

Foster Denovo Group plc

Report and Financial Statements

Year Ended

31 December 2015

Company Number 06033941

Foster Denovo Group plc

Company Information

Directors

R N Brosch
K A Carby
P A Dunne
A R Jordache
H M Lovett
A Taylor

Company secretary

P A Dunne

Registered number

06033941

Registered office

1st Floor, 8 Eastcheap
London
EC3M 1AE

Foster Denovo Group plc

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Foster Denovo Group plc

Group Strategic Report For the Year Ended 31 December 2015

Introduction

The Directors present their report and the audited consolidated financial statements for Foster Denovo Group plc (the "Company") for the year ended 31 December 2015.

Results

	Year Ended 31 December 2015 (£'000)	Year Ended 31 December 2014 (£'000)
Turnover	19,783	26,396
Gross Profit	10,040	12,807
Operating Expenses	(11,475)	(11,170)
Operating Profit	(1,435)	1,637
Profit before Taxation	(1,433)	1,636
Taxation	12	(435)
Profit after Taxation	(1,422)	120

The results for the year are set out on page 9. The loss for the year, before taxation is £1,433,884 (2014: profit of £1,635,919). The Directors recommend that no dividend is paid (2014: £nil). The result before taxation for each trading subsidiary in the Group was as follows:

	£
Foster Denovo Limited	(1,853,504)
Foster Denovo Enrolsme Limited	(234,071)
Foster Denovo Event Management Limited	4,150
Foster Denovo Group Services Limited	157,249
Sequel Investments Limited	599,231

Note 1 includes details of key policies used in the preparation of the Company's Consolidated financial statements.

Trading from the balance sheet date to the date of this report is in line with the directors' expectations for 2016.

Foster Denovo Group plc

Strategic report (continued)

Overview

The Company is incorporated and domiciled in England & Wales and is a holding company for five trading subsidiaries and two non-trading subsidiaries (together the "Group"):

- Foster Denovo Limited ("FDL") – a financial adviser directly regulated by the Financial Conduct Authority ("FCA");
- Foster Denovo Enrolsme Limited ("Enrolsme") – a provider of an on line auto-enrolment solution for workplace pensions;
- Foster Denovo Event Management Limited ("FDEML") – the manager of events for Foster Denovo Limited's advisers (now ceased trading);
- Foster Denovo Group Services Limited ("FDGSL") – a supplier of services (including personnel) to associated group companies and third parties;
- Sequel Investments Limited ("Sequel") – a sponsor of a range of investment funds;
- Foster Denovo Regulatory Services Limited – dormant; and
- Secondsight UK Limited – dormant.

The majority of the Group's revenues are currently derived from Foster Denovo Limited. Foster Denovo Group Plc, as a stand-alone company, did not trade in 2015.

Review of business

FDL

As at 1 January 2015, FDL had 76 financial advisers, which number had decreased to 73 at the balance sheet date. This included some advisers taking other non-advisory roles within FDL during the year. The average productivity per adviser during the year decreased overall by 11.31% to £208,000 (2014: £234,000) but increased by 7.72% to £190,000 (2014: £179,000) across its non-employee benefits advisers following changes to employee benefits remuneration models imposed by the DWP. These will be fully implemented by April 2016.

The Directors monitor key performance indicators on a regular basis in order to track and improve FDL's business performance, liquidity and solvency position. These indicators include new business production, expenses, cash flow, solvency and production per adviser. A key monitoring tool is the regular review by FDL's Compliance and Risk Management Committee, chaired by A Taylor, of the performance of individual advisers which covers the required business standards regarding treating customers fairly and quality of advice.

Sequel

The primary measure by which the performance of Sequel is monitored (in addition to profit and loss, cashflow and balance sheet) is through funds under management in the OEIC and the pension funds.

As at 31 December 2015, funds under management in the OEIC, stood at £159,762,000 (2014: £138,482,000) and advised upon in the pension funds were £104,391,000 (2014: £81,991,000)

During 2015, the Company progressed its plans to launch an additional income fund, which is due to be delivered in Q2 2016.

Enrolsme

Sales of Enrolsme's product were significantly lower than anticipated during 2015, primarily due to employer inertia with regard to complying with auto-enrolment legislation. As a result, Enrolsme requested funding from the Company, which was granted, and reduced its cost base to ensure break even run rate trading by the end of 2015. This involved reducing its focus on digital marketing and concentrating on its core professional introducer market. As a result, Enrolsme was successful in signing up 26 professional introducers by year end and achieved operational break-even trading in Q4 2015.

Foster Denovo Group plc

Strategic report (continued)

FDEML

Given the implications of the RDR for the business of FDEML, the primary activity of FDEML in 2013 moved towards the provision of management information to, rather than the raising of sponsorship from, providers of financial products and, as such, FDEML's revenues, as anticipated, reduced materially resulting in a loss for the year in 2013. In the light of this and further guidance issued by the FCA in relation to inducements, the Directors considered the ongoing activity of FDEML and determined that FDEML should cease trading in 2014.

Business developments

On 16 January 2015, FDL completed the acquisition of the employee benefits business of Mr Ian Bird. At the same time, Mr Bird became an employee of the Company's group with responsibility for Employee Benefits & Charities. FDL intends to integrate the operations of Mr Bird with its own "Second sight" employee benefits operations, the majority of which was achieved during 2015.

On 1 April 2015, FDL announced that it had entered into an arrangement with Friends Life to provide advice to Friends Life customers predominantly in relation to their retirement planning in the context of pensions freedom and choice resulting from changes in legislation introduced in the budget. Following the acquisition of Friends Life by Aviva, the arrangement has continued.

On 11 January 2016, FDL announced that it had entered into an arrangement with Optionis to provide financial advice to Optionis customers and employees under the Clearsky Financial Services brand. FDL anticipates that this arrangement will add to revenue and profit in 2016.

As a result of these two, and other potential arrangements, the Company's group took on additional staff to support large scale referral business.

Future developments

During 2016, Sequel intends to finalise the launch of its additional income fund in the light of pensions freedom and choice resulting from changes in legislation.

Looking ahead, the Directors continue to expect the future financial advice market to move towards increased consolidation. This will continue to be driven by the impact of regulatory changes such as the RDR and DWP-led changes in the employee benefits market as well as increased capital resource requirements as a result of the FCA's policy statement in December 2015 which will be implemented in June 2016.

The Company continues to see the demand for financial advice increasing, whether through legislative change such as that leading to pensions freedom and choice or through employers seeking to provide financial education and access to advice in the workplace. The scale and resources available to the Group mean that it is well placed to take advantage of resulting opportunities as they arise as a result of these trends.

Principal risks, uncertainties and financial instruments

The business of FDL is active in the sale of regulated financial products and advises clients as to their suitability. As a consequence, FDL's activities are regulated which gives rise to a number of risks, including censure by the FCA. Such risks may manifest themselves financially through compensation payable regarding the sale of financial products. FDL operates a strict compliance regime, including regular audits of financial advisers, to mitigate such risks and has arranged professional indemnity insurance which conforms to the requirements of the FCA.

Foster Denovo Group plc

Strategic report (continued)

FDL receives commission from some providers on an indemnity basis and these may become repayable in the event that a policy is cancelled or amended subsequent to its sale. Where such clawbacks of commission occur, FDL recharges a proportion of such amounts to the relevant financial adviser. As a consequence, to mitigate the risk of accepting commission on an indemnity basis, FDL monitors such activity and the ability of its financial advisers to service their clawback liabilities. As a result of the changes brought about by RDR, the proportion of revenue derived on an indemnity basis has decreased significantly with a resulting decrease in provisions. The Directors anticipate that these provisions may reduce further in 2016 and beyond.

Competitive risk is a continuing risk to FDL, which could result in it losing business to its competitors. FDL manages this risk by providing an excellent service to its clients and adding value to its advisers, having fast response times not only in supplying services and products, but in handling all adviser queries and by maintaining strong relationships with them.

The principal risks and uncertainties of Sequel relate to the level of fund inflows generated by financial advisers, their retention thereafter and, of course, the performance of the OEIC and the pension funds, to which the first two are inextricably linked. Sequel manages this risk by ensuring that the investment proposition continues to meet the needs of customers and by engaging strongly and continuously with financial advisers to that end.

The principal risks and uncertainties of Enrolsme relate to the generation of sufficient sales revenues to meet its ongoing costs and repay the investment of the Company. Enrolsme manages this risk by ensuring that its proposition continues to meet the needs of customers and by engaging strongly and continuously with business connections.

In common with all other businesses, the Group holds or issues financial instruments to finance its operations and is exposed to risks that arise from its use of those financial instruments. Various financial instruments such as trade receivables and trade payables arise directly from the Group's operations. The Group does not enter into hedging agreements.

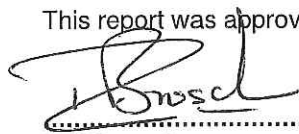
Liquidity and cash flow risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Directors monitor this risk by reviewing projected cash flow requirements and ensuring that the Company maintains sufficient working capital to ensure that its requirements are met on a day-to-day basis.

Policy and Practice on the payment of creditors

It is the policy of the Group to pay all trade payables by the last working day of the month following that in which the goods or services are invoiced or on maturity day, whichever comes first, unless alternate credit terms have been agreed. In this case, the Group pays its suppliers in accordance with those agreed terms and conditions, provided that all trading terms and conditions have been complied with.

The average number of creditor days in relation to the Group's suppliers' balances outstanding at 31 December 2015 was 23 (2014: 37).

This report was approved by the board on 23 June 2016 and signed on its behalf.


.....
R N Brosch
Director

Foster Denovo Group plc

Directors' Report For the Year Ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Dividends paid

The directors recommend that no dividend is paid (2014: £nil).

Directors

The directors who served during the year were:

R N Brosch
K A Carby
P A Dunne
A R Jordache
H M Lovett
A Taylor

Disclosure of information to auditors

The directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware and each director has taken all steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Foster Denovo Group plc

Directors' Report For the Year Ended 31 December 2015

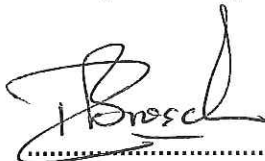
Auditors

In accordance with the provisions of the Companies Act legislation the Company has dispensed with the obligation to appoint auditors annually.

Annual General Meetings

In accordance with the provisions of the Companies Act legislation the Company has dispensed with the holding of Annual General Meetings.

This report was approved by the board on 23 June 2016 and signed on its behalf.



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R N Brosch
Director

Foster Denovo Group plc

Independent Auditor's report to the members of Foster Denovo Group plc

We have audited the financial statements of Foster Denovo Group Plc for the year ended 31 December 2015 which comprise the consolidated Statement of Comprehensive Income, the consolidated and company Statement of Financial Position, the consolidated and company Statement of Changes in Equity, the consolidated Statement of Cash Flows 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2015 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Foster Denovo Group plc

Independent Auditor's report to the members of Foster Denovo Group plc

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 parent company financial statements 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.

VJB Bradley

Vanessa-Jayne Bradley (Senior statutory auditor)
for and on behalf of BDO LLP, Statutory auditor
London
United Kingdom

23 June 2016

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

Foster Denovo Group plc

Consolidated Statement of Comprehensive Income For the Year Ended 31 December 2015

	Note	2015 £	2014 £
Revenue		19,782,674	26,396,170
Cost of sales		<u>(9,743,059)</u>	<u>(13,589,555)</u>
Gross profit		10,039,615	12,806,615
Administrative expenses		<u>(11,474,631)</u>	<u>(11,170,227)</u>
Operating (loss)/profit		(1,435,016)	1,636,388
Interest receivable and similar income	8	6,588	9,198
Interest payable and similar charges	9	<u>(5,456)</u>	<u>(9,667)</u>
(Loss)/profit on ordinary activities before taxation		(1,433,884)	1,635,919
Taxation on profit/(loss) on ordinary activities	10	<u>12,188</u>	<u>(433,567)</u>
(Loss)/profit for the financial year		<u><u>(1,421,696)</u></u>	<u><u>1,202,352</u></u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>(1,421,696)</u></u>	<u><u>1,202,352</u></u>
(Loss)/profit for the financial year attributable to			
Non-controlling interests		(18,295)	(12,106)
Owners of the parent Company		<u>(1,403,401)</u>	<u>1,214,458</u>
		<u><u>(1,421,696)</u></u>	<u><u>1,202,352</u></u>
Total comprehensive income for the financial year attributable to			
Non-controlling interest		(18,295)	(12,106)
Owners of the parent Company		<u>(1,403,401)</u>	<u>1,214,458</u>
		<u><u>(1,421,696)</u></u>	<u><u>1,202,352</u></u>

Foster Denovo Group plc
Registered number:06033941

Consolidated Statement of Financial Position
As at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Intangible assets	11	1,503,784	1,174,313
Tangible assets	13	217,666	315,385
		<u>1,721,450</u>	<u>1,489,698</u>
Current assets			
Trade and other receivables: Amounts falling due after more than one year	15	186,124	186,124
Trade and other receivables: Amounts falling due within one year	15	4,537,524	5,431,625
Cash at bank and in hand		4,481,738	7,390,656
		<u>9,205,386</u>	<u>13,008,405</u>
Trade and other payables: Amounts falling due within one year	16	(2,643,426)	(3,869,150)
		<u>6,561,960</u>	<u>9,139,255</u>
Net current assets			
		<u>8,283,410</u>	<u>10,628,953</u>
Total assets less current liabilities			
Trade and other payables: Amounts falling due after more than one year	17	(103,564)	(153,321)
Provisions for liabilities			
Other provisions	20	(2,222,287)	(3,537,714)
		<u>(2,222,287)</u>	<u>(3,537,714)</u>
Net assets		<u><u>5,957,559</u></u>	<u><u>6,937,918</u></u>

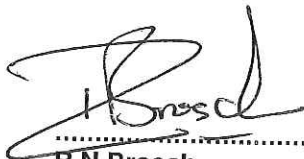
Foster Denovo Group plc
Registered number:06033941

Consolidated Statement of Financial Position (continued)
As at 31 December 2015

Equity			
Called up share capital	21	714,392	616,792
Share premium account		2,223,929	1,919,329
Profit and loss account		3,049,629	4,413,893
Equity attributable to owners of the parent Company		<u>5,987,950</u>	<u>6,950,014</u>
Non-controlling interests		(30,391)	(12,096)
		<u>5,957,559</u>	<u>6,937,918</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

23 June 2016



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R N Brosch
Director


The notes on pages 18 to 42 form part of these financial statements.

Foster Denovo Group plc
Registered number:06033941

Company Statement of Financial Position
As at 31 December 2015

	Note	2015 £	2014 £
Fixed assets			
Investments		3,751,048	2,405,911
		<u>3,751,048</u>	<u>2,405,911</u>
Current assets			
Trade and other receivables: Amounts falling due within one year	15	1,677,435	1,506,826
Cash at bank and in hand		36,643	101,335
		<u>1,714,078</u>	<u>1,608,161</u>
Trade and other payables: Amounts falling due within one year	16	(9,818)	(101)
		<u>1,704,260</u>	<u>1,608,060</u>
Net current assets			
		<u>5,455,308</u>	<u>4,013,971</u>
Total assets less current liabilities			
Trade and other payables: Amounts falling due after more than one year	17	(4,052)	(4,053)
		<u>5,451,256</u>	<u>4,009,918</u>
Net assets			
Capital and reserves			
Called up share capital	21	714,392	616,792
Share premium account		2,223,929	1,919,329
Profit and loss account		2,512,935	1,473,797
		<u>5,451,256</u>	<u>4,009,918</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

23 June 2016

 R N Brosch
 Director

Foster Denovo Group plc

Consolidated Statement of Changes in Equity As at 31 December 2015

	Share capital £	Share premium £	Retained earnings £	Non- controlling interests £	Total equity £
At 1 January 2015	616,792	1,919,329	4,413,893	(12,096)	6,937,918
Comprehensive income for the year					
Loss for the year	-	-	(1,403,401)	(18,295)	(1,421,696)
Total comprehensive income for the year	-	-	(1,403,401)	(18,295)	(1,421,696)
Contributions by and distributions to owners					
Shares issued during the year	97,600	304,600	-	-	402,200
Share-based payment	-	-	39,137	-	39,137
Total contributions by and distributions to owners	97,600	304,600	39,137	-	441,337
At 31 December 2015	714,392	2,223,929	3,049,629	(30,391)	5,957,559

Foster Denovo Group plc

Consolidated Statement of Changes in Equity As at 31 December 2014

	Share capital £	Share premium £	Retained earnings £	Non- controlling interests £	Total equity £
At 1 January 2014	601,502	1,833,169	3,096,596	-	5,531,267
Comprehensive income for the year					
Profit for the year	-	-	1,214,458	(12,096)	1,202,362
Total comprehensive income for the year	-	-	1,214,458	(12,096)	1,202,362
Contributions by and distributions to owners					
Capitalisation/bonus issue	-	-	28,270	-	28,270
Shares issued during the year	15,290	86,160	-	-	101,450
Share-based payment	-	-	74,569	-	74,569
Total contributions by and distributions to owners	15,290	86,160	102,839	-	204,289
At 31 December 2014	616,792	1,919,329	4,413,893	(12,096)	6,937,918

The notes on pages 18 to 42 form part of these financial statements.

Foster Denovo Group plc

Company Statement of Changes in Equity As at 31 December 2015

	Share capital £	Share premium £	Retained earnings £	Total equity £
At 1 January 2015	616,792	1,919,329	1,473,797	4,009,918
Comprehensive income for the year				
Profit for the year	-	-	1,000,001	1,000,001
Total comprehensive income for the year	-	-	1,000,001	1,000,001
Contributions by and distributions to owners				
Shares issued during the year	97,600	304,600	-	402,200
Share-based payment	-	-	39,137	39,137
Total contributions by and distributions to owners	97,600	304,600	39,137	441,337
At 31 December 2015	714,392	2,223,929	2,512,935	5,451,256

Foster Denovo Group plc

Company Statement of Changes in Equity As at 31 December 2014

	Share capital £	Share premium £	Retained earnings £	Total equity £
At 1 January 2014	616,792	1,833,169	1,473,827	3,923,788
Comprehensive income for the year				
Loss for the year	-	-	(30)	(30)
Total comprehensive income for the year	-	-	(30)	(30)
Contributions by and distributions to owners				
Shares issued during the year	-	86,160	-	86,160
Total contributions by and distributions to owners	-	86,160	-	86,160
At 31 December 2014	616,792	1,919,329	1,473,797	4,009,918

The notes on pages 18 to 42 form part of these financial statements.

Foster Denovo Group plc

Consolidated Statement of Cash Flows For the Year Ended 31 December 2015

	2015 £	2014 £
Cash flows from operating activities		
Profit for the financial year	(1,421,696)	1,202,352
Adjustments for:		
Amortisation of intangibles	420,529	258,933
Depreciation of tangibles	151,196	159,149
Loss on disposal of tangibles	-	45,879
Interest paid	5,456	9,667
Interest received	(6,588)	(9,198)
Taxation expense for the year	(12,188)	433,567
Increase in receivables	897,675	(823,743)
Increase in payables	(883,319)	52,054
Increase in provisions	(1,297,103)	(220,800)
Share based payments charge	39,137	102,839
Corporation tax paid in the year	(352,115)	(51,841)
Net cash generated from operating activities	<u>(2,459,016)</u>	<u>1,158,858</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(750,000)	(169,614)
Purchase of tangible fixed assets	(53,477)	(37,393)
Sale of tangible fixed assets	-	10,576
Interest received	6,588	9,198
HP interest paid	(5,456)	(9,667)
Net cash from investing activities	<u>(802,345)</u>	<u>(196,900)</u>
Cash flows from financing activities		
Issue of ordinary shares	402,200	101,450
Repayment of/new finance leases	(49,757)	(7,200)
Dividends paid to non controlling interests	-	10
Net cash used in financing activities	<u>352,443</u>	<u>94,260</u>
Net increase / (decrease) in cash and cash equivalents	<u>(2,908,918)</u>	<u>1,056,218</u>
Cash and cash equivalents at beginning of year	7,390,656	6,334,438
Cash and cash equivalents at the end of year	<u>4,481,738</u>	<u>7,390,656</u>
Cash at bank and in hand	<u>4,481,738</u>	<u>7,390,656</u>
	<u>4,481,738</u>	<u>7,390,656</u>

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

Foster Denovo Group plc is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report. The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first-time adoption of FRS 102 is given in note 25.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Company's accounting policies (see note 2).

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- Disclosures in respect of the parent company's share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure as been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

1.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2014.

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.3 Revenue

Revenue comprises the value of commissions and fees receivable from product providers, excluding VAT, in the normal course of business. All revenue arises in the United Kingdom. Initial commissions are accounted for when the policies are accepted by the product providers, or mortgages complete, after taking into account provisions for the potential cancellation of policies where commission is received under indemnity terms. Renewal commissions are accounted for when received. Fees for financial advice and administration charges are accounted for as invoiced with accruals being made for work performed but not invoiced.

1.4 Intangible assets

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

Website development costs

Where Group companies' websites are expected to generate future revenues in excess of the costs of developing those websites and all other capitalisation criteria are met, expenditure on the functionality of the website is capitalised and treated as an intangible fixed asset. Expenditure incurred on maintaining websites and expenditure incurred on developing websites used only for advertising and promotional purposes are written off as incurred. Development costs that are capitalised in accordance with the requirements of FRS 102 are not treated, for dividend purposes, as a realised loss. The capitalised development costs are subsequently amortised to 'administrative expenses' on a straight line basis over their expected useful economic lives, which is 5 years.

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

The estimated useful lives range as follows:

Leasehold improvements	-	4	years
Fixtures and fittings	-	4	years
Computer equipment	-	3	years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

1.6 Impairment of fixed assets and intangible assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.8 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- i) At fair value with changes recognised in the Income Statement if the shares are publicly traded or their fair value can otherwise be measured reliably;
- ii) At cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Short term payables are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.9 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.10 Share based payments

Where share options are awarded to employees, and where material, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income 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 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.

The Group operates a convertible loan stock scheme for the advisers. The fair value of the options 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. The proceeds received from the convertible loan stock scheme are allocated to liabilities until the options are exercised.

1.11 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.12 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

1.13 Provisions for Liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

1.14 Taxation

Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.15 Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

The group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the shorter period to the first market rent review rather than the term of lease.

For leases entered into on or after 1 January 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Where the Group has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

1.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

1. Accounting policies (continued)

1.17 Reserves

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- The capital redemption reserve contains the nominal value of own shares that have been acquired by the company and cancelled.
- Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgments:

- Determine whether leases entered into by the Group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Provisions are made where an event has taken place that gives the Group a legal or constructive obligation at the year end. Estimates, assumptions and judgements relate to the determination of carrying value of these provisions.

3. Analysis of revenue

All revenue arose within the United Kingdom.

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

4. Operating (loss)/profit

The operating profit is stated after charging/(crediting):

	2015 £	2014 £
Depreciation of tangible fixed assets	151,196	159,149
Amortisation of intangible assets	420,529	258,933
Share-based payment	39,137	102,839
	<u>610,862</u>	<u>520,921</u>

5. Auditors' remuneration

	2015 £	2014 £
Fees payable to the Company's auditor or an associate of the Company's auditor for the auditing of the company's annual accounts	5,300	10,828
Fees payable to the company's auditor and its associates for other services to the group:		
- the audit of the company's subsidiaries	47,700	92,935
- taxation advisory services	26,320	26,340
- other non-audit services	12,000	39,887
	<u>86,020</u>	<u>159,162</u>

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

6. Employees

Staff costs were as follows:

	2015 £	2014 £
Wages and salaries	5,684,716	5,742,252
Social security costs	581,266	613,874
Cost of defined contribution scheme	363,890	362,686
	<u>6,629,872</u>	<u>6,718,812</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2015 No.	2014 No.
Directors	6	6
Adviser Sales Support	30	47
Advisers	16	10
Administration	121	120
	<u>173</u>	<u>183</u>

7. Directors' remuneration

	2015 £	2014 £
Directors' emoluments	504,467	479,762
Company contributions to defined contribution pension schemes	99,918	112,026
	<u>604,385</u>	<u>591,788</u>

The highest paid director received remuneration of £188,907 (2014 - £188,622).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £75,400 (2014 - £75,400).

Out of the share-based payments charge (see note 4) £15,978 (2014 - £74,569) related to share-based payments to directors.

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

8. Interest receivable

	2015 £	2014 £
Other interest receivable	6,588	9,198
	<u>6,588</u>	<u>9,198</u>

9. Interest payable and similar charges

	2015 £	2014 £
Finance leases and hire purchase contracts	5,456	9,667
	<u>5,456</u>	<u>9,667</u>

10. Taxation

	2015 £	2014 £
Corporation tax		
Current tax on profits for the year	10,000	406,594
Adjustments in respect of previous periods	(3,864)	(28,057)
	<u>6,136</u>	<u>378,537</u>
Total current tax	<u>6,136</u>	<u>378,537</u>
Deferred tax		
Origination and reversal of timing differences	(18,396)	13,470
Changes to tax rates	72	41,560
	<u>(18,324)</u>	<u>55,030</u>
Total deferred tax	<u>(18,324)</u>	<u>55,030</u>
Taxation on (loss)/profit on ordinary activities	<u>(12,188)</u>	<u>433,567</u>

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2014 -higher than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.5%). The differences are explained below:

	2015 £	2014 £
Profit on ordinary activities before tax	(1,433,884)	1,635,919
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 -21.5%)	(293,946)	351,723
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,799	69,242
Capital allowances for year in excess of depreciation	17,569	(17,315)
Adjustments to tax charge in respect of prior periods	(3,793)	(28,057)
Other timing differences leading to an increase (decrease) in taxation	21,042	3,689
Tax losses carried back	260,662	-
Origination and reversal of timing differences	(18,396)	-
Small profits relief	(125)	-
Marginal relief	-	(745)
Deferred tax movement in the year	-	55,030
Total tax charge for the year	(12,188)	433,567

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

11. Intangible assets

Group

	Other intangible assets £	Goodwill £	Website development costs £	Total £
Cost				
At 1 January 2015	-	1,893,330	169,614	2,062,944
Additions	750,000	-	-	750,000
At 31 December 2015	750,000	1,893,330	169,614	2,812,944
Amortisation				
At 1 January 2015	-	866,160	22,471	888,631
Charge for the year	150,000	236,462	34,067	420,529
At 31 December 2015	150,000	1,102,622	56,538	1,309,160
Net book value				
At 31 December 2015	600,000	790,708	113,076	1,503,784
At 31 December 2014	-	1,027,170	147,143	1,174,313

12. Parent Company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £1,000,001 (2014 - loss £30).

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

13. Tangible fixed assets

Group

	Leasehold land and buildings £	Fixtures and fittings £	Computer equipment £	Computer software £	Total £
Cost or valuation					
At 1 January 2015	342,733	327,452	546,956	249,494	1,466,635
Additions	25,273	12,174	10,494	5,536	53,477
Disposals	(41,283)	(16,310)	-	-	(57,593)
At 31 December 2015	326,723	323,316	557,450	255,030	1,462,519
Depreciation					
At 1 January 2015	325,774	305,464	332,104	187,908	1,151,250
Charge owned for the period	8,210	15,283	83,834	43,869	151,196
Disposals	(41,283)	(16,310)	-	-	(57,593)
At 31 December 2015	292,701	304,437	415,938	231,777	1,244,853
At 31 December 2015	34,022	18,879	141,512	23,253	217,666
At 31 December 2014	16,959	21,988	214,852	61,586	315,385

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

14. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Foster Denovo Limited	England and Wales	Ordinary	100%	Financial advice
Foster Denovo Event Management Limited	England and Wales	Ordinary	100%	Event Management
Foster Denovo Group Services Limited	England and Wales	Ordinary	100%	Services Company
Sequel Investments Limited	England and Wales	Ordinary	100%	Sponsor of investment funds
Foster Denovo Enrolsme Limited	England and Wales	Ordinary	90%	Online auto-enrolment solution provider
Foster Denovo Regulatory Services Limited	England and Wales	Ordinary	100%	Dormant
Secondsight UK Limited	England and Wales	Ordinary	100%	Dormant

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2015	2,405,911
Additions	1,345,137
At 31 December 2015	<u>3,751,048</u>
Net book value	
At 31 December 2015	<u>3,751,048</u>
	<u>2,405,911</u>
At 31 December 2014	

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

15. Trade and other receivables

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Due after more than one year				
Other receivables	186,124	186,124	-	-
	<u>186,124</u>	<u>186,124</u>	<u>-</u>	<u>-</u>
	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Due within one year				
Trade receivables	977,003	971,575	-	-
Amounts owed by group undertakings	-	-	1,617,735	1,506,826
Other receivables	2,595,484	3,218,533	59,700	-
Prepayments and accrued income	961,463	1,241,517	-	-
Tax recoverable	3,574	-	-	-
	<u>4,537,524</u>	<u>5,431,625</u>	<u>1,677,435</u>	<u>1,506,826</u>

Included in other receivables is £169,171 (2014 - £445,184) that relates to amounts potentially recoverable from the Group's advisers in relation to the clawback of indemnity commission. Also included in other receivables is £1,904,662 (2014 - £2,737,139) that relates to amounts recoverable from Professional Indemnity Insurers and/or financial advisers in relation to complaints (see note 20).

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

16. Trade and other payables: Amounts falling due within one year

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Trade payables	718,839	1,761,569	-	-
Amounts owed to group undertakings	-	-	9,818	101
Corporation tax	22,718	365,123	-	-
Taxation and social security	345,937	168,599	-	-
Obligations under finance lease and hire purchase contracts	49,756	49,757	-	-
Other payables	207,692	121,939	-	-
Accruals	1,298,484	1,402,163	-	-
	<u>2,643,426</u>	<u>3,869,150</u>	<u>9,818</u>	<u>101</u>

17. Trade and other payables: Amounts falling due after more than one year

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Net obligations under finance leases and hire purchase contracts	99,512	149,268	-	-
Other payables	4,052	4,053	4,052	4,053
	<u>103,564</u>	<u>153,321</u>	<u>4,052</u>	<u>4,053</u>

Other payables represent the convertible loan stock which was issued on 30 September 2007, 19 August 2008 and 16 June 2009. The earliest date of redemption was 1 January 2009 and the latest date is 16 June 2019. The amount payable on redemption is 0.05p per share. The conversion is at the option of the holder.

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Within one year	49,756	49,757	-	-
Between 1-2 years	49,756	49,756	-	-
Between 2-5 years	49,756	99,512	-	-
	<u>149,268</u>	<u>199,025</u>	<u>-</u>	<u>-</u>

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

19. Financial instruments

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	8,240,349	11,766,888	1,714,078	1,667,861
	<u>8,240,349</u>	<u>11,766,888</u>	<u>1,714,078</u>	<u>1,667,861</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(2,229,067)	(3,289,724)	(13,870)	(4,154)
	<u>(2,229,067)</u>	<u>(3,289,724)</u>	<u>(13,870)</u>	<u>(4,154)</u>

Financial assets measured at amortised cost comprise cash, trade receivables, other receivables and amounts owed by group undertakings.

Financial Liabilities measured at amortised cost comprise trade payables, other payables, accruals and amounts owed to group undertakings.

20. Provisions

Group

	Deferred taxation £	Indemnity provision £	Claims provision £	Total £
At 1 January 2015	26,641	773,934	2,737,139	3,537,714
Charged to the profit or loss	(18,324)	206,789	(832,477)	(644,012)
Utilised in year	-	(671,415)	-	(671,415)
At 31 December 2015	<u>8,317</u>	<u>309,308</u>	<u>1,904,662</u>	<u>2,222,287</u>

Provision for indemnity commission

The provision for indemnity commission relates to the expected value of commissions reclaimable by product providers should policies be cancelled after their sale and within their indemnity period. The Directors expect this provision to be utilised over the next 4 years. A proportion of these amounts will usually be recovered from the relevant adviser (see note 12). Where the collection of such monies is doubtful, the Company makes an appropriate provision against the debtor.

Claims payable

In the normal course of business, the Company receives queries and complaints regarding the sale of regulated financial products. Where appropriate these claims are investigated in accordance with the Company's procedures and provision is made for potential liabilities which may arise in respect of them.

Foster Denovo Group plc

Notes to the Financial Statements For the Year Ended 31 December 2015

21. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
24,623,155 (2014 -20,832,200) 'A' ordinary shares of £0.01 each	246,232	208,322
20,520,405 (2014 -20,521,400) 'B' ordinary shares of £0.01 each	205,204	205,214
20,295,567 (2014 -20,295,600) 'G' ordinary shares of £0.01 each	202,956	202,956
6,000,000 (2014 -30,000) 'A' ordinary shares of £0.01 each of which 0.005p is called up and paid shares of £0.01 each	60,000	300
	<u>714,392</u>	<u>616,792</u>

During the current year 3,790,000 "A" ordinary shares of 1p each, with a nominal value of £37,900, were issued for £342,500, including a premium of £304,600.

In the prior year, 1,529,000 "A" ordinary shares of 1p each, with a nominal value of £15,290, were issued for £101,450, including a premium of £86,160.

Rights to dividends, voting rights and priority on winding up

The Ordinary 'A', 'B' and 'G' shares rank pari passu in relation to the right to receive the profits of the company available for distribution, to be distributed by way of interim or final dividend at such times as the Directors may determine.

The holders of Ordinary 'A', 'B' and 'G' shares have the right to vote at any general meeting of the company and each shareholder shall have one vote in respect of every share he holds.

The Ordinary 'A', 'B' and 'G' shares shall rank pari passu in relation to any winding up, and any surplus assets of the company shall be paid to the holders of these shares.

Deferred Share Subscription Plan

During 2008, 6,000,000 "A" ordinary shares of 1p each with a total nominal value of £60,000 were issued under the Deferred Share Subscription Plan. An initial subscription price of £300, amounting to 0.005p per share was paid. The full subscription price payable on exercise is £300,000, amounting to 5p per share. Subject to meeting performance criteria, the balance of the payment on the deferred shares may be made between 2010 and 2017.

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Notes to the Financial Statements For the Year Ended 31 December 2015

21 Share capital (continued)

Enterprise Management incentive plan

At 31 December 2015 the following share options were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of option	Price per share
30/09/2007	1,946,000	2010-2017	5.0p
19/09/2008	2,000,000	2010-2017	5.0p
19/09/2008	2,029,999	2011-2018	5.0p
07/07/2009	715,000	2012-2019	5.0p
10/06/2011	826,327	2014-2021	5.0p
22/06/2012	738,333	2015-2022	5.0p
22/07/2013	2,066,334	2016-2023	10.0p
22/12/2014	1,154,666	2014-2024	5.0p
22/12/2014	8,250	2016-2024	10.0p
22/12/2014	1,349,000	2017-2024	10.0p
26/06/2015	8,250	2016-2025	10.0p
14/12/2015	752,275	2015-2025	5.0p
14/12/2015	116,000	2015-2025	10.0p
14/12/2015	220,000	2016-2025	10.0p
14/12/2015	491,680	2017-2025	10.0p
14/12/2015	643,700	2018-2025	10.0p

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Notes to the Financial Statements For the Year Ended 31 December 2015

21 Share capital (continued)

Advisor Share Option Plan

At 31 December 2015 the following share options were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of option	Price per share
16/06/2009	777,188	2012-2019	5.0p
28/05/2010	82,716	2010-2020	5.0p
28/05/2010	43,750	2012-2020	5.0p
10/06/2011	18,750	2012-2021	5.0p
10/06/2011	78,749	2014-2021	5.0p
22/06/2012	44,375	2014-2022	5.0p
22/06/2012	7,500	2015-2022	5.0p
22/07/2013	43,750	2016-2023	5.0p
22/07/2013	2,094,500	2016-2023	10.0p
22/12/2014	90,500	2016-2024	10.0p
22/12/2014	38,500	2017-2024	10.0p
14/12/2015	29,250	2017-2025	10.0p
14/12/2015	49,500	2017-2025	10.0p
14/12/2015	1,095,000	2019-2025	10.0p
14/12/2015	255,000	2015-2025	10.0p
14/12/2015	175,000	2019-2025	10.0p
14/12/2015	1,081,299	2015-2025	10.0p
14/12/2015	21,875	2015-2025	10.0p

Convertible Loan Stock Share Option Scheme

At 31 December 2015 the following share options were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of option	Price per share
30/09/2007	2,987,000	2010-2017	5.0p
19/09/2008	80,000	2011-2017	5.0p

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Notes to the Financial Statements For the Year Ended 31 December 2015

22. Share based payments

The Group operates a number of adviser, executive and employee equity settled share based payment schemes and a convertible loan stock share option scheme for advisers.

Enterprise Management Incentive Scheme

Foster Denovo Group Plc staff share scheme gives staff the opportunity to have shares in the parent company. The shares vest to the employees after a 3 year period, and after certain non-market performance conditions have been met, the options are lapsed if the employee leaves the Group before the options vest. The scheme is an HMRC approved employee share scheme constituted under a trust deed.

	Weighted average exercise price (pence) 2015	Number 2015	Weighted average exercise price (pence) 2014	Number 2014
Outstanding at the beginning of the year	6.4	16,104,045	6.2	14,716,627
Granted during the year	8.3	2,223,655	8.1	3,011,916
Exercised during the year	5.0	(730,000)	5.0	(150,000)
Lapsed during the year	6.9	(2,531,886)	5.0	(927,385)
Outstanding at the end of the year	6.6	15,065,814	6.7	16,651,158

Adviser Share Option Scheme

The company established the Foster Denovo Group plc Unapproved Share Option Plan in 2009. Options granted to advisers have vesting periods ranging from immediate vesting 4.5 years. Some of the options will vest based on key performance indicators. The options lapse should the adviser cease to be registered through Foster Denovo Limited.

	2015 Weighted average exercise price (pence)	2015 Number	2014 Weighted average exercise price (pence)	2014 Number
Outstanding at the beginning of the year	5.0	1,419,053	5.0	1,868,116
Granted during the year	-	-	-	-
Exercised during the year	5.0	(322,275)	5.0	(50,000)
Lapsed during the year	-	-	5.0	(399,063)
	5.0	1,096,778	5.0	1,419,053

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22 Share based payments (continued)

Adviser Share Option Scheme 2013-2016

	2015 Weighted average exercise price (pence)	2015 Number	2014 Weighted average exercise price (pence)	2014 Number
Outstanding at the beginning of the year	10.0	3,899,500	10.0	4,318,000
Granted during the year	10.0	2,706,924	10.0	230,750
Lapsed during the year	10.0	(1,676,000)	10.0	(649,250)
	10.0	4,930,424		3,899,500

Convertible loan stock scheme

This scheme exists to provide incentives to the advisers and to give the advisers the opportunity to own shares in the Group. The vesting periods range from 3 to 10 years. The options lapse should the adviser cease to be registered through Foster Denovo Limited. The advisers could qualify under this scheme until 2008; however, no new grants are expected.

	2015 Weighted average exercise price (pence)	2015 Number	2014 Weighted average exercise price (pence)	2014 Number
Outstanding at the beginning of the year	5.0	4,475,250	5.0	5,431,510
Lapsed during the year	5.0	(1,408,250)	5.0	(726,310)
Converted during the year		-	5.0	(229,950)
	5.0	3,067,000		4,475,250

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration schemes operated by Foster Denovo Group Plc.

	2015 Black scholes Merton	2014 Black scholes Merton
Weighted average contractual life (years)	10	10
Expected volatility	27.98%	27.3% 0.468% -
Risk free interest rate	1.22%	1.051%
Expected dividend growth rate	0.0%	0.0%

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Notes to the Financial Statements For the Year Ended 31 December 2015

22 Share based payments (continued)

The underlying value of the shares was taken as 10.0p (2013 - 10.0p) being the actual market value agreed with HMRC for the purposes of the EMI options granted during 2013. The options were valued using the Black-Scholes-Merton model over the relevant vesting periods and the amounts then distributed across the relevant accounting periods.

The risk free rate for each vesting period was taken as at the date of grant from statistics on government gilts published by HM Treasury.

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 3 years of comparable publicly quoted companies. No dividends were assumed over the vesting period. Failure to vest was based on managements best estimate.

The share- based remuneration expense (note 4) comprises:

	2015 £	2014 £
Equity-settled schemes	39,137	102,839
	<u>39,137</u>	<u>102,839</u>

23. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £363,890 (2014 - £362,686). Contributions totalling £56,980 (2014 - £56,544) were payable to the fund at the reporting date and included in accruals.

24. Related party transactions

Mr. André Jordache, a director of the Company during the year, received a share of fees and commissions arising from business transacted with Foster Denovo Limited as a financial adviser of £275,906 (2014: £328,623). These payments were made on an arm's length basis on terms identical to those of other advisers. At the end of the year an amount of £10,610 was outstanding (2014: £27,173).

In 2015, Caerus Wealth Limited, a company of which K A Carby is a director paid Foster Denovo Group Services Limited £154,824 (2014: £108,400). There was an amount of £14,150 outstanding at the end of the year (2014: £14,130).

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25. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.

Under FRS 102 there has been a reclassification of tangible assets to intangible assets, including reclassifying the associated depreciation charge to an amortisation charge. This has had no impact on equity or profit and loss.

