement to sell the majority of its fund of hedge funds business to Sal. Oppenheim (France), the Paris based wholly owned subsidiary of our largest shareholder, Sal. Oppenheim Jr & Cie S.C.A ("Sal. Oppenheim"), for a combined consideration of €3.5 million in cash and the cancellation of Sal. Oppenheim's entire share interest in Integrated of 11,496,111 shares.

Under the terms agreed, subject to the satisfaction of customary closing conditions including shareholder consent, Integrated will sell its 51% interest in Altigefi to Sal. Oppenheim (France), which already owns the remaining 49% of the equity. As part of the transaction, Integrated will also transfer five of its other funds to Sal. Oppenheim (France).

The Board determined that in light of the ongoing challenging market conditions and the substantial loss of scale that we suffered as a result of the global economic crisis, structuring a transaction with Sal. Oppenheim, our largest shareholder and customer, would best further the interests of both Integrated's investors and its shareholders and permit us to maximise value.

Regarding our broking division, the second half of 2008 also proved challenging. Following the dislocation in the wholesale markets caused by the collapse of Lehman Brothers, trading volumes in some of the OTC markets in which we are active were significantly disrupted and consequently turnover for the year was below 2007.

While testing conditions persist for one or two specific areas of our operations, we remain positive for the business as a whole and, in light of the intended disposal of the fund management business, are in a position to allocate greater management and financial resources to the business, particularly where lack of scale has been an inhibiting factor to its growth.

Given the strength of our balance sheet, which will be further enhanced on completion of the disposal of the bulk of our fund management business, the Board remains confident for the future prospects of the Company and our enhanced ability to take advantage of corporate opportunities that the Board believes will arise in the current markets.

J D S Booth
Chairman
29th April 2009

Chief Executive Officer's Review

Overview of 2008

For Integrated, the two halves of 2008 were remarkably different. The first half of the year saw us reaching the peak of our strength in terms of quality and quantity of our investment capability. We had put together a substantial team on the investment side and were working hard to reflect this significant upgrade on our sales and marketing function. We were shortlisted for several high profile mandates for global banks, pension funds, and insurance companies, and had already won a significant mandate before the summer. We were also continuing our stated growth policy by evaluating several acquisition candidates and actively pursued a very significant acquisition in Q1 2008.

The change in market conditions, which commenced in July 2007 and carried on throughout 2008, was without question unprecedented in the hedge fund and fund of hedge fund industries. When the storm clouds finally burst towards the end of the summer, we were forced to rapidly re-evaluate our business model and to reverse our previously stated growth strategy, and were able to do so very effectively during the final quarter 2008.

Best estimates are that the hedge fund sector as a whole saw its AUM shrink by about 40% in 2008. Despite producing significantly above average returns, we were also severely punished in terms of our AUM. Our own shrinkage was primarily due to the following factors:

- Redemptions from AUM raised through structured products arranged or guaranteed by Lehman Brothers entities
- Redemptions from our relatively liquid funds arising from investors seeking to raise funds to meet losses in other products
- Flight in general to the more liquid and safe havens of cash
- Specific losses and poor performance in a limited number of Integrated funds
- The overall growing negative sentiment in our asset class driven in part by the increasing number of corporate scandals that played out towards the end of the year and which continue to challenge the industry now

Fund performance

Despite the generally disappointing performances of the hedge fund/alternative investment asset class, most of our funds and portfolios performed creditably against their indices and/or their peer groups. While the industry benchmarks showed negative returns for multi-strategy funds in the very high teens and even the low twenties, our largest fund, Altipro, returned an impressive -3% for the year putting it near the top of its league for on-shore French funds of funds. We had two other portfolios which produced very low single figure negative returns and the majority of portfolios beat the main indices referred to above. Nonetheless, because of the relatively frequent redemption windows offered by Altipro, we suffered significant redemptions from the fund.

Brokerage

While certain areas of our broking business have benefited from the increased volatility noted in the wholesale financial markets, this cannot be said for many of the traditional areas of this business. Our relative lack of scale compared to some of our better known competitors has made us more vulnerable to the levels of liquidity and activity in our specific sectors and for our clients. However, we have noted the potential benefits of operational gearing for our broking business and current market circumstances encourage us to pursue more positive steps in the expansion of the business compared with our previous reliance on organic growth. With the impending sale of our fund management business, we will now have the resources to better support these endeavours.

Cost structure and Balance Sheet

We began to aggressively address our cost base at the start of the second half of 2008 and accelerated that process significantly following the demise of Lehman Brothers, coupled with the meltdown in the equity and credit markets beginning in September 2008. This exercise had to be undertaken in full consideration of the constraints imposed by operating a platform that would still deliver the quality of investment and risk management that we expect but at the same time ensuring that the cost base would not exceed recurring revenue streams. We also had to be very cognizant of maintaining critical mass in the business as we considered various strategic options at the end of the year.

The decrease in brokerage income in the second half was more difficult to predict, given the relative strength of the first half of the year, the suddenness of the Lehman Brothers demise and subsequent lack of visibility as to the duration of the dislocation in the markets across our range of products.

Given the delayed nature of the effect of some of our rationalisation measures, the lag in reaction to the downturn in the broking business and the need to maintain certain functions to best position the business for any potential sale, we did not quite achieve our goal in 2008 of matching costs with revenue.

However, though our balance sheet suffered marginally for the volatility of the second half of 2008, with net assets of £14.7 million, largely comprised of cash, and with the expected proceeds of the sale of our fund management business to Sal. Oppenheim, our balance sheet remains healthy.

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 overstate the importance given by the Board to 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. While we were not wholly untouched by exceptional losses during 2008, they were not material in relation to our overall AUM.

The Market: 2009 and Beyond

The strong relative performance of our products for the year to date is vindication of our opinion that the 'slimmed down' hedge fund sector is now extremely well positioned to deliver the non-correlated returns and preservation of capital that it did not necessarily achieve so well in 2008. However, in light of the significant loss of scale due to the lower AUM, we believe that the proposed transaction with Sal. Oppenheim will further the interests of both our investors and shareholders. Following the transaction we intend to:

- efficiently manage the balance of AUM remaining post-transaction, whilst continuing to consider our options in respect of the residual fund management business that we retain
- continue our cost reduction exercise in order to preserve our liquid balance sheet
- concentrate on our broking business
- evaluate and pursue the significant opportunities becoming available in a dislocated financial services market

I would like to extend my thanks to our teams in London, Paris, Italy, Switzerland and New York for their hard work and commitment through these unprecedented times.

E M Arbib
Chief Executive Officer
29th April 2009

INTEGRATED
asset management

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 2008 US$ millions	31st December 2007 US$ millions
Total discretionary portfolios	**1,095**	2,052
Non-discretionary portfolios	**33**	384
Other assets under advice	**87**	460
Total AuM	**1,215**	2,896

The components of, and movements in, Discretionary Portfolios are described below. As disclosed in last year's business review, significant non-discretionary and advisory contracts were discontinued at the end of 2007 as the Group concentrated on its higher yielding core discretionary assets.

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.

Altipro
Altigefi's core product is the Altipro family of funds. The main Altipro master fund has a nine 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 German on-shore funds managed for Sal. Oppenheim and managed accounts for Sal. Oppenheim clients.

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

	2008 US$ millions	2007 US$ millions
Discretionary assets at 1st January	**2,052**	921
Net subscriptions/(redemptions)	**(697)**	36
Discontinued portfolios	**–**	(188)
Acquisitions	**–**	1,177
Fund performance	**(152)**	33
Foreign exchange movements	**(108)**	73
Discretionary assets at 31st December	**1,095**	2,052

Fund Performance
Fund performance of our core funds for 2008 with related volatility measures is detailed in the table below:

Fund Name/Benchmark	**Currency**	**Share Class**	**2008 Performance**	**2008 Annualised Volatility**
Integrated Multi Strategy Fund	USD	B	–18.68%	9.53%
HFRX Global Hedge Fund Index	USD		–23.25%	11.37%
Altipro	EUR	III	–3.26%	3.80%
Eonia	EUR		4.00%	0.16%
Altipro Plus	EUR		–6.27%	5.22%
HFRX Global Hedge Fund Index	EUR		–23.76%	12.69%
Integrated Directional Trading Fund	USD	C	–1.56%	8.48%
HFRX Macro Index	USD		–5.61%	13.65%
Integrated Event Driven Fund	USD	A	–23.30%	10.37%
HFRX Event Driven Index	USD		–22.11%	10.62%
Integrated Relative Value Fund	USD	B	–9.13%	5.14%
HFRX Relative Value Arbitrage Index	USD		–37.60%	15.62%
Integrated Emerging Markets Fund	USD	D	–31.03%	11.01%
Tremont Emerging Markets	USD		–30.41%	15.57%
Integrated Equity Hedge Fund	USD		–13.10%	11.15%
HFRX Equity Hedge Fund	USD		–25.45%	13.33%
Integrated European Fund	EUR		–0.28%	7.07%
HFRX Global Hedge Fund Index	EUR		–23.76%	12.69%

Source: Integrated Asset Management, Bloomberg, HFR, HFN

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

In common with much of the rest of our 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 which 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 achievement of the Group.

Net yields on our portfolios are analysed as follows:

Asset type	Net margin in basis points	
	2008	2007*
Discretionary assets	**64**	73
Non-discretionary assets	**22**	39
Other assets under advice	**9**	11

* Excluding portfolios discontinued during 2007.

The reduction in yield on discretionary assets was entirely in line with our expectations following the inclusion of the Altigefi funds in 2008 which yield about 60 basic points net 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 on 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, while potentially highly remunerative, has a number of conditions to achieve and no performance fee income is forecast for 2009.

Net performance fees totalled £0.2 million (2007: £1.6 million), reflecting the more difficult conditions in the second half of the year. While Integrated is not dependent on performance fees, representing 2.6% and 1.5% of net fund management income and net Group income respectively, (2007: 30.5% and 14.9%) they represent 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, Integrated Financial Products Ltd ("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.

	2008 £000	2007 £000
Net brokerage	**4,045**	4,137
Net marketing	**754**	993
Other	**53**	43
Total net brokerage	**4,852**	5,173

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

	2008	2007
Equity derivatives	**24.5%**	25.7%
Equities	**14.5%**	28.1%
Foreign exchange	**27.8%**	22.7%
Interest rate derivatives	**18.5%**	16.7%
Bonds	**14.7%**	6.8%
	100%	100%

Although net brokerage only decreased marginally, this does not reflect the relative performance of the core products within IFP's business. Both relatively and absolutely, the most improved performance was given by the Bonds desk which benefited from the return of spreads in the bond markets in the second half of the year and the additional consequent value offered by the broker in such a market. The foreign exchange desk also reported strong turnover consistently in excess of 2007 levels in line with the high levels of activity reported for this asset class in the wholesale markets. Interest rate derivatives performed satisfactorily given the difficulties posed by the dislocation in the money markets, particularly in the second half, with the consequent reduction in credit afforded by counterparties to each other. This factor and the general lack of liquidity in the underlying markets was a negative factor for equity derivatives after a strong first half, while equities was relatively the most disappointing after performing so strongly in earlier periods as certain clients reduced the levels of their activity.

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. The volatility of the underlying markets and the appetite of investors for financial assets in general limited activity in 2008 compared with 2007.

Business Review continued

Results Summary

	Fund Management £000	Brokerage £000	2008 Total £000	2007 Total £000
Turnover	11,354	5,704	**17,058**	14,342
Cost of sales	(5,025)	(852)	**(5,877)**	(3,639)
Net Revenue	6,329	4,852	**11,181**	10,703
Operating costs	(8,609)	(5,149)	**(13,758)**	(9,372)
Operating (loss)/profit before amortisation of intangibles, share-based payment expenses, currency exchange differences and exceptional charges	(2,280)	(297)	**(2,577)**	1,331
Amortisation of intangibles	(1,049)	–	**(1,049)**	(327)
Impairment of Intangibles	(14,632)	–	**(14,632)**	–
Share-based payments expense	(16)	(16)	**(32)**	(155)
Write down of investments	–	(67)	**(67)**	–
Currency exchange differences	101	(154)	**(53)**	(389)
Operating (loss)/profit	(17,876)	(534)	**(18,410)**	460
Net finance and other income	240	163	**403**	454*
(Loss)/profit on continuing activities before tax	(17,636)	(371)	**(18,007)**	914

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

Operating Margins

It remains one of the Group's core strategies to improve our margins. During the year we changed our focus from 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 to the implementation of plans to reduce our operating expenditure in line with actual and forecast revenue flows. By their nature there are one-off costs associated with such actions and in certain cases a time lag from the taking of the action to its physically taking effect in either profit and loss and/or cash flow terms.

Such cost reduction has been continued in 2009.

The most significant item of operating expenditure was staff compensation which represented 60% of operating costs including write-down of investments and currency exchange differences (2007: 51%).

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 2007 from which no allocations to employees at 31st December 2007 had been made, generated an increase in variable compensation costs in 2008.

The most significant charge in the profit and loss for the year relates to the impairment of goodwill which arose from the acquisitions of Integrated Alternative Investments Ltd, formerly Attica and Altigefi in 2006 and 2007. Given the reduction in AUM during 2008 and the consequent lack of generation of positive cash flows in the Hedge Fund Division, IAS 36 requires the impairment of such assets. Consequently there is a heavy charge in the year.

Included within operating costs are two significant charges arising from the strengthening of the euro against sterling, as at 31st December 2008.

- Firstly, during the course of 2008 the Group took out forward foreign exchange contracts to hedge its forecast net management fee income receivable in 2009 from its UK fund management subsidiaries, which is mostly denominated in euro but converted to sterling to meet sterling expenses. While we reduced the extent of our hedging during the second half of 2008 as a result of the continued strength of the euro and the decrease in our forecasts of management fee income, the outstanding contracts at 31st December 2008 for income not yet earned, when marked to market, caused us to book losses of £199,000. Such losses may be reversed during 2009.

- 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, while the reverse revaluation of the foreign operation back in to sterling is taken through reserves. There is a charge to the current year profit and loss of £266,000 for this revaluation, the reverse of which is effectively included within the Exchange Difference Reserve gain of £2,523,000 reported in the Group Statement of Recognised Income and Expense.

Capital and Cash Flow

	2008 £000	2007 £000
Net assets	**14,689**	29,907
Net current assets	**10,208**	11,947
Cash at bank*	**10,997**	12,072

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

While net assets decreased markedly, primarily as a consequence of the impairment of goodwill and intangible assets noted above, net current assets decreased by less than 15%. Impairments of goodwill and intangible assets do not impact the regulatory capital held by the Group as they are wholly disallowed in any financial resources calculations.

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 and the Group subsequently has no long term debt or funding liability.

Net current assets are largely represented by cash and demonstrate the strength of our balance sheet and a positive operating cash flow excluding the vesting of benefits in the EBT. While certain amounts of cash are held by subsidiaries for both working capital and regulatory requirements, there remains significant liquidity within the Group.

Employee Share Ownership
Despite the decrease in value of Integrated's shares, we still 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.

Dividends
The results for 2008 do not justify the payment of a dividend to shareholders.

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 comprised of 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 22 of 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 Marches Financieres ("AMF").

During 2007, both the EU Capital Requirements Directive ("CRD") and the Markets in Financial Instruments Directive ("MiFID") came in to force.

CRD introduces new rules for the calculation of financial resources and financial resources requirements, dependent upon the scope of regulated firm's 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. As a consequence, the Group became eligible and successfully applied for a waiver from consolidated supervisory reporting. 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 Limited, 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 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.

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-Fondiaria 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 Limited, an FSA-regulated Company based in London and Espirito Santo Financial Consultants in Lisbon.

Christopher Freiherr von Oppenheim 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 2008.

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 2008 along with future developments and risk management are given in the Chairman's Statement, Chief Executive Officer's Review and Business Review on pages 2 to 7.

Results and Dividends

The loss attributable to equity holders for the year ended 31st December 2008 was £18,249,000 (2007: £16,000 Profit). The Directors have not proposed the payment of a dividend for the year ended 31st December 2008 (2007: £nil).

Acquisitions and Investment in Subsidiaries

On 14th July 2008, the Company acquired the remaining 20% of the share capital of Capital Management Limited, which it did not already own.

Events after the Balance Sheet date

On 29th April 2009 the Group announced that it had entered into a conditional agreement to sell the majority of its fund of hedge funds business, including its 51% stake in Altigefi, to Sal. Oppenheim (France), the Paris based wholly owned subsidiary of Sal. Oppenheim jr & Cie S.C.A. ("Sal. Oppenheim"), for a combined consideration of approximately €3.5 million in cash and the cancellation of Sal. Oppenheim's entire share capital in the Company of 11,496,111 shares (representing approximately 27.1% of the current shares outstanding). The transaction is subject to closing conditions including the receipt of shareholder and regulatory approvals and is not expected to occur before the end of June 2009.

Share Issue and Own Shares

During the year, the trustees of the Integrated Asset Management Employee Share Ownership Trust ("ESOT") did not subscribe further for any ordinary shares in the Company (2007: 1,800,000). The ESOT's share in the Company's ordinary share capital is shown in the table opposite.

Directors

There were no changes to the Board of Directors during the year apart from the resignation of Nick Levene on 20th June 2008. The following Directors will retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for reappointment: Norman Epstein and Mark Segall. Christopher Freiherr von Oppenheim resigned on 29th April 2009.

The interests of the Directors in the Company's ordinary shares are detailed in the Remuneration Report on page 15.

Substantial Shareholdings

At 16th April 2009 there were 42,147,497 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	27.28%
LB UK RE Holdings	3,500,000	8.30%
Nick Levene	2,069,473	4.91%
Asset Management Investment Company plc	2,052,568	4.87%
Employee Share Ownership Trust	1,800,000	4.27%
Kaupthing Singer & Friedlander	1,476,200	3.50%
John Booth	1,441,105	3.42%
Walker Crips Asset Management Limited	1,288,341	3.06%

The shares owned by Sal. Oppenheim jr. & Cie. S.C.A. will be cancelled as part of the consideration for the sale of the majority of the fund of hedge fund business which was agreed on 29th April 2009.

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 of the Group's performance and progress on a regular basis.

Donations

No charitable or political donations were made in 2008 or 2007.

Creditor Payment Policy

The Group does not follow any code or standard on payment practice, but adopts the following policy regarding the payment 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 2008 were 72 days (2007: 80 days) for the Group and 66 days for the Company (2007: 67 days).

Annual General Meeting ("AGM")

The Company's AGM will be held on 30th June 2009 at the Company's registered office.

Auditors

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 Auditors 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 Auditors are unaware; and

(b) each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and of the Company's Auditors for that purpose, in order to be aware of any information needed by the Company's Auditors in connection with preparing their report and to establish that the Company's Auditors are aware of that information.

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
8th May 2009

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 six Non-Executive Directors.

The profiles of the Directors are shown on pages 8 and 9.

The Board is responsible for ensuring that the Company always acts in the best interests of its Shareholders while 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 while 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 14 and 15.

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 on page 13.

The Nomination Committee did not meet during the year.

After the year-end, three further Board meetings were held.

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 of two Non-Executive Directors, though initially three Non-Executive Directors served on the Committee. The Directors who served on the Committee during the year were Norman Epstein (Audit Committee Chairman), Nick Levene, and George Robb. Nick Levene resigned from the Board on 20th June 2008. 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 Auditors and approving their remuneration and terms of engagement.

	Board	Audit Committee	Remuneration Committee
Number of meetings	6	2	3
Directors' attendance			
E M Arbib	6	–	–
D Bierbaum	6	–	–
J D S Booth	6	–	3
N C Epstein	4	2	3
N D A Levene (resigned 20th June 2008)	2	1	–
D Masetti	6	–	–
C F von Oppenheim (resigned 29th April 2009)	–	–	–
G A Robb	5	1	–
M B Segall	6	–	3

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 of 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 whom 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. While acknowledging that no system of internal control can provide absolute assurance against material loss or misstatement, the Board believes the Group's current systems 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 Investors 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 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 2008.

Remuneration Committee

The Remuneration Committee comprises of three Non-Executive Directors. The Directors who served on the committee during the year were M B Segall (Remuneration Committee Chairman), J D S Booth (Chairman of the Board) and N C Epstein (Chairman of the Audit Committee). 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 13.

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

The Integrated Asset Management Employee Share Ownership Trust ("ESOT") was established during 2007 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. One award over an interest of 90,000 shares was made by the trustee during the year ended 31st December 2008.

In the previous year, the Integrated Asset Management Employee Benefit Trust ("EBT") was also established. During 2008 the Company transferred to the EBT an amount of £612,194 (2007: £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. Awards totalling £1,906,669 (2007: £nil) were made by the trustee during the year. The awards made by the trustee during the year, although conditional on employees remaining in employment in 2008, were in respect of periods prior to 2008.

Directors

Executive Directors are employed under continuing contracts of employment terminable by either party under notice of provisions of up to one year.

The Non-Executive Directors have letters of appointment setting out the terms and conditions of their appointment and receive fees related to the levels of their expected commitment. The Non-Executive Directors have no ongoing direct financial or contractual interests in the Company other than their fees, options, shareholdings and representative shareholdings as disclosed in this report.

Further details of Directors' remuneration disclosable by the Company under the Companies Act 1985 (the highest paid Director) are contained in note 4 on page 32.

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

	2008 % Holding	**2008 No. of shares**	2007 No. of shares
E M Arbib	**1.43%**	**600,967**	600,967
D Bierbaum	**0.47%**	**200,000**	–
J D S Booth	**3.42%**	**1,441,105**	1,241,105
N C Epstein	**1.49%**	**627,507**	627,507
N D A Levene (resigned 20th June 2008)	**4.91%**	**2,069,473**	2,069,473
D Masetti	**2.59%**	**1,091,891**	1,091,891
G A Robb	**0.18%**	**75,000**	–
M B Segall	**0.06%**	**25,000**	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:

	Date of Grant	**Exercise price (pence)**	**Held at 1st Jan 2008**	**Granted**	**Exercised**	**Lapsed/ Forfeited/ Surrendered**	**Held at 31st Dec 2008**	**Exercisable Date**	**Expiry Date**
J D S Booth	2/6/00	82.50	20,000	–	–	–	20,000	2/6/03	2/6/10
E M Arbib	2/6/00	82.50	50,000	–	–	(50,000)	–	2/6/03	2/6/10
	27/11/03	50.00	660,000	–	–	(660,000)	–	27/11/06	27/11/13
	15/3/06	60.00	200,000	–	–	(200,000)	–	15/3/09	15/3/16
N C Epstein	2/6/00	82.50	20,000	–	–	–	20,000	2/6/03	2/6/10
N D A Levene (resigned 20th June 2008)	14/8/03	50.00	166,666	–	–	(166,666)	–	Perf Related	Perf Related
D Masetti	15/3/06	60.00	60,000	–	–	–	60,000	15/3/09	15/3/16
	30/3/06	80.00	120,000	–	–	–	120,000	30/3/09	30/3/16
M B Segall	2/6/00	82.50	20,000	–	–	–	20,000	2/6/03	2/6/10

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report, the Directors' remuneration 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 judgments and estimates that are reasonable and prudent.
- Prepared the financial statements in compliance 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 for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2008 which comprise the Group Income Statement, the Group and Parent Company Statements of Total Recognised Income and Expense, the Group and Parent Company Statements of Changes in Shareholders' Equity, 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 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 Parent 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 2008 and of its loss 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 2008;
- 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
11th May 2009

INTEGRATED
asset management

Group Income Statement

for the year ended 31st December 2008

	Note	Year ended 31st December 2008 £000	Year ended 31st December 2007 £000
Continuing operations			
Revenue		**17,058**	14,342
Cost of sales		**(5,877)**	(3,639)
Net revenue		**11,181**	10,703
Operating costs		**(13,878)**	(9,761)
Amortisation of intangibles		**(1,049)**	(327)
Share-based payments cost		**(32)**	(155)
Operating (loss)/profit before impairment of goodwill and intangibles		**(3,778)**	460
Impairment of goodwill and intangibles		**(14,632)**	–
Operating (loss)/profit		**(18,410)**	460
Finance income		**485**	685
Finance expense	15	**(82)**	(362)
Share of profit of associate	9	**–**	131
(Loss)/profit before taxation	3	**(18,007)**	914
Taxation	5	**61**	(117)
(Loss)/profit from continuing operations		**(17,946)**	797
Discontinued operations			
(Loss) on sale of subsidiary	6	**–**	(535)
(Loss)/profit for the year		**(17,946)**	262
Attributable to:			
Equity holders of the parent		**(18,249)**	16
Minority interests		**303**	246
		(17,946)	262
Earnings per share			
Continuing operations			
Basic	7	**(43.42)p**	1.69p
Diluted	7	**(43.42)p**	1.64p
Total			
Basic	7	**(43.42)p**	0.05p
Diluted	7	**(43.42)p**	0.05p

Statement of Recognised Income and Expense

for the year ended 31st December 2008

Group	Year ended 31st December 2008 £000	Year ended 31st December 2007 £000
(Loss)/profit for the period	**(17,946)**	262
Currency translation differences on overseas operations	**2,523**	498
Total recognised income for the year	**(15,423)**	760
Attributable to:		
Equity holders of the parent	**(15,726)**	514
Minority interests	**303**	246
	(15,423)	760

Company	Year ended 31st December 2008 £000	Restated Year ended 31st December 2007 £000
(Loss) for the period	**(16,488)**	(768)
Total recognised income for the year	**(16,488)**	(768)

Group Balance Sheet

as at 31st December 2008

	Note	**As at 31st December 2008 £000**	As at 31st December 2007 £000
Assets			
Non-current assets			
Intangible assets	8	**4,300**	17,958
Property, plant and equipment	10	**739**	750
Financial assets	13	**139**	173
		5,178	18,881
Current assets			
Trade and other receivables	11	**5,328**	26,065
Cash and cash equivalents	12	**11,062**	13,418
Financial assets	13	**–**	131
		16,390	39,614
Total assets		**21,568**	58,495
Liabilities			
Non-current liabilities			
Borrowings	15	**–**	–
Deferred tax liabilities	16	**(697)**	(921)
Trade and other payables	17	**–**	–
		(697)	(921)
Current liabilities			
Borrowings	15	**(1,309)**	(2,090)
Trade and other payables	17	**(4,849)**	(25,134)
Tax payable		**(24)**	(443)
		(6,182)	(27,667)
Total liabilities		**(6,879)**	(28,588)
Net assets		**14,689**	29,907
Capital and Reserves			
Called up share capital	18	**2,107**	2,083
Share premium account		**27,025**	26,527
Shares to be issued		**–**	251
Share options reserve		**313**	473
Exchange difference reserve		**2,946**	423
Investment in own shares		**(2,519)**	(2,525)
Retained earnings		**(16,667)**	1,472
Equity attributable to equity holders of the parent		**13,205**	28,704
Equity attributable to minority interests		**1,484**	1,203
Total equity		**14,689**	29,907

The annual financial statements were approved and authorised for issue by the Board on 8th May 2009 and signed on their behalf by:

J D S Booth
Director

E M Arbib
Director

INTEGRATED
asset management

Company Balance Sheet

as at 31st December 2008

	Note	**As at 31st December 2008 £000**	(Restated) As at 31st December 2007 £000
Assets			
Non-current assets			
Intangible assets	8	**–**	–
Property, plant and equipment	10	**353**	382
Investment in subsidiaries	14	**14,064**	29,386
Deferred tax assets	16	**–**	141
		14,417	29,909
Current assets			
Trade and other receivables	11	**1,782**	1,141
Cash and cash equivalents	12	**1,586**	2,966
Financial assets	13	**–**	131
Tax receivable		**–**	–
		3,368	4,238
Total assets		**17,785**	34,147
Liabilities			
Non-current liabilities			
Borrowings	15	**–**	–
Trade and other payables	17	**–**	–
		–	–
Current liabilities			
Borrowings	15	**–**	(1,095)
Trade and other payables	17	**(3,664)**	(2,630)
		(3,664)	(3,725)
Total liabilities		**(3,664)**	(3,725)
Net assets		**14,121**	30,422
Capital and Reserves			
Called up share capital	18	**2,107**	2,083
Share premium account		**27,025**	26,527
Shares to be issued		**–**	251
Share options reserve		**313**	473
Retained earnings		**(15,324)**	1,088
Total equity		**14,121**	30,422

The annual financial statements were approved and authorised for issue by the Board on 8th May 2009 and signed on their behalf by:

J D S Booth
Director

E M Arbib
Director

Group Statement of Changes in Shareholders' Equity

for the year ended 31st December 2008

	Share capital £000	**Share premium £000**	**Retained earnings £000**	**Other reserves £000**	**Minority interests £000**	**Total £000**
Balance at 1st January 2008	**2,083**	**26,527**	**1,472**	**(1,378)**	**1,203**	**29,907**
Currency translation adjustments	**–**	**–**	**–**	**2,523**	**–**	**2,523**
Net income recognised directly in equity:	**–**	**–**	**–**	**2,523**	**–**	**2,523**
(Loss) for the year	**–**	**–**	**(18,249)**	**–**	**303**	**(17,946)**
Total recognised income for the year	**–**	**–**	**(18,249)**	**2,523**	**303**	**(15,423)**
Placing of shares	**–**	**–**	**–**	**–**	**–**	**–**
Conversion of loan notes	**16**	**295**	**–**	**–**	**–**	**311**
Shares issued on acquisition	**1**	**21**	**–**	**(22)**	**–**	**–**
Deferred consideration	**7**	**182**	**–**	**(229)**	**–**	**(40)**
Share-based payments	**–**	**–**	**–**	**33**	**–**	**33**
Exercise of share options	**–**	**–**	**–**	**–**	**–**	**–**
Cancelled/forfeited share options	**–**	**–**	**187**	**(187)**	**–**	**–**
Deferred tax on share options	**–**	**–**	**(77)**	**–**	**–**	**(77)**
Purchase of own shares by EBT/ESOT	**–**	**–**	**–**	**–**	**–**	**–**
Dividend paid to minority interests	**–**	**–**	**–**	**–**	**(338)**	**(338)**
Movement in minority interests	**–**	**–**	**–**	**–**	**316**	**316**
Balance 31st December 2008	**2,107**	**27,025**	**(16,667)**	**740**	**1,484**	**14,689**

	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Minority interests £000	Total £000
Balance at 1st January 2007	1,194	5,025	1,404	732	632	8,987
Currency translation adjustments	–	–	–	498	–	498
Net income/(expense) recognised directly in equity:	–	–	–	498	–	498
Profit for the year	–	–	16	–	246	262
Total recognised income for the year	–	–	16	498	246	760
Placing of shares	648	16,306	–	–	–	16,954
Conversion of loan notes	131	2,353	–	–	–	2,484
Shares issued on acquisition	32	762	–	23	–	817
Deferred consideration	6	100	–	(189)	–	(83)
Share-based payments	–	–	–	155	–	155
Exercise of share options	7	96	–	–	–	103
Cancelled/forfeited share options	–	–	75	(72)	–	3
Deferred tax on share options	–	–	(23)	–	–	(23)
Purchase of own shares by EBT/ESOT	65	1,885	–	(2,525)	–	(575)
Movement in minority interests	–	–	–	–	325	325
Balance 31st December 2007	2,083	26,527	1,472	(1,378)	1,203	29,907

INTEGRATED asset management

Company Statement of Changes in Shareholders' Equity

for the year ended 31st December 2008

	Share capital £000	**Share premium £000**	**Retained earnings £000**	**Shares to be issued £000**	**Share Options reserve £000**	**Total £000**
Balance at 1st January 2008	**2,083**	**26,527**	**1,088**	**251**	**473**	**30,422**
(Loss) for the year	**—**	**—**	**(16,488)**	**—**	**—**	**(16,488)**
Total recognised income for the year	**—**	**—**	**(16,488)**	**—**	**—**	**(16,488)**
Placing of shares	**—**	**—**	**—**	**—**	**—**	**—**
Conversion of loan notes	**16**	**295**	**—**	**—**	**—**	**311**
Shares issued on acquisition	**1**	**21**	**—**	**(22)**	**—**	**—**
Deferred consideration	**7**	**182**	**—**	**(229)**	**—**	**(40)**
Altigefi acquisition	**—**	**—**	**—**	**—**	**—**	**—**
Share-based payments	**—**	**—**	**—**	**—**	**33**	**33**
Exercise of share options	**—**	**—**	**—**	**—**	**—**	**—**
Cancelled/forfeited share options	**—**	**—**	**151**	**—**	**(193)**	**(42)**
Deferred tax on share options	**—**	**—**	**(75)**	**—**	**—**	**(75)**
Purchase of own shares by EBT/ESOT	**—**	**—**	**—**	**—**	**—**	**—**
Balance 31st December 2008	**2,107**	**27,025**	**(15,324)**	**—**	**313**	**14,121**

	Share capital £000	Share premium £000	Retained earnings £000	Shares to be issued £000	Share Options reserve £000	Total £000
Balance at 1st January 2007 as previously reported	1,194	5,025	1,680	417	390	8,706
Adoption of IFRIC 11	—	—	123	—	—	123
Balance at 1st January 2007 as restated	1,194	5,025	1,803	417	390	8,829
(Loss) for the year	—	—	(768)	—	—	(768)
Total recognised income for the year	—	—	(768)	—	—	(768)
Placing of shares	648	16,306	—	—	—	16,954
Conversion of loan notes	131	2,353	—	—	—	2,484
Shares issued on acquisition	32	762	—	—	—	794
Deferred consideration	6	100	—	(189)	—	(83)
Altigefi acquisition	—	—	—	23	—	23
Share-based payments	—	—	—	—	155	155
Exercise of share options	7	96	—	—	—	103
Cancelled/forfeited share options	—	—	75	—	(72)	3
Deferred tax on share options	—	—	(22)	—	—	(22)
Purchase of own shares by EBT/ESOT	65	1,885	—	—	—	1,950
Balance 31st December 2007	2,083	26,527	1,088	251	473	30,422

Group Cash Flow Statement

for the year ended 31st December 2008

	Year ended 31st December 2008 £000	Year ended 31st December 2007 £000
Cash flows from operating activities		
Cash (used)/generated from operations	**(519)**	386
Income tax paid	**(947)**	(190)
Net cash (used)/generated from operating activities	**(1,466)**	196
Cash flows from investing activities		
Purchase of property, plant and equipment	**(182)**	(293)
Sale of property, plant and equipment	**–**	1
Purchase of non-current financial assets	**–**	(86)
Purchase of other financial assets	**(55)**	–
Sale of current financial assets	**113**	153
Purchase of intangible assets	**–**	(37)
Minority interests/subsidiaries acquired	**(48)**	(10,950)
Net cash acquired with subsidiary	**–**	2,610
Shares purchased by ESOT	**–**	(589)
Deferred consideration paid	**–**	(37)
Interest received	**485**	685
Net cash generated/(used) in investing activities	**313**	(8,543)
Cash flows from financing activities		
Issue of ordinary share capital	**–**	17,050
Redemption of unsecured loan notes	**(783)**	–
Dividend paid to minority shareholders	**(338)**	–
Interest paid	**(82)**	(362)
Net cash (used)/generated in financing activities	**(1,203)**	16,688
Net (decrease)/increase in cash and cash equivalents	**(2,356)**	8,341
Cash and cash equivalents at beginning of year	**13,418**	5,077
Cash and cash equivalents at end of year	**11,062**	13,418

Reconciliation of Operating (Loss)/Profit to Net Cash (Outflow)/Inflow from Operating Activities

for the year ended 31st December 2008

	Year ended 31st December 2008 £000	Year ended 31st December 2007 £000
Operating (loss)/profit on ordinary activities	**(18,410)**	460
Share options cost	**33**	155
Loss on sale of property, plant and equipment	**–**	14
Depreciation	**280**	227
Amortisation of intangible assets	**1,049**	327
Impairment of goodwill and intangibles	**14,632**	–
Write down of current financial assets	**72**	–
Write down of other financial assets	**64**	–
Foreign currency translation	**980**	272
Decrease/(increase) in trade and other receivables	**21,164**	(18,395)
(Decrease)/increase in trade and other payables	**(20,383)**	17,326
Net cash (outflow)/inflow from operating activities	**(519)**	386

INTEGRATED
asset management

Company Cash Flow Statement

for the year ended 31st December 2008

	Year ended 31st December 2008 £000	Year ended 31st December 2007 £000
Cash flows from operating activities		
Cash used from operations	**(286)**	(2,397)
Income tax received	**1**	–
Net cash used in operating activities	**(285)**	(2,397)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(76)**	(141)
Purchase of non-current financial assets	**–**	(86)
Purchase of other financial assets	**(55)**	–
Sale of current financial assets	**113**	130
Minority interests/subsidiaries acquired	**(48)**	(10,950)
Loans to Employee Trusts	**(612)**	(3,863)
Dividend received	**347**	–
Deferred consideration paid	**–**	(37)
Interest received	**102**	418
Net cash used in investing activities	**(229)**	(14,529)
Cash flows from financing activities		
Issue of ordinary share capital	**–**	18,980
Redemption of unsecured loan notes	**(783)**	–
Interest paid	**(83)**	(271)
Net cash (used)/generated in financing activities	**(866)**	18,709
Net (decrease)/increase in cash and cash equivalents	**(1,380)**	1,783
Cash and cash equivalents at beginning of year	**2,966**	1,183
Cash and cash equivalents at end of year	**1,586**	2,966

Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities

for the year ended 31st December 2008

	Year ended 31st December 2008 £000	(Restated) Year ended 31st December 2007 £000
Operating loss on ordinary activities	**(16,443)**	(890)
Share options cost	**25**	27
Depreciation	**105**	92
Impairment in investments	**11,390**	–
Impairment of related Company loan	**2,267**	–
Write down of current financial assets	**72**	–
Foreign currency translation	**–**	63
Disbursement of benefit by Employee Trusts	**1,906**	–
(Increase)/decrease in trade and other receivables	**(640)**	605
Increase/(decrease) in trade and other payables	**1,032**	(2,294)
Net cash outflow from operating activities	**(286)**	(2,397)

Notes to the Financial Statements

1. Principal accounting policies

Integrated Asset Management plc ("the Company") is a public limited company incorporated and domiciled in the United Kingdom. The Company is listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

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

The Company is taking advantage of the exemption in section 230 of the Companies Act 1985 not to present its individual income statement and related notes that form part of the financial statements.

(b) New IFRS standards and interpretations

Standards effective in 2008:

The Group has adopted IFRIC 11 "Group and Treasury Share Transactions". The effect on the financial statements is shown below.

Standards and interpretations which become effective in future periods:

The Group has not decided to early adopt the following standards and interpretations, and revisions to existing 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" (Revised) effective for accounting periods beginning on or after 1st January 2009. The amendment to the standard requires the preparation of a statement of comprehensive income either to replace or to complement the current income statement. In addition, restatements or reclassifications of comparative balance sheet information will include a restatement of the opening balance sheet of the comparative period.

IAS 27 — "Consolidated and Separate Financial Statements" (Amendment) effective for accounting periods beginning on or after 1st July 2009. The amendments provide new guidance on accounting for changes in interests in subsidiaries. The effect on the financial statements will depend on the incidence and timing of future changes in the Group.

IFRS 3 — "Business Combinations" (Revised) effective for accounting periods beginning on or after 1st July 2009. The revised standard introduces a number of changes in the accounting for business combinations that impact on the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. The effect on the financial statements will depend on the incidence and timing of future changes in the Group.

IFRS 8 — "Operating Segments" effective for accounting periods beginning on or after 1st January 2009. This standard replaces IAS 14 "Segment Reporting" and will require a change in the disclosure of segmental information.

There are a number of other standards and interpretations, and revisions to existing standards and interpretations, in issue but not in force at 31st December 2008. These are not considered likely to have a material impact on the Group's financial statements.

(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.

Notes to the Financial Statements continued

1. Principal accounting policies (continued)

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 takes into account value in use calculations prepared on the basis of management's assumptions and estimates of future cash flows and discount rates. In addition, the effect of the expected sales proceeds from the proposed disposal of the majority of the fund of hedge fund business was taken into account when considering impairment. 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.

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 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 is 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.

(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.

1. Principal accounting policies (continued)

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 cost of such artwork as at 31st December 2008 is £74,000 (2007: £74,000).

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.

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 1–6 years.

Notes to the Financial Statements continued

1. **Principal accounting policies (continued)**

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 higher of the asset's value in use and fair value less costs to sell. 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 profit or loss", "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.

Forward currency: Contracts are classified as financial assets or financial liabilities through profit or loss. They are measured at fair value and gains or losses arising from changes in fair value are recognised in profit or loss.

(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.

(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.

1. **Principal accounting policies (continued)**

(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.

Under IFRIC 11 "Group and Treasury Share Transactions", where a parent company grants share options to employees of a subsidiary then the subsidiary is required to reflect the accounting for share options issued for the relevant employees as an expense with a corresponding increase in equity as a contribution from the parent company. Prior period comparatives of the parent company have been restated following this change in accounting policy. The effect of this change in accounting policy is to increase the profit before taxation of the parent company for the year ended 31st December 2007 by £128,000 and for the current period by £7,000.

The Group has early adopted the amendment to IFRS 2 relating to vesting conditions and cancellations issued in January 2008.

(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 three to twelve 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 of interest income, which is recognised on a time-proportion basis using the effective interest method.

(q) Cost of sales

Cost of sales comprises of 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

2. Segmental reporting

(a) Business segments

The Group is organised into two business segments

– Hedge Fund

– Brokerage

The segment results are as follows:

Business type

31st December 2008	Hedge Fund £000	Brokerage £000	Inter-segment elimination £000	Group £000
Revenue	11,354	5,704	–	17,058
Cost of sales	(5,025)	(852)	–	(5,877)
Net Revenue	6,329	4,852	–	11,181
Operating costs	(8,609)	(5,149)	–	(13,758)
Amortisation of intangibles	(1,049)	–	–	(1,049)
Impairment of Intangibles	(14,632)	–	–	(14,632)
Share-based payments cost	(16)	(16)	–	(32)
Write down of investments	–	(67)	–	(67)
Currency exchange differences	101	(154)	–	(53)
Operating loss	(17,876)	(534)	–	(18,410)
Finance income	250	235	–	485
Finance expense	(10)	(72)	–	(82)
Share of profit of associate	–	–	–	–
Loss before taxation	(17,636)	(371)	–	(18,007)
Operating costs include the following non-cash expenses:				
Depreciation	122	158	–	280
Segment assets	16,779	10,224	(5,435)	21,568
Segment liabilities	(7,545)	(4,769)	5,435	(6,879)
	9,234	5,455	–	14,689
Capital expenditure on segment assets	72	116	–	188

2. Segmental reporting (continued)

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 costs	(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	(62)	(154)	–	(216)
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	101	181	–	282

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

The Group's operations are deemed to have been carried out solely in Europe.

INTEGRATED asset management

Notes to the Financial Statements continued

3. (Loss)/profit on ordinary activities before taxation

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

	2008 £000	2007 £000
Depreciation of property, plant and equipment	280	216
Exchange loss/(gain)	53	397
Write down of current financial assets	72	–
Write down of other financial assets	64	–
Operating lease rentals — land and buildings	278	230
Bank interest income	(385)	(685)
Income on cash equivalents	(100)	–
Auditor's Remuneration:		
Moore Stephens LLP — Audit fees	99	89
Moore Stephens LLP — Tax services	41	62
Moore Stephens LLP — Payroll services	6	8
Other auditors — Audit services	26	30
Other auditors — Tax services	8	4

4. Staff costs and employees

Staff costs including Directors' emoluments	2008 £000	2007 £000
Wages and salaries (including bonuses)	7,051	3,923
Social security costs	885	642
Share-based payments	32	155
Other staff costs	319	263
Total	8,287	4,983

The average monthly number of persons employed by the Group including Executive Directors was 84 (2007: 63) and is analysed as follows:

	2008	2007
Asset Management	38	23
Brokerage	38	34
Group	8	6
Total	84	63

Directors' emoluments: Group	2008 £000	2007 £000
Directors' emoluments	801	588

The Directors are potential beneficiaries of the Employee Benefit Trust and the Employee Share Ownership Scheme. There have been no contributions in respect of Directors to money purchase pension schemes during the period. None of the Directors exercised share options during the period.

The highest paid Director received salary and related benefits of £615,000 (2007: £264,000), which included awards made by the Trustees of the Employee Benefit Trust which related to previous years and which were conditional on remaining in employment in 2008.

5. Taxation

(a) Analysis of tax charge for the year

	2008 £000	2007 £000
Current tax		
UK corporation tax on profits for the period	**–**	122
Adjustments in respect of prior periods	**(96)**	(13)
Foreign tax	**336**	160
Total current tax	**240**	269
Deferred tax (Note 16)		
Effects of changes in corporation tax rates	**(70)**	–
Origination and reversal of temporary differences	**(231)**	(152)
Total tax (credit)/charge for the year	**(61)**	117

(b) Factors affecting the tax charge for the year

	2008 £000	2007 £000
(Loss)/profit before taxation on continuing operations	**(18,007)**	914
Loss before taxation on discontinued operations	**–**	(535)
Total (loss)/profit	**(18,007)**	379
Tax on (loss)/profit at the standard UK Corporation tax rate of 28.5% (2007: 30%)	**(5,132)**	113
Effect of:		
Disallowable expenses and non-taxable income	**4,170**	140
Tax losses utilised	**11**	(277)
Tax losses unutilised	**933**	–
Small companies relief	**–**	(6)
Adjustments in respect of prior periods	**(96)**	(13)
Different tax rates on overseas income	**53**	160
Total tax (credit)/charge for the year	**(61)**	117

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 2008 £000	Year ended 31st December 2007 £000
Loss on disposal	**–**	(535)

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 arose 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.

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

Notes to the Financial Statements continued

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:

	2008	2007
	£000	£000
(Loss)/profit from continuing operations	**(17,946)**	797
Minority interests	**(303)**	(246)
(Loss)/profit from continuing operations used in calculating basic and diluted EPS	**(18,249)**	551
Total (loss)/profit for the year	**(17,946)**	262
Minority interests	**(303)**	(246)
Total (loss)/profit used in calculating basic and diluted EPS	**(18,249)**	16

	No. 000	No. 000
Weighted average number of ordinary shares used in calculating basic EPS	**42,030**	32,531
Effect of dilutive potential ordinary shares:		
— share options	**–**	1,145
— shares to be issued	**–**	–
— contingently issuable shares	**–**	–
Weighted average number of ordinary shares used in calculating diluted EPS	**42,030**	33,676

Basic EPS from continuing operations has been calculated using the loss from continuing operations £18,249,000 (excluding minority interests) divided by the weighted average number of ordinary shares 42,030,000.

Diluted EPS from continuing operations has been calculated using the loss from continuing operations £18,249,000 (excluding minority interests) divided by the weighted average number of ordinary shares 42,030,000.

Potentially dilutive instruments that have not been included in the calculation of diluted EPS because they were anti-dilutive comprise share options over 1,093,000 (2007: 615,000) ordinary shares.

8. Intangible assets

Group	Goodwill £000	Management Contracts £000	Development Costs £000	Total £000
Cost				
At 1st January, 2008	**14,768**	**3,953**	**37**	**18,758**
Additions	**39**	**–**	**–**	**39**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**
Reclassifications	**–**	**–**	**–**	**–**
Movement on exchange	**2,047**	**–**	**–**	**2,047**
Changes in deferred consideration	**(63)**	**–**	**–**	**(63)**
At 31st December 2008	**16,791**	**3,953**	**37**	**20,781**
Amortisation and Impairment				
At 1st January, 2008	**(371)**	**(429)**	**–**	**(800)**
Amortisation	**(1)**	**(1,036)**	**(12)**	**(1,049)**
Impairment	**(14,632)**	**–**	**–**	**(14,632)**
At 31st December 2008	**(15,004)**	**(1,465)**	**(12)**	**(16,481)**
Net Book Value at 31st December 2008	**1,787**	**2,488**	**25**	**4,300**
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)	–	–
Movement on exchange	375	–	–	375
Changes in deferred consideration	(71)	–	–	(71)
At 31st December 2007	14,768	3,953	37	18,758
Amortisation and Impairment				
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

Notes to the Financial Statements continued

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 3 — "Business Combinations".

Goodwill represents the value assigned to the future benefits which the Group expects to achieve from 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 1–6 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 is being amortised in accordance with the Group's amortisation policy on computer equipment. No amortisation was charged against the asset in 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:

	2008	2007
	£000	£000
Hedge Fund	**–**	12,933
Brokerage	**1,787**	1,464
Total Goodwill	**1,787**	14,397

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 the higher of fair value less costs to sell and value-in-use. The value-in-use calculation 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 five 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)
Total	2.5

8. Intangible assets (continued)

The discount rate applied to cash flow projections is 15% (2007: 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 discounted terminal values are added to the net present value of the projected cash flows to calculate an overall recoverable value.

The impairment review for the Hedge Fund CGU revealed a requirement for significant impairment of recoverable value over the carrying value at 31st December 2008, due to the reduction of AUM in 2008 and the consequent lack of generation of positive cash flows. The recoverable value for the Hedge Fund CGU is based on fair value less costs to sell, and takes into account the terms of the conditional sale agreement referred to in note 26.

The impairment review revealed a surplus of recoverable value over the carrying value for the Brokerage CGU as at 31st December 2008, and therefore no impairment charge has been included for this unit. The recoverable value is based on value-in-use.

Company	**Goodwill £000**
Cost	
At 1st January and 31st December 2008	**347**
Amortisation	
At 1st January and 31st December 2008	**(347)**
Net Book Value at 31st December 2008	**–**
Cost	
At 1st January and 31st December 2007	347
Amortisation	
At 1st January and 31st December 2007	(347)
Net Book Value at 31st December 2007	–

9. Investment in associate

	2008 £000	2007 £000
At 1st January	**–**	–
Additions	**–**	5,940
Share of profit after tax	**–**	131
Reclassification	**–**	(6,071)
At 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 re-classified as a subsidiary for the purpose of preparing these Group financial statements at that date.

Notes to the Financial Statements continued

10. Property, plant and equipment

Group	Vehicles & equipment £000	Fixtures & fittings £000	Leasehold improvements £000	Total £000
Cost				
At 1st January 2008	**507**	**515**	**377**	**1,399**
Additions	**44**	**139**	**5**	**188**
Disposals	**(35)**	**(11)**	**(6)**	**(52)**
Business combination	**–**	**–**	**–**	**–**
Movement on exchange	**123**	**96**	**41**	**260**
At 31st December 2008	**639**	**739**	**417**	**1,795**
Depreciation				
At 1st January 2008	**(232)**	**(260)**	**(157)**	**(649)**
Charge in the year	**(134)**	**(77)**	**(69)**	**(280)**
Disposals	**44**	**9**	**–**	**53**
Movement on exchange	**(80)**	**(72)**	**(28)**	**(180)**
At 31st December 2008	**(402)**	**(400)**	**(254)**	**(1,056)**
Net Book Value				
At 31st December 2008	**237**	**339**	**163**	**739**
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

10. Property, plant and equipment (continued)

Company	Office equipment £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost				
At 1st January 2008	**228**	**57**	**246**	**531**
Additions	**11**	**62**	**3**	**76**
Disposals	**—**	**—**	**—**	**—**
At 31st December 2008	**239**	**119**	**249**	**607**
Depreciation				
At 1st January 2008	**(45)**	**(15)**	**(89)**	**(149)**
Charge in the year	**(39)**	**(26)**	**(40)**	**(105)**
Disposals	**—**	**—**	**—**	**—**
At 31st December 2008	**(84)**	**(41)**	**(129)**	**(254)**
Net Book Value				
At 31st December 2008	**155**	**78**	**120**	**353**
Cost				
At 1st January 2007	143	47	200	390
Additions	85	10	46	141
Disposals	—	—	—	—
At 31st December 2007	228	57	246	531
Depreciation				
At 1st January 2007	(10)	(2)	(44)	(56)
Charge in the year	(35)	(13)	(45)	(93)
Disposals	—	—	—	—
At 31st December 2007	(45)	(15)	(89)	(149)
Net Book Value				
At 31st December 2007	183	42	157	382

11. Trade and other receivables

	Group		Company	
	2008 £000	2007 £000	**2008 £000**	2007 £000
Trade receivables	**3,408**	3,804	**1**	—
Matched principal trade receivables	**661**	21,159	**—**	—
Amounts owed by Group undertakings	**—**	—	**1,452**	755
Other receivables	**964**	738	**307**	330
Prepayments	**295**	364	**22**	56
Total	**5,328**	26,065	**1,782**	1,141

Matched principal trade receivables represent the grossed-up value of matched trades that were undertaken by the Brokerage business before the period 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.

INTEGRATED asset management

Notes to the Financial Statements continued

12. Cash and cash equivalents

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Cash at bank and in hand	**10,997**	12,072	**1,586**	2,966
Cash at bank and in hand: EBT	**65**	1,346	**–**	–
Total cash and cash equivalents	**11,062**	13,418	**1,586**	2,966

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.

13. Financial assets

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Non-current				
Available-for-sale	**139**	173	**–**	–

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Current				
Fair value through profit or loss	**–**	131	**–**	131

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	Subsidiaries £000	Employee Trusts £000	Total £000
Cost			
At 1st January 2008 (Restated)	**25,523**	**3,863**	**29,386**
Additions	**48**	**612**	**660**
Changes in deferred consideration	**(38)**	**–**	**(38)**
Dividend from subsidiary	**(347)**	**–**	**(347)**
Share-based payments	**(34)**	**–**	**(34)**
Disbursement of benefits	**–**	**(1,906)**	**(1,906)**
At 31st December 2008	**25,152**	**2,569**	**27,721**
Impairment			
At 1st January 2008	**–**	**–**	**–**
Charge for the year	**(11,390)**	**(2,267)**	**(13,657)**
At 31st December 2008	**(11,390)**	**(2,267)**	**(13,657)**
Net Book Value at 31st December 2008	**13,762**	**302**	**14,064**

14. Investments (continued)

Company	Subsidiaries £000	Employee Trusts £000	Total £000
Cost			
At 1st January 2007 (Restated)	13,830	–	13,830
Additions	11,565	3,863	15,428
Share-based payments	128	–	128
At 31st December 2007	25,523	3,863	29,386
Impairment			
At 1st January 2007	–	–	–
Charge for the year	–	–	–
At 31st December 2007	–	–	–
Net Book Value at 31st December 2007	25,523	3,863	29,386

Details of changes in ownership interest of subsidiaries during the year are shown at Note 19. A list of the Company's subsidiaries can be found at Note 24.

15. Borrowings

	Group		Company	
	2008 £000	2007 £000	**2008 £000**	2007 £000
Current				
Convertible loan notes	**–**	1,095	**–**	1,095
Bank loan	**1,309**	995	**–**	–
Total	**1,309**	2,090	**–**	1,095

The convertible loan notes had a final redemption date of 27th January 2008. During 2008, £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 were measured in accordance with IAS 32. In the opinion of the Directors any split between a liability and equity component would have been immaterial.

The bank loan is guaranteed by companies within the Group, bears interest on the euro at 6.125% per annum and is repayable on demand.

The finance expense for the year is analysed as follows:	**2008 £000**	2007 £000
Bank loans and overdrafts	**68**	144
Other loans	**10**	218
Other interest payable	**4**	–
Total	**82**	362

16. Deferred tax

The movements in deferred tax assets and liabilities during the year were as follows: **Group**	**2008 £000**	2007 £000
Deferred tax liabilities – intangible assets		
At 1st January	**(1,062)**	(291)
Acquisition of subsidiaries	**–**	(877)
Income statement credit	**365**	106
At 31st December	**(697)**	(1,062)
Deferred tax assets – share-based payments		
At 1st January	**141**	117
Income statement (debit)/credit	**(64)**	46
(Debited) directly to equity	**(77)**	(22)
At 31st December	**–**	141

Notes to the Financial Statements continued

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 tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2008 £000	2007 £000
Net deferred tax liabilities	**(697)**	(921)

The Group has deferred tax assets of £2,785,000 (2007: £2,164,000) in respect of tax losses, which have not been recognised due to the lack of certainty as to the utilisation of these assets.

Company	2008 £000	2007 £000
Deferred tax assets — share-based payments		
At 1st January	**141**	117
Income statement (debit)/credit	**(64)**	46
(Debited) directly to equity	**(77)**	(22)
At 31st December	**–**	141

The Company has deferred tax assets of £1,622,000 (2007: £996,000) 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	
	2008 £000	2007 £000	2008 £000	2007 £000
Current				
Trade payables	**1,909**	1,838	**78**	93
Matched principal trade payables	**661**	21,142	**–**	–
Amounts owed to Group undertakings	**–**	–	**3,056**	2,300
Other taxation and social security costs	**299**	1,199	**13**	52
Accruals and deferred income	**1,980**	955	**517**	185
Total	**4,849**	25,134	**3,664**	2,630

18. Share capital

	2008 £000	2008 Number of ordinary 5p shares 000s	2007 £000	2007 Number of ordinary 5p shares 000s
Authorised:				
At 1st January	**10,000**	**200,000**	10,000	200,000
At 31st December	**10,000**	**200,000**	10,000	200,000
Allotted and fully paid:				
At 1st January	**2,083**	**41,662**	1,194	23,879
Placing of shares	**–**	**–**	648	12,965
Attica acquisition	**–**	**–**	14	275
Conversion of loan notes	**16**	**328**	131	2,615
Exercise of share options	**–**	**–**	7	145
Deferred consideration	**7**	**138**	6	123
Altigefi acquisition	**1**	**19**	18	360
Shares purchased by ESOT	**–**	**–**	65	1,300
Movement during the year	**24**	**485**	889	17,783
At 31st December	**2,107**	**42,147**	2,083	41,662

The loan notes were converted at a price of 95p on 27th January 2008, the consideration totalling £311,750. The shares issued in 2008 relating to deferred consideration and Altigefi acquisition were previously shown as shares to be issued.

The placing of shares in 2007, comprised of two allotments of 8,000,000 and 4,964,540 ordinary shares at a price of 135p per share.

19. Changes in ownership interests of subsidiaries

During 2008, the Company acquired the remaining 20% of the share capital of Capital Management Limited, which it did not already own.

20. Related parties

Group

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

	Revenue		Expenses	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Current				
Associates	**–**	139	**–**	–
Related companies	**1,710**	2,481	**(2,615)**	(481)
Total	**1,710**	2,620	**(2,615)**	(481)

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

	Revenue Amounts owed by related parties		Expenses Amounts owed to related parties	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Related companies	**793**	494	**(265)**	(87)
Total	**793**	494	**(265)**	(87)

Related companies represent those companies of which certain Directors of the Company are also Directors, 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. In addition, Altigefi's 49% Shareholder, Financiere Atlas S.A., a wholly owned subsidiary of Sal. Oppenheim, acts as the distributor of Altigefi's products in France for which it receives a rebate of management fees and also earns fees for sundry other services.

Sal. Oppenheim, the Company's largest Shareholder, retained its shareholding of 11,496,111 shares in the Company throughout 2008. During the previous year Sal. Oppenheim increased its shareholding from 6,311,032 to its present level.

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:

	2008	2007
	£000	£000
Short-term employee benefits	**2,037**	588
Share-based payments	**7**	12
Total	**2,044**	600

In addition to the details given in note 4, the remuneration committee recommended the allocation of £1,236,000 (2007: £nil) to be made by the EBT. The awards made by the trustee during the year, although conditional on employees remaining in employment in 2008, were in respect of periods prior to 2008. No awards were made in respect of the year 2008.

Notes to the Financial Statements continued

20. Related parties (continued)

Company

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

	2008 £000	2007 £000
Dividends received	**347**	–
Finance expense	**(73)**	(55)
Management fees receivable	**1,366**	1,751
Administration fees payable	**(178)**	(140)

Amounts outstanding between the Company and its subsidiaries at the year end were as follows:

	2008 £000	2007 £000
Amounts due to subsidiaries	**(3,056)**	(2,300)
Amounts due from subsidiaries	**1,452**	755

21. 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:

	2008 £000	2007 £000
Within one year	**278**	230
Between two and five years	**492**	565
After five years	**–**	–
Total	**770**	795

22. 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.

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 2009. Such exposure is principally to the euro and hedging to date has been carried out by means of forward foreign exchange contracts at an effective rate of €1.37. Such hedging covers the substantial part of this exposure for the financial year 2009. There is an exposure to the US dollar, however the exposure itself has not been deemed significant enough to hedge.

Hedging arrangements have not been accounted for under IAS 39 hedge accounting rules.

At 31st December 2008, the total amount of euros hedged was €1.4m (2007: €nil). The fair value of the open hedging contracts was £334,000 (2007: £nil) and this is included in accruals and deferred income.

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.

22. Financial risk management (continued)

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 2008, if the euro had strengthened/weakened by 10% against sterling with all other variables held constant, pre-tax profit would increase/decrease by £87,000/£72,000 respectively (2007: £162,000/£133,000), principally as a result of the increase/decrease in assets and liabilities denominated in foreign currencies; other components of equity would increase/decrease by £1,183,000/£984,000 (2007: £791,000/£647,000), principally as a result of the unhedged portion of net investment in foreign operations.

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. 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.

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 2008 and 31st December 2007 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.

Notes to the Financial Statements continued

22. Financial risk management (continued)

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

Group	2008 £000	2007 £000
Trade receivables		
Carrying amount (Note 11)	**3,408**	3,804
Neither past due nor impaired		
Low risk	**1,774**	3,214
Carrying amount	**1,774**	3,214
Past due but not impaired		
Low risk	**1,634**	590
Carrying amount	**1,634**	590
Past due but not impaired consists of:		
31 to 60 days	**564**	375
61 to 90 days	**404**	63
91 to 120 days	**162**	16
Over 120 days	**504**	136
	1,634	590
Total carrying amount	**3,408**	3,804

Delays in the receipt of certain management fees and other recievables were in the ordinary course of business and have been rectified subsequent to the year end.

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 the Statement of Changes in Shareholders' Equity.

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.

23. 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:

	2008		2007	
	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	**2,957**	**86p**	4,092	69p
Granted during the year	**375**	**95p**	315	137p
Forfeited/cancelled during the year	**(1,582)**	**88p**	(1,375)	67p
Exercised during the year	**–**	**–**	(75)	70p
Expired during the year	**(567)**	**72p**	–	–
Outstanding at the end of the year	**1,183**	**94p**	2,957	86p
Exercisable at the end of the year	**578**	**78p**	1,395	66p

The outstanding share options had an exercise price range of 45p–165p (2007: 45p–165p). The weighted average remaining contractual life of the share options is 6.3 years (2007: 6.6 years). The maximum life of the share options is ten years.

The weighted average fair value of share options granted during the year was 27p (2007: 86p). 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 68p (2007: 160p); estimated annualised dividend yield of 0% (2007: 0%); risk free interest rates of approximately 5% (2007: 4%), an average expected share price volatility of approximately 28% (2007: 32%) 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.

No options were exercised during the year.

INTEGRATED asset management

Notes to the Financial Statements continued

24. 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 Limited	UK	100%
Integrated Alternative Investments Limited	UK	100%
Altigefi S.A.	France	51%
Brokerage		
Integrated Financial Products Limited	UK	100%
Administration		
Capital Management (Monaco) S.A.M	Monaco	100%
Holding Companies		
Attica Holdings (UK) Limited	UK	100%
Capital Management Limited	UK	100%

25. Contingent liabilities

From time to time the Group is engaged in litigation on employee and other related matters. Such matters are inherently subject to many uncertainties and the Group cannot predict their outcome. There are no issues which are currently expected to have a material adverse impact on the Group's results or net assets.

26. Events after the Balance Sheet date

On 29th April 2009 the Group announced that it had entered into a conditional agreement to sell the majority of its fund of hedge funds business, including its 51% stake in Altigefi, to Sal. Oppenheim (France), the Paris based wholly owned subsidiary of Sal. Oppenheim jr & Cie S.C.A. ("Sal. Oppenheim"), for a combined consideration of approximately €3.5 million in cash and the cancellation of Sal. Oppenheim's entire share capital in the Company of 11,496,111 shares (representing approximately 27.1% of the current shares outstanding). The transaction is subject to closing conditions including the receipt of shareholder and regulatory approvals and is not expected to occur before the end of June 2009.

The terms of the conditional agreement have been taken into account in determining the recoverable amount of the Hedge Fund CGU as described in note 8.

27. 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.

Company Information

Directors
E M Arbib
D Bierbaum
J D S Booth
N C Epstein
D Masetti
G A Robb
M B Segall

Secretary
O Egoz

Registered Office
4 Hill Street
London, W1J 5NE

Advisers

Auditors
Moore Stephens LLP
Chartered Accountants
St Paul's House
Warwick Lane
London, EC4M 7BP

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Kent, BR3 4TU

Nominated Adviser and Broker
Noble & Co.
120 Old Broad Street
London
EC2N 1AR

Office Locations

Principal Office
Integrated Asset Management plc
Integrated Alternative Advisors Limited
Integrated Alternative Investments Limited
Integrated Financial Products Limited

4 Hill Street,
London, W1J 5NE
Tel: +44 (0) 20 7514 9200
Fax: +44 (0) 20 7514 9211
contact@integratedam.com
www.integratedam.com

International offices
Altigefi S.A.
31 Avenue de l'Opera
75001 Paris
France

Integrated Financial Products Limited
Milan Branch
Via Vittor Pisani, 22
20124 Milano
Italy

Integrated Financial Products Limited
Lugano Branch
Via Casserinetta 27
6900 Pardiso
Lugano
Switzerland

New York Representative Office
Kidron Corporate Advisors LLC
555 Fifth Avenue
17th Floor
New York, NY 10017
USA

INTEGRATED
asset management

4 Hill Street
London, W1J 5NE
Tel: +44 (0) 20 7514 9220
Fax: +44 (0) 20 7514 9211
contact@integratedam.com
www.integratedam.com