Japaninvest

Japaninvest Group plc

Report and accounts for the year ended

31 December 2010

Company number 4547135

Japaninvest Group plc

Report and accounts for the year ended 31 December 2010

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Japaninvest Group plc

Directors and advisers

Directors	Julie A Craddock*	Chairman
	Rupert J A Eastwood	Chief Executive Officer, CEO
	Mark E Burges Watson	Chief Operating Officer, COO
	Michael W Thomas*	
	* - *denotes non-executive*	
Secretary	Peter J Goodfellow	
Registered Office	35 Davies Street, London W1K 4LS	
Company number	4547135	
Auditors	BDO 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 Toranomon Minato-ku Tokyo 105-0001, Japan
Lawyers	Simmons & Simmons CityPoint One Ropemaker Street London EC2Y 9SS, UK	Mori Hamada & Matsumoto Marunouchi Building 2-6-1 Marunouchi Chiyoda-ku, Tokyo 100-8222, Japan
Broker	Mizuho Investors Securities Co , Ltd 2-10-30 Nihonbashi Kakigara-cho Chuo-ku, Tokyo 103-8658, Japan	

Japaninvest Group plc

Directors' report for the year ended 31 December 2010

The directors present their report together with the audited financial statements on pages 22 to 50 for the year ended 31 December 2010 as prepared under UK Generally Accepted Accounting Practice

Results and dividends

The profit and loss account of the Group is set out on page 22 and shows a loss for the year ended 31 December 2010 of £2,222,025 (loss for the year ended 31 December 2009 £3,781,062) 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 Asian stock exchanges

Commission is also earned from the provision of equity execution and commission management services, although a controlling interest in this business was sold during the year

Review of the business

Summary

2010 was a transformational year for the Group In February, the Group completed its restructuring by selling a majority stake in IND-X, its execution only subsidiary In June the Group signed an exclusive alliance for Japan and Asia research with Societe Generale These key transactions have provided the necessary funding for the Asia research product expansion whilst allowing management to continue to focus on the core Japan research product This has enabled the provision of a higher quality and broader research product to the combined client base of the Group and Societe Generale As a result, turnover grew strongly in the second half of the year and losses were sharply reduced Further strong revenue growth, underpinned by the alliance and Asia expansion, is expected by the Board to continue for the foreseeable future

Key events

Alliance with Societe Generale
On 5 June 2010, the Group entered into an alliance with Societe Generale to provide, on an exclusive basis, research and sales services on equities listed on the Japanese, Hong Kong, Chinese, Taiwanese, and Korean stock markets Societe Generale commenced distributing the co-branded research product via its global distribution system to Societe Generale's and Japaninvest's combined client base on 15 September 2010

Societe Generale have agreed to pay the Group a fixed "Research and Sales Service Fee" on a quarterly basis and a share of all commissions earned in the markets covered by the alliance

Following the successful completion of the first 6 months of the alliance, either party is now required to give 12 months notice to terminate the alliance, with such notice not to take effect prior to the expiry of 24 months from the start of the alliance

As part of the alliance the Group issued a warrant to Societe Generale giving them the right to subscribe for 24 99% of the Group's issued share capital at the date of exercise, for a subscription price of €2,000,000 The warrant can only be exercised if no notice of termination of the alliance has been given by Societe Generale and may be exercised between 5 June 2012 and 5 June 2015

Japaninvest Group plc

Directors' report for the year ended 31 December 2010 *(Continued)*

Review of the business *(Continued)*

The alliance is a transformational event for the Group as it provides market recognition for the Group's research product, a broader client base, the use of Societe Generale's award winning macro research product, access for clients to Societe Generale's global execution and derivative platform and an enhanced ability to recruit the highest quality staff

Partial disposal of IND-X
On 23 February 2010, the Group completed the sale of 63 2% of its interest in IND-X (Holdings) Limited to Leading Asia (Holdings) Limited in exchange for an $875,000 exchangeable bond (issued in November 2009) and a further $1,225,000 in cash This gave rise to a profit on disposal in the consolidated profit and loss account of £623,797

While the Board believes the IND-X concept will ultimately be highly successful, it also felt that after the global financial crisis IND-X needed a stronger balance sheet than the Group was willing to fund The partial sale of IND-X was therefore highly beneficial in reducing the Group's balance sheet requirement and sharply reducing its loss rate In addition, management has been able to devote more time to fully developing the Asia research business

Results for the IND-X Group have been consolidated up to the date of the partial disposal Following the disposal the residual investment in IND-X was initially treated as an associate in the Group accounts On 1 October 2010 the investment was reclassified to fixed asset investments because it no longer met the definition of an associate undertaking (see note 9 for further details)

Realisation of a true pan-Asian product
One of the main aims for the Group during the year was the expansion of its Asia (excluding Japan) stock coverage

In line with this aim, the Group COO, Mark Burges Watson, relocated to Hong Kong in April 2010 to set up the newly formed subsidiary Japaninvest (Hong Kong) Limited On 27 October 2010 Japaninvest (Hong Kong) Limited was granted a Type 4 licence from the Hong Kong Securities and Futures Commission to advise on securities

The Group has expanded its Hong Kong research substantially during the year and commenced coverage of stocks in Korea and Taiwan for the first time Asia stocks represented 35% of the Group's rated coverage at the end of the year, up from 9% at the start of the year, and this is forecast to increase to 50% of coverage by June 2012 In addition to the expansion of rated coverage, the SC-Net small-cap research product has continued to be well received and the product was expanded to Asia small caps in December 2010

The Group added 33% to its research sales headcount during the year which should positively impact revenues for 2011

The Group no longer provides a breakdown between its Japan and Asia research products due to the full integration of these products and the fact that many analysts now cover stocks on a regional sector basis

Review of the business *(Continued)*

Financial review

Financial performance

Whilst the beginning of 2010 saw growth in global financial markets, the Topix index underperformed global markets on a strongly rising Yen and ended the year down 1 0% for 2010 However, the average level of Topix for the year improved 1 9% on the prior year The TSE2 and the Mothers market improved 3 9% and 4 2% respectively versus the prior year Yen appreciation has been driven by dollar weakness due to the continuing US trade deficit with Japan and by a second round of quantitative easing in the US The stronger Yen negatively affected foreign investor sentiment in the exporters within Topix The Hang Seng Index by comparison was up 5 3% for 2010 and continued to benefit from global investor's move into emerging market stocks However, despite the poor performance in its major market (Japanese equities), the Group recorded a strong increase in revenues from research as a result of the Societe Generale alliance

Turnover for the year ended 31 December 2010 was £4,293k, a 13% increase from the total for the prior year of £3,813k Revenues from the continuing Japan and Asia research business increased 26% in the year from £3,320k for the year ended 31 December 2009 to £4,195k, mainly due to the additional revenues received as a result of the alliance with Societe Generale Revenues from IND-X decreased by 80% in the year from £493k for the year ended 31 December 2009 to £99k following the disposal of the business in the first quarter of the year

Administrative expenses decreased from £7,659k for the year ended 31 December 2009 to £6,919k in the current year, an improvement of 10% The decrease was due to the disposal of the IND-X business and the continuing effort by management to control costs

The operating loss for the year was therefore £2,643k versus the £3,965k for the same period in 2009 The loss after taxation for the year attributable to the Group decreased from £3,781k to £2,222k due to the increase in turnover and the profit on disposal of IND-X

Balance sheet position

Total assets for the year ended 31 December 2010 were £2,915k, a 6% decrease from the prior year of £3,092k Cash and debtors accounted for 85% of total assets at the year end compared to 83% in the prior year

Cash increased from £722k in the prior year to £1,152k as a result of the proceeds from the sale of IND-X, advanced payments from Societe Generale, the allotment of ordinary shares and improved trading towards the end of the year, resulting in cash per share of £16 30 (31 December 2009 £10 23)

This year saw a decrease in the Group's debtor balances from £1,849k at 31 December 2009 to £1,314k at 31 December 2010 This decrease was primarily due to the disposal of the IND-X business

Net assets decreased from £1,441k as at 31 December 2009 to £131k, a decrease of 91%, due mainly to the net loss of £2,222k As at 31 December 2010, shareholder funds stood at £131k (31 December 2009 £1,413k)

Operational review by division

Continuing Operations - Japan and Asia Equities
The Equities division earns revenues by providing fundamental research and sales advice on companies listed on Japanese and Asian stock markets Clients are international institutional investors who generally pay for the services with commission generated through trading in Japanese and Asian stocks Clients receive a highly differentiated product which includes an integrated approach to Japan and Asia, high quality fundamental coverage of blue chip and interesting mid-cap stocks, and an innovative small cap update product

The Group has research teams based in Tokyo and Hong Kong The product, co branded "Ji ASIA" and "Societe Generale Cross Asset Research", is distributed to institutional investors through Societe Generale's global research distribution system The research is then broked by Japaninvest's equities sales teams in London, New York, Tokyo and Hong Kong

The year saw the Group further expand its small cap network ("S-C Net") in Japan and towards the year end in Asia Many small caps are trading at distressed valuations, whilst analyst coverage of the small cap sector has been drastically reduced as a result of the financial crisis S-C Net stocks are selected to both support core coverage sectors as well as for their growth potential

Discontinued Operations - IND-X and Qi-X
The business restructuring involved the sale of a majority stake in IND-X, the independent execution and commission management business, in February 2010 and the closure of the Qi-X quantitative research business in March 2010 While the combined revenues of these businesses were minimal for the year the cost savings were very substantial and position the business well to focus in 2011 on its core research and research sales business in Japan and Asia

Future Developments

The Group intends to continue to expand Asian stocks coverage towards current Japan coverage levels In particular the Group will focus on the linkage between Japan and Asia, relative value between the two and the optimal investment strategies to benefit from long term Asia GDP growth

The Group expects headcount to grow approximately 10-15% in 2011 to reach full build out of the Asia research and research sales teams, but thereafter growth in headcount will be modest This staffing level should underpin several years of strong revenue growth

The Group has no current plans for any new businesses beyond the existing Japan Asia Equities business

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

2010 saw total turnover increase by 13% in continuing difficult market conditions, despite an 80% decrease in the contribution from the IND-X product Turnover from continuing operations increased by 26%

Total staff remuneration (including benefits) for the year represented 83% of turnover, a strong improvement from 113% in 2009 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 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

Overheads as a percentage of turnover improved to 76% in 2010 from 86% in 2009

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

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 commissions from clients trading in Japanese and other Asian equities The performance of the Group is therefore linked to the attractiveness of these stocks to foreign investors and the level of these stock markets Should foreign investors no longer be willing or able to invest in these markets, either through poor market performance or through regulatory changes, there would be a significant adverse effect on the Group's revenues

The further expansion of the Group's product to cover other Asian stock markets has mitigated this risk to an extent but has also expanded market risk to cover the attractiveness of stocks traded on other Asian stock markets

Loss of key 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 and sales advice from which they can obtain value Poor recommendation 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

Principal business risks ***(Continued)***

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

Liquidity risk
The Group funds its operations out of its own cash balances and there is a risk that these balances are insufficient The risk is monitored by the Group forecasting cash flows at least 12 months in advance and monitoring its performance against these forecasts on an ongoing 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

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 20

Directors

The directors of the company during the year were

J A Craddock
R J A Eastwood
M E Burges Watson
A J Ramsay (resigned 15 November 2010)
M W Thomas

Insurance

The company has directors' and officers' liability insurance and it is intended to maintain such cover for the full term of their employment

Company secretary

P J Goodfellow replaced R J A Eastwood as company secretary on 15 November 2010

Charitable and political donations

During the year the Group made no political or charitable donations (2009 £ nil)

Creditor payment policy

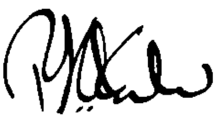
It is the Group's policy to pay all of its trade creditors within the agreed period, normally 30 days On average, creditors were paid within 30 days (2009 17 days)

Auditors

BDO 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

On behalf of the board



R J A Eastwood

Director

15 February 2011

Statement of Directors' responsibilities

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the Group financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with UK GAAP, 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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website Financial statements are published on the company'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 company's website is the responsibility of the directors The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein

Japaninvest Group plc

Statement of Corporate Governance

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 However, as the Group is listed in Tokyo it is not required to comply with the provisions and principles of good corporate governance and code of best practice (as set out in the Combined Code on Corporate Governance June 2008 'the Combined Code' issued by the Financial Reporting Council) as would be required if it were listed on the London Stock Exchange Nevertheless, the Board is committed to high standards of corporate governance and therefore aims to comply with the provisions set out in the Combined Code as far as is practicable for a group of this size

Board of Directors

Alastair Ramsay resigned as Chief Financial Officer on 15 November 2010 and was replaced by Peter Goodfellow as Group Finance Director Peter Goodfellow also replaced Rupert Eastwood as Company Secretary on that date The position of Group Finance Director is not currently a board position, however Peter Goodfellow attended board meetings in his capacity as Company Secretary

At the year end the Board consisted of four Directors of which two were non-executive Both non-executive directors are considered to be independent by the Board

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

Whilst the non-executive directors hold meetings without the executive directors being present, the non-executive directors do not hold meetings without the Chairman being present

In accordance with the Combined Code, we note that Michael Thomas continues to have a relationship with a client of Japaninvest Limited by dint of previous employment, a current shareholding in that client, 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

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 raising or variations,
- handling of any regulatory investigations,
- approval of all public announcements,
- risk management, and
- approval of quarterly accounts, budgets and forecast

Attendance at board meetings was as follows

Date of Meeting	M W Thomas	J A Craddock	R J A Eastwood	M E Burges Watson	A J Ramsay
27 Jan 10	✓	✓	✓	✓	✓
29 Apr 10	×	✓	✓	✓	✓
7 May 10	✓	✓	✓	✓	✓
27 May 10	✓	✓	✓	✓	✓
4 Jun 10	✓	✓	✓	×	✓
28 Jul 10	✓	✓	✓	✓	✓
10 Aug 10	✓	✓	✓	✓	✓
10 Nov 10	✓	✓	✓	✓	✓
03 Nov 10	✓	✓	✓	✓	✓
15 Nov 10	✓	✓	×	✓	✓
13 Dec 10	✓	✓	✓	✓	-
30 Dec 10	✓	✓	✓	✓	-

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

Audit Committee
Julie A Craddock (Chairman)
Michael W Thomas

The Committee assists the Board in reviewing the effectiveness of internal controls and risk management The Committee also reviews financial statements to be published externally before their submission to the Board, to ensure that they present a fair assessment of the Group's position and prospects

The Committee also keeps under review the independence and objectivity of the external auditors, and their effectiveness In particular, the Committee oversees the nature and amount of non-audit work undertaken by BDO LLP 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 The Committee also makes recommendations to the Board, for it to put to the shareholders for their approval, in relation to the reappointment of the auditors and approving the remuneration and terms of engagement The Committee's terms of reference are available on request from the Company Secretary

The Committee held six meetings in relation to the year ended 31 December 2010 Both members attended all meetings, with the exception of the April meeting where Michael Thomas was unavailable due to travel disruption The external auditors, the CFO & the internal auditor were present during part of all these meetings

Whilst neither Julie Craddock nor Michael Thomas have a background in accountancy and therefore cannot be deemed to have recent financial experience under the terms of the Combined Code, both have many years experience of the investment banking and fund management industries As such, the board is satisfied that, for the size of group, they have sufficient experience to sit on the Committee

Due to the size of the Board, Julie Craddock acts as both the Chairman of the Board and of the Committee The Group believes that, with Michael Thomas as chair of both the Remuneration and Nomination Committee, it would not be appropriate for him to act as chair of this committee as well

Remuneration Committee
Michael W Thomas (Chairman)
Julie A Craddock

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 2010 can be found on pages 17 to 19 The Committee's terms of reference are available on request from the Company Secretary

The Committee held two meetings in relation to the year ended 31 December 2010 All members of the Committee attended both meetings

It is intended that a significant portion of executive director's remuneration comes in the form of cash bonuses and is linked to the performance of the company As the company has not been profitable in the year under review, profit-based cash bonuses have not been paid

The Group offers two share option schemes to staff The Staff Share Option Scheme gives the option holder the right to buy shares over a vesting period of four years at a 50% premium to the share price on the date of grant The scheme is designed to incentivise staff and to match their remuneration to the performance of the share price and thus the benefit to shareholders Both employees and directors are eligible to receive awards under this scheme Alastair Ramsay was the only director in the year to hold such options

The second scheme, the Staff Stock Grant Scheme, offers holders the right to purchase shares at their nominal value over a vesting period of up to two years This scheme is used to enable the Group to offer share options as part of a competitive remuneration package that is of a level offered by our competitors whilst preserving its operating cash balances In the current year this scheme has been extended to directors

Whilst shareholders are requested to authorise directors to allot securities in part to offer such incentives under the above schemes, no specific approval is sought for the schemes This action has been taken as the Group feels that such schemes are deemed normal operating practice within its industry and offer an effective method of aligning remuneration with the interests of the shareholders

Nomination Committee
Michael W Thomas (Chairman)
Julie A Craddock
Mark E Burges Watson (resigned 29 April 2010)
Rupert J A Eastwood

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

Following the departure of Sir John Whitehead in June 2009, the committee no longer had a majority of non-executive directors However, with the non-executive chairman holding the casting vote in all decisions, in practice the non-executive directors held an effective majority Mark Burges Watson resigned from the committee early in the year to remove any ambiguity

The Committee held one meeting in relation to the year ended 31 December 2010 All three remaining members of the Committee attended the meeting

Board and Committee Performance
The performance of the Board and its Committees is discussed by the Nomination Committee The Committee monitors the performance of all directors and discusses their suitability for the role and makes recommendations on any amendments to the composition of the Board There are no formal evaluation procedures in place as the Committee feels that these would not be practicable in light of the size of the group

All directors are subject to election by shareholders at the first annual general meeting following their appointment and re-election thereafter at intervals of no more than three years Non-executive directors are appointed for an initial term of three years, subject to re-election and to Companies Act provisions relating to the removal of a director

Budget Committee
Peter J Goodfellow (Chairman, appointed 15 November 2010)
Alastair J Ramsay (resigned 15 November 2010)
Mark E Burges Watson
Rupert J A Eastwood

The Committee is responsible for approving 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

During 2010 the Board assumed the responsibilities of the Budget Committee and it will be reconvened in 2011 under the chairmanship of the new Group Finance Director

In addition to the above committees, the Board has delegated responsibility for the day-to-day operations of the Group to an Executive Committee comprising the executive directors and senior management and which meets on a monthly basis The regular duties and responsibilities of this committee include (a) reviewing and monitoring of the financial and operational performance of the business, and (b) developing business strategies and policies for recommendation to the Board The Executive Committee also discusses and reviews any other regulatory and business matters that need to be decided by the Board, and may have joint meetings with the Board to report on and discuss any possible major revisions for the business unit and operational trends during the year

Internal Control

The board of directors is responsible for maintaining the Group's system of internal control, reviewing its effectiveness at least annually and reporting to shareholders that they have done so

The systems are designed to ensure that the key risks faced by the Group in the conduct of its business are identified and evaluated so that appropriate controls are put in place to manage those risks Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss The Group's systems are designed to accord with the Turnbull Guidance on Internal Control

To comply with the provision of the Combined Code related to Internal Control, 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 Audit Committee then reviews the systems in place and supports any recommendation made by the Internal Audit Officer and the CEO on improvements in internal control and puts them forward to the Board for discussion, review and approval to ensure the Group's ongoing compliance with the relevant provision of the Combined Code

The Internal Audit Officer should make at least two formal "Internal Audit Reports" per year and issues improvement plans to the heads of the relevant business units to ensure ongoing improvement If significant failings or weaknesses in internal controls are identified, these items are also included in the improvement plans and their correction is monitored by the Internal Audit Officer In the event that material internal control issues are identified, disclosure will be included in the annual report and accounts In the year under review, two reports have been presented to the Audit Committee with no material internal control issues being reported

The key features of the system of internal control are

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

Audit Committee - the Committee enhances and supports the oversight role of the Board

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

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)

Budgeting and forecasting – a comprehensive planning and budgeting process is in place to deliver detailed financial forecast to the Board (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 and provides recommendations as to improvements to be implemented

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

Investor relations
As the Group is listed on the Mothers market of the Tokyo Stock Exchange, it is required to hold at least two analyst meetings a year These meetings are conducted by the CEO In addition, retail shareholders in Japan have access to the company via a dedicated Investor Relations department As the Group's major shareholders (those with a holding of more than 3%) are either directors or employees of the Group, there is a free and frequent exchange of their views with both the executive and non-executive directors

Japaninvest Group plc

Report of the Remuneration Committee for the year ended 31 December 2010

The responsibility for the remuneration policy for executive directors and the setting of individual directors' remuneration packages is delegated to the 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 normally rewarded through the Group's 'partner' profit share scheme on a quarterly basis 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 2010, the lack of profitability of the Group led to no payouts being made under this scheme

It is the committee's current intention that R J A Eastwood and M E Burges Watson receive equal remuneration when converted into sterling at purchasing power parity As M E Burges Watson's cost of employment was in excess of that received by R J A Eastwood he should have received a payment in the year to bring his remuneration to parity Given the committee's desire to preserve cash, R J A Eastwood was issued with 2,340 staff stock grants in lieu of unpaid equalisation bonuses on 3 February 2011 Such stock grants vest over one and two years from the date of issue in equal tranches

Prior to his resignation A J Ramsay received 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 day

Service Contracts

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

Report of the Remuneration Committee for the year ended 31 December 2010 *(Continued)*

Directors' remuneration

	Salary and fees £	Bonus payments £	Benefits in kind £ (note 1)	2010 Total £	2009 Total £
Executives					
R J A Eastwood	**75,125**	-	**3,604**	**78,729**	99,755
M E Burges Watson (note 2)	**111,700**	-	**9,162**	**120,862**	112,372
A J Ramsay	**51,231**	**5,000**	**3,448**	**59,679**	63,282
Non-executives					
Sir J S Whitehead	-	-	-	-	2,000
M W Thomas	**9,000**	-	-	**9,000**	7,500
J A Craddock	**9,000**	-	-	**9,000**	9,000
Total	**256,056**	**5,000**	**16,214**	**277,270**	293,909
2009 total	251,839	28,864	13,206	293,909	

Note 1 Benefits in kind comprise medical and life insurance

Note 2 M E Burges Watson was based in Japan and Hong Kong during the year and his remuneration is received in local currency This is then converted at the year-end rate in the table above

Share options

The following options were held by directors at 31 December 2010 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
	13 Aug 08	75	Y21,315	13 Aug 09	13 Aug 14
	13 Aug 08	75	Y21,315	13 Aug 10	13 Aug 14
	13 Aug 08	75	Y21,315	13 Aug 11	13 Aug 14
	13 Aug 08	75	Y21,315	13 Aug 12	13 Aug 14

A J Ramsay resigned as a Director of the company during the year

No director exercised options in the year ended 31 December 2010 (year ended 31 December 2009 nil)

Report of the Remuneration Committee for the year ended 31 December 2010 ***(Continued)***

Pensions

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

Michael Thomas

Chairman of the Remuneration Committee

15 February 2011

Japaninvest Group plc

Independent Auditors' Report

To the shareholders of Japaninvest Group plc

We have audited the financial statements of Japaninvest Group plc for the year ended 31 December 2010 which comprise the consolidated profit and loss account, the consolidated and company balance sheet, the consolidated statement of total recognised gains and losses, the consolidated cash flow statement and the related notes and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion,

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or

- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns, or

- certain disclosures of directors' remuneration specified by law are not made, or

- we have not received all the information and explanations we require for our audit

BDO LLP.

Alexander Tapp (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

15 February 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Japaninvest Group plc

Consolidated profit and loss account for the year ended 31 December 2010

	Note	2010 £	2009 £
Turnover			
Continuing operations	1	4,194,775	3,320,281
Discontinued operations	1	98,576	493,031
		4,293,351	3,813,312
Cost of sales		(18,214)	(118,695)
Gross profit		4,275,137	3,694,617
Administrative expenses		(6,918,512)	(7,659,426)
Group operating loss			
Continuing operations	3	(2,555,902)	(2,950,608)
Discontinued operations	3	(87,473)	(1,014,201)
		(2,643,375)	(3,964,809)
Share of loss from associates		(210,511)	-
Operating loss including associates		(2,853,886)	(3,964,809)
Profit on disposal of discontinued operations	24	623,797	-
Loss on ordinary activities before interest		(2,230,089)	(3,964,809)
Interest (payable)/receivable		(2,627)	20,975
Loss on ordinary activities before taxation		(2,232,716)	(3,943,834)
Taxation on loss from ordinary activities	5	5,773	15,000
Loss on ordinary activities after taxation		(2,226,943)	(3,928,834)
Minority interest		4,918	147,772
Loss after taxation attributable to Group		(2,222,025)	(3,781,062)
		£	£
Basic loss per share	14	(31.43)	(53 59)
Diluted loss per share	14	(31.43)	(53 59)

The notes on pages 27 to 50 form part of these financial statements

Japaninvest Group plc

Consolidated statement of total recognised gains and losses for the year ended 31 December 2010

	Note	Year ended 31 Dec 2010 £	Year ended 31 Dec 2009 £
Loss for the financial year			
Group		**(2,011,514)**	(3,781,062)
Associated undertaking		**(210,511)**	-
		(2,222,025)	(3,781,062)
Foreign exchange differences on the translation of subsidiary undertakings on consolidation		**(122,595)**	(3,181)
Unrealised gains on deemed disposal of interest in subsidiary		**232,391**	121,728
Total recognised gains and losses for the financial year	**18**	**(2,112,229)**	(3,662,515)

The notes on pages 27 to 50 form part of these financial statements

Japaninvest Group plc

Consolidated balance sheet at 31 December 2010 **Company number 4547135**

	Note	31 Dec 2010 £	31 Dec 2010 £	31 Dec 2009 £	31 Dec 2009 £
Fixed assets					
Goodwill	7		-		390,273
Tangible assets	8		**51,656**		129,852
Investments	9		**396,878**		-
			448,534		520,125
Current assets					
Debtors	10	**1,314,402**		1,849,061	
Cash at bank and in hand		**1,151,975**		721,991	
		2,466,377		2,571,052	
Creditors: amounts falling due within one year	11	**(1,096,431)**		(1,650,270)	
Net current assets			**1,369,946**		920,782
Total assets less current liabilities			**1,818,480**		1,440,907
Creditors: amounts falling due after one year					
Deferred revenue	12		**(1,687,837)**		-
			130,643		1,440,907
Capital and reserves					
Called up share capital	16		**81,872**		70,560
Share premium account	17		**6,925,777**		6,536,939
Profit and loss account	17		**(6,877,006)**		(5,194,471)
Shareholders' funds	18		**130,643**		1,413,028
Minority interest			-		27,879
			130,643		1,440,907

The financial statements were approved and authorised for issue by the Board on 15 February 2011.

R J A Eastwood
Director

The notes on pages 27 to 50 form part of these financial statements

Japaninvest Group plc

Company balance sheet at 31 December 2010 **Company number 4547135**

	Note	31 Dec 2010 £	31 Dec 2010 £	31 Dec 2009 £	31 Dec 2009 £
Fixed assets					
Investments	9		**1,552,178**		2,698,917
Current assets					
Debtors	10	**1,445,982**		1,511,806	
Cash at bank and in hand		**407,821**		3,061	
		1,853,803		1,514,867	
Creditors: amounts falling due within one year	11	**(750,584)**		(841,929)	
Net current assets			**1,103,219**		672,938
Total assets less current liabilities			**2,655,397**		3,371,855
Capital and reserves					
Called up share capital	16		**81,872**		70,560
Share premium account	17		**6,925,777**		6,536,939
Profit and loss account	17		**(4,352,252)**		(3,235,644)
Shareholders' funds	18		**2,655,397**		3,371,855

The financial statements were approved and authorised for issue by the board on 15 February 2011

R J A Eastwood
Director

The notes on pages 27 to 50 form part of these financial statements

Japaninvest Group plc

Consolidated cash flow statement for the year ended 31 December 2010

	Note	Year ended 31 Dec 2010 £	Year ended 31 Dec 2010 £	Year ended 31 Dec 2009 £	Year ended 31 Dec 2009 £
Net cash outflow from operating activities	21		(181,070)		(2,604,116)
Returns on investments and servicing of finance					
Interest (paid)/received		(2,627)		20,975	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(2,627)		20,975
Taxation					
Taxation paid			-		(1,934)
Taxation rebate received in period			15,000		120,288
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(35,588)		(61,859)	
Net cash outflow from capital expenditure and financial investment			(35,588)		(61,859)
Acquisitions and disposal					
Net proceeds on sale of shares in subsidiary	24		351,336		20,000
Cash inflow/(outflow) before management of liquid resources and financing			147,051		(2,506,646)
Management of liquid resources					
Funds taken off deposit			219,148		1,657,074
Financing					
Proceeds on issue of ordinary shares			400,000		-
Increase/(decrease) in cash in the period	22		766,199		(849,572)

The notes on pages 27 to 50 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

The following principal accounting policies have been applied

Basis of consolidation
The consolidated Financial Statements incorporate the results of Japaninvest Group plc and all of its subsidiaries using the acquisition method of accounting

Turnover
Turnover represents commissions due under commission share agreements and research fees receivable from third parties Commissions and research fees are 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 evenly over their expected useful lives It is calculated at the following rates

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

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

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

Deferred taxation
Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making 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

1 Accounting policies *(Continued)*

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 income statement 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

Goodwill
Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over fair value of the identifiable assets and liabilities acquired, is capitalised and written off over its useful economic life, which the directors estimate to be 10 years

Provision is made for impairment

Associates
An entity is treated as an associated undertaking where the group has a participating interest and exercises significant influence over its operating and financial policy decisions

In the group accounts, interests in associated undertakings are accounted for using the equity method of accounting The consolidated profit and loss account includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings based on audited financial statements In the consolidated balance sheet, interests in associated undertakings are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition

Valuation of investments
Investments held as fixed assets are stated at cost less any provision for impairment Investments held as current assets are stated at the lower of cost and net realisable value

2 Segmental information

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 2010					
Turnover	**2,163,295**	**1,016,659**	**1,113,397**	**-**	**4,293,351**
Loss before interest and tax	**(1,199,202)**	**58,089**	**(453,205)**	**(635,771)**	**(2,230,089)**
Net assets	**2,846,676**	**87,174**	**(1,600,422)**	**(1,202,785)**	**130,643**
Year ended 31 December 2009					
Turnover	2,685,801	1,040,212	87,299	-	3,813,312
Loss before interest and tax	(2,240,463)	(150,369)	(859,212)	(714,765)	(3,964,809)
Net assets	2,539,418	127,720	(1,243,588)	(372,916)	1,050,634

Segmental information by business is as follows

	Sales and research advice	Execution and commission management	Consolidated
	£	£	£
Year ended 31 December 2010			
Turnover	**4,194,775**	**98,576**	**4,293,351**
Loss before interest and tax	**(2,142,616)**	**(87,473)**	**(2,230,089)**
Net assets	**130,643**	**-**	**130,643**
Year ended 31 December 2009			
Turnover	3,320,281	493,031	3,813,312
Loss before interest and tax	(2,950,608)	(1,014,201)	(3,964,809)
Net assets	529,996	520,637	1,050,634

3 Operating loss

	Year ended 31 Dec 2010 £	Year ended 31 Dec 2009 £
This is arrived at after charging/(crediting)		
Depreciation	**49,251**	116,794
Amortisation of goodwill	**25,897**	-
Hire of other assets – operating leases (land and buildings)	**722,764**	833,627
Auditors' remuneration (see below)	**126,179**	202,594
Exchange differences	**(229,164)**	423,271
Profit on disposal of investment in subsidiary	**-**	(32,916)

Auditors' remuneration		
Fees payable to the company's auditors		
for the audit of the company's accounts and consolidated financial statements	**57,080**	73,959
for interim reviews	**38,512**	33,956
Fees payable to the company's auditors and their associates		
for the audit of the subsidiaries' financial statements	**25,315**	72,647
for taxation advice	**3,697**	15,787
for other regulatory work	**1,575**	6,245
	126,179	202,594

Included in the amounts above are £30,587 (31 December 2009 £81,328) paid to associate firms of BDO LLP

4 Employees

	Year ended 31 Dec 2010 Number	Year ended 31 Dec 2009 Number
Average number of employees – Group including executive directors		
Equity sales and research	**27**	29
Execution and commission management	**1**	8
Group management & administration	**9**	9
	37	46
Staff costs for all employees, including executive directors, consist of	**£**	**£**
Wages and salaries	**3,226,681**	3,228,700
Social security costs	**181,354**	186,106
	3,408,035	3,414,806

The disclosures in respect of directors' emoluments and share options are given in the report of the Remuneration Committee on pages 17 to 19

5 Taxation on profit from ordinary activities

	Year ended 31 Dec 2010 £	Year ended 31 Dec 2009 £
UK Corporation tax		
Current tax on loss of the period	-	-
Adjustments to tax on profits in prior periods	-	(15,000)
Foreign tax		
Current tax on foreign income for the year	-	-
Adjustments to tax on profits in prior periods	**(5,773)**	-
Taxation on loss on ordinary activities	**(5,773)**	(15,000)

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 2010 £	Year ended 31 Dec 2009 £
Loss on ordinary activities before tax	**(2,232,716)**	(3,943,834)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28%	**(625,160)**	(1,104,274)
Effects of		
Expenses not deductible for tax purposes	**10,516**	114,295
Depreciation in excess of capital allowances	**13,067**	32,703
Differing rates on overseas earnings	**32,322**	(46,025)
Tax losses carried forward	**566,380**	1,003,301
Group relief surrendered/claimed	**2,875**	-
Prior year adjustments	**(5,773)**	(15,000)
	(5,773)	(15,000)

A deferred tax asset has not been created on trading losses of £4,006,449 (31 December 2009 £3,440,069) given the inherent uncertainty of future profits The unrecognised deferred tax asset (including losses brought forward from prior periods) is £2,648,192 (31 December 2009 £2,081,812)

6 Company loss for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements The company's loss for the year is £1,546,302 (2009 loss of £1,929,044)

7 Goodwill

	Goodwill £
Cost	
At 1 January 2010	390,273
Additions	12,376
Disposal	(254,665)
Reclassification to investment in associate (per note 9)	(147,984)
At 31 December 2010	-

The goodwill arose in the prior year following the capitalisation of intercompany debt between the Group and IND-X (Holdings) Limited

On 23 February 2010 the Group sold a majority stake in IND-X (Holdings) Limited Prior to the disposal there was a further capitalisation of intercompany debt giving rise to additional goodwill of £12,376 Goodwill of £254,665 was eliminated as part of the disposal (see note 24 to the accounts)

The remaining investment in IND-X (Holdings) Limited was reclassified as an investment in associate Accordingly the carrying value of the remaining goodwill was also reclassified to investments in associates at that date (see note 9)

8 Tangible assets

Group	**Leasehold improvements £**	**IT equipment £**	**Fixtures and fittings £**	**Total £**
Cost				
At 1 January 2010	134,159	348,407	104,214	586,780
Additions	1,498	14,668	19,422	35,588
Disposals	(17,051)	(127,041)	(12,446)	(156,538)
Exchange differences	11,850	11,023	11,976	34,849
At 31 December 2010	**130,456**	**247,057**	**123,166**	**500,679**
Depreciation				
As 1 January 2010	121,991	246,382	88,555	456,928
Charge in period	12,123	28,341	8,787	49,251
Disposals	(15,680)	(66,456)	(7,118)	(89,254)
Exchange differences	11,499	9,371	11,228	32,098
At 31 December 2010	**129,933**	**217,638**	**101,452**	**449,023**
Net book value				
At 31 December 2010	**523**	**29,419**	**21,714**	**51,656**
At 31 December 2009	12,168	102,025	15,659	129,852

9 Fixed asset investments

Group	Associated undertakings £	Other investments £	Total £
At 1 January 2010	-	-	-
Deconsolidation of subsidiary	252,911	-	252,911
Reclassification of goodwill (per note 7)	147,984	-	147,984
Amortisation of goodwill	(25,897)	-	(25,897)
Share of loss from associate	(210,511)	-	(210,511)
Gain on deemed disposal	232,391	-	232,391
Transfers	(396,878)	396,878	-
At 31 December 2010	**-**	**396,878**	**396,878**

On 23 February 2010 the Group sold a majority stake in IND-X (Holdings) Limited At this point IND-X (Holdings) Limited no longer met the definition of a subsidiary and ceased to be consolidated It was therefore accounted for as an associated undertaking The remaining goodwill in relation to this investment was also reclassified to investments in associates at that date (see note 7)

Subsequent to the partial disposal, the controlling party invested further equity which diluted the Group's stake from 35% to 21% and increased the value of the investment

On 1 October 2010 the investment in IND-X (Holdings) Limited was reclassified from associated undertakings to fixed asset investments From this date the stake in IND-X no longer met the definition of an associate undertaking as the Group was unable to exercise significant influence over IND-X This reclassification arose because the white-labelling agreement between the Group and IND-X expired, the Group did not have the right to a seat on the Board or management information and (following the dilutions in the year) did not have the ability to block a special resolution From this point equity accounting was no longer applied and the investment was reclassified at its carrying value being a surrogate cost

9 Fixed asset investments *(Continued)*

	Investments in subsidiaries	Other investments	Total
Company	**£**	**£**	**£**
Cost			
At 1 January 2010	2,698,917	-	2,698,917
Additions	42,682	-	42,682
Disposals	(1,189,421)	-	(1,189,421)
Transfers	(856,527)	856,527	-
At 31 December 2010	**695,651**	**856,527**	**1,552,178**

Investments in subsidiaries
The addition in the year relates to an increase of HK$500k in the capital of Japaninvest (Hong Kong) Limited

The disposal in the year relates to the partial sale of the investment in IND-X (Holdings) Limited

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
Japaninvest (Hong Kong) Limited	Hong Kong	100%	Provision of research and analysis of Asian (ex-Japan) companies
JI Asia Research Limited	Hong Kong	100%	Provision of research and analysis of Asian (ex-Japan) companies
JI Asia (Holdings) Limited	England	100%	Holding company

Other investments
The transfer in the year relates to the reclassification of the residual investment in IND-X (Holdings) Limited

10 Debtors

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade debtors	**618,079**	542,171	**-**	-
Amounts due from subsidiary undertakings	**-**	-	**1,268,972**	1,348,063
Other debtors	**541,297**	1,053,844	**159,051**	161,766
Prepayments	**155,026**	253,046	**17,959**	1,977
	1,314,402	1,849,061	**1,445,982**	1,511,806

All amounts fall due for payment within one year with the exception of £39,376 (31 December 2009 £33,259) in other debtors relating to a regulatory deposit repayable in the event that Japaninvest KK no longer requires its regulatory permission In addition, £52,558 (31 December 2009 £168,889) 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 £128,361 (31 December 2009 £131,381) in loans to staff members granted under the Group's corporate loan programme and a £nil trade deposit with Penson Financial Services Limited (31 December 2009 £395,096)

At 31 December 2010, the Group was involved in two outstanding disputes One relates to the redundancy of a former employee whilst the other relates to the cancellation of a lease agreement for housing for one of our expatriate employees Whilst the Group is confident in a successful outcome to both hearings, there is doubt as to the size and timing of any funds to be returned As a result, a provision for bad debt of £39,753 (31 December 2009 £24,770) has been recorded in relation to the redundancy dispute and a provision of £4,699 (31 December 2009 £21,286) has been recorded in relation to the cancellation of the lease Any movement in provisions is included in administrative expenses and the provisions have been used against other debtor balances

11 Creditors: amounts falling due within one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Exchangeable bond	-	541,829	-	541,829
Trade creditors	**489,369**	382,896	**291,984**	20,110
Amounts due to subsidiary undertakings	**-**	-	**146,866**	61
Other tax and social security	**43,218**	102,101	**-**	-
Other creditors	**267,039**	358,964	**209,825**	198,813
Accruals	**296,805**	264,480	**101,909**	81,116
	1,096,431	1,650,270	**750,584**	841,929

12 Deferred income

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Commissions income received in advance	**1,687,837**	-	-	-
	1,687,837	-	-	-

Deferred income reflects an advance of fees from Societe Generale under the alliance due in the third and fourth years of the agreement

13 Provisions

	Dilapidation costs £	Total £
As at 1 January 2010	1,974	**1,974**
Released	(1,974)	**(1,974)**
As at 31 December 2010	-	-

Dilapidation costs reflect provision for the cost of returning leased premises to the conditions in which they were first occupied and were fully utilised by 31 March 2010

14 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 2010 Number	Year ended 31 Dec 2009 Number
Weighted average number of ordinary shares outstanding	**70,697**	70,560
Effect of options over ordinary shares	-	-
Diluted number of ordinary shares	**70,697**	70,560

	Continuing operations 2010 £	Discontinued 2010 £	Total Operations 2010 £	Continuing operations 2009 £	Discontinued 2009 £	Total Operations 2009 £
Loss for the period	**(2,134,552)**	**(87,473)**	**(2,222,025)**	(2,766,861)	(1,014,201)	(3,781,062)
Basic loss per share	**(30.19)**	**(1.24)**	**(31.43)**	(39 21)	(14 37)	(53 59)
Diluted loss per share	**(30.19)**	**(1.24)**	**(31.43)**	(39 21)	(14 37)	(53 59)

The number of potentially issuable shares that have not been included in the above calculation for the year ended 31 December 2010, in accordance with paragraph 41 of FRS 22, is 5,467 (31 December 2009 5,522) as the effect would be to reduce the loss per share

15 Share-based payment

Employee share option schemes

The company operates two equity-settled share option schemes to incentivise employees, these are described in the Statement of Corporate Governance These schemes are registered as Enterprise Management Incentive ("EMI") schemes 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 or at the nominal value Options vest over a period of up to four years from grant subject to continual employment and have an expiry date of six to ten years from grant

As at 31 December 2010

Exercise Price	Options outstanding b/fwd	Granted in the period	Lapsed in the period	Cancelled in the period	Exercised during the period	Options outstanding c/fwd	Weighted average remaining life (years)
£1.00	6,530	-	(1,215)	-	(150)	5,165	8.1
£40.00	1,600	-	-	-	-	1,600	1.0
£75.00	2,420	-	(1,800)	-	-	620	0.2
£125.00	420	-	-	-	-	420	1.0
£200.00	620	-	-	(520)	-	100	1.0
£338.50	1,650	-	-	(1,250)	-	400	1.0
£436.50	1,200	-	-	(1,200)	-	-	-
£497.50	400	-	(200)	(200)	-	-	-
Y5,685	-	2,000	-	-	-	2,000	6.0
Y6,090	-	2,675	-	-	-	2,675	5.1
Y9,015	-	8,110	-	-	-	8,110	5.5
Y10,500	825	-	-	-	-	825	4.0
Y10,950	500	-	-	-	-	500	4.1
Y20,040	800	-	-	(800)	-	-	-
Y21,315	1,550	-	(200)	(850)	-	500	3.6
Y48,075	200	-	-	(200)	-	-	-
Y84,750	1,550	-	(600)	(850)	-	100	2.3
	20,265	12,785	(4,015)	(5,870)	(150)	23,015	5.3

15 Share-based payment *(Continued)*

As at 31 December 2009

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	3,950	3,365	(785)	-	6,530	8 5
£40 00	1,600	-	-	-	1,600	2 0
£75 00	2,420	-	-	-	2,420	1 0
£125 00	420	-	-	-	420	2 0
£200 00	820	-	(200)	-	620	2 0
£338 50	2,050	-	(400)	-	1,650	2 0
£436 50	1,200	-	-	-	1,200	2 0
£497 50	400	-	-	-	400	2 0
Y10,500	-	1,425	(600)	-	825	5 0
Y10,950	-	500	-	-	500	5 1
Y20,040	1,200	-	(400)	-	800	4 1
Y21,315	1,600	-	(50)	-	1,550	4 6
Y48,075	200	-	-		200	3 6
Y84,750	1,550	-	-	-	1,550	3 1
	17,410	5,290	(2,435)	-	20,265	4 6

5,870 options were cancelled during the year and deemed to have been replaced with 4,070 new options with an exercise price of Y9,015 The replacement of the cancelled options was accounted for as a modification rather than cancellation Therefore the incremental fair value of the modified options was applied, being the difference between the fair value of the replacement options and the fair value of the cancelled options at the replacement date The fair value of the cancelled options at the replacement date was £92 and was calculated using the Black-Scholes option pricing model

150 options were exercised during the year (31 December 2009 nil) The share price at the date of exercise was Y5,080

Of the total number of options outstanding at the period end, 7,427 (31 December 2009 11,271) had vested and were exercisable at the end of the period

The following information is relevant in the determination of the fair value of options granted during the year under the employee share option scheme

	31 Dec 2010	31 Dec 2009
Option pricing model used	**Black-Scholes**	Binomial
Weighted average share price at grant date (Y)	**4,684**	9,255
Weighted average exercise price (Y)	**7,882**	3,963
Weighted average contractual life (yrs)	**6.0**	8 5
Expected volatility (%)	**55**	26
Risk-free interest rate (%)	**0.55**	0 75
Expected dividend growth rate	**Nil**	nil

15 Share-based payment *(Continued)*

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years of comparable publicly quoted companies

This period saw a charge of £403,518 (31 December 2009 £343,202) relating to the issuance of share options The total amount charged to date following the issuance of share options is £959,850 (31 December 2009 £556,332)

Warrant granted to Societe Generale

As part of the agreement with Societe Generale the Group issued a warrant to them giving the holder the right to subscribe for 24 99% of the Group's issued share capital at the date of exercise

The issuance of the warrant met the definition of a share-based payment transaction The following information is relevant in the determination of the fair value of warrant granted during the year

Option pricing model used	**Black-Scholes**
Adjusted share price at grant date (Y)	**3,410**
Exercise price (Y per share)	**9,315**
Weighted average contractual life (yrs)	**5**
Expected volatility (%)	**55**
Risk-free interest rate (%)	**0.39**
Expected dividend growth rate	**nil**

The warrant was valued using a modified Black-Scholes option pricing model, in order to take into account the dilution effect of the warrant The plain vanilla Black-Scholes model is based on the assumption that exercising an option does not affect the value of the underlying asset, which is not appropriate for the warrant The share price was adjusted for the expected dilution by the exercise of the warrant

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years of comparable publicly quoted companies

This period saw a charge of £26,176 (31 December 2009 £nil) relating to the issuance of the warrant

16 Share capital

	31 Dec 2010 £	31 Dec 2009 £
Authorised		
1,000,000 ordinary shares of £1 each	**1,000,000**	1,000,000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**81,872**	70,560

16 Share capital *(Continued)*

150 ordinary shares of £1 each were allotted on 1 April 2010 at a subscription price of £1 as a result of an employee exercising options

11,162 ordinary shares of £1 each were issued on 30 December 2010 at a subscription price of £35 84

17 Reserves

	Share premium account £	Profit and loss account £
At 1 January 2010	6,536,939	(5,194,471)
Issue of ordinary shares	388,838	-
Share based payments	-	429,694
Foreign exchange differences on the translation of subsidiary undertakings on consolidation	-	(122,595)
Loss for the year	-	(2,222,025)
Unrealised gain on deemed disposal	-	232,391
At 31 December 2010	**6,925,777**	**(6,877,006)**

Company

	Share premium account £	Profit and loss account £
At 1 January 2010	6,536,939	(3,235,644)
Issue of ordinary shares	388,838	-
Share based payments	-	429,694
Loss for the year	-	(1,546,302)
At 31 December 2010	**6,925,777**	**(4,352,252)**

18 Reconciliation of movements in shareholders' funds

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Total recognised gains and losses	**(2,112,229)**	(3,662,515)	**(1,546,302)**	(1,929,044)
Issue of ordinary shares	**400,150**	-	**400,150**	-
Adjustment in respect of share options	**429,694**	343,202	**429,694**	343,202
Net addition to shareholders' funds	**(1,282,385)**	(3,319,313)	**(716,458)**	(1,585,842)
Opening shareholders' funds	**1,413,028**	4,732,341	**3,371,855**	4,957,697
Closing shareholders' funds	**130,643**	1,413,028	**2,655,397**	3,371,855

19 Commitments under operating leases

As at 31 December 2010, the Group had annual commitments under operating leases as set out below

	2010 Land and buildings £	2009 Land and buildings £
Operating leases which expire		
Within one year	**507,217**	796,758
In one to two years	**135,988**	95,175
	643,205	891,933

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

20 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, Hong Kong and China, in addition to the UK, and as such it has exposure to US Dollars (USD), Japanese Yen (JPY), Hong Kong Dollars (HKD), Euro (EUR) and Chinese Renminbi (RMB)

The table below outlines the Group's currency exposure with reference to the British Pound (GBP)

	Net foreign currency exposure (in GBP)					
	USD	**JPY**	**HKD**	**EUR**	**RMB**	**Total**
As at 31 December 2010	**642,442**	**263,873**	**(44,539)**	**135,489**	**2,720**	**999,985**
As at 31 December 2009	482,375	330,315	319,760	-	-	1,132,450

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

Insufficient liquidity has historically been one of the main risks for the Group However, during the year the Group saw the completion of three important transactions that have significantly improved the Group's liquidity position

In February the Group completed the sale of a controlling stake in IND-X (Holdings) Limited for a total of US$2,100,000 of which the Group received US$875,000 in the prior year, following the issuance of an exchangeable bond, and the final balance of US$1,225,000 on completion of the transaction

In June the Group entered into an alliance with Societe Generale who have agreed to pay the Group a fixed "Research and Sales Service Fee" on a quarterly basis and a share of all commissions earned in the markets covered by the alliance Under the agreement, €2,000,000 of commission relating to the 3rd and 4th years was paid in advance during the year

In December the Group raised £400,000 through the issuance of ordinary shares

These transactions have resulted in a significant improvement in the Group's cash position and a reduction in its cost base and ongoing losses The Group believes that these transactions have strengthened its financial position and will provide sufficient liquidity for future growth and development of the business

20 Financial Instruments *(Continued)*

Interest rate rısk

The group ıs exposed to ınterest rate rısk through ıts use of short term money market deposıts As at 31 December 2010 the group had deposıts outstandıng as detaıled below

	Currency	Amount	Remaining life (days)	Interest rate
	USD	**14,095**	**151**	**0.25%**
		14,095		
As at 31 December 2010	**GBP**	**9,003**		
	HKD	3,600,000	60	0 01%
		3,600,000		
As at 31 December 2009	GBP	287,501		

20 Financial Instruments *(continued)*

Financial assets and liabilities

The group has no financial assets for disclosure under FRS 13 other than £1,151,975 (31 December 2009 £721,991) of cash and short term deposits Of this, £234,035 is denominated in USD, £135,147 is denominated in JPY, £61,905 is denominated in HKD, £4,175 is denominated in RMB and £70,625 is denominated in EUR (31 December 2009 £275,553 in USD, £62,243 in JPY and £304,471 in HKD)

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

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

	Year ended 31 Dec 2010 £	Year ended 31 Dec 2009 £
Operating loss	**(2,643,375)**	(3,964,809)
Depreciation	**49,251**	116,794
Amortisation	**25,897**	-
(Increase)/decrease in debtors	**(204,750)**	279,844
Increase in creditors	**2,162,213**	653,769
Profit on disposal of interest in subsidiary	**-**	(32,916)
Share based payments	**429,694**	343,202
Net cash outflow from operating activities	**(181,070)**	(2,604,116)

22 Reconciliation of net cash inflow/(outflow) to movement in net funds

	Year ended 31 Dec 2010 £	Year ended 31 Dec 2009 £
Increase/(decrease) in cash in the year	**766,199**	(849,572)
Management of liquid resources	**(219,148)**	(1,657,074)
Change in net funds resulting from cash flows	**547,051**	(2,506,646)
Exchange movement	**(117,067)**	(5,778)
Movement in net funds in the year	**429,984**	(2,512,424)
Net funds at the start of the year	**721,991**	3,234,415
Net funds at the end of the year (note 23)	**1,151,975**	721,991

23 Analysis of net funds

	At 31 December 2009 £	Cash flow £	Other non-cash changes £	At 31 December 2010 £
Cash at bank and in hand	390,791	766,199	(117,067)	**1,039,923**
Cash on time deposit	331,200	(219,148)	-	**112,052**
	721,991	**547,051**	**(117,067)**	**1,151,975**

24 Discontinued operations

On 23 February 2010 the group disposed of 63 2% of its interest in IND-X (Holdings) Limited The loss of IND-X (Holdings) Limited up to the date of disposal was £87,473, and was £1,047,988 in the previous financial year

The profit on disposal of IND-X (Holdings) Limited has been calculated as follows

	£	£
Proceeds		**1,295,296**
Net assets disposed of		
Tangible fixed assets	**67,508**	
Debtors	**744,872**	
Cash	**413,142**	
Creditor	**(808,688)**	
Goodwill	**254,665**	
		(671,499)
Profit on disposal		**623,797**

The net cash inflow in the current year in respect of the sale of IND-X (Holdings) Limited is as follows

	£
Cash proceeds received in the current year	**764,478**
Cash transferred on disposal	**(413,142)**
Net inflow of cash	**351,336**

25 Related party transactions

Associated companies
The following transactions took place between the Group and IND-X during the year

	Year ended 31 Dec 2010 £	Year ended 31 Dec 2009 £
Client commissions received under commission sharing agreements with IND-X	**390,538**	778,805

The following receivable balances relating to IND-X were included in the consolidated balance sheet

	Year ended 31 Dec 2010 £	Year ended 31 Dec 2009 £
Trading balances due to IND-X	**(16,426)**	-
Inter-company balance due from IND-X	-	239,602