

Japaninvest

Japaninvest Group plc

Interim report for the six months ended

30 June 2007

THURSDAY



L1YRHS5P

LD5

16/08/2007

305

COMPANIES HOUSE

Japaninvest Group plc

Interim report for the six months ending 30 June 2007

Contents

Directors

Page:

2	Report of the directors
7	Report of the independent auditors
8	Consolidated profit and loss account
9	Consolidated statement of total recognised gains and losses
10	Consolidated balance sheet
11	Consolidated cash flow statement
12	Notes forming part of the Financial Statements

Directors

Sir J S Whitehead*	(Chairman)
R J A Eastwood	(Chief Executive Officer, CEO)
M E Burges Watson	(Chief Operating Officer, COO)
A J Ramsay	(Chief Financial Officer, CFO)
R Shimazaki	(Chief Administrative Officer, CAO)
A D Brierley*	
J A Craddock*	

*non-executive

Secretary and registered office

R J A Eastwood, 48 Curzon Street, London W1J 7UL

Company number

4547135

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

Japaninvest Group plc

Report of the directors for the six months ended 30 June 2007

The directors present their report together with the non-statutory audited interim financial statements on pages 8 to 23 for the six months ended 30 June 2007 as prepared under UK Generally Accepted Accounting Practice (the "Financial Statements"). For the purposes of these Financial Statements, the comparatives have been taken from the audited financial statements for the year ended 31 December 2006 and the non-statutory audited interim financial statements for the period ended 30 June 2006

Results and dividends

The profit and loss account of the group is set out on page 8 and shows a loss for the six months ended 30 June 2007 of £149,329 (year ended 31 December 2006 – profit of £802,339). The directors do not recommend the payment of a dividend for the period.

Principal activities

The principal activity of the group is the earning of commissions from institutional investors arising from the provision of sales advice and research regarding Japanese listed stocks

Review of business

The Group has continued to expand its operations through a further increase in the number of research and sales personnel. Research quality has improved with innovative use of high quality quantitative research in the core product and a focus on longer and more detailed reports. Research analyst recruitment means that the number of writing analysts has now exceeded its previous 2006 peak and is projected to expand further. On sales, the Group increased staff numbers in New York and Tokyo and strong progress was made in opening accounts in Continental Europe where broking commenced in 2006. The average number of trading clients for the period increased 10% over the same period last year. Expansion of operations continues to be underpinned by a strong balance sheet with cash of £7.1 million and cash per share of £101.

However, despite this positive background, market conditions have not been favourable for an ideas oriented research house which provides recommendations across the market cap spectrum. Although the traded value for stocks listed on the first section of the Tokyo Stock Exchange ("TSE1") increased 8% on the similar period last year, the traded value of stocks listed on the second section of the Tokyo Stock Exchange ("TSE2") declined 65% and the Mothers market traded value declined 40%, indicating that investors had significantly reduced trading in mid and small cap stocks. Second, a number of clients, particularly the international hedge funds, suffered substantial redemptions, while a material amount of international long only money was reallocated to other markets including higher performing Asia markets, such as China. Finally, the advent of unbundling (where fund managers must split and record separately the commissions paid for research and for execution) has resulted in higher execution costs for many of the Group's clients, with some corresponding decline in research commission experienced by research brokers (though this is being addressed by a new order taking hub, IND-X Securities Limited ("IND-X"), as explained below).

As a result, revenues for the six months to 30 June 2007 declined 35% in sterling terms and 24% in yen terms (the principal revenue source currency of the Group) over the six months to 30 June 2006. Cost control and a lack of listing costs saw Administrative Expenses decline by 10% (a 5% increase in yen terms). The resulting operating loss in the period was £295k versus an operating profit of £676k for the six months ended 30 June 2006. Interest receivable increased from £18k to £172k giving a loss before taxation of £123k versus a profit for the prior half year period of £695k.

Japaninvest Group plc

Report of the directors for the six months ended 30 June 2007 (*continued*)

Unaudited management accounts show the breakdown of operating loss/(profit) for the period as follows

Business Unit	Turnover £k	Operating Profit (Loss) £k	OP as % of Group turnover
Japanese Equities	2,329	217	9.3%
Expansion costs for IND-X and Asian Equities	nil	(228)	-9.8%
Listing maintenance costs	nil	(284)	-12.2%
Total	2,329	(295)	-12.7%

The core Japanese equity research and sales business remains profitable, though less so than the first six months of 2006, with a 9.3% operating margin for the period. The group spent an additional £284k on the costs of maintaining a listing on the Tokyo Stock Exchange (12.2% of turnover) and invested £228k on new business development (9.8% of turnover).

Future Developments

Japanese Equities

The Group intends to continue to expand its Japanese Equities research and sales business, which remained profitable in the first half of 2007. In particular it intends to continue to increase research staff numbers. The Group is also implementing a number of new research and sales initiatives to accelerate the process of increasing market share, particularly in the USA and Asia where the franchise is relatively less well developed.

In addition, the Group believes that the IND-X order taking hub has the capability to substantially increase commissions at Japaninvest.

Asian Equities

The Group is furthering its plans for the Asian Equities research and sales business and is currently awaiting various regulatory approvals. The markets in Asia continue to show strong growth in commissions and the Group has already identified a number of key personnel who will run the business.

It is expected, given the strong growth in commissions in the Asia region, that revenues should eventually match those from the Japanese research and sales business. The business is forecast to be loss making during its investment phase in 2007 and 2008, and is targeted to reach profitability in first quarter of 2009.

IND-X Order Taking Hub

Both the development of commission share agreements and the implementation of new financial markets regulation in Europe (specifically the Markets in Financial Instruments Directive ("MiFID") due on 1 November 2007), make possible new and innovative solutions in equity execution services, which the Group believes should benefit both itself and its clients. To take advantage of these developments, the Board has approved a £1.5m equity investment in the development of an equity order taking hub, IND-X, initially for Japanese equities, but with a wide remit and the necessary resources for rapid expansion.

Japaninvest Group plc

Report of the directors for the six months ended 30 June 2007 (continued)

Clients will benefit from an extended hours dealing desk with no proprietary trading capability, allowing them to place orders on an anonymous, cost effective basis with a panel of executing brokers MiFID compliant transaction cost analysis of the execution broker panel will be provided from an independent source, with clients in full control of their commission management and reconciliation via a sophisticated software package. The Group should benefit from making additional commission on the execution of the trades, which to date it has not done, as well as improving revenues and margins in its current research and sales business.

The new business will be established within a separate subsidiary, IND-X Securities Limited, to emphasise its physical and managerial independence from Japaninvest's research and sales business. The Board has appointed Peter Twist, who was previously HSBC's Head of Equity Sales Division, Global Markets, Japan as CEO. It is intended that IND-X directors and staff will eventually own in the region of 10-15% of the equity of IND-X as an incentive to maximise the businesses performance.

Given an intended start date of actual operations in the fourth quarter of 2007, IND-X is forecast to make no material contribution to revenues in 2007. However, over time it is expected to make a strong contribution to group revenues with a target of matching the revenues in the existing Japanese equity research and sales business.

Summary of Future Developments

The Group is investing heavily in its existing business and its two new businesses to achieve rapid revenue growth, with both businesses individually capable of matching the existing revenues of the current business. As such, revenues are targeted to increase strongly in 2008 and thereafter. While the Group expects the existing Japanese Equities research and sales business to remain profitable in both 2007 and 2008, the major investment in the two new businesses will likely mean that the Group as a whole should return to a recurring profit in 2009.

Overall the Board believes the Group has made strong advances in the first half of 2007 in challenging market conditions, has a strong balance sheet capable of supporting all planned growth, and remains well placed for the future.

Directors

The directors of the company during the period and their beneficial interests (unless otherwise stated) in the ordinary share capital of the company were as follows:

	Ordinary shares of £1 each at 30 Jun 2007	Options over ordinary shares of £1 each at 30 Jun 2007	Ordinary shares of £1 each at 1 Jan 2007	Options over ordinary shares of £1 each at 1 Jan 2007
Sir J S Whitehead	160	-	160	-
M E Burges Watson	10,354	-	10,354	-
R J A Eastwood	13,200	-	13,200	-
A J Ramsay	-	500	-	400
R Shimazaki	-	1,100	-	1,000
A D Brierley	-	-	-	-
J A Craddock	30	-	30	-

A J Ramsay and R Shimazaki were granted 100 options each on 26 April 2007. These options vest over a period of four years on condition that employment is continuous.

Statement of Directors' responsibilities

The directors are responsible for the Financial Statements which they have chosen to prepare in accordance with United Kingdom Generally Accepted Accounting Practice to 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 have chosen 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, and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

These Financial Statements have been prepared in accordance with the recognition, measurement, presentation and disclosure requirements of United Kingdom accounting standards. As they represent interim statements, these Financial Statements have not been prepared in accordance with the full annual disclosure requirements of the Companies Act 1985.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group. 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.

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant information of which the auditors are unaware.

Corporate Governance

The board of Japaninvest Group plc, chaired by Sir J S Whitehead, now meets at least six times a year to discuss major strategic and operational issues of the group and review trading performance, business strategy and any other matters of significance to the group. The board intends that, so far as is practicable and to the extent appropriate having regard to the size of Japaninvest, it will consider and where appropriate comply with the Combined Code on Corporate Governance issued in the United Kingdom. This report sets out the key principles that the group has applied to its corporate governance structure in the period.

Remuneration Committee

The Remuneration Committee, chaired by J A Craddock, comprises all of the non-executive directors of the company. The Remuneration Committee determines salary levels, discretionary bonuses and the terms and conditions of service of the executive directors. The committee also reviews the group's remuneration policy.

Audit Committee

The Audit Committee is comprised solely of Non Executive Directors who are also considered to be independent. Chaired by A D Brierley, the other members were Sir J S Whitehead and J A Craddock. The board is satisfied that at least one member of the Committee has past and relevant financial experience.

Report of the directors for the six months ended 30 June 2007 (Continued)

Normally the CFO is invited to attend at least a part of Audit Committee meetings, as do representatives of the external auditors and the internal auditor. The Audit Committee's terms of reference are available on request from the Company Secretary.

The Committee assists the board in reviewing the effectiveness of internal control. The Committee also reviews financial statements to be published externally before their submission to the board, to ensure that they present a fair assessment of the group's position and prospects.

The Committee also keeps under review the independence and objectivity of the external auditors, and their effectiveness. In particular, the Committee oversees the nature and amount of non-audit work undertaken by BDO Stoy Hayward each year to ensure that true independence is safeguarded.

Nomination Committee

The Nomination Committee is chaired by J A Craddock and comprises all of the non-executive directors together with the CEO and the COO. The Committee is responsible for leading the process for board appointments (including appointment to the Remuneration and Audit Committees) and making recommendations to the board accordingly. As appropriate, the Committee may review the composition of the board as well as the capability of each individual director to maintain and develop the board's effectiveness.

Executive Committee

The Executive Committee, chaired by the CEO, comprises the executive directors, with research and sales managers appointed by the board as appropriate, and meets on a monthly basis. The committee is responsible for day-to-day operational matters, reviewing and monitoring financial and operational performance, and the development of business strategies and policies for recommendation to the board.

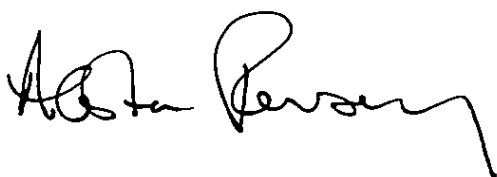
Budget Committee

The Budget Committee, chaired by the CEO, comprises the CFO and the COO as well as other relevant executive officers as appointed by the CEO. The committee is responsible for building and monitoring the group's budgets and setting remuneration levels for employees. The committee meets on a monthly basis.

Internal Control

The board of directors is responsible for maintaining the group's system of internal control and for reviewing its effectiveness. As part of these responsibilities, an Internal Audit Officer is nominated and appointed by the CEO. The Internal Audit Officer is responsible for reviewing and assessing any issues related to the group's internal integrity, governance and control, and reports directly to the CEO, who is responsible for implementing necessary improvement measures, and to the Audit Committee. The Internal Audit Officer makes at least two formal "Internal Audit Reports" per year.

On behalf of the board



A J Ramsay
Director
13 August 2007

Japaninvest Group plc

Report of the independent auditors

To the directors of Japaninvest Group plc

We have audited the consolidated non-statutory accounts of Japaninvest Group plc for the six months ended 30 June 2007 (the "Accounts") which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These Accounts have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Accounts are set out in the Statement of Directors' Responsibilities.

In accordance with our separate engagement letter dated 19 July 2007 (the "Engagement Letter") we have agreed to audit the Accounts in accordance with the International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Accounts give a true and fair view. We also report to you if the Group has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

Our report has been prepared pursuant to the terms agreed within the Engagement Letter and for no other purpose. No person is entitled to rely on this report unless such a person has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

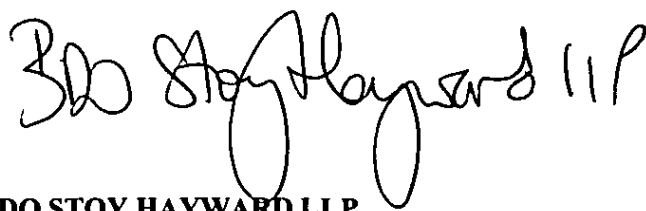
Basis of audit opinion

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 Accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Accounts, and of whether the accounting policies are appropriate to the group'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 Accounts 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 Accounts.

Opinion

In our opinion the Accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 30 June 2007 and of its loss for the period then ended.



BDO STOY HAYWARD LLP

Chartered Accountants

London

13 August 2007

Japaninvest Group plc

Consolidated profit and loss account for the six months ended 30 June 2007

	Note	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2006 £	Year ended 31 Dec 2006 £
Turnover	1	2,329,474	3,593,239	6,635,393
Gross profit		2,329,474	3,593,239	6,635,393
Administrative expenses		2,624,299	2,916,790	5,431,326
Operating (loss)/profit	3	(294,825)	676,449	1,204,067
Interest receivable		171,913	18,367	56,998
(Loss)/profit on ordinary activities before taxation		(122,912)	694,816	1,261,065
Taxation on (loss)/profit from ordinary activities	5	26,417	310,910	458,726
(Loss)/profit for the financial period		(149,329)	383,906	802,339
		£	£	£
Basic (loss)/earnings per share	9	(2.12)	6.90	13.60
Diluted (loss)/earnings per share	9	(2.12)	6.09	12.31

Turnover and results are derived from continuing operations
The notes on pages 12 to 23 form part of these Financial Statements

Japaninvest Group plc

Consolidated statement of total recognised gains and losses for the six months ended 30 June 2007

	Six months ended 30 Jun 2007 £	Six months ended 31 Dec 2006 £	Year ended 31 Dec 2006 £
(Loss)/profit for the financial period	(149,329)	383,906	802,339
Exchange difference on retranslation of net assets of subsidiary undertakings	(12,724)	(11,768)	(24,773)
Total recognised gains and losses for the financial period	<u>(162,053)</u>	<u>372,138</u>	<u>777,566</u>

The notes on pages 12 to 23 form part of these Financial Statements

Japaninvest Group plc

Consolidated balance sheet at 30 June 2007

	Note	30 Jun 2007 £	30 Jun 2007 £	30 Jun 2006 £	30 Jun 2006 £	31 Dec 2006 £	31 Dec 2006 £
Fixed assets							
Tangible assets	6		148,610		111,918		156,936
Current assets							
Debtors	7	1,373,863		1,075,601		1,126,545	
Cash at bank and in hand		7,134,951		2,446,770		7,528,701	
		<u>8,508,814</u>		<u>3,522,371</u>		<u>8,655,246</u>	
Creditors: amounts falling due within one year	8	<u>904,854</u>		<u>1,550,221</u>		<u>903,028</u>	
Net current assets			<u>7,603,960</u>		<u>1,972,150</u>		<u>7,752,218</u>
Net assets			<u>7,752,570</u>		<u>2,084,068</u>		<u>7,909,154</u>
Capital and reserves							
Called up share capital	11		70,560		61,060		70,560
Share premium account	12		6,536,939		1,128,714		6,536,939
Profit and loss account	12		1,145,071		894,294		1,301,655
Shareholders' funds	13		<u>7,752,570</u>		<u>2,084,068</u>		<u>7,909,154</u>

The Financial Statements were approved and authorised for issue by the Board on 13 August 2007



A J Ramsay
Director

The notes on pages 12 to 23 form part of these financial statements

Japaninvest Group plc

Consolidated cash flow statement for the six months ended 30 June 2007

	Note	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2006 £	Six months ended 30 Jun 2006 £	Year ended 31 Dec 2006 £	Year ended 31 Dec 2006 £
Net cash inflow from operating activities	16		(241,096)		645,306		825,927
Returns on investments and servicing of finance							
Interest received		171,913		18,367		56,998	
Net cash inflow from returns on investments and servicing of finance			171,913		18,367		56,998
Taxation							
Taxation paid			(282,170)		(34,748)		(482,544)
Capital expenditure and financial investment							
Purchase of tangible fixed assets		29,673		93,921		188,166	
Net cash outflow from capital expenditure and financial investment			(29,673)		(93,921)		(188,166)
Cash inflow before management of liquid resources and financing			(381,026)		535,004		212,215
Management of liquid resources							
Funds placed on deposit			(236,253)		-		(5,509,596)
Cash (outflow)/inflow before financing			(617,279)		535,004		(5,297,381)
Financing							
Share capital subscribed	13	-		542,870		5,960,595	
Cash inflow from financing			-		542,870		5,960,595
Increase in cash in the period	17		(617,279)		1,077,874		663,214

The notes on pages 12 to 23 form part of these Financial Statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements and are the same as those set out in the audited financial statements for the year ended 31 December 2006. The financial information for the year ended 31 December 2006 set out in this report does not constitute the company's statutory accounts for that year. Statutory accounts for 2006 have been delivered to the Registrar of Companies. The auditors have reported on those accounts, their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The principal accounting policies are

Basis of consolidation

The consolidated Financial Statements incorporate the results of Japaninvest Group plc and all of its subsidiaries as at 30 June 2007 using the acquisition method of accounting.

Turnover

Turnover represents commissions due under commission share agreements plus research fees receivable from third parties. It is recognised on an accruals basis having regard to notifications from clients and other information available to directors and accounted for in the period to which it relates. In the event that commissions or fees are received in advance, these amounts are included in deferred income.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets. It is calculated at the following rates:

IT equipment	-	25% per annum
Fixtures and fittings	-	25% per annum
Leasehold improvements	-	amortised over the life of the lease

Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

The results of overseas operations and their balance sheets are translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings and from translating the profit and loss account at the rates of exchange ruling on the balance sheet date are taken to reserves.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

1 Accounting policies (Continued)

Operating leases

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term even if payments are not made on such a basis

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of the options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where the equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

2 Segmental information

Group turnover represents commissions earned on trades in, and research on Japanese equities. Many of the group's clients are based in more than one geographic location so the segmental information disclosed below is by reporting location.

	UK	USA	Japan	Consolidated
Six months ended 30 June 2007	£	£	£	£
Turnover	1,723,260	497,854	108,360	2,329,474
(Loss)/profit before interest and tax	(280,279)	(50,895)	36,349	(294,825)
Net assets	7,447,791	183,532	121,247	7,752,570
Six months ended 30 June 2006				
Turnover	2,890,492	557,513	145,234	3,593,239
Profit before interest and tax	553,604	64,207	58,638	676,449
Net assets	1,776,126	175,059	132,883	2,084,068
Year ended 31 December 2006				
Turnover	5,362,596	987,012	285,785	6,635,393
Profit before interest and tax	948,702	128,643	126,722	1,204,067
Net assets	7,554,626	236,941	117,587	7,909,154

3 Operating profit

	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2006 £	Year ended 31 Dec 2006 £
This is arrived at after charging			
Depreciation	37,999	16,396	65,623
Hire of other assets – operating leases	243,342	180,970	383,390
Auditors' remuneration (see below)	73,022	66,487	155,978
Exchange differences	54,216	24,219	142,123
	<u> </u>	<u> </u>	<u> </u>
Auditors' remuneration			
Fees payable to the company's auditors and their associates for the audit of the group	62,094	36,487	99,973
for non-audit services	10,928	30,000	56,005
	<u> </u>	<u> </u>	<u> </u>
	<u>73,022</u>	<u>66,487</u>	<u>155,978</u>

4 Employees

	Six months ended 30 Jun 2007 Number	Six months ended 30 Jun 2006 Number	Year ended 31 Dec 2006 Number
Average number of employees - administration	<u>31</u>	<u>26</u>	<u>29</u>
Staff costs for all employees, including executive directors, consist of	£	£	£
Wages and salaries	1,524,808	1,873,515	3,055,042
Social security costs	96,206	111,771	169,261
	<u> </u>	<u> </u>	<u> </u>
	<u>1,621,014</u>	<u>1,985,286</u>	<u>3,224,303</u>

5 Taxation on (loss)/profit from ordinary activities

	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2006 £	Year ended 31 Dec 2006 £
<i>UK Corporation tax</i>			
Current tax on (loss)/profit of the period	-	258,940	417,974
<i>Foreign tax</i>			
Current tax on foreign income for the year	26,417	51,970	40,752
	<u>26,417</u>	<u>310,910</u>	<u>458,726</u>

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2006 £	Year ended 31 Dec 2006 £
(Loss)/profit on ordinary activities before tax	(122,912)	694,816	1,261,065
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 – 30%)	(36,873)	208,444	378,320
Effects of			
Expenses not deductible for tax purposes	17,278	91,245	137,538
Depreciation in excess of capital allowances	-	37	(1,476)
Higher rates on overseas earnings	6,926	9,999	20,728
Tax losses carried forward	39,086	-	-
Rate difference	-	-	70
Overseas prior year charges	-	1,185	-
Tax credit on options exercised by employees based overseas	-	-	(76,454)
	<u>26,417</u>	<u>310,910</u>	<u>458,726</u>

6 Tangible assets

Group	Leasehold improvements £	IT equipment £	Fixtures and fittings £	Total £
<i>Cost</i>				
At 1 January 2007	69,011	141,383	52,976	263,370
Additions	-	23,919	5,754	29,673
At 30 June 2007	69,011	165,302	58,730	293,043
<i>Depreciation</i>				
As 1 January 2007	17,878	72,625	15,931	106,434
Charge in period	15,378	15,793	6,828	37,999
At 30 June 2007	33,256	88,418	22,759	144,433
<i>Net book value</i>				
At 30 June 2007	35,755	76,884	35,971	148,610
At 30 June 2006	28,935	68,308	14,675	111,918
At 31 December 2006	51,133	68,758	37,045	156,936

7 Debtors

	30 Jun 2007 £	30 Jun 2006 £	31 Dec 2006 £
Trade debtors	676,618	741,613	619,756
Other debtors	531,434	254,259	340,756
Prepayments	127,449	79,729	127,671
Deferred tax assets	38,362	-	38,362
	1,373,863	1,075,601	1,126,545

All amounts fall due for payment within one year with the exception of £20,180 (31 December 2006 £21,440) in other debtors relating to a regulatory deposit repayable in the event that Japaninvest KK no longer requires its regulatory permission. Further, there is £122,105 (31 December 2006 £nil) outstanding in loans made to employees under the Group's corporate loan program. These loans are repayable over two years.

In addition, £101,966 (31 December 2006 £92,394) in other debtors relates to rental deposits for company provided accommodation for certain employees and directors based in Japan which are cancellable at two months notice.

8 Creditors: amounts falling due within one year

	30 Jun 2007 £	30 Jun 2006 £	31 Dec 2006 £
Trade creditors	149,926	76,294	171,761
Accruals	440,026	873,234	353,922
Other creditors	275,121	61,329	99,599
Other tax and Social Security	39,781	539,364	277,746
	904,854	1,550,221	903,028

9 Earnings per share

The calculation of basic (loss)/earnings per ordinary share is calculated on (loss)/profit on ordinary activities after taxation as follows

	Six months ended 30 Jun 2007 Number	Six months ended 30 Jun 2006 Number	Year ended 31 Dec 2006 Number
Weighted average number of ordinary shares outstanding	70,560	55,657	58,990
Effect of options over ordinary shares	-	7,417	6,193
	70,560	63,074	65,183
	£	£	£
(Loss)/profit for the period	(149,329)	383,906	802,339
Basic (loss)/earnings per share	(2.12)	6 90	13 60
Diluted (loss)/earnings per share	(2.12)	6 09	12 31

The number of potentially issuable shares that have not been included in the above calculation for the six months ended 30 June 2007, in accordance with paragraph 41 of FRS 22, is 4,788 (31 December 2006 nil) as the effect would be to reduce the loss per share.

10 Share-based payment

The company operates a share option scheme to incentivise employees. This scheme is registered as an Enterprise Management Incentive ("EMI") scheme for UK based employees. Options have been issued since the formation of the company in 2003 and have exercise prices based on a multiple of revenues in the previous quarter.

As at 30 June 2007

Exercise Price	Options outstanding b/fwd	Granted in the period	Lapsed in the period	Exercised during the period	Options outstanding c/fwd	Weighted average remaining life (years)
£1.00	400	-	-	-	400	2.5
£40.00	1,600	-	-	-	1,600	4.5
£75.00	4,020	-	(800)	-	3,220	3.5
£125.00	420	-	-	-	420	4.5
£200.00	1,820	-	-	-	1,820	4.4
£338.50	2,050	-	-	-	2,050	4.5
£436.50	1,650	-	(400)	-	1,250	4.5
£497.50	1,600	-	(200)	-	1,400	4.5
Y84,750	-	1,700	-	-	1,700	5.7
	13,560	1,700	(1,400)	-	13,860	4.3

As at 30 June 2006

Exercise Price £	Options outstanding b/fwd	Granted in the period	Lapsed in the period	Exercised during the period	Options outstanding c/fwd	Weighted average remaining life (years)
1.00	7,200	-	-	(6,400)	800	3.5
40.00	1,720	-	-	(120)	1,600	5.5
50.00	40	-	-	(40)	-	-
75.00	9,560	-	-	(5,340)	4,220	4.4
100.00	40	-	-	(40)	-	-
125.00	860	-	-	(90)	770	5.4
200.00	2,420	-	-	(600)	1,820	5.4
338.50	2,150	-	-	-	2,150	5.5
436.50	-	2,450	-	-	2,450	5.5
497.50	-	1,600	-	-	1,600	5.5
	23,990	4,050	-	(12,630)	15,410	5.1

10 Share-based payment (*continued*)

As at 31 December 2006

Exercise Price £	Options outstanding b/fwd	Granted in the period	Lapsed in the period	Exercised during the period	Options outstanding c/fwd	Weighted average remaining life (years)
1 00	7,200	-	(400)	(6,400)	400	3 0
40 00	1,720	-	-	(120)	1,600	5 0
50 00	40	-	-	(40)	-	-
75 00	9,560	-	-	(5,540)	4,020	4 0
100 00	40	-	-	(40)	-	-
125 00	860	-	(50)	(390)	420	5 0
200 00	2,420	-	-	(600)	1,820	4 9
338 50	2,150	-	(100)	-	2,050	5 0
436 50	-	2,450	(800)	-	1,650	5 0
497 50	-	1,600	-	-	1,600	5 0
	<u>23,990</u>	<u>4,050</u>	<u>(1,350)</u>	<u>(13,130)</u>	<u>13,560</u>	<u>4 6</u>

Of the total number of options outstanding at the end of the period, 3,994 (31 December 2006 2,332) had vested and were exercisable at the end of the period

The estimated weighted average fair value of each option granted during the period was £25 66 (31 December 2006 £0 01) This was calculated by applying a binomial option pricing model The expected volatility of 26% was based on an historical average of a group of comparable listed companies for the last three years, whilst the risk-free interest rate was based on the official discount rate from the Bank of Japan It was assumed that employees would exercise after vesting if the share price was twice the exercise price

This period saw a charge of £5,469 (31 December 2006 £5,109) relating to the issuance of share options The total amount charged to date following the issuance of share options is £23,323 (31 December 2006 £17,854)

11 Share capital

	30 Jun 2007 £	30 Jun 2006 £	31 Dec 2006 £
<i>Authorised</i>			
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
<i>Allotted, called up and fully paid</i>			
Ordinary shares of £1 each	<u>70,560</u>	<u>61,060</u>	<u>70,560</u>

There was no movement in share capital in the six months ended 30 June 2007

Japaninvest Group plc

Notes forming part of the Financial Statements for the six months ended 30 June 2007 (Continued)

12 Reserves

	Share premium account £	Profit and loss account £
At 1 January 2007	6,536,939	1,301,655
Adjustment in respect of share options	-	5,469
Exchange movement	-	(12,724)
Loss for the period	-	(149,329)
	<hr/>	<hr/>
At 30 June 2007	6,536,939	1,145,071
	<hr/>	<hr/>

13 Reconciliation of movements in shareholders' funds

	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2006 £	Year ended 31 Dec 2006 £
Total recognised gains and losses	(162,053)	372,138	777,566
Adjustment in respect of share options	5,469	3,176	5,109
New share capital subscribed	-	542,870	6,104,966
Apportionment of listing expenses	-	-	(144,371)
	<hr/>	<hr/>	<hr/>
Net addition to shareholders' funds	(156,584)	918,184	6,743,270
Opening shareholders' funds	7,909,154	1,165,884	1,165,884
	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	7,752,570	2,084,068	7,909,154
	<hr/>	<hr/>	<hr/>

14 Commitments under operating leases

As at 31 December 2006, the group had annual commitments under operating leases as set out below

	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2006 £	Year ended 31 Dec 2006 £
Operating leases which expire			
Within one year	182,078	48,243	112,948
In one to two years	175,240	115,215	321,793
In two to five years	124,645	230,959	38,258
More than five years	-	12,600	11,423
	<u>481,963</u>	<u>407,017</u>	<u>484,422</u>

Included above are certain operating leases that are cancellable with 2 to 6 months notice

15 Financial Instruments

The group's financial instruments comprise cash balances and items such as trade debtors and trade creditors that arise from the normal course of business. Sterling and foreign currency cash balances are invested with the group's approved banks. Foreign currency cash balances arise from trading operations as well as through the general course of business in foreign subsidiaries. The group's policy is not to enter into any derivative transactions such as interest rate swaps or foreign currency contracts.

Currency Risk

The group faces foreign exchange risk in that it holds cash denominated in foreign currencies to fund overseas operations and as a result of trading activities. This risk is monitored by the executive directors with the aim that foreign currency cash balances are offset by foreign currency liabilities. The group has operations in Japan and the USA, in addition to the UK, and as such it has exposure to US Dollars (USD) and Japanese Yen (JPY).

The table below outlines the group's currency exposure with reference to the British Pound (GBP), the group's functional currency of operation.

	Net foreign currency exposure in GBP			
	Functional currency	USD	JPY	Total
As at 30 June 2007	GBP	615,603	188,655	804,258
As at 30 June 2006	GBP	517,732	(14,145)	503,587
As at 31 December 2006	GBP	320,355	188,922	509,277

Short term debtors and creditors have been included in the calculation of the Group's currency exposure

15 Financial Instruments (continued)

Liquidity Risk

The group's approach to liquidity risk is to ensure that sufficient liquidity is available to meet foreseeable requirements, investing cash resources in short term (usually one month or less) money market deposits with reputable banks. These deposits are for one month or less (typically overnight) and are redeemable without penalty and are therefore treated as cash.

Interest rate risk

The group is exposed to interest rate risk through its use of short term money market deposits. As at 30 June 2007 the group had deposits outstanding as detailed below.

	Currency	Amount	Remaining life (days)	Interest rate
	GBP	2,000,000	47	5.71%
	GBP	1,005,072	18	5.64%
	GBP	2,686,753	18	5.47%
	GBP	507,820	18	5.14%
As at 30 June 2007	GBP	<u><u>6,199,645</u></u>		
As at 30 June 2006	GBP	-	-	-
As at 31 December 2006	GBP	5,963,392	9	4.78%

Financial Assets

The group has no financial assets other than £7,134,951 (31 December 2006: £7,528,701) of cash and short term deposits. Of this, £514,424 is denominated in USD and £178,422 is denominated in JPY (31 December 2006: £184,313 in USD and £179,109 in JPY).

There were no financial liabilities.

The fair value of the group's financial assets is not considered to be materially different from the book value.

16 Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2006 £	Year ended 31 Dec 2006 £
Operating (loss)/profit	(294,825)	676,449	1,204,067
Depreciation	37,999	16,396	65,623
(Increase) in debtors	(247,318)	(141,105)	(153,687)
Increase/(decrease) in creditors	257,579	90,170	(295,405)
(Profit)/loss on disposal of fixed assets	-	220	220
Adjustment in respect of share options	5,469	3,176	5,109
Net cash (outflow)/inflow from operating activities	<u><u>(241,096)</u></u>	<u><u>645,306</u></u>	<u><u>825,927</u></u>

17 Reconciliation of net cash inflow to movement in net funds

	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2006 £	Year ended 31 Dec 2006 £
Increase in cash in the period	(617,279)	1,077,874	663,214
Management of liquid resources	236,253	-	5,509,596
Change in net funds resulting from cash flows	(381,026)	1,077,874	6,172,810
Exchange movement	(12,724)	(11,768)	(24,773)
Movement in net funds in the period	(393,750)	1,066,106	6,148,037
Net funds at the start of the period	7,528,701	1,380,664	1,380,664
Net funds at the end of the period (note 18)	<u>7,134,951</u>	<u>2,446,770</u>	<u>7,528,701</u>

18 Analysis of net funds

	At 31 December 2006 £	Cash flow £	Other non-cash changes £	At 30 June 2007 £
Cash at bank and in hand	1,565,309	(617,279)	(12,724)	935,306
Cash on time deposit	5,963,392	236,253	-	6,199,645
Total	<u>7,528,701</u>	<u>(381,026)</u>	<u>(12,724)</u>	<u>7,134,951</u>