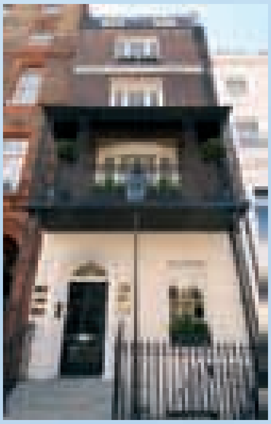
INTEGRATED
asset management

Substantial growth across all fronts

Report & Accounts 2006



London headquarters

Integrated Asset Management plc, a London-based company founded in 1997, is an innovative provider of Fund of Hedge Funds products and owner of one of the leading institutional brokerage firms in Italy.

Integrated Asset Management plc is:

- an alternative investment group listed on the Alternative Investment Market of the London Stock Exchange
- One of the leading Hedge Fund Groups listed in London
- Owned by a mix of Institutional Shareholders, Management and Private Individuals

As an Alternative Investment Market listed company with a dynamic and experienced team, Integrated is able to recruit and retain talented individuals in the relevant sectors in which the Group operates.

Our aim is to be a leading player in our industry, growing both organically and through carefully selected acquisitions over the years to come.

Fund Management

- Fund of Hedge Fund management is Integrated's core business
- 15 year track record in fund management
- Current Assets Under Management and advice is approximately US$1.5 billion

Through our wholly owned subsidiary, Integrated Alternative Advisors Limited (IAA) (formerly GAIM Advisors Ltd), we manage assets in FoHF vehicles and provide advisory and distribution services. IAA currently manages three successful funds of funds distributed via a global network, having been awarded a number of advisory mandates.

Through Integrated Alternative Investments Limited (formerly Attica Alternative Investments Limited) we manage and advise on 11 further funds.

Brokerage

Integrated Financial Products Limited and Integrated Financial Products Services Limited provide institutional brokerage in Europe in foreign exchange, inter-bank deposits, interest rate derivatives, fixed income derivatives and equities.

Contents

Substantial growth across all fronts.

Performance

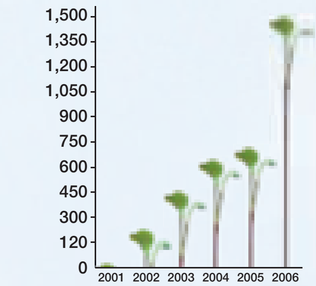
	2006 £000s	2005 (Restated) £000s	Increase %
Turnover:	**11,868**	9,537	**24**
Operating profit before share options cost and goodwill amortisation:	**1,213**	639	**89**
Operating profit before goodwill amortisation:	**972**	525	**85**
Total AUM (incl. advice):	**1,489m**	$726m	**105**

Financial Highlights

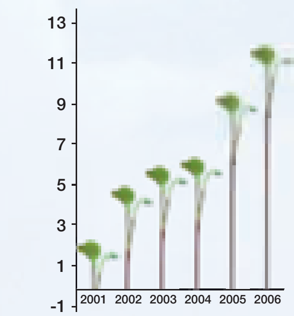
- Total assets under management and advice up 105% to US$1.5 billion (2005: US$0.73bn)
- Turnover up 24% to £11.8 million (2005: £9.5m)
- Operating profit up 85% to £972,000 (2005: £525,000)

Operational Highlights

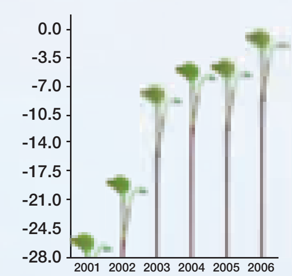
- Transformational alliance with Sal. Oppenheim makes Integrated the preferred fund of funds provider to the €130 billion private banking group
- Completion of Attica acquisition with US$610 million of assets under management at the time of acquisition
- Successful integration of the two fund management businesses and re-branding of these businesses under one corporate identity
- Brokerage businesses performing well



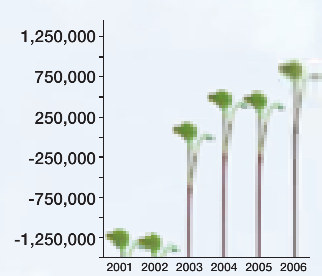
Assets under management and advice (US$m)



Turnover (£M)



Earnings per share (pence)



EBITA (£000)

Far left:
Matthew Clarke
Chief Operating Officer

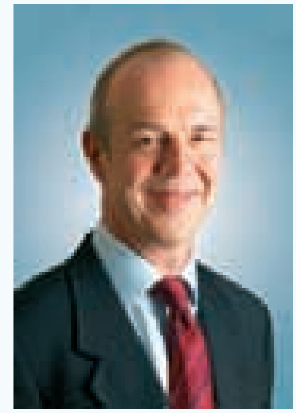
Middle:
Graham Richardson
Chief Financial Officer;
Andrew Page;
Accountant

Top:
Laura Pollak
Client Services;
Arnaud Liscia
Client Relationship Manager

Bottom:
Scott Mitchell
Fund Operations

Integrated achieved strong earnings growth during 2006, increasing its assets under management and advice by $763 million.

A transformational year in which we grew turnover by 24% whilst completing a major strategic acquisition.



J.D.S. Booth
Chairman

2006 was a transformational year for Integrated, in which the Company achieved its key strategic objectives, giving further focus and scale to its business.

The Company acquired and successfully integrated 50.1% of Attica Holdings UK Limited, the holding company of London based fund of hedge funds manager Attica Alternative Investments Limited ("Attica") into its Hedge Fund Group, further consolidating its position as a leading listed fund of hedge funds manager. As part of the transaction Integrated has formed a significant alliance with Sal. Oppenheim, which has become the Company's largest single shareholder with a 27% stake. This acquisition will enhance the profitability and market position of the Company, enabling it to capitalise on two important trends in its business: investors' increased portfolio weightings of alternative assets and the continuing consolidation of the industry which is favouring specialist niche players such as Integrated.

According to plan for 2006, the Company also completed the disposal of its long-only business, GAIM Paragon Inc. This leaves it well positioned and focused in two core businesses, hedge funds and institutional brokerage. Integrated's institutional broking operations were combined and rebranded as Integrated Financial Products Ltd ("IFP"). IFP's business now comprises the following product areas:

- Cash equities, Bonds, FX and interest rate derivatives based in Italy
- Equity derivatives based in Switzerland
- Marketing of Derivative Investment Products on behalf of Sal. Oppenheim's investment banking division.

Financial Review

Integrated achieved strong earnings growth during 2006, (EBITA before share option charges up 89% to £1.2 million) with turnover increasing by 24% to £11.8 million. In 2006 the Company increased its assets under management and advice by $763 million.

Profit and revenue growth were driven by good performances in both Integrated's funds and from the Company's brokerage business. The brokerage business was augmented by the launch of a cash equities desk towards the end of the year which has made a promising start.

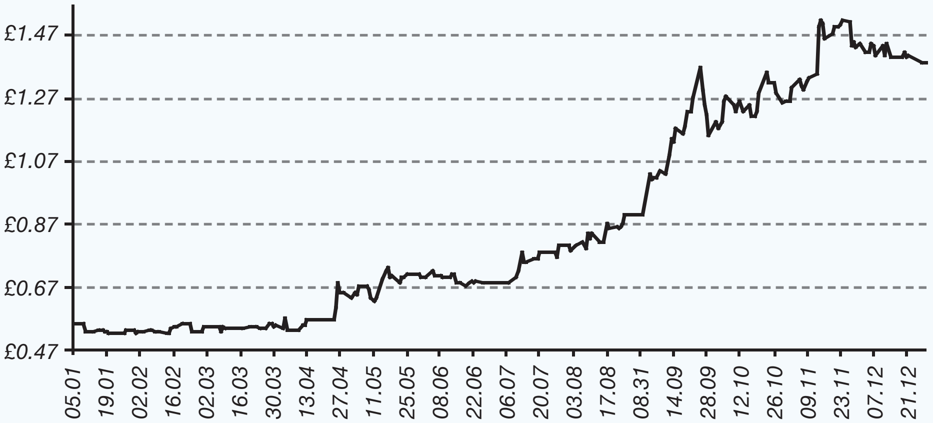
The hedge fund business has certainly benefited from the scale that the Company has achieved over the past year as the strong growth in management fee income mirrored its growth in assets under management. On 31 December 2006 assets under management and advice stood at $1.489 billion (up 105% from December 2005). Performance fees were also a strong contributor to profits, with fund returns ranging between 4.9% and 18.6% for the year.

It is important to note that the results derived from the Attica acquisition are included from 8 August 2006. In the interim report, the Company stated that it expected a modest

The acquisition of Attica Holdings will enhance the profitability and market position of the Company

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

IAM Share Price Performance for 2006



Simon von Oppenheim
Managing Director, Sales

Simone Borla
Managing Director, Sales & Marketing

contribution to profitability from Attica whilst it completed the post-merger integration. Integrated's hedge fund businesses are now fully integrated operationally and are showing better than expected economies of scale. The Company expects this benefit to continue in 2007.

The appreciation in Integrated's share price during the second half of 2006 demonstrated the market's favourable reaction both to the Sal. Oppenheim partnership and Attica acquisition as well as the Company's achievement of the objectives set out in previous years' reports. The share price ended 2006 at £1.39, a gain of almost 150% over the year. The Company approaches 2007 with optimism, a bigger, more focused and healthier business, as it strives to create further value for its shareholders.

Our results for 2006 could not have been achieved without the dedication and hard work of all our staff and I thank them on behalf of the Board and our shareholders.

Business Review

To reinforce the link between the operations of the listed company and Integrated's hedge fund and brokerage operations, the Company undertook a re-branding exercise in the later part of 2006. All of the Company's operational units now include the "Integrated" name. While the investment strategies of the funds remain unchanged, the re-branding gives investors improved clarity and will help the Company enhance the visibility of its rapidly growing hedge fund business.

Changes to the Board

During 2006 Integrated welcomed two new Directors to the Board: Baron Christopher von Oppenheim and Herr Detlef Bierbaum both representing Sal. Oppenheim, Germany's largest private bank and, following the Attica acquisition the Company's largest shareholder. Both Baron von Oppenheim and Herr Bierbaum are general partners of Sal. Oppenheim jr & Cie KGaA. Cologne. Herr Bierbaum also serves on the Board of Directors of the Association of German Banks.

Organisation and Employees

The Company continues to invest selectively in upgrading its team and infrastructure and now has 62 employees, almost equally divided between the brokerage and hedge fund operations.

The increased level of assets under management has enabled the Company to devolve further the investment management function from the operation and risk functions. As part of this process, the Company welcomed Matthew Clarke, who joined Integrated in November 2006 as the Company's Chief Operating Officer. Matthew was formerly Finance Director of Trio Holdings plc.

Within the hedge fund business the Company has added to its team of analysts to service the growing number of institutional mandates

The Company approaches 2007 with optimism, a bigger, more focused and healthier business, as it strives to create further value for its shareholders

INTEGRATED
asset management

INTEGRATED
alternative investments

INTEGRATED
financial products

Rebranding: All of the Company's operational units now include the "Integrated" name.

and as part of the continuous upgrading of its investment management function. As part of this process, analysts and portfolio managers migrated from being generalists to having core focus areas from which they will contribute their specific expertise to the overall process. On 4 June 2007 Peter Rose will be joining the Hedge Fund Group as Chief Investment Officer. Peter joins from Ivy Asset Management, a leading hedge fund of funds business and subsidiary of the Bank of New York. The Company will continue to add depth to its investment management function throughout the coming year.

Within the brokerage business Integrated added three experienced brokers to augment its existing equities brokerage business and has also launched a bond desk.

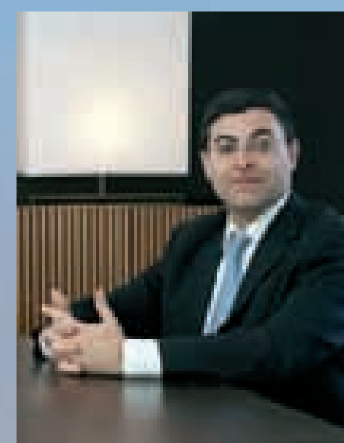
Outlook for 2007

Following the launch of the Integrated Event Driven Fund, which took place on 1 March 2007, Integrated will continue to further broaden its product offering with additional fund launches that are addressed to a wider range of clients. The Company also expects to continue to make selective, complementary acquisitions.

2007 has begun positively for both the hedge fund and brokerage divisions, and the Board remains confident in its outlook for the year.

J.D.S. Booth
Chairman

23 April 2007



Top:
Kasim Zafar (far left)
Investment Analyst;
Arnaud Liscia (centre)
Client Relationship Manager;
Elaine Boyd
Marketing Manager

Right:
Darren Lauber
Senior Portfolio Manager

2007 has begun positively for both the hedge fund and brokerage divisions, and the Board remains confident in its outlook for the year.

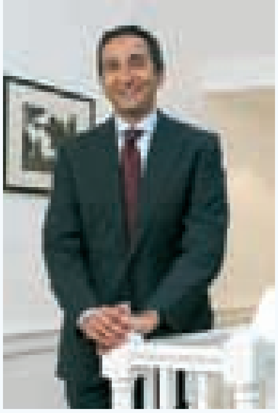
Far left:
Kasim Zafar
Investment Analyst

Top:
Darren Lauber
Senior Portfolio Manager;
Nigel Pepper
Head of Fund Operations

Bottom:
Katie Will (left)
Fund Operations;
Mary Allgood
Junior Analyst

The Company expects 2007 to be a year of continued growth.

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



E.M Arbib
Chief Executive Officer

The Hedge Fund Group

2006 was an excellent year for Integrated's Hedge Fund Group with progress driven both organically and by acquisition. The Company executed a substantial corporate transaction and struck a seminal partnership with a leading European bank and, even more importantly, it made large organic strides in its existing activities and demonstrated a growing ability to evolve in line with the needs of the industry and the business in particular.

The hedge fund industry continues to grow, evolving into a more focused and efficient industry. Integrated's acquisition of Attica has significantly improved the Company's strategic options: the additional assets under management grant it the critical mass needed to make further inroads into the institutional market, as well as the depth of staff to add niche products as demand dictates. Furthermore, the acquisition formalised Integrated's partnership with Sal. Oppenheim and has provided significant inroads into German-speaking Europe, an area in which the Company expects to see significant product and distribution opportunities in the coming months and years.

With the broader horizons provided through its growth in 2006, Integrated is very well placed to exploit industry changes adding further to its size and profitability. The Company expects 2007 to be a year of continued growth and evolutionary change and intends to fully exploit the opportunities that come with its improved scale and resources.

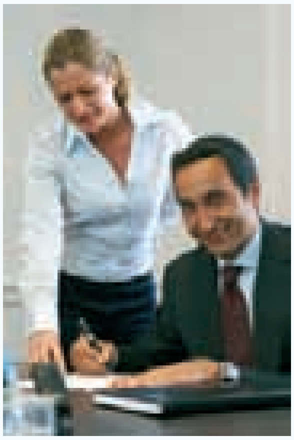
The Company will focus on several key long-term drivers: enhanced distribution and a broader product offering, whilst recognising the need to remain sufficiently flexible to identify changing market conditions and capitalise upon them. Growth through acquisitions is still an important driver of Integrated's business model and the Company expects to see considerable consolidation opportunities in 2007.

One of the key initiatives implemented at the beginning of 2007 was the "deconstruction" of the Integrated Multi-Strategy Fund. In response to client demand and recognition of the future trends in the market for fund of hedge funds, the Company adopted a new modular structure for its Multi-Strategy Fund which enables clients to invest both in the main Multi-Strategy Fund as well as in the single strategies such as: Equity Hedge, Event Driven, Directional Trading, Emerging Markets, and Relative Value.

The hedge fund industry continues to grow, evolving into a more focused and efficient industry

The Company expects to see considerable consolidation opportunities in 2007

Overall, the business exceeded the Company's expectations for 2006.



Emanuel Arbib with his Executive Assistant, Capucine Lasen

The modular structure allows investors the choice of investing in Integrated's tactical allocation model or to make independent decisions by choosing an individual exposure to any one of the individual strategies. From a business perspective, the modular fund diversifies Integrated's sources of return and performance fees.

Evaluating the markets in 2006, despite the challenges offered by both political and economic uncertainty, hedge funds remained a rewarding investment class throughout the period. The markets had periods of volatility during the early summer and the autumn but were helped by the long term effects of strong liquidity and demand for both labour and capital, allowing the trends witnessed in 2005 to continue. Mergers and acquisitions continued to play an important part in the positive direction of most major exchanges with corporate activity reaching new heights. All of this helped event driven strategies to enjoy another excellent year in terms of investor returns. The importance of the Asian region and especially China continued to increase in investors' thought processes. We are monitoring their evolution and intend to dedicate resources to this region in the future. Integrated remains well positioned as one of the innovators in the industry and intends to continue launching selected new products in the near future.

To help address the challenges and opportunities that a rapidly evolving industry provides, Integrated has created a new board of senior advisors for the Hedge Fund Group. This board is comprised of highly respected professionals with specific knowledge of the investment and alternative asset business, and is charged with assisting Integrated to remain innovative in its product selection and far sighted in its strategic vision.

The Hedge Fund Group's portfolio construction efforts are expected to benefit considerably from the diversified range of experience that the board of senior management brings.

The Brokerage Group

Integrated's institutional brokerage business made significant strides in 2006, furthering its position as one of the leading brokerage companies in Italy.

Volatility in the underlying markets remained healthy throughout the year and despite some quieter months during the summer period, all product areas exceeded expectations for 2006.

The key development for the business in 2006 was the approval of the Milan branch as a matched-principal broker. This enabled the successful launch of an Equities desk which has steadily increased in size and recorded consistent growth in trading volumes. Following this, the Company has also commenced broking in bonds. These are welcome and complementary additions to the Company's product range and an exciting development.

The Company's branch in Lugano which specialises in the broking of equity derivatives also had a successful year.

Massimo Caruso
Client Relationship Director;
Massimilano Zorza
Chief Risk Officer

Hedge funds remained a rewarding investment class throughout the period

Integrated has grown significantly and is well positioned for the future.

Finally, the marketing of investment certificates and retail derivative products that the Company carries out in Italy for Sal. Oppenheim continued to thrive.

Regulatory Environment

The regulatory environment for both of Integrated's businesses continues to become more onerous. The Company is addressing the issues arising from the introduction of MiFID and new FSA reporting requirements and remains committed to the highest standards of compliance.

Outlook

During the past year, Integrated has grown significantly and is well positioned for the future. The Performance in the first quarter of 2007 has been encouraging and the Company will continue to focus on growing the business both organically and through selective acquisitions. Integrated expects that the investments it is making to expand its capabilities and streamline the product development process will yield tangible results in the months to come. The Board of Integrated looks forward to reporting during the course of the year on the continuing progress of the Company.

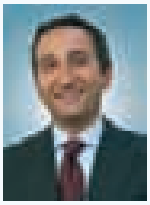
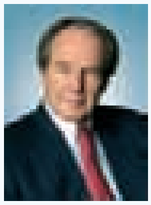
E.M. Arbib
Chief Executive Officer

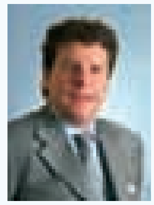
23 April 2007

Massimilano Zorza
Chief Risk Officer;
Elaine Boyd
Marketing Manager

Melinda Star
Executive Assistant

Integrated expects that the investments it is making to expand will yield tangible results in the months to come.



John Booth

Non-executive Chairman
Remuneration Committee Chairman and Audit Committee member (until 30 April 2007)

John Booth began his investment banking career in 1983 at Merrill Lynch in London and New York. He was appointed Managing Director of Bankers Trust International plc in 1992. He also chairs telecommunications company, Maintel Holdings plc and serves as a non-executive Director of a number of private companies. John is Executive Chairman of Link Asset and Securities Co, a leading international brokerage firm and acts as a consultant to Herald Ventures, a venture capital partnership. John is a graduate of the University of Oxford.

Emanuel Arbib

Chief Executive

Emanuel Arbib holds an ABA Degree in Business and a Graduate Degree in Economics and Finance from Bocconi University in Milan. He is the co-founder and Executive Chairman of Integrated Alternative Advisors Ltd, a fully owned subsidiary of Integrated Asset Management. From 1993 to 2000, Emanuel was a Director of Capital Management Ltd, 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) in London.

Detlef Bierbaum

Non-executive Director

Detlef Bierbaum was appointed to the Board on 8 August 2006. Detlef is a general partner of Sal Oppenheim jr & Cie KGaA, Cologne and also serves on the Board of Directors of the Association of German Banks. Detlef started working in the investment department of Bayerische Vereinsbank in 1969 moving to Allgemeine Deutsche Investment Gesellschaft the following year. He spent twelve years at ADIG and was appointed Managing Director of ADIG Investment responsible for fund management in 1974.

In 1982, he joined the board of Nordstern Versicherungen, Cologne and was responsible for the areas of finance, foreign subsidiaries and fine art insurance. In spring 1991 Detlef joined Sal. Oppenheim as a partner of the Bank. In March 2002 he was elected to the Board of Directors of the Association of German Banks.

As a personally liable partner at Sal. Oppenheim, Detlef is in overall charge of institutional Asset Management including Real Estate activities, the mutual fund business and alternative investments as well as the private equity business.

Norman Epstein

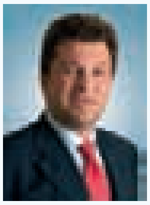
Non-executive Director
Audit Committee Chairman and Remuneration Committee member

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. Norman sits on the audit and remuneration committees.

Nicholas Levene

Non-executive Director
(Audit Committee member from 30 April 2007)

Nick Levene has over twenty years' experience in the equity and derivatives markets. He worked at Phillips & Drew, Tullett & Tokyo and most recently held the post of Managing Director of Trio Equity Derivatives Ltd for eight years. Nick is Deputy Chairman of Bramdean Asset Management and Vice-Chairman of Leyton Orient Football Club.




Denis Masetti

Executive Director

Denis Masetti graduated Cum Laude in Business Administration and has worked in financial services 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 Ltd, an FSA regulated company based in London and of Espirito Santo Financial Consultants in Lisbon. In 2003, Denis was appointed a Director of GAIM Absolute Return Fund.

Baron Christopher Freiherr von Oppenheim

Non-executive Director

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

George A. Robb

Non-executive Director and Audit Committee member

After qualifying as a solicitor, George Robb began a career in investment management in 1971. One of the founders of Aberdeen Asset Management PLC, he established Asset Management Investment Company PLC in 1994 as a specialist fund investing in the asset management industry and was appointed Managing Director of the company following its flotation. George is a Director of City of London Investment Group plc and of a number of other companies in which AMIC is invested.

Mark Segall

Non-executive Director and Remuneration Committee member

Mark Segall is the founder of Kidron Corporate Advisors LLC, a corporate advisory, mergers & acquisitions boutique, serving public and private companies specialising primarily in emerging growth companies with cross-border activities. Previously Mark was the Chief Executive Officer of Investec Inc., the US investment banking arm of Investec Group. Before this he served as Director of Investment Banking and General Counsel to Investec Ernst & Company. Mark practiced 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 is a graduate of Columbia University and holds a JD from New York University.

Top:
Stephane Scimone
Investment Analyst;
Bill Kelsey
Investment Analyst;
Nora Ajzen
Sales & Marketing

Above:
Marios Karahannas
Investment Analyst

Our results for 2006 could not have been achieved without the dedication and hard work of all our staff.

Report of the Directors

The Directors present their annual report and the audited financial statements for the year ended 31 December 2006.

Results and Dividends

The results for the year are set out on page 21 (consolidated profit and loss account) and the financial position is set out on page 23 (consolidated balance sheet).

For the year ended 31 December 2006, the Group shows a retained loss of £175k (31 December 2005: a loss of £727k) after minority interests. The directors have not proposed or paid a dividend for the financial year ended 31 December 2006.

An overview of 2006 and progress since year end are described in the Chairman's and Chief Executive's Statements.

Directors

Mr. E.M. Arbib and Mr. N.D.A. Levene will retire by rotation at the Annual General Meeting and being eligible will offer themselves for re-election.

Mr. D. Bierbaum and Baron C. von Oppenheim were appointed to the Board of Integrated Asset Management plc ("Integrated") on 8 August 2006 the day that Integrated completed on the acquisition of ATTICA.

Mr. D. Bierbaum and Baron C. von Oppenheim offer themselves for re-election at the AGM at the end of their first period of appointment to the Board.

Directors' Interests in the Company's Share Capital

The beneficial interests as defined by the Companies Act 1985 in the share capital of the company were as follows:

	At 31 December 2006 No. of shares	At 31 December 2005 No. of shares
J.D.S. Booth	**500,000**	450,000
E.M. Arbib	**477,786**	477,786
N.C. Epstein	**627,507**	595,455
N.D.A. Levene	**1,320,000**	1,320,000

In addition, E.M. Arbib has indirect interests of a further 68,181 shares (31 December 2005: 68,181 shares) through family holdings.

On 27 June 2006, John Booth and Nicholas Levene purchased 600,000 loan notes and 400,000 loan notes respectively in the company from an existing loan note holder at the rate of 75 pence per loan note, bringing their holdings in Convertible Loan Notes to 610,000 and 400,000 respectively at the year-end.

Director's interests in share options in the company were as follows:

	At 31 December 2006	At 31 December 2005	Exercise price	Date from which exercisable	Expiry date
J.D.S. Booth	**20,000**	20,000	**82.5p**	02.06.03	02.06.10
E.M. Arbib	**80,000**	100,000	**82.5p**	02.06.03	02.06.10
E.M. Arbib	**660,000**	660,000	**50.0p**	27.11.06	27.11.13
E.M. Arbib	**200,000**	–	**60.0p**	15.03.09	15.03.16
N.C. Epstein	**20,000**	20,000	**82.5p**	02.06.03	02.06.10
N.D.A. Levene	**166,666**	166,666	**50.0p**	01.07.03	01.07.13
D. Masetti	**60,000**	60,000	**60.0p**	02.06.03	02.06.10
M.B. Segall	**20,000**	20,000	**82.5p**	02.06.03	02.06.10

The average share price during 2006 was: 85.71 pence (2005: 58 pence). The share price commenced the year at 54 pence reaching its high of 152 on 24 November 2006, closing the year at 139.5 pence.

Report of the Directors

continued

Directors' Remuneration

	Salaries and fees		Bonuses		Benefits in Kind		Total	
	2006 £	2005 £	**2006 £**	2005 £	**2006 £**	2005 £	**2006 £**	2005 £
J.D.S. Booth	**25,000**	20,000	**–**	–	**–**	–	**25,000**	20,000
E.M. Arbib	**203,632**	178,643	**127,000**	58,000	**15,308**	3,963	**345,940**	240,606
N.C. Epstein	**23,632**	18,643	**–**	–	**–**	–	**23,632**	18,643
N.D.A. Levene	**–**	–	**–**	–	**1,333**	1,203	**1,333**	1,203
M.B. Segall	**20,000**	15,000	**–**	–	**–**	–	**20,000**	15,000
G.A. Robb	**–**	–	**–**	–	**–**	–	**–**	–
D. Masetti	**59,918**	60,000	**30,000**	–	**–**	–	**89,918**	60,000
R.S. Panesar	**–**	36,828	**–**	–	**–**	537	**–**	37,365
D. Bierbaum	**–**	–	**–**	–	**–**	–	**–**	–
C. von Oppenheim	**–**	–	**–**	–	**–**	–	**–**	–
	332,182	329,114	**157,000**	58,000	**16,641**	5,703	**505,823**	392,817

The above table represents amounts paid to and accrued for Directors for the years 2006 and 2005.

Further payments to related parties of the above named directors are recorded in the related parties note, being note 26 to the financial statements.

Substantial Beneficial Interests

At the 31st December 2006, there were in issue 23,879,220 ordinary shares with a nominal value of 5 pence each.

At 1 April 2007, there were 24,096,850 shares in issue, upon which the percentages in the table below have been calculated. The under noted shareholdings as at 1 April 2007 have been advised to the Company.

	Number	Percentage holding
Sal Oppenheim	6,311,032	26.19%
Asset Management Investment plc	2,452,568	10.18%
N.D.A. Levene	1,320,000	5.48%
J.D. Farrods Luxembourg	1,091,891	4.53%
Walker Cripps Weddle Beck	1,035,000	4.30%

Suppliers Payment Policy

The group's policy covering the majority of its creditors is:

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 abide where possible by the terms of the payment.

Trade creditors at 31 December 2006 represented 79 days (31 December 2005: 69 days) of annual amounts invoiced by suppliers for the group and 75 days for the Company (2005: 127 days).

Financial Instruments

The Group's financial instruments comprise borrowings in the form of convertible loan stock, a bank loan, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

Report of the Directors

continued

Financial Instruments *(continued)*

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The Group maintained a foreign currency forward hedge between US$ and Pounds for the best part of 2006.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of the financial year.

Interest Rate Risk

The Group has financed its operations during the year through cash held at the bank. The Group still has long term borrowings by way of convertible loan stock notes that were raised in 2004 and prior to 2004. During 2006, 90,000 convertible loan notes were converted into ordinary shares at the rate of 95 pence in the pound (i.e. 1 convertible loan note became 1.053 shares on conversion).

In 2007 to date a further 192,500 notes have been converted into ordinary shares. The interest rate that was payable on these notes was linked to the GAIM Market Neutral Hedge Fund until 30 April 2006. The GAIM Market Neutral Hedge Fund was liquidated in October 2006, however, since 1 May 2006 the interest rate payable on these notes has been referenced to the CSFB Tremont Index.

Liquidity Risk

No additional third party funding has been sourced during the 2006 financial year.

Short-term flexibility is not considered a major issue by the Group as it has sufficient cash funds available to meet its current working capital needs. Any acquisitions in 2007 would be funded primarily through a combination of the issue of share capital and cash held within the Group.

Foreign Currency Risk

As a result of having operations in Italy, Monaco and Switzerland along with funds being operated in US$, Euros and GBP, which give rise to short term creditors, debtors and cash balances in Euros, Swiss Francs and US Dollars, the Group's balance sheet can be affected by movements between the Sterling and these other currencies.

Accounting Policies

Material accounting policies are disclosed on pages 27 and 28 of the financial statements. The Group has taken the exemption available in FRS13 to exclude short term debtors and creditors from the numerical disclosures.

Going Concern

After making enquiries, the Directors consider that, at the time of approving the financial statements, the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider that the business is a going concern and continues to adopt the going concern basis in preparing the financial statements.

Auditors

A resolution to reappoint Moore Stephens LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

Each of the persons who are Directors at the time when the Directors' report is approved, 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.

By Order of the Board

J.D.S. Booth
Director
23 April 2007

Statement of Corporate Governance

The Board recognises the importance of good corporate practice and is committed to maintaining high standards of corporate governance throughout the Group. The Group aims to comply with the Combined Code issued by the Financial Reporting Council in 2003 and updated in June 2006, even though it is not obliged to do so.

The Board and Its Make-Up

For the year up to 8 August 2006 when Attica was purchased, the board comprised of 2 Executive Directors and 5 Non-Executive Directors. On 8 August 2006 the board increased to 2 Executive and 7 Non-Executive Directors.

The board is responsible for the proper management of the Group and for its system of corporate governance. The Board normally meets at least four times a year and prior to significant decisions being taken.

The Board is accountable to shareholders for the financial and operational performance of the Group. These responsibilities include the following:

1. The overall strategy of the Group.
2. The investment, disinvestment and acquisition policy undertaken by the Group.
3. The approval of the annual budget and significant items of expenditure.
4. The consideration of significant financing matters pertaining to the Group.

Remuneration Report

The remuneration of Directors is determined on behalf of the Board by the Remuneration Committee. The aim of the remuneration policy is to provide, in the context of the Group's business strategy, remuneration which will attract and retain high calibre executives and staff. In order to achieve this, total rewards are set at levels that are competitive within the relevant market. Potential rewards are earned through the achievement of objectives based on measures consistent with shareholder interests. The terms of reference of the Remuneration committee include (but are not limited) to the following:

1. Determine and agree with the Board the framework or broad policy for the remuneration of the company's Chief Executive, the Chairman, the executive directors, the company secretary and such other members of the executive management as it is designated to consider.
2. Review the ongoing appropriateness and relevance of the remuneration policy.
3. Approve the design of and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes.
4. Review the design of all share incentive plans and share option schemes and arrangements for approval by the Board and shareholders.
5. Oversee any major changes in employee benefits structures throughout the Company or group.

The remuneration committee was made up of John Booth, George Robb and Norman Epstein. The committee met 2 times during 2006.

Human Resources & Personnel Aspects

Integrated Asset Management plc and its subsidiaries operate a policy of equal opportunities in recruitment, promotion and training for all its employees. The Group believes that all individuals should be treated fairly, with respect and are correctly valued due to their contribution to the organisation. The Group has put into place processes and procedures to ensure its employees are kept informed of matters affecting them and the business operations of the Group.

Internal Financial Control

The Board recognises its responsibility for the Company's system of internal control. In accepting that no system of internal control can provide absolute assurance against material loss or misstatement, the current system of control is designed to manage 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 faced by the Group.

Statement of Corporate Governance

continued

Internal Financial Control *(continued)*

The audit committee is responsible for the review of the Group's system of internal financial control for the financial year and the period up to the date of approval of the financial statements. The committee is responsible for the following:

1. Monitor the integrity of the financial statements of the company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
2. Review and challenge where necessary:

    a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group.
    b) the methods used to account for significant or unusual transactions where different approaches are possible.
    c) whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
    d) the clarity of disclosure in the company's financial reports and the context in which statements are made.
    e) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

The Board has reviewed the operation and effectiveness of the Group's system of internal financial control for the financial year and the period up to the date of approval of the financial statements.

The audit committee was made up of Norman Epstein, John Booth and George Rob. The Committee met 3 times during 2006.

International Financial Reporting Standards ("IFRS")

Due to the fact that the Group is AIM listed, it is not required to adopt IFRS until the year commencing 1 January 2007, when it will be ready to report under these standards. In the meantime and up to this point in time, the Group has been monitoring the changes that the developments in this area will bring about for the Group at that time. The largest impact to the Group associated with the change from reporting under UK GAAP to IFRS will be in the area of Goodwill Amortisation. At present, the Group follows a fairly aggressive policy in this respect in that it writes goodwill off over a five to 10 year period. Under IFRS there will only be an associated charge in the Income Statement (Profit and Loss account), if there is considered to be impairment in the underlying asset. Under IFRS there will be a yearly charge for the amortisation of items to be considered intangible assets (not goodwill) at the time of acquisition of the associated business. The goodwill charge in the 2006 accounts amounted to £728,167 (2005: £1,047,207).

Other Aspects

The Group does not operate any defined benefit pension schemes and currently only undertakes hedging in respect of forward exchange rates between the Pound and the US Dollar. Trail commissions are paid to intermediaries as long as an investment is maintained within the fund or funds that they are associated with. Under UK GAAP, these commissions are reflected in the profit and loss account in the operating expense line. Under IFRS this treatment may well differ and is an area that still needs to be resolved under the Group's IFRS convergence project.

Risk Management

The group's fund management subsidiaries employ a full time risk manager to identify, evaluate and manage key risks to the managed assets. This assists the investment management department in fulfilling its responsibilities relating to the adequacy and effectiveness of its risk management policies. The risk manager prepares monthly risk reports on all portfolios and funds managed by the group.

Directors and Officers Insurance

The Group currently holds an annual Professional Indemnity and Directors and Officers insurance policy to protect the Group and its principals/employees, for claims made against it arising out of wrongful acts as defined in the policy. In line with best practice, the insurance policy has been reviewed and updated with increased limits put in place for the 2006 financial period. All Directors and Officers within the Group are covered by this policy. This policy is currently being reviewed for 2007.

Statement of Corporate Governance

continued

Charitable and Political Donations

During the year the Group made charitable donations of £67,500 (2005: £275). Of the £67,500 of donations accrued and paid for the year ended 31 December 2006, £35,000 is in respect of a bonus that the Chief Executive Officer has foregone, in favour of a payment to a registered charity.

No political donations were made in 2005 or 2006.

Research and Development

During the year the company continued to undertake research and development in respect of new funds. As a result a new fund is due to be launched in 2007. Development costs relate to directly attributable costs incurred in the development of new funds/products. If the fund comes to fruition then all research and development costs, whether incurred through third party suppliers or internal staff costs, will be capitalised and subsequently written off to the profit and loss account over a 5 year period in accordance with our global policy on intangible assets, other than goodwill which is amortised over a 5-10 year period. If the fund being worked on is not launched, then the amount deferred for accumulated development costs will be immediately charged to the profit and loss account.

Statement of Directors' Responsibilities

for the year ended 31 December 2006

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

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

The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Independent Auditors' 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 31 December 2006 which are set out on pages 21 to 46. 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. In addition, we read other information contained in the Annual Report. This other information comprises the Highlights, Chairman's statement and Chief Executive Officer's statement. 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion;

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's result for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report, is consistent with the financial statements.

MOORE STEPHENS LLP
Registered Auditor and Chartered Accountants

St. Paul's House,
Warwick Lane,
London, EC4M 7BP

Consolidated Profit and Loss Account

for the year ended 31 December 2006

		Continuing operations				
	Note	Other 2006 £000s	Acquisition 2006 £000s	Discontinued operations 2006 £000s	**Total 2006 £000s**	(Restated) 2005 £000s
Turnover	1(c)	**10,450**	**1,124**	**294**	**11,868**	**9,537**
Operating expenses		(9,817)	(519)	(319)	(10,655)	(8,898)
Share options cost		(241)	–	–	(241)	(114)
Operating profit before goodwill amortisation		392	605	(25)	972	525
Goodwill amortisation		(728)	–	–	(728)	(1,047)
Operating Profit/(Loss)		**(336)**	**605**	**(25)**	**244**	**(522)**
Investment income	3	106	–	2	108	96
Interest payable	4	(268)	–	(20)	(288)	(256)
Profit on sale of subsidiary	5	360	–	–	360	266
Profit/(Loss) on ordinary activities before taxation	6	**(138)**	**605**	**(43)**	**424**	**(416)**
Taxation on profit/(loss) on ordinary activities	8	(315)	–	(1)	(316)	(228)
Profit/(Loss) on ordinary activities after taxation		**(453)**	**605**	**(44)**	**108**	**(644)**
Minority interest		(16)	(298)	31	(283)	(83)
Profit/(Loss) for the year		**(469)**	**307**	**(13)**	**(175)**	**(727)**
Basic (loss) per share	9				**(0.90) p**	(4.43) p
Diluted (loss) per share	9				**(0.90) p**	(4.43) p
Summary of Accumulated Profits/(Losses)						
Restated at 1 January					(7,591)	(6,765)
Change in retained reserve					8,952	(99)
Loss for the financial year					(175)	(727)
Balance at 31 December					**1,186**	**(7,591)**

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2006

	2006 £000s	(Restated) 2005 £000s
Loss for the Year	(175)	(727)
Currency Translation difference on foreign currency net investment	(121)	(140)
Total Recognised Loss for the year	**(296)**	**(867)**
Prior year adjustment (note 20)	**(213)**	
Total Recognised Gains and Losses since the last Annual Report	**(509)**	

Prior year adjustment

This represents the effect to the beginning of the current period of the adoption of FRS 20 (“Share-based Payment”).

Consolidated Balance Sheet

at 31 December 2006

		2006 £000s	(Restated) 2005 £000s
Fixed Assets			
Intangible assets	10	**5,470**	2,585
Tangible assets	11	**593**	312
Investments	12	**158**	212
		6,221	3,109
Current Assets			
Debtors	13	**7,463**	2,773
Short term investments	14	**189**	134
Cash at bank and in hand		**5,077**	4,008
		12,729	6,915
Creditors, amounts falling due within one year	15	**(8,051)**	(3,510)
Net Current Assets		**4,678**	3,405
Total Assets less Current Liabilities		**10,899**	6,514
Creditors, amounts falling due after more than one year	16	**(3,627)**	(3,757)
Net Assets		**7,272**	2,757
Capital and Reserves			
Called up share capital	17	**1,194**	3,396
Share premium account	18	**3,510**	6,293
Shares to be issued	19	**417**	443
Share options reserve	20	**390**	213
Exchange difference reserve		**(57)**	64
Profit and Loss account		**1,186**	(7,591)
Shareholders' Funds	21	**6,640**	2,818
Minority interests		**632**	(61)
		7,272	2,757

These financial statements were approved by the board on 23 April 2007 and signed on their behalf by:

J.D.S. BOOTH
Director

E.M. ARBIB
Director

Company Balance Sheet

at 31 December 2006

		2006 £000s	(Restated) 2005 £000s
Fixed Assets			
Intangible assets	10	**–**	68
Tangible assets	11	**334**	43
Investments	12	**12,192**	8,830
		12,526	8,941
Current Assets			
Debtors	13	**1,746**	1,035
Short term investments	14	**166**	115
Cash at bank and in hand		**1,183**	1,262
		3,095	2,412
Creditors, amounts falling due within one year	15	**(4,920)**	(3,845)
Net Current Liabilities		**(1,825)**	(1,433)
Total Assets less			
Current Liabilities		**10,701**	7,508
Creditors, amounts falling due after more than one year	16	**(3,627)**	(3,757)
Net Assets		**7,074**	3,751
Capital and Reserves			
Called up share capital	17	**1,194**	3,396
Share premium account	18	**3,510**	6,293
Shares to be issued	19	**417**	443
Share options reserve	20	**390**	213
Profit and Loss account		**1,563**	(6,594)
Shareholders' Funds	21	**7,074**	3,751

These financial statements were approved by the board on 23 April 2007 and signed on their behalf by:

J.D.S. BOOTH
Director

E.M. ARBIB
Director

Consolidated Cash Flow Statement

for the year ended 31 December 2006

		2006		2005	
	Note	**£000s**	**£000s**	£000s	£000s
Net Cash Inflow From Operating Activities	22		**2,091**		368
Returns on Investments and Servicing of Finance					
Interest received		**108**		91	
Interest paid		**(289)**		(256)	
Net Cash (Outflow) from Return of Investment and Servicing of Finance			**(181)**		(165)
Taxation			**(152)**		(219)
Capital Expenditure and Financial Investment					
Purchase of tangible fixed assets		**(425)**		(131)	
Sales of fixed assets		**5**		(1)	
Purchase of intangible fixed assets		**–**		(191)	
Purchase of investments		**–**		(57)	
Purchase of bonds		**(344)**		(76)	
Proceeds from sale of short-term investments		**316**		–	
Net cash (outflow) from Capital expenditure and financial Investment			**(448)**		(456)
Acquisitions and Disposals					
Acquisition of subsidiary		**(580)**		–	
Disposal of subsidiary		**42**		167	
Net cash acquired/(disposed) with subsidiary		**170**		(43)	
Deferred consideration paid		**(38)**		–	
Additions during the year		**–**		(301)	
Net cash (outflow) from acquisitions and disposals			**(406)**		(177)
Management of liquid resources					
Decrease (Increase) in term deposits			**236**		(1,158)
Net Cash Inflow/(Outflow) before Financing			**1,140**		(1,807)
Financing					
Issue of ordinary share capital		**165**		1,391	
Bank loan received (paid)		**–**		(200)	
Net cash inflow from financing			**165**		1,191
Increase/(Decrease) in cash in the year	23		**1,305**		(616)

Consolidated Cash Flow Statement

for the year ended 31 December 2006

Reconciliation of Net Cash Flow to Movement in Net Debt

	Note	2006 £000s	2005 £000s
Increase/(Decrease) in cash in the year		**1,305**	(616)
(Decrease)/Increase in term deposits		**(236)**	1,158
Bank loan paid		**–**	200
Non cash-flow movements		**111**	–
Movement in Net Debt in the year		**1,180**	742
Net Debt at 1 January		**(593)**	(1,335)
Net Cash/(Debt) at 31 December	23	**587**	(593)

Notes to the Financial Statements

for the year ended 31 December 2006

1. Principal Accounting Policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2006. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition and up to the date of disposal.

(c) Turnover

Turnover represents management fees, brokerage fees and marketing income earned during the financial year, excluding value added tax. Management fees and marketing income are recognised in accordance with the underlying agreements. Brokerage fees are recognised on date of trade.

(d) Foreign currency

Transactions throughout the year were translated at the rate ruling at the transaction date. Liabilities and current assets at the year end were translated at the rates ruling on the balance sheet date. The difference resulting from this exchange has been recognised in the profit and loss account.

Foreign subsidiary undertakings are accounted for using the net investment method, with the results of such subsidiaries being translated using the average exchange rate for the period. Any material exchange differences arising are taken directly to equity.

(e) Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at rates that are expected to crystallise based on current tax rates and law.

Timing differences arise from the inclusion of items in income and expenditure in taxation computations in periods different to those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that they are regarded as more likely than not to be recoverable. Deferred tax assets and liabilities are not discounted.

(f) Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is being provided so as to write off the assets on a straight line basis over their estimated useful lives as follows:

Motor vehicles	–	between 20% and 33.3% of cost
Computer and communications equipment	–	between 20% and 33.3% of cost
Fixtures and fittings	–	between 16.6% and 25% of cost
Leasehold improvements	–	20% of cost
Paintings / Artwork	–	Nil depreciation is applied against this asset class.

The policy of not depreciating the artwork represents a true and fair override of the companies act (1985). The directors feel that this policy is the most appropiate in order to provide a true and fair view.

(g) Leased assets

Leased assets are included in the balance sheet at cost less depreciation in accordance with the Group's normal accounting policies. The present value of future lease rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital outstanding.

Notes to the Financial Statements

for the year ended 31 December 2006 continued

1. Principal Accounting Policies *(continued)*

(h) Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration paid and associated costs over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised.

For the full year ended 31 December 2005, positive goodwill was amortised to nil by equal instalments over a five year period. For the year ended 31 December 2006 the amortisation period has been changed from five years to a period of five to ten years based on the rate the Directors consider appropriate for each acquired subsidiary.

In the past, all investments were considered to be relatively short-term in nature and were, as a result, amortised over five years consistent with this strategy. However, the Directors now feel that it is more appropriate to amortise recent brokerage investments over a longer time frame up to and including a maximum period of ten years.

From 1 January 2006, all investments made in Hedge Fund businesses and Fund of Funds businesses will be amortised over a time frame of ten years.

The positive impact on the retained income before tax in the full year report as a result of changing the amortisation period on goodwill from five years to five to ten years is £383,144.

(i) Intangible fixed assets

Intangible fixed assets are stated at cost less amounts amortised. These assets are amortised on a straight line basis over their useful economic lives of five years, pro rated for portions of years.

Development costs relate to directly attributable costs incurred in the development of new products or funds.

Costs have been capitalised during the year in respect of the amalgamation of different businesses, setting up of a new branch structure and the development of new product lines.

(j) Investments

Long term investments are stated at cost less provision against diminution in value in the investment. Short term investments are stated at market value in accordance with alternative accounting rules incorporated under schedule 4 of the companies act (1985). There has been no material change in the underlying value of these investments during the year.

2. Segmental Reporting

GEOGRAPHICAL

31 December 2006	**Europe £000s**	**Other £000s**	**Total £000s**
Turnover	11,574	294	**11,868**
Operating Expenses	(10,593)	(303)	**(10,896)**
Operating Profit/(Loss)	981	(9)	**972**
Associated Goodwill	(585)	(143)	**(728)**
(Loss)/Profit for the period	(362)	187	**(175)**
Net Assets	7,251	21	**7,272**

Notes to the Financial Statements

for the year ended 31 December 2006 continued

2. Segmental Reporting *(continued)*

31 December 2005	Europe £000s	Other £000s	Total £000s
Turnover	7,904	1,633	9,537
Operating Expenses	(7,310)	(1,702)	(9,012)
Operating Profit/(Loss)	594	(69)	525
Associated Goodwill	(747)	(300)	(1,047)
(Loss) for the period	(516)	(211)	(727)
Net Assets	3,473	(716)	2,757

BUSINESS TYPE

31 December 2006	**Hedgefund £000s**	**Brokerage £000s**	**Total £000s**
Turnover	6,186	5,682	**11,868**
Operating Expenses	(5,517)	(5,379)	**(10,896)**
Operating Profit	669	303	**972**
Associated Goodwill	(566)	(162)	**(728)**
Profit/(Loss) for the period	189	(364)	**(175)**
Net Assets	6,151	1,121	**7,272**

31 December 2005	Hedgefund £000s	Brokerage £000s	Total £000s
Turnover	3,259	6,278	9,537
Operating Expenses	(3,312)	(5,700)	(9,012)
Operating (Loss)/Profit	(53)	578	525
Associated Goodwill	(363)	(684)	(1,047)
Profit/(Loss) for the period	(297)	(430)	(727)
Net Assets	2,742	15	2,757

DISCONTINUED OPERATIONS

	2006 £000s	2005 £000s
Turnover	**294**	913
Operating expenses	**(319)**	(992)
Operating (loss)	**(25)**	(79)

The information shown above concerns the discontinued operations for the comparative periods, December 2006 and December 2005. The information shown above for December 2006 relates to GAIM consulting SrL (which was closed in June 2006) and GAIM Paragon Inc, which was sold by Integrated on 2 June 2006. The numbers reflected for December 2005 relate to GAIM Paragon Inc. and GAIM Paragon Israel which was sold by Integrated on 10 October 2005.

Notes to the Financial Statements

for the year ended 31 December 2006 continued

2. Segmental Reporting *(continued)*

CONTINUING OPERATIONS – ACQUISITIONS

	2006 £000s	2005 £000s
Turnover	**1,124**	–
Operating expenses	**(519)**	–
Operating profit	**605**	–

The information above relates to the acquisition of Attica from 8 August 2006.

3. Investment Income

	2006 £000s	2005 £000s
Interest received	**108**	96

4. Interest Payable

	2006 £000s	2005 £000s
Bank interest payable	**41**	22
Other third party interest payable	**20**	–
Loan interest payable	**227**	234
	288	256

5. Non-Operating Exceptional Items

2006

On 2 June 2006, Integrated Asset Management plc completed the sale of its 50.1% interest in GAIM Paragon Inc. ("Paragon") to Andalusia Worldwide, SA. The expected consideration payable for the sale of Integrated's interest in Paragon is dependent on the profitability and cash flow of the business over the next four years on a formulaic basis. Integrated's interest in Paragon was purchased in 2001. On this basis the consolidated accounts show a profit on sale of £360k, after minority interests.

Integrated's Directors previously resolved to sell Paragon as part of the Group's general refocusing on alternative investments with a specific focus on growing the fund of hedge fund business. The sale of Paragon now completes Integrated's divestiture from the overall GAIM Paragon business. Integrated sold GAIM Paragon Inc.'s subsidiary GAIM Paragon Israel in 2005 as detailed in the note below.

Up to the point of sale, GAIM Paragon Inc. had made a loss (excluding intercompany transactions and minority interests) of £26k, which is reflected in these accounts as part of the discontinued operations on the profit and loss account.

	£
Proceeds from sale	**487**
Less: Net Investment at time of sale	**(83)**
Less: Costs of sale	**(44)**
Profit on Sale of Investment in GAIM Paragon Inc.	**360**

Notes to the Financial Statements

for the year ended 31 December 2006 continued

5. Non-Operating Exceptional Items *(continued)*

2005

On 3 October 2005, GAIM Paragon Inc. sold its 100% owned subsidiary GAIM Paragon Israel for an amount of US$521k yielding a net profit before minority interest of US$483k. Up to the point of sale, Paragon Israel had made a loss of £122k.

	US$000s	GBP(£)000s
Proceeds from sale	521	287
Less: Net investment at time of sale	(38)	(21)
Profit on sale before minority interest	483	266
Less: Minority interests	(241)	(133)
Profit on sale after minority interest	242	133

6. Profit/(Loss) on Ordinary Activities before Taxation

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

		2006 £000s	(Restated) 2005 £000s
Amortisation of goodwill		**728**	1,047
Amortisation of intangible assets		**103**	55
Depreciation		**115**	173
Auditors' remuneration – Local	– Audit fees	**104**	54
Auditors' remuneration – Local	– Tax services	**27**	19
Auditors' remuneration – Local	– Payroll services	**12**	5
Auditors' remuneration – Foreign	– Audit fees	**19**	16
Auditors' remuneration – Foreign	– Tax services	**4**	4
Loss on disposal of fixed assets		**16**	–
Exchange (gain)		**(53)**	(106)

7. Directors and Employees

	2006 £000s	2005 £000s
Wages and salaries	**3,751**	2,380
Social security costs	**491**	373
Other staff costs	**304**	256
	4,546	3,009

Included in the above amount is £50,000 (2005: £91,447) that has been capitalised in respect of development costs.

7. Directors and Employees *(continued)*

Included within wages and salaries are Director's emoluments totalling £505,823 (2005: £392,817).
Emoluments disclosed above include the following amounts paid to the highest paid Director:

	2006 £000s	2005 £000s
Emoluments	**346**	240

The average monthly number of persons employed on a permanent basis by the Group was 49 (2005: 52). The actual number of employees at the end of the year was 62.

8. Taxation on Profit/(Loss) on Ordinary Activities

(a) Analysis of charge in period

	2006 £000s	2005 £000s
UK Corporation tax	**74**	40
Overseas tax	**274**	188
Adjustment in respect of prior years	**(32)**	–
	316	228

(b) Factors affecting the current tax charge
The current tax assessed for the year is different to the standard rate of UK taxation applicable to the Group of 30% (2005: 30%). The difference is explained below:

	2006 £000s	2005 £000s
Profit/(Loss) on ordinary activities before taxation	**424**	(301)
Tax on Profit/(loss) at standard UK rate (30%)	**127**	(90)
Tax losses utilised / unutilised	**(155)**	(45)
Capital allowances less than depreciation	**2**	27
Post cessation expenses	**–**	3
Expenditure not deductible for tax purposes	**299**	318
Adjustment in respect of prior years	**120**	–
Different tax rates on overseas earnings	**50**	19
Transfer pricing adjustment	**–**	2
Income not taxable	**(124)**	(6)
Small companies relief	**(3)**	–
	316	228

Notes to the Financial Statements

for the year ended 31 December 2006 continued

9. Earnings per Ordinary Share

The calculation of the basic earnings per share is based on a loss after minority interests for the year ended 31 December 2006 of (£175k) (31 December 2005 – restated loss after minority interests (taking into account the share option cost) of £727k) divided by the weighted average number of ordinary shares in issue for the year ended 31 December 2006 of 19,697,839 (31 December 2005: 16,402,179).

Diluted earnings per share are shown where there are outstanding potential dilutive ordinary shares. The calculation of diluted earnings per share is based on a loss after minority interests for the year ended 31 December 2006 of £175k (31 December 2005: A loss of £727k), divided by the diluted weighted average number of ordinary shares at 31 December 2006 of 21,495,654 (31 December 2005: 17,144,197).

For the years ended 31 December 2006 and 31 December 2005 (restated for the impact of share options cost), the potential dilutive shares would have had an anti-dilutive effect on the diluted earnings per share calculation, therefore the basic earnings per share and diluted earnings per share record the same figure on the face of the income statement in accordance with FRS 22 "Earnings per share".

10. Intangible Fixed Assets

(i) Group

	Development Costs £000s	Other Intangible Assets £000s	Goodwill £000s	**Total £000s**
Cost				
At 1 January 2006	530	101	5,709	**6,340**
Additions	63	–	3,744	**3,807**
Disposal	(91)	–	(1,432)	**(1,523)**
Adjustment to deferred consideration	–	–	62	**62**
Movement on exchange	–	(1)	–	**(1)**
At 31 December 2006	**502**	**100**	**8,083**	**8,685**
Amortisation				
At 1 January 2006	(226)	(12)	(3,517)	**(3,755)**
Charge in the year	(85)	(18)	(728)	**(831)**
Disposal	–	–	1,371	**1,371**
At 31 December 2006	**(311)**	**(30)**	**(2,874)**	**(3,215)**
Net Book Value				
At 31 December 2006	**191**	**70**	**5,209**	**5,470**
At 31 December 2005	304	89	2,192	2,585

Notes to the Financial Statements

for the year ended 31 December 2006 continued

10. Intangible Fixed Assets *(continued)*

(ii) Company

	Goodwill £000s
Cost	
At 1 January and 31 December 2006	**347**
Amortisation	
At 1 January 2006	**279**
Charge in the year	**68**
At 31 December 2006	**347**
Net Book Value	
At 31 December 2006	**–**
At 31 December 2005	68

Notes to the Financial Statements

for the year ended 31 December 2006 continued

11. Tangible Fixed Assets

(i) Group

	Vehicles and Equipment £000s	Fixtures and Fittings £000s	Improvements £000s	Artwork £000s	**Total £000s**
Cost					
At 1 January 2006	464	289	387	–	**1,140**
Assets reclassified	(43)	28	15	–	**–**
Additions	143	88	166	29	**426**
Subsidiary assets acquired	22	10	–	–	**32**
Sale of subsidiary	(135)	(27)	(5)	–	**(167)**
Disposals	(121)	(66)	–	–	**(187)**
Movement on exchange	(8)	(12)	(3)	–	**(23)**
At 31 December 2006	**322**	**310**	**560**	**29**	**1,221**
Depreciation					
At 1 January 2006	(293)	(262)	(273)	–	**(828)**
Assets reclassified	15	(12)	(3)	–	**–**
Charge in the year	(49)	(32)	(34)	–	**(115)**
Subsidiary assets acquired	(21)	(10)	–	–	**(31)**
Sale of subsidiary	130	21	5	–	**156**
Disposals	102	66	–	–	**168**
Movement on exchange	6	16	–	–	**22**
At 31 December 2006	**(110)**	**(213)**	**(305)**	**–**	**(628)**
Net Book Value					
At 31 December 2006	**212**	**97**	**255**	**29**	**593**
At 31 December 2005	171	27	114	–	312

Notes to the Financial Statements

for the year ended 31 December 2006 continued

11. Tangible Fixed Assets *(continued)*

(ii) Company

	Leasehold Improvements £000s	Office Equipment £000s	Computer Equipment £000s	Artwork £000s	**Total £000s**
Cost					
At 1 January 2006	50	71	–	–	**121**
Additions	150	103	47	29	**329**
Disposals	–	(60)	–	–	**(60)**
At 31 December 2006	**200**	**114**	**47**	**29**	**390**
Depreciation					
At 1 January 2006	(30)	(48)	–	–	**(78)**
Charge in the year	(14)	(13)	(2)	–	**(29)**
Disposals	–	51	–	–	**51**
At 31 December 2006	**(44)**	**(10)**	**(2)**	**–**	**(56)**
Net Book Value					
At 31 December 2006	**156**	**104**	**45**	**29**	**334**
At 31 December 2005	20	23	–	–	43

12. Investments

(i) Group

	Unlisted Investments £000s	Investments in Subsidiaries £000s	**Total £000s**
Cost			
At 1 January 2006	212	–	**212**
Additions	–	–	**–**
Investment written off	(28)	–	**(28)**
Reclassification	(26)	–	**(26)**
At 31 December 2006	158	–	**158**

In 2006 the directors took the view to write off an amount in a third party hedge fund company that one of Integrated's foreign subsidiaries is invested in that is based in Italy. It was felt by the directors that the carrying value of this investment was overstated by the written off amount. The foreign subsidiary generates management fees in line with the brokerage agreement in this respect. It is felt that the level of these fees will be generated for the foreseeable future.

Notes to the Financial Statements

for the year ended 31 December 2006 continued

12. Investments *(continued)*

(ii) Company

	Unlisted Investments £000s	Investments in Subsidiaries £000s	**Total £000s**
Cost			
At 1 January 2006	31	9,457	9,488
Additions	–	4,053	4,053
Adjustment to deferred consideration	–	54	54
Transfer to group company	(31)	–	(31)
Disposals in the year	–	(1,372)	(1,372)
At 31 December 2006	**–**	**12,192**	**12,192**
Amounts written off investments			
At 1 January 2006	–	(659)	**(659)**
Disposals in the year	–	659	659
At 31 December 2006	**–**	**–**	**–**
Net Book Value			
At 31 December 2006	**–**	**12,192**	**12,192**
At 31 December 2005	31	8,799	8,830

Holdings in subsidiary undertakings:

Subsidiary	Country of incorporation	Nature of business	Holding of ordinary shares	Capital and reserves at year end £000s	Profit/loss for the year £000s
IAI (formerly GAIM Advisors Ltd)	UK	Manager/Adviser	100%	1,198	192
Attica Holdings UK Ltd	UK	Fund Manager	50.1%	1,232	308
Integrated Financial Products Ltd	UK	Financial Services	100%	3,640	388
Integrated Financial Products Services Ltd	UK	Financial Services	100%	(95)	(156)
Global Alternative Investment Management Ltd	UK	Financial Services	100%	–	–
Capital Management (Monaco) S.A.M	Monaco	Administration	80%	176	3
Capital Management Ltd	UK	Holding Company	80%	1	–
Appleton International Ltd	UK	Financial Services	100%	206	–
GAIM Consulting S.R.L	Italy	Marketing Services	80%	4	14
BDBCO NO. 618 Ltd	UK	Investment Vehicle	100%	1,062	–

Notes to the Financial Statements

for the year ended 31 December 2006 continued

12. Investments *(continued)*

The 50.1% of Attica Holdings UK Ltd was purchased on the 8 August 2006 from Sal Oppenheim KGgA. Attica Holdings UK Ltd comprises the holding company, Attica AG and Integrated Alternative Investments Ltd which manages 11 funds over a variety of fund disciplines. Under the terms of the Sale and Purchase Agreement of Attica there are put and call options that can be effected by seller and purchaser over the remaining 49.9% which need to be exercised by October 2007. Attica Holdings UK Ltd owns 100% of Integrated Alternative Investments Ltd ("IAI") (formerly Attica Alternative Investments Ltd) and Attica Alternative Investments AG. During December 2006 Attica AG was placed into a dormant state. Attica AG was primarily a marketing arm for IAI in Switzerland.

The profit of Attica Holdings UK Limited, GAIM Paragon Inc and Capital Management Monaco shown above reflects the profit attributable to the shareholders of Integrated Asset Management plc (i.e. after deducting minority interests in these concerns).

Neither BDB Co. No. 618 Limited, Global Alternative Investments Limited, Appleton International UK Limited or Capital Management UK Limited traded in the year ended 31 December 2006.

GAIM Consulting SrL was closed down in 2006. There are only sundry debtors and creditors remaining on the balance sheet at the year end date. The loss included above reflects that GAIM Consulting traded only up until the end of June 2006.

13. Debtors

	2006		2005	
	Group £000s	**Company £000s**	Group £000s	Company £000s
Trade debtors	**3,028**	**–**	2,185	–
Trading book debtors	**3,233**	**–**	–	–
Other debtors	**934**	**786**	436	89
Prepayments	**268**	**72**	152	36
Amounts owed by group undertakings	**–**	**888**	–	910
	7,463	**1,746**	2,773	1,035

Trading book debtors of £3,233,000 represents the grossed up value of matched trades that were undertaken by the Milan branch of the Brokerage business before the year-end that were still within the settlement cycle. There were no trading book debtors at the end of 2005 as this activity only commenced in 2006.

14. Short Term Investments

	2006		2005	
	Group £000s	**Company £000s**	Group £000s	Company £000s
Bonds	**189**	**166**	134	115

Notes to the Financial Statements

for the year ended 31 December 2006 continued

15. Creditors, amounts falling due within one year

	2006		2005	
	Group £000s	**Company £000s**	Group £000s	Company £000s
Bank loan	**912**	**–**	933	–
Trade creditors	**1,579**	**144**	1,043	150
Trading book creditors	**3,233**			
Corporation tax	**185**	**(4)**	172	–
Other creditors including				
PAYE and social security	**1,035**	**360**	632	18
Accruals and deferred income	**1,107**	**160**	730	192
Amounts owed to group undertakings	**–**	**4,260**	–	3,485
	8,051	**4,920**	3,510	3,845

The bank loan is unsecured and currently bears interest on the Euro at the rate of 4.375% (2005: 2.75%) per annum and is repayable on demand.

Trading book creditors of £3,233,000 represents the grossed up value of matched trades that were undertaken by the Milan branch of the Brokerage business before the year-end that were still within the settlement cycle. There were no trading book creditors at the end of 2005, as this activity only commenced in 2006.

16. Creditors, amounts falling due after more than one year

	2006		2005	
	Group £000s	**Company £000s**	Group £000s	Company £000s
Cash consideration – acquisition	**48**	**48**	88	88
Convertible loan stock	**3,579**	**3,579**	3,669	3,669
	3,627	**3,627**	3,757	3,757

The above convertible loan notes are listed on the Alternative Investment Market of the London Stock Exchange.

The loan notes have a final redemption date of 31 January 2008 and are denominated in units of £1. The loan notes are convertible at any time, at the option of the holder, into ordinary shares at a rate of £0.95 nominal of loan note per share. The loan notes may be converted into ordinary shares at the option of the company if the mid market price of an ordinary share equals or exceeds £1.75 for twenty consecutive business days.

During 2006 three loan note holders of 90,000 convertible loan notes were converted into 94,736 shares at the rate of 1.05 shares to every loan note converted. On 27 June 2006 John Booth and Nicholas Levene purchased 600,000 loan notes and 400,000 loan notes respectively from an existing loan note holder at the rate of 75 pence per loan note.

Post year-end seven loan notes holders have converted 192,500 convertible loan notes into 202,630 ordinary shares of Integrated. At 20 April 2007 there were 3,386,000 convertible loan notes remaining as a credit on the convertible loan note account.

The directors have considered the adjustments required under FRS 25 in respect of the element of the convertible loan notes that would be reclassified as equity. In the opinion of the directors any such adjustment would not be material.

Notes to the Financial Statements

for the year ended 31 December 2006 continued

17. Share Capital

	2006 £000s	2005 £000s
Authorised 50,000,000 ordinary shares of 5p each (2005: 50,000,000 ordinary shares of 20p each)	**2,500**	10,000
Allotted, called up and fully paid 23,879,220 ordinary shares of 5p each (2005: 16,979,193 ordinary shares of 20p each	**1,194**	3,396

During 2006, 301,666 shares were issued as a result of the exercise of share options granted to previous employees for services rendered whilst employed by the firm. The consideration received for these options with an average exercise price of 54.5p was £164,583

During 2006, the following transactions took place concerning the Issued Share Capital of the Company:

	2006 £000s	2005 £000s
Opening balance	**3,396**	2,844
Capital reduction exercise (16,979 193 shares @ £0.15p)	**(2,547)**	–
Shares issued for the purchase of Attica Holdings UK Ltd (6,311,032 shares @ £0.05p)	**316**	–
Conversion of loan notes into shares (94,736 shares @ £0.05p)	**4**	–
The exercise of options and the Issue of shares	**25**	540
Shares issued for nil consideration, for services rendered to the company	**–**	12
Closing balance	**1,194**	3,396

During 2006, 90,000 loan notes were converted into 94,736 shares at the rate of 95 pence in the pound. 6,311,032 shares were issued to Sal Oppenheim at 55 pence in exchange for the purchase of the 50.1% share of Attica Holdings UK Ltd that was purchased from Sal Oppenheim on 8 August 2006.

18. Share Premium Account – Group and Company

	2006 £000s	2005 £000s
At 1 January	**6,293**	5,414
Capital reduction exercise	**(6,293)**	–
On allotment of new shares	**3,447**	1,080
On exercise and allotment of share options	**63**	–
Expenses paid in connection with share issues	**–**	(201)
At 31 December	**3,510**	6,293

19. Shares to be Issued

At 31 December 2006, the Company was committed to issue share capital as part of the consideration of the acquisition of International Capital Markets Sim Spa. The consideration payable is subject to performance criteria and the Directors have applied their best estimate in recording the final consideration payable.

Notes to the Financial Statements

for the year ended 31 December 2006 continued

20. Share Options Reserve

Integrated Asset Management plc has adopted Financial Reporting Standard ('FRS') 20 for the first time in respect of the year ended 31 December 2006.

FRS 20 has been adopted to determine the fair value of the share options granted and to calculate the impact on the profit and loss account for the year ended 31 December 2006 and previous years.

The total share options expense recognised in the profit and loss account for the year ended 31 December 2006 was £241k (2005: £114k).

The Company has a share option plan whereby Directors, employees and related third parties (e.g consultants) are granted share options for the services they provide. Share options can only be exercised once any performance requirements have been met and when they have fully vested. Once all conditions have been satisfied, the option holder may purchase shares in the Company for periods up to and including a ten year period from the original grant date. Shares are issued from the Company's authorised share capital to satisfy the share options as they are exercised.

The cost of services received in respect of the share options granted are expensed on a straight line basis together with a corresponding increase in the share options reserve over the period that the services are received, which is the vesting period. The expense relates entirely to equity-settled share-based transactions. The fair value of the services received is measured by reference to the fair value of the share options at the grant date.

The fair value of the options granted is determined using option pricing models, which take 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).

The impact of the adoption of FRS 20 for the year ended 31 December 2005 is shown on the face of the re-stated profit and loss account. Adjustments have been made to previous years by re-stating the opening profit and loss account and share options reserve in the balance sheet at 1 January 2005.

Share Options in Existence

For options outstanding at 31 December 2005 and 2006, the weighted average exercise prices are shown below:

	2006		2005	
	Number of share options 000s	Weighted Average exercise price	Number of share options 000s	Weighted average exercise price
Outstanding at the beginning of the year	**2,034**	**57p**	1,559	54p
Granted during the year	**2,585**	**89p**	435	68p
Forfeited during the year	**181**	**56p**	–	–
Exercised during the year	**337**	**54p**	–	–
Expired during the year	**10**	**83p**	–	–
Outstanding at the end of the year	**4,092**	**69p**	2,034	57p
Exercisable at the end of the year	**2,309**	**66p**	816	64p

Notes to the Financial Statements

for the year ended 31 December 2006 continued

20. Share Options Reserve *(continued)*

The outstanding share options at 31 December, 2006 have an exercise price range of 45p–165p. The weighted average remaining contractual life of the share options at 31 December, 2006 is 7.5 years.

The weighted average fair value of the share options granted during the year ended 31 December, 2006 was 22p. The fair value of the share options granted during the year has been estimated using a binomial option pricing model. The following assumptions were used in that model: share price at grant date of approximately 73p; estimated annualised dividend yield of approximately 2%; risk free interest rates of approximately 4% and expected share price volatility of approximately 25%. Volatility is determined with reference to the change in IAM's share price over a 260 trading–day period prior to the grant date.

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

Exercise date	**No. of options exercised 000s**	**Weighted Average Share Price**
29th June	**60**	**69p**
19th July	**75**	**79p**
9th October	**167**	**125p**

Reconciliation of Shareholders' Funds under UK GAAP to Shareholders' Funds after the adoption of FRS 20 at 1 January 2005.

i) Group

Shareholders' Funds	1 January 2005 £000s
Shareholders' Funds as previously reported	1,974
Share options reserve (as per FRS 20)	99
Profit and Loss account	(99)
Total re-stated Shareholders' Funds	1,974

ii) Company

Shareholders' Funds	1 January 2005 £000s
Shareholders' Funds as previously reported	2,627
Share options reserve (as per FRS 20)	99
Profit and Loss account	(99)
Total re-stated Shareholders' Funds	2,627

Notes to the Financial Statements

for the year ended 31 December 2006 continued

21. Reconciliation of Opening Shareholders' Funds to Closing Shareholders' Funds

	Group 2006 £000s	**Company 2006 £000s**
Opening shareholder's funds	**2,818**	**3,751**
Decrease in share capital to be issued	**(26)**	**(26)**
Reduction in share capital	**(2,202)**	**(2,202)**
Reduction in share premium	**(2,783)**	**(2,783)**
Increase in reserves during 2006	**155**	**42**
Retained earnings movement – capital reduction	**8,797**	**8,797**
Exchange difference reserve	**(121)**	**–**
Share options reserve	**177**	**177**
Loss for the financial year	**(175)**	**(682)**
Closing shareholders' funds	**6,640**	**7,074**

	Group 2005 £000s	Company 2005 £000s
Opening shareholder's funds	1,974	2,627
Share capital issued	1,431	1,431
Increase in share capital to be issued	165	165
Share options reserve	114	114
Exchange difference reserve	(139)	–
Loss for the financial year	(727)	(586)
Closing shareholders' funds	2,818	3,751

Following the registration of the Court Order on 31 March 2006, a capital reconstruction became effective.

Through the reduction of ordinary share capital from 20p shares to 5p shares and the use (cancellation) of the share premium account (£6,292,901), the retained loss at 31 December 2005 was eliminated. Each of the 16,979,193 ordinary shares 20p each were subdivided into 5p ordinary shares and 15p deferred shares. After this took place, the 16,979,193 15p deferred shares were then cancelled, freeing up £2,546,879 of capital which was used to eliminate the same amount of deficit on the retained income account.

During this process a special reserve was created to ensure that creditors that existed at the time would not be prejudiced. As these creditors are paid, an equivalent amount is released back to the retained income account from the special reserve account. As of 31 December 2006, there was an amount of £Nil (30 June 2006 – £23,496) outstanding to these creditors, which is represented by the same balance on the special reserve account. All creditors in this respect had been discharged before the end of 2006.

The Company has taken advantage of S230 of the Companies Act 1985 from presenting its own profit and loss account. The Company made a loss for the year after non-operating exceptional items of £682k (2005: £586k).

Notes to the Financial Statements

for the year ended 31 December 2006 continued

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

	2006 £000s	2005 £000s
Operating profit/(loss)	**244**	(522)
Share options cost	**241**	114
Depreciation	**115**	170
Amortisation of Intangibles	**831**	1,102
Foreign currency translation	**(53)**	(106)
(Increase)/decrease in debtors	**(3,719)**	(318)
(Decrease) / Increase in creditors	**4,432**	(72)
	2,091	368

23. Analysis of Net Debt/Net Cash

	1 January 2006 £000s	Cash Flow £000s	Exchange Variance £000s	Non-cash Flow Movements	**31 December 2006 £000s**
Cash at bank (excluding term deposits)	2,850	1,305	–	–	**4,155**
Cash on term deposit	1,158	(236)	–	–	**922**
Funds held at banks	4,008	1,069	–	–	**5,077**
Debt due within one year	(933)	–	21	–	**(912)**
Debt due after one year	(3,668)	–	–	90	**(3,578)**
	(593)	**1,069**	**21**	**90**	**587**

Cash at bank includes all liquid resources in accordance with FRS 1, where the group has instant access to the funds held. Term deposits represent funds held within accounts where there is a notice period of more than one day to be able to access the funds held in particular accounts.

24. Deferred Tax

	Recognised 2006 £000s	**Not recognised 2006 £000s**	Recognised 2005 £000s	Not recognised 2005 £000s
1) Group: Unutilised losses	**–**	**2,289**	–	1,058
2) Company: Unutilised losses	**–**	**1,012**	–	1,058

Deferred tax assets recognised relate to unutilised losses that are considered more likely than not to be recovered. This is because the relevant company has a recent history of profitability which is expected to continue in the future.

Deferred tax assets not recognised relate to unutilised losses where there is uncertainty of recovery due to the unpredictability of future profits.

Notes to the Financial Statements

for the year ended 31 December 2006 continued

25. Derivatives and Other Financial Instruments

Interest rate risk profile of financial assets

Other than short-term debtors and cash at bank, the Group has short term investment bonds which have market related interest rates and are tradable in the market in their own right.

Interest rate risk profile of financial liabilities

The interest rate profile of the Group's financial liabilities at 31 December 2006 was:

Currency	Variable rate Financial Liabilities 000s	Fixed rate Financial liabilities 000s	**Total liabilities 000s**
Sterling	3,579	–	**3,579**
Euro	–	912	**912**
	3,579	**912**	**4,491**

The current interest rate on the fixed rate financial liabilities is 4.375% and is fixed until repayment. The variable rate liability consists of a fixed rate of 5% plus a variable element linked to the performance of the GAIM Market Neutral Hedge Fund. The GAIM Market Neutral Fund was liquidated in October 2006, however, since the 1st May 2006, the interest calculated on the convertible loan notes is measured by reference to the CFSB Tremont Index.

Currency exposures

At 31 December 2006, subsidiary companies exposed the Group to the following currency exposures between Sterling, US Dollars, Swiss Francs and Euro:

	2006 £000s	2005 £000s
Net Euro denominated currency monetary assets	**3,054**	3,154
Net US$ denominated currency monetary liabilities	**21**	(208)
Net Swiss Franc denominated monetary assets	**48**	15

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 2006 was as follows:

	2006 £000s	2005 £000s
In one year or less	**912**	933
In more than one year, but less than two years	**3,579**	–
In more than two years but not more than five years	**–**	3,669
	4,491	4,602

Fair values of financial assets and financial liabilities

Set out below are the fair values of the Group's financial assets and liabilities as at 31 December 2006. Finance leases are included in the analysis of long term borrowings. The Directors consider that there were no material differences between the book values and fair values of the Group's financial assets and liabilities at the year end.

	Book Value	
	2006 £000s	2005 £000s
Primary financial instruments held or issued to finance the group's operations:		
Short term financial liabilities	**8,051**	3,510
Long term borrowings	**3,627**	3,757
Financial assets	**12,729**	6,915

Notes to the Financial Statements

for the year ended 31 December 2006 continued

26. Transactions with Directors

The Group utilised the services of Kidron Corporation Advisors LLC ("Kidron"), a company of which M. Segall is also a Director. The cost of services to the company was £255,783 (2005: £27,650) and was in respect of the sale of GAIM Paragon Inc. and the purchase of Attica Holdings UK limited. Kidron is retained on a yearly basis in the field of investigating and bringing to fruition potential acquisitions of businesses and carrying out the sales of existing companies where the need has been identified. The only amount outstanding to Kidron at the end of December 2006 was £18,075 in respect of expenses incurred whilst on company business (2005: £6,312).

During the period, the Group paid JD Farrods (Luxembourg) SA £44,918 (2005: £45,000) in respect of consultancy services provided by D. Masetti. In addition, the Group incurred costs to the extent of £12,971 from Blue Financial Communications SRL, a company of which D. Masetti is also a Director (2005: £24,525) for marketing services. There was an amount of £Nil outstanding at the end of December 2006 (2005: £15,278).

27. Contingent Liability

Under the terms of the Sale and Purchase Agreement of Attica, the company may be required to pay deferred consideration on the acquisition. This is dependent on certain performance criteria and at present it is not practicable to quantify the potential liability. The maximum amount payable is 3,450,000 euros.

28. Acquisition

	£000s
Net assets of Attica Holdings (UK) Limited at date of acquisition:	
Tangible fixed assets	**21**
Debtors	**805**
Cash at bank	**254**
Creditors	**(459)**
	621
50.1% acquired	**311**
Goodwill	**3,741**
	4,052
Satisfied by:	
Cash	**580**
Shares issued	**3,472**
	4,052
Results of Attica Holdings (UK) Limited:	
Period from 1 April 2006 to 8 August 2006:	
Turnover	**688**
Operating loss	**(306)**
Loss before taxation	**(381)**
15 months ended 31 March 2006:	
Loss before taxation	**(1,288)**

Directors and Advisers

Directors

J.D.S. Booth
E.M. Arbib
D. Bierbaum (appointed 8 August 2006)
N.C. Epstein
N.D.A. Levene
D. Masetti
Baron C. von Oppenheim (appointed 8 August 2006)
G.A. Robb
M.B. Segall

Secretary

O. Egoz

Registered Office

4 Hill Street, London, W1J 5NE

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 Nominated Broker

Noble & Co.
120 Old Broad Street,
London, EC2N 1AR
(Appointed 2 March 2007)

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c/o Kidron Corporate Advisors LLC
555 Fifth Avenue, 17th Floor
New York
NY 10017

Products and Services

The Hedge Fund Group

Multi-strategy Funds
- Integrated Multi Strategy
- Integrated European

Strategic Funds
- Integrated Event Driven
- Integrated Relative Value
- Integrated Directional Trading
- Integrated Emerging Markets
- Integrated Cash Dynamic
- Attica Long Short Selector

General Areas Covered
- Full range of multi-strategy and strategy specific vehicles
- Enables efficient switching between various strategy specific funds
- USD, EUR, GBP, CHF classes
- The availability of German & Swiss Compliant solutions
- Offshore and Onshore funds

The Brokerage Group

Trading
- Spot
- Desk
- Forwards
- Bonds
- Equity Derivatives
- Fixed Income

AIM

Integrated Asset Management is listed on the Alternative Investment Market of the London Stock Exchange.

Integrated Asset Management plc

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- Integrated Alternative Investments Limited
- Integrated Financial Products Limited
- Integrated Financial Products Services Limited

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