

Japaninvest

Japaninvest Group plc

Report and accounts for the year ended

31 December 2008



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Japaninvest Group plc

Directors and advisers

Directors	Sir John S Whitehead*	Chairman
	Rupert J A Eastwood	Chief Executive Officer, CEO
	Mark E Burges Watson	Chief Operating Officer, COO
	Alastair J Ramsay	Chief Financial Officer, CFO
	Julie A Craddock*	
	Michael W Thomas*	<i>(appointed 12 January 2009)</i>
	<i>Ryohei Shimazaki</i>	<i>(resigned 28 March 2008)</i>
	<i>Alan D Brierley*</i>	<i>(resigned 31 July 2008)</i>
	<i>* - denotes non-executive</i>	
Secretary	Rupert J A Eastwood	
Registered Office	35 Davies Street, London W1K 4LS	
Company number	4547135	
Auditors	BDO Stoy Hayward LLP 55 Baker Street London W1U 7EU, UK	
Principal Bankers	HSBC Bank plc 1 Sydney Place Onslow Square London SW7 3NW, UK	Mizuho Bank, Ltd. 5-1-5 Toranomom Minato-ku Tokyo 105-0001, Japan
Lawyers	Simmons & Simmons CityPoint One Ropemaker Street London EC2Y 9SS, UK	Mori Hamada & Matsumoto Marunouchi Kitaguchi Building 1-6-5 Marunouchi Chiyoda-ku, Tokyo 100-8222, Japan
Broker	Mizuho Investors Securities Co., Ltd. Shibusawa City Place 1-13-16 Nihonbashi Kayaba-cho Chuo-ku, Tokyo 103-8658, Japan	

Chairman's Statement for the year ended 31 December 2008

Following the difficult market conditions witnessed in 2007, 2008 saw possibly the most severe turbulence in financial markets for a generation. With global stock markets falling throughout the year, it proved very difficult to improve revenues.

However, against this background, the Group's products have been well received. The research product continues to improve in quality and the IND-X execution hub has been acquiring clients steadily throughout the year, helped in part by the opening of the office in Hong Kong which offers the ability to trade in the live market.

Whilst the launch of the Asian equity product was delayed, January 2009 saw the opening of a representative office in Shanghai and the hiring of a Head of Research and Global Head of Sales for Asia. We have also launched a new product, Qi-X, in the year which we expect to complement the existing research products as well as generating revenue of its own.

I would like to thank all staff for their hard work and our clients for their support in what has proved to be a challenging year.

Sir John S Whitehead
12 February 2009

The directors present their report together with the audited financial statements on pages 20 to 41 for the year ended 31 December 2008 as prepared under UK Generally Accepted Accounting Practice.

Results and dividends

The profit and loss account of the Group is set out on page 20 and shows a loss for the year ended 31 December 2008 of £2,371,999 (loss for the year ended 31 December 2007: £1,240,669). The directors do not recommend the payment of a dividend.

Principal activities

The principal activity of the Group is the earning of commissions from institutional investors arising from the provision of research, analysis and sales advice regarding stocks listed on Japanese and Asian stock exchanges. Commission is also earned from the provision of equity execution and commission management services.

Review of the business

Turnover for the year ended 31 December 2008 was £4,275k, a 0.5% increase from the total for the year ended 31 December 2007 of £4,254k. This increase in revenue follows a slight decline in revenues from the Japanese equities product (from £4,193k in 2007 to £4,030k in 2008) but a build up in the revenues from the IND-X product (with revenues of £245k).

2008 arguably saw the most severe turbulence in the global financial markets, possibly for a generation, creating an extremely challenging trading environment for a financial services group such as Japaninvest Group plc. While markets globally saw declines, the average level of the Topix index of Japanese stocks declined 28.6% in the year to 31 December 2008 versus the average for 2007. The respective declines for the TSE2 and Mothers markets were 33.7% and 43.9% showing that small and mid cap stocks, one of Japaninvest's key focus areas, continue to suffer disproportionately. Despite this, the Japanese Equities product has kept its revenues broadly steady indicating a likely continued growth in market share for the Group's core product.

Overview by division

Japanese Equities

The Group earns revenues from this division by providing sales advice and research on companies listed on Japanese stock markets. Clients are non-Japanese investors who pay for the services with commission generated through trading in Japanese stocks.

The research product continues to be focused on the needs of its clients, with a product committee issuing quarterly guidelines to ensure that analysts and sales teams provide ideas that make money for the clients and generate revenues for the product despite current market conditions.

QI Crossborders (Qi-X)

The Qi Crossborders division provides quantitative graphical analysis of historic stocks both for Group companies and direct to international institutional investors. It has the capability to compare company margins, key ratios and valuation metrics to peer groups in industry sectors across Asia including Japan, allowing analysts and clients to generate investment ideas. Clients pay for services via commission generated through trading in Asian and Japanese stocks.

The product was launched as a separate business unit in 2008, having been developed out of an existing Japanese equities product. Qi-X has one of the most extensive data sets for Asian securities in the market. It has fundamental data from Japanese sources on over 4,000 equities and one of the most extensive data sets on Chinese equities available. It estimates data from multiple sources and has the ability to produce screens, stock selection models and fundamental charts on over 14,000 equities in Asia (including Japan).

Marketing for this product was carried out in Asia and Europe in the second half of 2008, with revenues expected in the first half of 2009.

IND-X

IND-X provides international institutional clients with an order taking, execution and commission sharing hub. The proprietary "PORT" software package splits commission into execution and research elements, the latter of which is used by the clients to pay independent research providers ("IRPs") and small brokers for their research services. The Japanese Equities division is one of the IRPs that IND-X makes payments to.

The year ended 31 December 2008 saw IND-X develop its business and expand its trading capabilities into several markets. June 2008 saw the opening of its office in Hong Kong, offering European clients live market trading as well as enabling the marketing of the product to Asia based clients.

Asia Equities

The Asia Equities Division will earn revenues by providing fundamental research and sales advice on companies listed on Asian stock markets. Clients will comprise international institutional investors, many already clients of Japaninvest, who will pay for services via commission generated through trading in Asian stocks.

Q4 2008 saw management continue to work on the hiring of research and sales staff for the Asia Equities product and the establishment of a representative office in Shanghai.

In January 2009, the Group announced the launch of the product with the hiring of two senior members of staff to run the product and the opening of the representative office in Shanghai. The first research is expected in February 2009 with revenues forecast for Q2 2009.

Directors' report for the year ended 31 December 2008 (continued)

Un-audited management accounts for the year ended 31 December 2008 show the breakdown of operating loss as follows:

Business Unit	Turnover £'000's	Operating (loss) £'000's "OL"	OL as % of Group turnover
Japanese Equities	4,030	(960)	-22.5%
Expansion revenues & costs for IND-X and Asian Equities	245	(1,481)	-34.6%
Listing maintenance costs	-	(365)	-8.5%
Total	4,275	(2,806)	-65.6%

As at 31 December 2008, shareholder funds stood at £4,732k (31 December 2007: £6,630k) of which £3,234k was in cash, resulting in cash per share of £46.

This year saw a further increase in the Group's debtor balances— up from £1,766k at 31 December 2007 to £2,234k at 31 December 2008. This increase is largely the result of the more clients paying on a quarterly basis via commission sharing agreements rather than on a monthly basis via specific trades and a corporation tax refund of £120,288.

Future Developments***Japanese Equities***

Despite the very difficult market conditions the Japanese equities product has seen stability in its revenues, indicating that it has grown market share and the Group expects that this growth will be reflected in improved revenues in 2009 provided financial markets stabilise. The focus will continue on the implementation of new research and sales initiatives to ensure that the research product continues to meet our clients' requirements.

Qi Crossborders (Qi-X)

The Group aims to capitalise on successful marketing of the Qi-X product at the end of 2008 to generate separate revenues in the first quarter of 2009 and will work on growing the number of clients who subscribe to this product as a standalone offering.

IND-X

IND-X has grown client numbers steadily throughout 2008 and the Group forecasts this growth to continue throughout 2009. This increase in client numbers will bring additional revenues and improve gross profit margins when compared to the fixed cost of equity settlement. With the Hong Kong office now established, costs for this division are forecast to stabilise in 2009 as the product moves towards profitability. A further boost to turnover is forecast to come from growth in the Asian equity and Qi-X products.

Future Developments (continued)

Asian Equities

January 2009 witnessed the opening of a representative office in Shanghai and the hiring of two senior staff members to drive the product forward. The Group expects the first research reports to be published in the first quarter of 2009 and the first revenues to follow in the second or third quarter. Whilst development of this product has taken longer than anticipated, it is expected to leverage the existing Japanese equities existing infrastructure to ensure a swift development phase and a move towards profitability by the end of 2010.

Prospects

Given the turbulence in global financial markets in 2008, the Group forecasts the growth in market share for the Japanese equities product to drive turnover increases in 2009. IND-X has completed its investment phase and the Group expects additional rapid turnover growth from here. Further boosts to turnover are expected from the Qi-X and Asian equity products. Finally, the Group's balance sheet remains strong with cash on hand of £3,234,415.

Key Performance Indicators (KPIs)

The main KPIs used by management are turnover growth, staff remuneration as a percentage of turnover and non-staff costs as a percentage of turnover.

2008 saw turnover increase by 0.5% in difficult market conditions.

Total staff remuneration (including benefits) for the year, represented 113% of turnover against 92% in 2007. This remuneration is made up of fixed salary, variable bonus payments and housing for expatriates. The size of the bonus payments for the majority of staff is determined every quarter based on the performance and profitability of the business. However, the size of these payments, and the total remuneration as a result, must also be sufficient to retain existing and recruit new staff. The decline in turnover and rising staff numbers on business expansion in the year has led to the increase in this ratio.

Overheads as a percentage of turnover increased slightly to 49% in 2008 from 43% in 2007.

Management remains focused on reducing both the staff cost and overhead ratios going forward, primarily by improving turnover growth and controlling costs.

Principal business risks

Market risk

The Group is remunerated by clients largely through commissions on equity transactions. The Group currently derives most of its revenues from the commission from clients trading in Japanese equities. The performance of the Group is therefore linked to the attractiveness of Japanese stocks to foreign investors and the level of the Japanese stock markets. Should foreign investors no longer be willing or able to invest in this market, either through poor market performance or through regulatory changes, there would be a significant adverse effect on the Group's revenues. The expansion of the Group's products to cover other Asian stock markets will mitigate this risk to an extent.

Loss of staff

Recruiting and retaining staff, particularly key revenue generators, is vital for the current and future growth of the business. Management aims to provide an attractive working environment and remuneration package to reduce the risk of unacceptably high staff turnover.

Reputational

The Group's good reputation with clients is dependent on providing high quality research reports, sales advice and execution from which they can obtain value. Poor performance could therefore impact the Group's reputation over the longer term. To minimise this risk, there are stringent compliance procedures for research and all sales staff are registered with the appropriate regulator for each country.

Execution quality

The Group's revenues are mainly derived from commission on trades passed through our execution counterparties. Management monitors the quality of the execution and works with clients to ensure they receive the execution service they expect.

Counterparty risk

The IND-X business is exposed to counterparty risk, that is the risk that a trade counterparty fails to honour its side of a contract. The risk of default by a trading counterparty on both the market and client side is assessed and, to a certain degree mitigated, by ensuring that all counterparties are regulated by a recognised competent authority. In the event of default by a counterparty, there is the possibility of exposure to market risk. This arises from movements in the price of the underlying instrument in the event of IND-X having to unwind a transaction. This risk is mitigated by trade insurance.

Credit Risk

The Group is exposed to credit risk from our counterparties on commission sharing agreements. This risk is monitored through dealing solely with regulated firms and by monitoring the exposure to each counterparty on a monthly basis.

Financial risk management

As Japaninvest Group plc is a UK company with operations in the UK, Japan, the US and Hong Kong, its main financial risk is exposure to foreign currencies. Foreign currency denominated cash balances are held to fund overseas operations and as a result of trading activities. This risk is monitored with the aim that foreign currency cash balances offset future foreign currency liabilities.

A large portion of the funds raised through issue of new shares in 2006 are still available. Day to day cash requirements are calculated and sufficient funds are retained on hand to fulfil these obligations. The remainder is placed on deposit with one of the Group's approved banks.

The Group is also exposed to interest rate risk through its use of short term money market deposits. These deposits are placed with the Group's approved banks with the aim of maximising the return on any funds not being utilised in the day to day business operations.

Further information on the policies and use of financial instruments can be found in Note 18.

Directors' report for the year ended 31 December 2008 (continued)

Directors' interests

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 31 Dec 08	Options over ordinary shares of £1 each at 31 Dec 08	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	10,999	-	10,506	-
R J A Eastwood	14,357	-	14,107	-
A J Ramsay	-	800	-	500
R Shimazaki	-	-	-	1,100
A D Brierley	-	-	-	-
J A Craddock	30	-	30	-

A J Ramsay was granted 300 options on 13 August 2008. These options vest over a period of four years on condition that employment is continuous. Further details regarding these options can be found in the report of the remuneration committee on pages 16 to 17. M E Burges Watson purchased 243 shares through the Directors Stock Purchase Scheme. M E Burges Watson and R J A Eastwood purchased 250 shares each in the year from other staff members.

Charitable and political donations

During the year the Group made no political or charitable donations (2007: £ nil).

Creditor payment policy

It is the Group's policy to pay all of its trade creditors within the agreed period, normally 30 days. On average, creditors were paid within 14 days (2007: 17 days).

Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

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 audit information of which the auditors are unaware.

Accounts made available on the company website

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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
12 February 2009

Statement of Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Although the Group's shares are listed on the Mothers Market of the Tokyo Stock Exchange, it is a company incorporated in England and Wales 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. The Board consider that they have complied with the code as far as is practicable for a group of this size since that date.

Board of Directors

The Group has a board of six Directors of which three 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. In accordance with the Combined Code, we note that Michael Thomas (appointed 12 January 2009) continues to have a relationship with a client of Japaninvest Limited by dint of previous employment, a current shareholding, and through acting as a non-executive director of one of the client funds, but believes the non-executive nature of his relationship and the fact that the client provides an immaterial level of the Group's revenues means that his independence is not compromised by such a relationship.

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.

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
30 Jan 08	✓	✓	✓	✓	✓	✓	✓
13 Feb 08	✓	✓	✓	✓	✓	✓	✓
30 Apr 08	✓	✓	✓	✓	✓	✓	x
12 May 08	✓	✓	✓	✓	✓	✓	x
30 Jul 08	✓	x	✓	✓	✓	✓	x
13 Aug 08	✓	x	x	✓	✓	✓	x
31 Oct 08	✓	x	✓	✓	✓	✓	x
13 Nov 08	✓	x	✓	✓	✓	✓	x

Michael Thomas was appointed to the Board on 12 January 2009 and, as such, did not attend any meetings in 2008.

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

Audit Committee

Julie A Craddock (Chairman) *(previously on committee and appointed Chairman 31 July 2008)*

Sir John Whitehead

Michael Thomas *(appointed 12 January 2009)*

Alan Brierley *(resigned as Chairman 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 four meetings in relation to the year ended 31 December 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 year's fees are given in note 3 of the financial statements for the Group.

Remuneration Committee

Julie A Craddock (Chairman)

Sir John Whitehead

Michael Thomas *(appointed 12 January 2009)*

Alan Brierley *(resigned 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. The report of the Remuneration Committee for the year ended 31 December 2008 can be found on pages 16 to 17.

Nomination Committee

Julie A Craddock (Chairman)

Sir John Whitehead

Mark Burges Watson

Rupert Eastwood

Michael Thomas *(appointed 12 January 2009)*

Alan Brierley *(resigned 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

Rupert Eastwood

Ryohei Shimazaki (*resigned 28 March 2008*)

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.

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.

Report of the Remuneration Committee for the year ended 31 December 2008

The responsibility for the remuneration policy for executive directors and the setting of individual directors' remuneration packages is delegated to the board's Remuneration Committee. The Remuneration Committee also oversees the Group remuneration policies.

Remuneration policy

Remuneration of executive directors is structured as a function of the profitability of the Group. Each executive director receives a basic salary and performance bonus payments in the year.

R J A Eastwood and M E Burges Watson are rewarded through the Group's 'partner' profit share scheme on a quarterly basis. By these means the size of the total bonus payment is determined every quarter based on the performance and profitability of the business. As a result, bonus payments are directly linked to the operating performance of the Group, although consideration is made to ensure that remuneration remains competitive. In 2008, as in 2007, the consideration regarding the competitiveness of partner remuneration has led to the percentage payout rising considerably. Allocation of the total bonus payment to individual 'partners' (senior sales and research staff) is based on an individual's performance in the quarter, either through improved revenue generation or performance and quality of research output.

A J Ramsay receives discretionary bonuses based on his individual and the Group's performance on a semi-annual basis.

In all cases, total remuneration is reviewed in relation to work undertaken and to comparable salaries.

Non-executive pay is set at £1,000 per full board meeting.

Service Contracts

No director has a specific service contract. All employment contracts are subject to a notice period of not less than 30 days.

Directors' remuneration

	Salary and fees £	Bonus payments £	Benefits in kind £ (note)	2008 Total £	2007 Total £
Executives					
R J A Eastwood	75,000	48,813	3,834	127,647	154,118
M E Burges Watson	166,421	-	7,822	174,243	146,189
A J Ramsay	60,000	20,000	3,197	83,197	80,564
R Shimazaki	35,987	-	-	35,987	109,268
Non-executives					
Sir J S Whitehead	5,000	-	-	5,000	5,000
A D Brierley	2,000	-	-	2,000	5,000
J A Craddock	5,000	-	-	5,000	5,000
Total	349,408	68,813	14,853	433,074	505,139
2007 total	412,473	81,040	11,626	505,139	

Note Benefits in kind comprise medical and life insurance.
M E Burges Watson is based in Japan and his remuneration is received in local currency. This is then converted at the year-end rate in the table above.

Directors' remuneration report for the year ended 31 December 2008

Share options

The following options were held by directors at 31 December 2008 and throughout the year.

Director	Date of grant	Number of options	Exercise price	Earliest exercise date	Latest exercise date
A J Ramsay	31 Dec 05	100	£338.50	31 Dec 06	31 Dec 11
	31 Dec 05	100	£338.50	31 Dec 07	31 Dec 11
	31 Dec 05	100	£338.50	31 Dec 08	31 Dec 11
	31 Dec 05	100	£338.50	31 Dec 09	31 Dec 11
	26 Apr 07	25	Y84,750	26 Apr 08	25 Apr 13
	26 Apr 07	25	Y84,750	26 Apr 09	25 Apr 13
	26 Apr 07	25	Y84,750	26 Apr 10	25 Apr 13
	26 Apr 07	25	Y84,750	26 Apr 11	25 Apr 13

The following options were granted to directors in the year.

Director	Date of grant	Number of options	Exercise price	Earliest exercise date	Latest exercise date
A J Ramsay	13 Aug 08	75	Y21,315	13 Aug 09	13 Aug 14
A J Ramsay	13 Aug 08	75	Y21,315	13 Aug 10	13 Aug 14
A J Ramsay	13 Aug 08	75	Y21,315	13 Aug 11	13 Aug 14
A J Ramsay	13 Aug 08	75	Y21,315	13 Aug 12	13 Aug 14

All options granted to Ryohei Shimazaki lapsed on his resignation from the Board on 28 March 2008.

No director exercised options in the year ended 31 December 2008 (year ended 31 December 2007: nil).

Pensions

No pension contributions were made on behalf of any director in the year under review.

J A Craddock
Chairman of the Remuneration Committee
12 Feb 2009

To the shareholders of Japaninvest Group plc

We have audited the Group and parent company financial statements (the "financial statements") of Japaninvest Group plc for the year ended 31 December 2008 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with those financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the chairman's statement, the corporate governance statement and the remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or 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 financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

Independent Auditors' Report

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

Opinion

In our opinion:

- the group financial statements 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 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP.

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
London*

12 February 2009

Japaninvest Group plc

Consolidated profit and loss account for the year ended 31 December 2008

	Note	Year ended 31 Dec 2008 £	Year ended 31 Dec 2007 £
Turnover	1	4,274,776	4,253,695
Cost of sales	1	(145,761)	(56,333)
Gross profit		4,129,015	4,197,362
Administrative expenses		(6,935,499)	(5,724,469)
Operating loss	3	(2,806,484)	(1,527,107)
Interest receivable		192,541	341,593
Loss on ordinary activities before taxation		(2,613,943)	(1,185,514)
Taxation on loss from ordinary activities	5	(110,713)	90,880
Loss on ordinary activities after taxation		(2,503,230)	(1,276,394)
Minority interests		131,231	35,725
Loss after taxation attributable to Group		(2,371,999)	(1,240,669)
		£	£
Basic loss per share	12	(33.62)	(17.58)
Diluted loss per share	12	(33.62)	(17.58)

All amounts relate to continuing activities.

The notes on pages 25 to 41 form part of these Financial Statements.

Japaninvest Group plc**Consolidated statement of total recognised gains and losses for the year ended 31 December 2008**

	Note	Year ended 31 Dec 2008 £	Year ended 31 Dec 2007 £
(Loss)/profit for the financial year		(2,371,999)	(1,240,669)
Exchange difference on retranslation of net assets of subsidiary undertakings		319,515	1,747
Total recognised gains and losses for the financial year	16	<u>(2,052,484)</u>	<u>(1,238,922)</u>

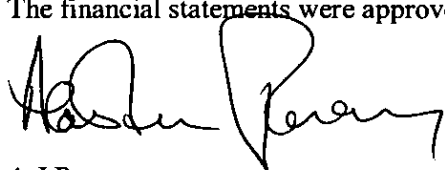
The notes on pages 25 to 41 form part of these Financial Statements.

Japaninvest Group plc

Consolidated balance sheet at 31 December 2008

	Note	31 Dec 2008 £	31 Dec 2008 £	31 Dec 2007 £	31 Dec 2007 £
Fixed assets					
Tangible assets	7		193,693		191,292
Current assets					
Debtors	9	2,233,969		1,766,386	
Cash at bank and in hand		3,234,415		5,889,270	
		<u>5,468,384</u>		<u>7,655,656</u>	
Creditors: amounts falling due within one year	10	<u>997,850</u>		<u>1,175,709</u>	
Net current assets			<u>4,470,534</u>		<u>6,479,947</u>
Total assets less current liabilities			<u>4,664,227</u>		<u>6,671,239</u>
Creditors: amounts falling due after one year	11		<u>1,974</u>		<u>-</u>
Total assets less current liabilities			<u><u>4,662,253</u></u>		<u><u>6,671,239</u></u>
Capital and reserves					
Called up share capital	14		70,560		70,560
Share premium account	15		6,536,939		6,536,939
Profit and loss account	15		(1,875,158)		22,203
Shareholders' funds	16		<u>4,732,341</u>		<u>6,629,702</u>
Minority Interest			<u>(70,088)</u>		<u>41,537</u>
			<u><u>4,662,253</u></u>		<u><u>6,671,239</u></u>

The financial statements were approved and authorised for issue by the board on 12 February 2009.



A J Ramsay
Director

The notes on pages 25 to 41 form part of these financial statements.

Japaninvest Group plc

Company balance sheet at 31 December 2008

	Note	31 Dec 2008 £	31 Dec 2008 £	31 Dec 2007 £	31 Dec 2007 £
Fixed assets					
Investments	8		2,153,050		2,013,182
Current assets					
Debtors	9	1,219,384		267,383	
Cash at bank and in hand		1,837,638		4,093,031	
			3,057,022	4,360,414	
Creditors: amounts falling due within one year	10	252,375		1,174,482	
Net current assets			2,804,647	3,185,932	
Total assets less current liabilities			4,957,697	5,199,114	
Capital and reserves					
Called up share capital	14		70,560	70,560	
Share premium account	15		6,536,939	6,536,939	
Profit and loss account	15		(1,649,802)	(1,408,385)	
Shareholders' funds	16		4,957,697	5,199,114	

The financial statements were approved and authorised for issue by the board on 12 February 2009.



A J Ramsay
Director

The notes on pages 25 to 41 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 December 2008

	Note	Year ended 31 Dec 2008 £	Year ended 31 Dec 2008 £	Year ended 31 Dec 2007 £	Year ended 31 Dec 2007 £
Net cash outflow from operating activities	19		(3,048,967)		(1,529,061)
Returns on investments and servicing of finance					
Interest received		192,541		341,593	
Net cash inflow from returns on investments and servicing of finance			192,541		341,593
Taxation					
Taxation paid			(9,543)		(324,679)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		100,965		129,206	
Sale of tangible fixed assets		(1,535)		-	
Net cash outflow from capital expenditure and financial investment			(99,430)		(129,206)
Cash outflow before management of liquid resources and financing			(2,965,399)		(1,641,353)
Management of liquid resources					
Funds taken off deposit		1,620,102		1,901,220	
Cash outflow before financing			(1,345,297)		259,867
Financing					
Investment from minority shareholders		-		175	
Cash inflow from financing			-		175
(Decrease)/increase in cash in the period	21		<u>(1,345,297)</u>		<u>260,042</u>

The notes on pages 25 to 41 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 the requirements of UK GAAP. Following a review of accounting policies, the group has decided to change its policies for turnover and cost of sales. Turnover now excludes commissions received that may be payable to third parties under commission sharing agreements. Similarly, the policy for cost of sales also excludes these commissions. The policies are deemed more appropriate as they reflect evolving practices within our industry and are consistent with the Group's role as an intermediary. The impact of these changes in the year ended 31 December 2008 has been to reduce both turnover and cost of sales by £301,574 but leaves gross profit unchanged. (The impact in the year ended 31 December 2007 would have been immaterial.)

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

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 31 December 2008 using the acquisition method of accounting.

Turnover

Turnover represents commissions due to group companies 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.

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.

1 Accounting policies (Continued)*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.

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	Hong Kong	Consolidated
Year ended 31 December 2008	£	£	£	£	£
Turnover	3,164,918	873,838	146,361	89,659	4,274,776
Loss before interest and tax	(1,930,514)	(60,008)	(669,599)	(146,363)	(2,806,484)
Net assets	4,448,758	311,588	(446,119)	348,026	4,662,253
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

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:

Year ended 31 December 2008	Sales and research advice £	Execution and commission management £	Consolidated £
Turnover	4,030,289	244,487	4,274,776
Loss before interest and tax	(1,622,260)	(1,184,224)	(2,806,484)
Net assets	4,573,511	88,742	4,662,253

3 Operating (loss)/profit

	Year ended 31 Dec 2008 £	Year ended 31 Dec 2007 £
This is arrived at after charging:		
Depreciation	127,132	90,655
Hire of other assets – operating leases (land and buildings)	862,149	549,062
Auditors' remuneration (see below)	155,304	154,116
Exchange differences	(1,102,163)	(53,198)
Loss on disposal of fixed assets	212	4,195

Auditors' remuneration

Fees payable to the company's auditors:

for the audit of the company's accounts and consolidated financial statements

114,113 107,078

Fees payable to the company's auditors and their associates

for the audit of the subsidiaries' financial statements

13,235 34,642

for taxation advice

27,956 12,396

155,304 154,116

Included in the amounts above are £13,235 (31 December 2007: £35,092) paid to associate firms of BDO Stoy Hayward LLP.

4 Employees

	Year ended 31 Dec 2008 Number	Year ended 31 Dec 2007 Number
Average number of employees – Group		
<i>Equity sales and research</i>	27	35
<i>Execution and commission management</i>	6	1
<i>Group management & administration</i>	8	10
	<u>41</u>	<u>46</u>
Average number of employees - Company		
<i>Group management & administration</i>	<u>4</u>	<u>5</u>
Staff costs for all employees, including executive directors, consist of:	£	£
Wages and salaries	3,848,785	3,368,466
Social security costs	273,495	155,301
	<u>4,122,280</u>	<u>3,523,767</u>

The disclosures in respect of directors' emoluments and share options are given in the report of the Remuneration Committee on page 16 to 17. There is an accrual for non-executive directors' remuneration recorded by the company of £4,512 (31 December 2007: £16,920). There are no staff costs recorded at the Company as these are borne by Japaninvest Limited and form part of the management recharge.

5 Taxation on profit from ordinary activities

	Year ended 31 Dec 2008 £	Year ended 31 Dec 2007 £
<i>UK Corporation tax</i>		
Current tax on loss of the period	-	-
Adjustments to tax on profits in prior periods	(112,237)	-
<i>Foreign tax</i>		
Current tax on foreign income for the year	-	52,518
Adjustments to tax on profits in prior periods	1,524	-
	<hr/>	<hr/>
Current taxation	(110,713)	52,518
<i>Deferred Tax</i>		
Provision against deferred tax asset	-	38,362
	<hr/>	<hr/>
Taxation on loss on ordinary activities	<u>(110,713)</u>	<u>90,880</u>

The tax assessed for the period differs from the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 Dec 2008 £	Year ended 31 Dec 2007 £
Loss on ordinary activities before tax	(2,613,943)	(1,185,514)
	<hr/>	<hr/>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28.5% (2007 – 30%)	(744,974)	(355,654)
Effects of:		
Expenses not deductible for tax purposes	61,403	29,928
Depreciation in excess of capital allowances	36,593	5,103
Higher rates on overseas earnings	(67,303)	8,911
Tax losses carried forward	714,281	364,230
Prior year adjustments	(110,713)	-
	<hr/>	<hr/>
	<u>(110,713)</u>	<u>52,518</u>

A deferred tax asset has not been created on trading losses of £2,270,096 (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 £1,078,511 (31 December 2007: £364,230).

6 Company loss for the financial year

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The company's loss for the year is £400,136 (2007 – loss £880,699).

7 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	26,134	59,915	14,916	100,965
Disposals	-	(4,224)	(4,828)	(9,052)
Exchange differences	28,160	18,566	34,867	81,593
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	124,997	324,273	108,422	557,692
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
As 1 January 2008	50,794	109,692	32,408	192,894
Charge in period	36,854	63,566	26,712	127,132
Disposals	-	(3,353)	(3,952)	(7,305)
Exchange differences	21,376	15,596	14,306	51,278
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	109,024	185,501	69,474	363,999
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2008	15,973	138,772	38,948	193,693
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	19,909	140,324	31,059	191,292
	<hr/>	<hr/>	<hr/>	<hr/>

8 Fixed asset investments

Company	Investments in Subsidiaries £
<i>Cost</i>	
At 1 January 2008	2,013,182
Additions	1,639,948
Disposals	(1,500,080)
At 31 December 2008	2,153,050

The additions in the year relate to an increase of £139,878 in the capital of Japaninvest Inc and an increase in the capital of IND-X (Holdings) Limited of £1,500,070. The increase in the capital of IND-X (Holdings) Limited was used to purchase Japaninvest Group plc's holding in IND-X Securities Limited, resulting in a disposal by the Company of £1,500,080.

Subsidiary undertakings	Country of incorporation	Proportion of voting rights and share capital held	Nature of business
Japaninvest Limited	England	100%	Provision of research and analysis of Japanese companies
Japaninvest KK	Japan	100%	Provision of research and analysis of Japanese companies
Japaninvest Inc	USA	100%	Provision of research and analysis of Japanese companies
JI Asia (Holdings) Limited	England	100%	Holding company
IND-X (Holdings) Limited	England	90%	Holding company
IND-X Securities Limited*	England	90%	Equity execution and commission management services
IND-X Securities (Asia) Limited*	Hong Kong	90%	Equity execution and commission management services
JI Asia Research Limited	Hong Kong	100%	Provision of research and analysis of Asian (ex-Japan) companies

* IND-X Securities Limited and IND-X Securities (Asia) Limited are 100% owned by IND-X (Holdings) Limited.

9 Debtors

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Trade debtors	554,674	593,730	13,932	23,202
Amounts due from subsidiary undertakings	-	-	906,382	2,358
Other debtors	1,218,447	1,009,419	277,070	239,478
Prepayments	340,560	163,237	22,000	2,345
Corporation tax refund	120,288	-	-	-
	2,233,969	1,766,386	1,219,384	267,383

All amounts fall due for payment within one year with the exception of £38,364 (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, £158,748 (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 £230,265 (31 December 2007: £210,103) in loans to staff members granted under the Group's corporate loan program and a £394,252 trade deposit with Penson Financial Services Limited (31 December 2007: £378,048).

10 Creditors: amounts falling due within one year

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Other amounts:				
Trade creditors	156,430	131,883	6,463	288
Accruals	428,833	665,800	36,078	59,843
Other creditors	369,757	342,139	209,824	209,825
Other tax and social security	42,830	35,887	-	-
Amounts due to subsidiary undertakings	-	-	10	904,526
	997,850	1,175,709	252,375	1,174,482

11 Provisions for liabilities and charges

	Dilapidation costs £	Total £
As at 1 January 2008	-	-
Additions	1,974	1,974
	<hr/>	<hr/>
As at 31 December 2008	1,974	1,974
	<hr/>	<hr/>

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.

12 Earnings per share

The calculation of basic earnings per ordinary share is calculated on profit on ordinary activities after taxation as follows:

	Year ended 31 Dec 2008 Number	Year ended 31 Dec 2007 Number
Weighted average number of ordinary shares outstanding	70,560	70,560
Effect of options over ordinary shares	-	-
	<hr/>	<hr/>
Diluted number of ordinary shares	70,560	70,560
	<hr/>	<hr/>
	£	£
Loss for the period	(2,371,999)	(1,240,669)
Basic loss per share	(33.62)	(17.58)
Diluted loss per share	(33.62)	(17.58)
	<hr/>	<hr/>

The number of potentially issuable shares that have not been included in the above calculation for the year ended 31 December 2008, in accordance with paragraph 41 of FRS 22, is 3,423 (31 December 2007: 3,935) as the effect would be to reduce the loss per share.

13 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 the share price at grant date. Options vest over a four year period from grant subject to continual employment and have an expiry date of five years from grant.

As at 31 December 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	3,550	-	-	3,950	8.8
£40.00	1,600	-	-	-	1,600	3.0
£75.00	3,220	-	(800)	-	2,420	2.0
£125.00	420	-	-	-	420	3.0
£200.00	1,820	-	(1,000)	-	820	2.8
£338.50	2,050	-	-	-	2,050	3.0
£436.50	1,250	-	(50)	-	1,200	3.0
£497.50	1,200	-	(800)	-	400	3.0
Y20,040	-	1,200	-	-	1,200	5.1
Y21,315	-	1,650	(50)	-	1,600	5.6
Y48,075	200	-	-	-	200	2.6
Y84,750	1,700	-	(150)	-	1,550	4.1
	13,860	6,400	(2,850)	-	17,410	4.7

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
	13,560	1,900	(1,600)	-	13,860	3.9

13 Share-based payment (continued)

In August 2008, 3,550 options were granted with an exercise price of £1.00 and a vesting period of two years. These options have an expiry date of ten years from grant.

Of the total number of options outstanding at the period end, 8,258 (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 Y10,050 (31 December 2007: £27.44). This was calculated by applying a binomial option pricing model, a weighted average share price at grant date of Y14,051 (31 December 2007: Y53,926), a weighted average exercise price of Y7,537 (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 £158,719 (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 £213,130 (31 December 2007: £54,411).

14 Share capital

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

There was no movement in share capital in the year ended 31 December 2008.

15 Reserves

	Share premium account £	Profit and loss account £
At 1 January 2008	6,536,939	22,203
Adjustment in respect of share options	-	158,719
Exchange movement	-	319,515
Loss for the period	-	(2,371,999)
Minority interest on IND-X share issue	-	(3,596)
At 31 December 2008	6,536,939	(1,875,158)

Company

	Share premium account £	Profit and loss account £
At 1 January 2008	6,536,939	(1,408,385)
Adjustment in respect of share options	-	158,719
Loss for the period	-	(400,136)
At 31 December 2008	6,536,939	(1,649,802)

16 Reconciliation of movements in shareholders' funds

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Total recognised gains and losses	(2,052,484)	(1,238,922)	(400,136)	(880,699)
Adjustment in respect of share options	158,719	36,557	158,719	36,557
Minority interest on IND-X share issue	(3,596)	(77,087)	-	-
Net addition to shareholders' funds	(1,897,361)	(1,279,452)	(241,417)	(844,142)
Opening shareholders' funds	6,629,702	7,909,154	5,199,114	6,043,256
Closing shareholders' funds	<u>4,732,341</u>	<u>6,629,702</u>	<u>4,957,697</u>	<u>5,199,114</u>

17 Commitments under operating leases

As at 31 December 2008, the Group had annual commitments under operating leases as set out below:

	2008 Land and buildings £	2007 Land and buildings £
Operating leases which expire:		
Within one year	338,476	344,711
In one to two years	553,456	122,934
In two to five years	-	20,505
	<u>891,932</u>	<u>488,150</u>

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

18 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 31 December 2008	GBP	1,108,972	1,158,221	379,829	2,647,022
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.

18 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 31 December 2008 the group had deposits outstanding as detailed below:

	Currency	Amount	Remaining life (days)	Interest rate
	GBP	541,617	7	1.90%
		<u>541,617</u>		
	USD	743,772	15	1.60%
		<u>743,772</u>		
	JPY	79,018,099	9	0.94%
		<u>79,018,099</u>		
	HKD	3,600,000	53	0.44%
		<u>3,600,000</u>		
As at 31 December 2008	GBP	<u>1,988,274</u>		
	GBP	1,025,603	27	5.65%
	GBP	2,061,662	44	6.30%
	GBP	521,111	26	4.78%
		<u>3,608,376</u>		
As at 31 December 2007		<u>3,608,376</u>		

Financial assets and liabilities

The group has no financial assets for disclosure under FRS 13 other than £3,234,415 (31 December 2007: £5,889,270) of cash and short term deposits. Of this, £1,043,060 is denominated in USD, £1,041,774 is denominated in JPY and £363,213 is denominated in HKD (31 December 2007: £480,034 in USD, £147,559 in JPY and nil in HKD).

There were no non-current financial liabilities.

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

19 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 Dec 2008 £	Year ended 31 Dec 2007 £
Operating loss	(2,806,484)	(1,527,107)
Depreciation	127,132	90,655
Increase in debtors	(347,125)	(678,203)
(Decrease)/increase in creditors	(181,421)	544,842
Loss on disposal of fixed assets	212	4,195
Adjustment in respect of share options	158,719	36,557
Net cash outflow from operating activities	<u>(3,048,967)</u>	<u>(1,529,061)</u>

20 Reconciliation of net cash inflow to movement in net funds

	Year ended 31 Dec 2008 £	Year ended 31 Dec 2007 £
(Decrease)/ increase in cash in the period	(1,345,297)	260,042
Management of liquid resources	(1,620,102)	(1,901,220)
Change in net funds resulting from cash flows	(2,965,399)	(1,641,178)
Exchange movement	310,544	1,747
Movement in net funds in the period	(2,654,855)	(1,639,431)
Net funds at the start of the period	5,889,270	7,528,701
Net funds at the end of the period (note 21)	<u>3,234,415</u>	<u>5,889,270</u>

21 Analysis of net funds

	At 31 December 2007 £	Cash flow £	Other non-cash changes £	At 31 December 2008 £
Cash at bank and in hand	2,280,894	(1,345,297)	310,544	1,246,141
Cash on time deposit	3,608,376	(1,620,102)	-	1,988,274
Total	5,889,270	(2,965,399)	310,544	3,234,415