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Japaninvest

Japaninvest Group plc

Interim report for the six months ended

30 June 2008

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Japaninvest Group plc

Interim report for the six months ending 30 June 2008

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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)
J A Craddock*	

*non-executive

R Shimazaki resigned as a director of the company with effect 28th March 2008

A D Brierley resigned as a director of the company with effect 31st July 2008

Secretary and registered office

R J A Eastwood, 35 Davies Street, London W1K 4LS.

Company number

4547135

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU

Japaninvest Group plc

Report of the directors for the six months ended 30 June 2008

The directors present their report together with the non-statutory audited interim financial statements on pages 10 to 29 for the six months ended 30 June 2008 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 2007 and the non-statutory audited interim financial statements for the period ended 30 June 2007

Results and dividends

The profit and loss account of the group is set out on page 10 and shows a loss before minority interests for the six months ended 30 June 2008 of £1,190,221 (year ended 31 December 2007 £1,276,394) 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

The principal activity of IND-X Securities Limited is the provision of equity execution and commission management services, initially for clients of other Japaninvest Group plc subsidiaries

Review of business

The Group made significant development progress in the first half of 2008 with the rapid expansion of the IND-X execution and commission management platform, the opening and licensing of the Group's Hong Kong office and the launch of QI Crossborders, the Group's bespoke quantitative research arm

In addition, Group revenues of £1,307,372 in the three months ended 30 June 2008 were up 42% on the same period in 2007 This represents the first year on year quarterly revenue gain since the three months ended 30 September 2006

The new office in Hong Kong (set up in June 2008) adds to existing offices in London, Tokyo and New York and is equipped to house the IND-X business in Asia, as well as separately Asia sales and research in due course The business is licensed for both Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) activities Asia expansion of both trading and research is key to the Group's future growth and therefore a vital step has been taken in the Group's goal to create a pan-Asian broking business

Overall, revenues in the period ended 30 June 2008 decreased 6% from £2,329,474 to £2,185,868 from the same period in 2007 Given the decrease in assets under management at the Group's clients over the period, which directly impacts commissions, management believe this represents a good result The operating loss was £1,291,828, greater than the £294,825 recorded in the six months ended 30 June 2007 due to higher expansion costs as the Group moves into the highest phase of investment

Japaninvest Group plc

Report of the directors for the six months ended 30 June 2008 *(continued)*

Un-audited management accounts for the half year ended 30 June 2008 show the breakdown of operations (loss)/profit as follows

Business Unit	Turnover £k	Operating (Loss) £k	OL as % of Group turnover
Japanese Equities	1,993	(430)	-20%
Expansion revenues & costs for IND-X and Asian Equities	328	(629)	-29%
Intercompany adjustments	(135)	Nil	-
Listing maintenance costs	Nil	(233)	-10%
Total	2,186	(1,292)	-59%

Japanese Equities

Japanese Equities revenues declined 14% for the period versus the six months ended 30 June 2007. The average level of Topix Index for the first six months of 2008 declined 23.6% from the same period in 2007. The declines for TSE2 and Mothers were 30.2% and 37.5% respectively showing that small caps continue to suffer disproportionately. Management believe that clients' assets under management declined significantly more than the Index and therefore Japaninvest has continued to take market share over the period.

The Japaninvest research product has continued to increase in quality, with 2007 hires performing well in terms of recommendation performance. The six months ended 30 June 2008 represented a record number of both full rated notes and new coverage initiations which is expected to feed through to higher rankings, and therefore revenues, from clients. Japaninvest intends to continue to take market share as competitors, largely the global investment banks, react to the credit crisis and falling profitability by reducing service levels globally on equity research and sales.

Operating costs increased 15% to £2,422,665, resulting in the Japanese Equities division making an operating loss of £429,997.

QI Crossborders

Quantitative research has, until recently, been contained within Japanese Equities. However, increasing direct requests for bespoke work from clients, as well as requirements to service IND-X and JI Asia, persuaded management to brand the business separately and increase its activities. QI Crossborders' flagship product is a graphical presentation of key performance and valuation metrics within industry sub-groups across different markets in Asia (hence "quantitative investing across borders"). Third party revenues will be negotiated separately from the main equity research products.

Japaninvest Group plc

Report of the directors for the six months ended 30 June 2008 (continued)

New Businesses

Revenue from New Businesses (all IND-X at this stage) increased to £327,907 in the six months ended 30 June 2008 (including £134,707 of intra-group revenues) from £62,576 in the six months ended 31 December 2007. The costs of the business expansion increased to £648,551 as IND-X staff numbers increased and the Hong Kong office was opened. As a result the operating loss from New Businesses increased to £629,125 from £227,900 in the six months ended 30 June 2007.

Overall, management is encouraged by the progress made in establishing the New Businesses and believes it has hired very high quality staff for those businesses. IND-X and Asia Equities both have the long term potential to exceed the existing revenues of the current business and are therefore highly significant to the prospects of the Group.

IND-X

IND-X, which remains in its start-up phase, has rapidly increased both client numbers and the numbers of research providers that the hub has paid. IND-X has now traded Japanese, UK and Hong Kong equities on behalf of clients out of its offices in London and Hong Kong. Client feedback suggests that systems are operating as planned and execution quality is good.

Asia Equities

Following the launch of IND-X, management is now turning to the recruitment of the research and sales personnel required to launch the Asia Equities product. Management view the global downturn in the equity markets as an excellent opportunity for hiring such staff. The loading of Asia data into databases is largely complete and the lead time once the first analysts have been recruited to research production is expected to be short.

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 2008	Options over ordinary shares of £1 each at 30 Jun 2008	Ordinary shares of £1 each at 1 Jan 2008	Options over ordinary shares of £1 each at 1 Jan 2008
Sir J S Whitehead	160	-	160	-
M E Burges Watson	10,506	-	10,506	-
R J A Eastwood	14,107	-	14,107	-
A J Ramsay	-	500	-	500
R Shimazaki	-	-	-	1,100
J A Craddock	30	-	30	-

All options over shares held by R Shimazaki lapsed on his resignation from the company on 28th March 2008. AD Brierley held no shares or options over shares in the period.

Japaninvest Group plc

Report of the directors for the six months ended 30 June 2008 *(Continued)*

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 company. 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

Although the Group's shares are listed on the Mothers Market of the Tokyo Stock Exchange, it is a UK registered company and therefore subject to the laws in place there. Whilst being listed in Tokyo exempts the Group from some corporate governance regulation in the UK, the Board is committed to high standards of corporate governance and, as a consequence resolved, with effect from 1 December 2007, to comply with the provisions set out in the Combined Code on Corporate Governance, issued by the Financial Reporting Council. Whilst the Group has not complied with the Combined Code in its entirety, the Board has applied the code as far as practicable for a group of its size since this date. This statement sets out the Group's corporate governance procedures which have been applied.

Board of Directors

The Group has a board of five directors of which two are non-executive and considered fully independent. All non-executive directors are considered to be independent by the board and Sir John Whitehead, as Chairman, acts as the senior independent director.

The directors come from diverse business backgrounds and have the appropriate mix of experience and expertise. Each actively and effectively contributes to the work of the Board and its committees.

Corporate Governance (continued)

Role of the Board

The prime responsibility of the Board is to manage the business of the Company in a manner consistent with providing long-term shareholder value, while ensuring that the Company remains regulatory compliant at all times. The role of the Independent Directors is to provide an additional balance of knowledge and experience on the Board, as well as to monitor and approve the strategy and policies recommended by the Chief Executive Officer (CEO). The Board may appoint from their number a Chairman or a Deputy Chairman, whose responsibility is to lead and manage the Board to ensure that it operates effectively within its legal and regulatory framework.

The following matters cannot be delegated by the Board to any committee:

- major changes of business strategy,
- any major corporate acquisitions or disposals,
- equity or debt capital raising or variations,
- handling of any regulatory investigations,
- risk management, and
- approval of quarterly accounts, budgets and forecast

Attendance at board meetings was as follows:

Date of Meeting	Sir J S Whitehead	A D Brierley	J A Craddock	R J A Eastwood	M E Burges Watson	A J Ramsay	R Shimazaki
31 Jan 08	✓	✓	✓	✓	✓	✓	✓
13 Feb 08	✓	✓	✓	✓	x	✓	✓
30 Apr 08	✓	✓	✓	✓	✓	✓	x
12 May 08	✓	✓	✓	✓	✓	✓	x

The Board has appointed four committees to make recommendations to the board in specific areas:

Audit Committee

Julie A Craddock (Chairman) and Sir John Whitehead
(Alan Brierley resigned as chairman of the Audit Committee on 31 July 2008)

The board is satisfied that at least one member of the Committee has past and relevant financial experience. 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 held two meetings in relation to the six months ended 30 June 2008. The external auditors, the CFO & the internal auditor were present during part of all the meetings.

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. Details of this period's fees are given in note 3 of the Financial Statements for the Group.

Corporate Governance (continued)

Remuneration Committee

Julie A Craddock (Chairman) and Sir John Whitehead
(Alan Brierley resigned from the Remuneration Committee on 31 July 2008)

The 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.

Nomination Committee

Julie A Craddock (Chairman), Sir John Whitehead, Mark Burges Watson and Rupert Eastwood
(Alan Brierley resigned from the Nomination Committee on 31 July 2008)

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. The Committees' Terms of Reference are available on request to the Company Secretary.

Budget Committee

Alastair Ramsay (Chairman), Mark Burges Watson and Rupert Eastwood

The Committee is responsible for building and monitoring the Group's budgets and providing advice and recommendations to the Board in relation to any possible revision of the Group's financial forecasts. The committee meets on a monthly basis.

In addition to the above committees, the Board has delegated responsibility for the day-to-day operations of each of the Group's business units to executive committees. The regular duties and responsibilities of these committees include (a) reviewing and monitoring of the financial and operational performance of the business unit, and (b) development of business strategies and policies for recommendation to the Board. The committees also discuss and review any other regulatory and business matters that need to be decided by the Board, and may have joint meetings with the Board to report and discuss any possible major revisions for the business unit and operational trends during the year. Each committee includes at least one executive director as a standing member, although any directors may attend as and when they deem it necessary.

A Group executive committee made up of the executive directors and the product heads meets on a quarterly basis to discuss and review cross product issues that arise out of the individual business unit committees.

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 ultimately implementing necessary improvement measures, and to the Audit Committee. The Internal Audit Officer makes at least two formal "Internal Audit Reports" per year.

Corporate Governance (*continued*)

Key features of the system of internal control

Policy – the board has established a policy of internal control through the implementation of clear documented guidelines and rules (through the Group Rulebook and compliance manuals) The Internal Audit Officer reviews the adherence to and effectiveness of this process

Management structure – a well defined management structure with clear accountabilities and delegations

Audit committee - the audit committee enhances and supports the oversight role of the Board

Budgeting and forecasting – a comprehensive planning and budgeting process is in place to deliver detailed financial forecast to the board (via the Budget Committee)

Financial Information – management information enables the board to receive detailed monthly analysis of financial and business performance including variance against budget (via the Budget Committee)

Internal audit – an internal audit function reports to the board (via the CEO and the Audit Committee) the effectiveness of key internal controls and the management of risk.

Compliance – a compliance function manages the Group's relationships with the Group's key regulators and identifies major compliance and regulatory risks

MLRO – a Money Laundering Reporting Officer and anti-money laundering procedures are in place, and training programmes are in place for all relevant staff

Documented procedures – documented procedures and authority levels have been established (through the Group Rulebook)

Internal assurances – internal assurances are given by all staff of their compliance with all applicable laws and regulatory regimes

On behalf of the board

A handwritten signature in black ink, appearing to read 'A J Ramsay', with a large, stylized loop at the end.

A J Ramsay
Director
13 August 2008

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 2008 (the "Accounts") which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, 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 in accordance with United Kingdom Generally Accepted Accounting Practice are set out in the Statement of Directors' Responsibilities.

In accordance with our separate engagement letter dated 18 July 2008 (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 or material inconsistencies 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 2008 and of its loss for the period then ended.

BDO Stoy Hayward LLP.

BDO STOY HAYWARD LLP

Chartered Accountants

London

13 August 2008

Japaninvest Group plc

Consolidated profit and loss account for the six months ended 30 June 2008

	Note	Six months ended 30 Jun 2008 £	Six months ended 30 Jun 2007 £	Year ended 31 Dec 2007 £
Turnover	1	2,185,868	2,329,474	4,253,695
Cost of sales	1	(173,775)	-	(56,333)
Gross profit		2,012,093	2,329,474	4,197,362
Administrative expenses		3,303,921	2,624,299	5,724,469
Operating loss	3	(1,291,828)	(294,825)	(1,527,107)
Interest receivable		110,759	171,913	341,593
Loss on ordinary activities before taxation		(1,181,069)	(122,912)	(1,185,514)
Taxation on loss from ordinary activities	5	9,152	26,417	90,880
Loss on ordinary activities after taxation		(1,190,221)	(149,329)	(1,276,394)
Minority interests		(56,445)	-	(35,725)
Loss after taxation attributable to the Group		(1,133,776)	(149,329)	(1,240,669)
		£	£	£
Basic (loss)/earnings per share	10	(16.07)	(2.12)	(17.58)
Diluted (loss)/earnings per share	10	(16.07)	(2.12)	(17.58)

All amounts relate to continuing activities.

The notes on pages 14 to 29 form part of these Financial Statements

Japaninvest Group plc**Consolidated statement of total recognised gains and losses for the six months ended 30 June 2008**

	Six months ended 30 Jun 2008 £	Six months ended 31 Dec 2007 £	Year ended 31 Dec 2007 £
Loss for the financial period	(1,133,776)	(149,329)	(1,240,669)
Exchange difference on retranslation of net assets of subsidiary undertakings	8,370	(12,724)	1,747
Total recognised gains and losses for the financial period	<u>(1,125,406)</u>	<u>(162,053)</u>	<u>(1,238,922)</u>

The notes on pages 14 to 29 form part of these Financial Statements

Japaninvest Group plc

Consolidated balance sheet at 30 June 2008

	Note	30 Jun 2008 £	30 Jun 2008 £	30 Jun 2007 £	30 Jun 2007 £	31 Dec 2007 £	31 Dec 2007 £
Fixed assets							
Tangible assets	6		198,497		148,610		191,292
Current assets							
Debtors	7	2,177,892		1,373,863		1,766,386	
Cash at bank and in hand		4,259,944		7,134,951		5,889,270	
		<u>6,437,836</u>		<u>8,508,814</u>		<u>7,655,656</u>	
Creditors: amounts falling due within one year	8	<u>1,132,473</u>		<u>904,854</u>		<u>1,175,709</u>	
Net current assets			<u>5,305,363</u>		<u>7,603,960</u>		<u>6,479,947</u>
Total assets less current liabilities			<u>5,503,860</u>		<u>7,752,570</u>		<u>6,671,239</u>
Provisions for liabilities	9		<u>1,418</u>		<u>-</u>		<u>-</u>
Net assets			<u><u>5,502,442</u></u>		<u><u>7,752,570</u></u>		<u><u>6,671,239</u></u>
Capital and reserves							
Called up share capital	12		70,560		70,560		70,560
Share premium account	13		6,536,939		6,536,939		6,536,939
Profit and loss account	13		(1,090,149)		1,145,071		22,203
			<u></u>		<u></u>		<u></u>
Shareholders' funds	14		<u>5,517,350</u>		<u>7,752,570</u>		<u>6,629,702</u>
Minority interest			(14,908)		-		41,537
			<u><u>5,502,442</u></u>		<u><u>7,752,570</u></u>		<u><u>6,671,239</u></u>

The Financial Statements were approved and authorised for issue by the Board on 13 August 2008



A J Ramsay
Director

The notes on pages 14 to 29 form part of these financial statements

Japaninvest Group plc

Consolidated cash flow statement for the six months ended 30 June 2008

	Note	Six months ended 30 Jun 2008 £	Six months ended 30 Jun 2008 £	Six months ended 30 Jun 2007 £	Six months ended 30 Jun 2007 £	Year ended 31 Dec 2007 £	Year ended 31 Dec 2007 £
Net cash outflow from operating activities	17		(1,679,333)		(241,096)		(1,529,061)
Returns on investments and servicing of finance							
Interest received		110,759		171,913		341,593	
Net cash inflow from returns on investments and servicing of finance			110,759		171,913		341,593
Taxation							
Taxation paid			(9,284)		(282,170)		(324,679)
Capital expenditure and financial investment							
Purchase of tangible fixed assets		61,018		29,673		129,206	
Sale of tangible fixed assets		(948)		-		-	
Net cash outflow from capital expenditure and financial investment			(60,070)		(29,673)		(129,206)
Cash outflow before management of liquid resources and financing			(1,637,928)		(381,026)		(1,641,353)
Management of liquid resources							
Movement of funds on deposit		720,127		(236,253)		1,901,220	
Cash (outflow)/inflow before financing			(917,801)		(617,279)		259,867
Financing							
Investment from minority shareholders		-		-		175	
Cash inflow from financing			-		-		175
(Decrease)/increase in cash in the period	18		<u>(917,801)</u>		<u>(617,279)</u>		<u>260,042</u>

The notes on pages 14 to 29 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 2007. The financial information for the year ended 31 December 2007 set out in this report does not constitute the company's statutory accounts for that year. Statutory accounts for 2007 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 2008 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.

Cost of sales

Cost of sales represents charges incurred in the settlement of equity transactions as part of commission share agreements and soft commissions payable to third parties.

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 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 profit and loss account 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 profit and loss account over the remaining vesting period.

Where the equity instruments are granted to persons other than employees, the profit and loss account 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	Hong Kong	Consolidated
	£	£	£	£	£
Six months ended 30 June 2008					
Turnover	1,768,029	346,975	61,384	9,480	2,185,868
Loss before interest and tax	(1,007,406)	(183,159)	(67,951)	(33,312)	(1,291,828)
Net assets	5,026,696	84,610	70,023	321,113	5,502,442
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
Year ended 31 December 2007					
Turnover	3,206,240	860,168	187,287	-	4,253,695
(Loss)/profit before interest and tax	(1,475,564)	(111,351)	59,808	-	(1,527,107)
Net assets	6,411,128	129,394	130,717	-	6,671,239

Japaninvest Group plc

Notes forming part of the Financial Statements for the six months ended 30 June 2008 (Continued)

2 Segmental information (continued)

The commissions that make up Group turnover are earned on execution and commission management services as well as sales and research advice related to Japanese Equities. Segmental information by business is as follows

	Sales and research advice	Execution and commission management	Inter- segmental	Consolidated
Six months ended 30 June 2008	£	£	£	£
Turnover	1,992,668	327,907	(134,707)	2,185,868
Loss before interest and tax	(747,215)	(544,613)	-	(1,291,828)
Net assets	6,397,289	605,233	(1,500,080)	5,502,442

3 Operating profit

	Six months ended 30 Jun 2008 £	Six months ended 30 Jun 2007 £	Year ended 31 Dec 2007 £
This is arrived at after charging	£	£	£
Depreciation	53,819	37,999	90,655
Hire of other assets – operating leases	300,438	243,342	549,062
Auditors' remuneration (see below)	91,215	73,022	154,116
Exchange differences	22,745	54,216	(53,198)
Loss on disposal of fixed assets	464	-	4,195
Auditors' remuneration			
Audit services			
audit of the company's accounts and consolidated financial statement	57,684	62,094	107,078
Other services			
audit of the subsidiaries' financial statements	5,575	-	34,642
taxation advice	27,956	10,928	12,396
	91,215	73,022	154,116

Included in the amounts above are £5,575 (31 December 2007: £35,092) paid to associate firms of BDO Stoy Hayward LLP

Japaninvest Group plc

Notes forming part of the Financial Statements for the six months ended 30 June 2008 (Continued)

4 Employees

	Six months ended 30 Jun 2008 Number	Six months ended 30 Jun 2007 Number	Year ended 31 Dec 2007 Number
Average number of employees	<u>40</u>	<u>31</u>	<u>46</u>
Staff costs for all employees, including executive directors, consist of	£	£	£
Wages and salaries	1,666,260	1,524,808	3,368,466
Social security costs	130,724	96,206	155,301
	<u>1,796,984</u>	<u>1,621,014</u>	<u>3,523,767</u>

5 Taxation on (loss)/profit from ordinary activities

	Six months ended 30 Jun 2008 £	Six months ended 30 Jun 2007 £	Year ended 31 Dec 2007 £
<i>UK Corporation tax</i>			
Current tax on (loss)/profit of the period	-	-	-
Tax on profits in prior periods	8,051	-	-
<i>Foreign tax</i>			
Current tax on foreign income for the year	-	26,417	52,518
Tax on profits in prior periods	1,101	-	-
Current taxation	<u>9,152</u>	<u>26,417</u>	<u>52,518</u>
<i>Deferred tax</i>			
Provision against deferred tax asset	-	-	38,362
	<u>9,152</u>	<u>26,417</u>	<u>90,880</u>

5 Taxation on (loss)/profit from ordinary activities (continued)

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 2008 £	Six months ended 30 Jun 2007 £	Year ended 31 Dec 2007 £
Loss on ordinary activities before tax	(1,181,069)	(122,912)	(1,185,514)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28.5% (2007 – 30%)	(336,605)	(36,873)	(355,654)
Effects of			
Expenses not deductible for tax purposes	12,083	17,278	29,928
Depreciation in excess of capital allowances	15,337	-	5,103
Higher rates on overseas earnings	(14,382)	6,926	8,911
Tax losses carried forward	323,567	39,086	364,230
Prior year charges	9,152	-	-
	<u>9,152</u>	<u>26,417</u>	<u>52,518</u>

A deferred tax asset has not been created on trading losses of £1,057,396 (31 December 2007: £1,204,352) given the inherent uncertainty of future profits. The unrecognised deferred tax asset (including losses brought forward from prior periods) is £687,797 (31 December 2007: £364,230).

Japaninvest Group plc

Notes forming part of the Financial Statements for the six months ended 30 June 2008 (Continued)

6 Tangible assets

Group	Leasehold improvements £	IT equipment £	Fixtures and fittings £	Total £
<i>Cost</i>				
At 1 January 2008	70,703	250,016	63,467	384,186
Additions	23,664	22,554	14,800	61,018
Disposals	-	(3,904)	(1,565)	(5,469)
At 30 June 2008	94,367	268,666	76,702	439,735
<i>Depreciation</i>				
As 1 January 2008	50,794	109,692	32,408	192,894
Charge in period	19,567	25,015	9,237	53,819
Disposals	-	(3,033)	(2,442)	(5,475)
At 30 June 2008	70,361	131,674	39,203	241,238
<i>Net book value</i>				
At 30 June 2008	24,006	136,992	37,499	198,497
At 30 June 2007	35,755	76,884	35,971	148,610
At 31 December 2007	19,909	140,324	31,059	191,292

7 Debtors

	30 Jun 2008 £	30 Jun 2007 £	31 Dec 2007 £
Trade debtors	769,631	676,618	593,730
Other debtors	1,062,854	531,434	1,009,419
Prepayments	345,407	127,449	163,237
Deferred tax assets	-	38,362	-
	2,177,892	1,373,863	1,766,386

All amounts fall due for payment within one year with the exception of £23,701 (31 December 2007 £22,484) in other debtors relating to a regulatory deposit repayable in the event that Japaninvest KK no longer requires its regulatory permission. In addition, £108,065 (31 December 2007 £123,518) 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. Other debtors also include £179,316 (31 December 2007 £210,103) in loans to staff members granted under the Group's corporate loan program and a £387,215 trade deposit with Penson Financial Services Limited (31 December 2007 £378,048).

Japaninvest Group plc

Notes forming part of the Financial Statements for the six months ended 30 June 2008 (Continued)

8 Creditors: amounts falling due within one year

	30 Jun 2008 £	30 Jun 2007 £	31 Dec 2007 £
Trade creditors	263,583	149,926	131,883
Accruals	486,357	440,026	665,800
Other creditors	343,151	275,121	342,139
Other tax and Social Security	39,382	39,781	35,887
	1,132,473	904,854	1,175,709

9 Provisions for liabilities and charges

	Dilapidation costs £	Total £
As at 1 January 2008	-	-
Additions	1,418	1,418
	1,418	1,418

Dilapidation costs reflect provision for the cost of returning leased premises to the conditions in which they were first occupied and are expected to be fully utilised by 31 March 2010. There were no provisions at 31 December 2007.

Japaninvest Group plc

Notes forming part of the Financial Statements for the six months ended 30 June 2008 (Continued)

10 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 2008 Number	Six months ended 30 Jun 2007 Number	Year ended 31 Dec 2007 Number
Weighted average number of ordinary shares outstanding	70,560	70,560	70,560
Effect of options over ordinary shares	-	-	-
	<hr/>	<hr/>	<hr/>
Diluted number of ordinary shares	70,560	70,560	70,560
	<hr/>	<hr/>	<hr/>
	£	£	£
Loss for the period	(1,133,776)	(149,329)	(1,240,669)
Basic loss per share	(16.07)	(2 12)	(17 58)
Diluted loss per share	(16.07)	(2 12)	(17 58)
	<hr/>	<hr/>	<hr/>

The number of potentially issuable shares that have not been included in the above calculation for the six months ended 30 June 2008, in accordance with paragraph 41 of FRS 22, is 1,309 (31 December 2007 3,935) as the effect would be to reduce the loss per share

11 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 2008

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	1.5
£40.00	1,600	-	-	-	1,600	3.5
£75.00	3,220	-	(800)	-	2,420	2.5
£125.00	420	-	-	-	420	3.5
£200.00	1,820	-	(1,000)	-	820	3.3
£338.50	2,050	-	-	-	2,050	3.5
£436.50	1,250	-	-	-	1,250	3.5
£497.50	1,200	-	(800)	-	400	3.5
Y20,040	-	1,200	-	-	1,200	5.6
Y48,075	200	-	-	-	200	3.1
Y84,750	1,700	-	(150)	-	1,550	4.6
	13,860	1,200	(2,750)	-	12,310	3.6

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

Japaninvest Group plc

Notes forming part of the Financial Statements for the six months ended 30 June 2008 (Continued)

11 Share-based payment (continued)

As at 31 December 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 0
£40 00	1,600	-	-	-	1,600	4 0
£75 00	4,020	-	(800)	-	3,220	3 0
£125 00	420	-	-	-	420	4 0
£200 00	1,820	-	-	-	1,820	3 9
£338 50	2,050	-	-	-	2,050	4 0
£436 50	1,650	-	(400)	-	1,250	4 0
£497 50	1,600	-	(400)	-	1,200	4 0
Y48,075	-	200	-	-	200	3 6
Y84,750	-	1,700	-	-	1,700	5 2
	<u>13,560</u>	<u>1,900</u>	<u>(1,600)</u>	<u>-</u>	<u>13,860</u>	<u>3 9</u>

Of the total number of options outstanding at the period end, 6,675 (31 December 2007 6,401) had vested and were exercisable at the end of the period. No options were exercised in the period or the preceding 12 months.

The estimated weighted average fair value of each option granted during the period was Y4,740 (31 December 2007 £27 44). This was calculated by applying a binomial option pricing model, a weighted average share price at grant date of Y13,360 (31 December 2007 Y53,926), a weighted average exercise price of Y20,040 (31 December 2007 Y80,889), and no dividends paid. The model inputs were an assumed share price for each quarter based on 2.5 times the previous half year's revenues per share subject to a 50% illiquidity discount. This share price was then compared to the highest equity issue price prior to the option grant and, if lower, was adjusted up to an average of such share price and the relevant equity issue price. 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 of 0.75% 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 £13,054 (31 December 2007 £36,557) relating to the issuance of share options. The total amount charged to date following the issuance of share options is £67,465 (31 December 2007 £54,411).

Japaninvest Group plc**Notes forming part of the Financial Statements for the six months ended 30 June 2008 (Continued)****12 Share capital**

	30 Jun 2008 £	30 Jun 2007 £	31 Dec 2007 £
<i>Authorised</i>			
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000	1,000,000
<i>Allotted, called up and fully paid</i>			
Ordinary shares of £1 each	70,560	70,560	70,560

There was no movement in share capital in the six months ended 30 June 2008

13 Reserves

	Share premium account £	Profit and loss account £
At 1 January 2008	6,536,939	22,203
Adjustment in respect of share options	-	13,054
Exchange movement	-	8,370
Loss for the period	-	(1,133,776)
At 30 June 2008	6,536,939	(1,090,149)

14 Reconciliation of movements in shareholders' funds

	Six months ended 30 Jun 2008 £	Six months ended 30 Jun 2007 £	Year ended 31 Dec 2007 £
Total recognised gains and losses	(1,125,406)	(162,053)	(1,238,922)
Adjustment in respect of share options	13,054	5,469	36,557
Minority interest on IND-X share issue	-	-	(77,087)
Net addition to shareholders' funds	(1,112,352)	(156,584)	(1,279,452)
Opening shareholders' funds	6,629,702	7,909,154	7,909,154
Closing shareholders' funds	<u>5,517,350</u>	<u>7,752,570</u>	<u>6,629,702</u>

15 Commitments under operating leases

The group had annual commitments under operating leases as set out below

	30 Jun 2008 Land and buildings £	30 Jun 2007 Land and buildings £	31 Dec 2007 Land and buildings £
Operating leases which expire			
Within one year	488,879	182,078	344,711
In one to two years	100,395	175,240	122,934
In two to five years	21,615	124,645	20,505
	<u>610,889</u>	<u>481,963</u>	<u>488,150</u>

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

16 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, the USA and Hong Kong, in addition to the UK, and as such it has exposure to US Dollars (USD), Japanese Yen (JPY) and Hong Kong Dollars (HKD).

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

	Functional currency	Net foreign currency exposure in GBP			Total
		USD	JPY	HKD	
As at 30 June 2008	GBP	638,207	257,135	272,211	1,167,553
As at 30 June 2007	GBP	615,603	188,655	-	804,258
As at 31 December 2007	GBP	753,857	139,092	-	892,949

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

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.

Japaninvest Group plc

Notes forming part of the Financial Statements for the six months ended 30 June 2008 (Continued)

16 Financial Instruments (continued)

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	2,122,857	44	5.71%
	GBP	533,405	30	4.95%
		<u>2,656,262</u>		
	HKD	3,600,000	47	0.45%
		<u>3,600,000</u>		
As at 30 June 2008	GBP	<u>2,888,249</u>		
	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>6,199,645</u>		
	GBP	1,025,603	27	5.65%
	GBP	2,061,662	44	6.30%
	GBP	521,111	26	4.78%
As at 31 December 2007		<u>3,608,376</u>		

Financial Assets

The group has no financial assets for disclosure under FRS 13 other than £4,259,944 (31 December 2007 £5,889,270) of cash and short term deposits. Of this, £371,296 is denominated in USD, £251,047 is denominated in JPY and £273,058 is denominated in HKD (31 December 2007 £480,034 in USD, £147,559 in JPY and nil in HKD)

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

17 Reconciliation of operating loss to net cash outflow from operating activities

	Six months ended 30 Jun 2008 £	Six months ended 30 Jun 2007 £	Year ended 31 Dec 2007 £
Operating loss	(1,291,828)	(294,825)	(1,527,107)
Depreciation	53,819	37,999	90,655
(Increase) in debtors	(411,506)	(247,318)	(678,203)
(Decrease)/increase in creditors	(43,336)	257,579	544,842
Loss on disposal of fixed assets	464	-	4,195
Adjustment in respect of share options	13,054	5,469	36,557
Net cash outflow from operating activities	<u>(1,679,333)</u>	<u>(241,096)</u>	<u>(1,529,061)</u>

18 Reconciliation of net cash outflow to movement in net funds

	Six months ended 30 Jun 2008 £	Six months ended 30 Jun 2007 £	Year ended 31 Dec 2007 £
(Decrease)/increase in cash in the period	(917,801)	(617,279)	260,042
Management of liquid resources	(720,127)	236,253	(1,901,220)
Change in net funds resulting from cash flows	<u>(1,637,928)</u>	<u>(381,026)</u>	<u>(1,641,178)</u>
Exchange movement	8,602	(12,724)	1,747
Movement in net funds in the period	<u>(1,629,326)</u>	<u>(393,750)</u>	<u>(1,639,431)</u>
Net funds at the start of the period	5,889,270	7,528,701	7,528,701
Net funds at the end of the period (note 19)	<u>4,259,944</u>	<u>7,134,951</u>	<u>5,889,270</u>

Japaninvest Group plc

Notes forming part of the Financial Statements for the six months ended 30 June 2008 (Continued)

19 Analysis of net funds

	At 31 December 2007 £	Cash flow £	Other non-cash changes £	At 30 June 2008 £
Cash at bank and in hand	2,280,894	(917,801)	8,602	1,371,695
Cash on time deposit	3,608,376	(720,127)	-	2,888,249
Total	5,889,270	(1,637,928)	8,602	4,259,944