

Company Registration No. 06033941

FOSTER DENOVO GROUP PLC

Report and Financial Statements

Year Ended

31 December 2008

FOSTER DENOVO GROUP PLC

REPORT AND FINANCIAL STATEMENTS 2008

CONTENTS	PAGE
Officers and professional advisers	3
Directors' report	4
Statement of directors' responsibilities	7
Independent auditors' report	8
Consolidated profit and loss account	10
Consolidated balance sheet	11
Company balance sheet	12
Consolidated cash flow statement	13
Notes to the financial statements	14

FOSTER DENOVO GROUP PLC

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R N Brosch
K A Carby
M A Cleary
A R Jordache
A Taylor

SECRETARY

P A Dunne

REGISTERED OFFICE

1st Floor
8 Eastcheap
London
EC3M 1AE

BANKERS

Barclays Bank PLC
Barclays Business Centre
PO Box 100
Leeds
LS1 1PA

AUDITORS

BDO Stoy Hayward
55 Baker Street
London
W1U 7EU

FOSTER DENOVO GROUP PLC

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the 12 months to 31 December 2008.

RESULTS AND DIVIDENDS

The profit and loss account is set out on page 10 and shows the profit for the year.

The directors do not recommend the payment of a final dividend.

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2008 (£'000)	Period ended 31 December 2007* (£'000)
Turnover	20,697	9,174
Gross Profit	8,327	3,337
Operating Expenses	7,787	3,120
Operating Profit	540	217
Profit before Taxation	689	256
Taxation	226	127
Profit after Taxation	463	129

* Foster Denovo Group plc was incorporated on 20 December 2006. The comparative period therefore covers the period from incorporation to 31 December 2007, although the main trading activity did not commence until 2 August 2007.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

Foster Denovo Group plc is a holding company for two trading subsidiaries, Foster Denovo Limited and Foster Denovo Event Management Limited. The principal activities of the companies are the provision of independent financial advice and the management of events for IFAs respectively, with the former also being the principal activity of the group. The directors intend to launch a further subsidiary during 2009 as detailed within Future Developments below.

During the period, as shown on page 10, the group generated a profit on ordinary activities before taxation of £689,428 (2007 - £256,055). The profit/(loss) before taxation for each company in the group is as follows:

	£
Foster Denovo Group plc	(106,506)
Foster Denovo Limited	751,496
Foster Denovo Event Management Limited	44,438

At 1 January 2008, Foster Denovo Limited had 116 independent financial advisers, which number had reduced marginally to 115 at the balance sheet date. Despite the global downturn evident as a result of the so-called credit crunch, the directors are pleased to note that average annualised per capita revenue in the six months to 31 December 2008 was £180,000¹ (2007 - £206,000), a reduction of just 12%. The per capita revenue for the full year 2008 was £192,000². This compares very favourably with the equivalent figures of known competitors and is believed to be one of the highest average annualised per capita figures in the UK, reflective of the quality of IFA within the company. Despite the difficult circumstances for recruitment during 2008, Foster Denovo Limited remains committed to growing its IFA numbers in 2009, with the focus continuing to be on controlled growth of quality rather than quantity as part of its long term business plan.

¹ Based on IFAs with the company for the full 6 month period concerned.

² Based on IFAs with the company for the full 12 month period concerned.

FOSTER DENOVO GROUP PLC

DIRECTORS' REPORT (continued)

Turnover for the period was £20,696,734 (2007 - £9,173,535), slightly behind the directors' pre-credit crunch estimates, although it is pleasing to note that operating profit for the period was £540,462 (2007 - £217,369), which was ahead of the directors' estimates based on the higher level of turnover.

The balance sheet on page 11 of the financial statements shows the company's financial position at the period end.

Trading from the balance sheet date to the date of this report is in line with the directors' expectations for 2009.

Note 1 includes details of key policies used in the preparation of the company's financial statements. There have been no significant events since the balance sheet date.

FUTURE DEVELOPMENTS

The group continues to place importance on building streams of recurring revenue, including growing funds under management, as it assists its IFAs in moving away from the initial commission model that has been prevalent since depolarisation and prior. Foster Denovo Limited continues to actively assist its IFAs in the transition to fee-based and other sustainable models and intends to launch its wealth management proposition during the first half of 2009 following considerable groundwork being completed in 2008.

This is intended to include the launch of a new subsidiary of the company which will operate as the sponsor of investment funds, available to Foster Denovo Limited's IFAs as part of their whole of market proposition via a variety of financial products and platforms. This new company was incorporated during this period but has not yet traded.

During the period, Foster Denovo Limited created and formally launched its employee benefits division under the brand of Foster Denovo Employee Benefits. This is designed to create a recognisable identity for Foster Denovo Limited within the employee benefits market, primarily small to medium enterprises, distinct from the company's more individual-focussed private client offerings.

PRINCIPAL RISKS, UNCERTAINTIES AND FINANCIAL INSTRUMENTS

The business of Foster Denovo Limited is active in the sale of regulated financial products and advises customers as to their appropriateness. As a consequence, that company's activities are regulated which gives rise to a number of risks, including censure by the Financial Services Authority. Such risks may manifest themselves financially through compensation payable regarding the sale of financial products (notes 11 and 15). Foster Denovo Limited 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 Financial Services Authority.

In common with all other businesses, the company and its subsidiary undertakings hold or issue financial instruments to finance its operations and are exposed to risks that arise from its use of those financial instruments. Operations are mainly financed by retained profits. In addition, various financial instruments such as trade debtors and trade creditors arise directly from the group's operations. The group does not enter into hedging agreements.

Foster Denovo Limited 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, that company recharges a proportion of such amounts to the relevant financial adviser (see notes 11 and 15). As a consequence, to mitigate the risk of accepting commission on an indemnity basis, the group monitors such activity and the ability of its financial advisers to service their clawback liabilities to Foster Denovo Limited.

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 group maintains sufficient working capital to ensure that its requirements are met on a day-to-day basis.

FOSTER DENOVO GROUP PLC

DIRECTORS' REPORT (continued)

Competitive risk is a continuing risk to the group, which could result in it losing business to its competitors. Foster Denovo Limited manages this risk by providing added value to its IFAs, having fast response times not only in supplying services and products but in handling all IFAs' queries and by maintaining strong relationships with them.

POLICY AND PRACTICE ON THE PAYMENT OF CREDITORS

It is the policy of the group to pay all trade creditors 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 2008 was 30 (2007 – 34).

DIRECTORS

The directors who served during the year were as follows:

R N Brosch
K A Carby
C N Butcher (resigned 1 February 2009)
A R Jordache
M A Cleary

A Taylor was appointed as a director of the company on 1 February 2009.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors of the company at the date when this report was approved:

- So far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- Each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted with the provisions of S234ZA of the Companies Act 1985.

AUDITORS

A resolution to re-appoint BDO Stoy Hayward LLP as the company's auditor will be put to the members at the Annual General Meeting.

On behalf of the board

Roger Brosch
Director

20 March 2009

FOSTER DENOVO GROUP PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the group's website.

FOSTER DENOVO GROUP PLC

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF FOSTER DENOVO GROUP PLC

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

FOSTER DENOVO GROUP PLC

INDEPENDENT AUDITOR'S REPORT *(continued)*

Opinion

In our opinion:

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

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

20 March 2009

FOSTER DENOVO GROUP PLC

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

	Note	Year ended 31 December 2008 £	Period ended 31 December 2007 £
Turnover	2	20,696,734	9,173,535
Cost of Sales		(12,368,914)	(5,835,762)
Gross Profit		8,327,820	3,337,773
Administrative Expenses		(7,787,358)	(3,120,404)
Group Operating Profit	3	540,462	217,369
Interest Receivable and Similar Income		148,966	38,686
Profit on Ordinary Activities before Taxation		689,428	256,055
Taxation on Profit on Ordinary Activities	6	(226,409)	(127,493)
Profit on Ordinary Activities after Taxation	17	463,019	128,562

All amounts relate to continuing activities.

The group had no recognised gains or losses during the period other than those reported in the profit and loss account. Accordingly no statement of recognised gains or losses is presented.

The accompanying notes are an integral part of these financial statements.

FOSTER DENOVO GROUP PLC

Consolidated balance sheet at 31 December 2008

	Note	2008 £	2008 £	2007 £	2007 £
FIXED ASSETS					
Intangible assets	8		453,035		505,815
Tangible fixed assets	9		352,137		528,307
			<u>805,172</u>		<u>1,034,122</u>
CURRENT ASSETS					
Debtors: amounts falling due within one year	11	2,561,852		2,665,007	
Debtors: amounts falling due after more than one year	11	294,005		294,005	
Investments	12	2,990,336		2,313,000	
Cash at bank and in hand		309,923		368,708	
		<u>6,156,116</u>		<u>5,640,720</u>	
CREDITORS: amounts falling due within one year	13	<u>2,648,591</u>		<u>3,107,595</u>	
NET CURRENT ASSETS			<u>3,507,525</u>		<u>2,533,125</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,312,697</u>		<u>3,567,247</u>
CREDITORS: amounts falling due after more than one year	14	4,914		5,942	
PROVISIONS FOR LIABILITIES AND CHARGES	15	<u>1,328,044</u>		<u>1,068,434</u>	
			<u>1,332,958</u>		<u>1,074,376</u>
			<u><u>2,979,739</u></u>		<u><u>2,492,871</u></u>
CAPITAL AND RESERVES					
Called up share capital	16		589,664		589,364
Share premium account	17		1,770,394		1,770,394
Profit and loss account	17		619,681		133,113
SHAREHOLDERS' FUNDS	18		<u><u>2,979,739</u></u>		<u><u>2,492,871</u></u>

These financial statements were approved by the Board of Directors and authorised for issue on 20 March 2009.

Roger Brosch
Director

The accompanying notes are an integral part of these financial statements.

FOSTER DENOVO GROUP PLC

Company balance Sheet at 31 December 2008

	Note	2008 £	2008 £	2007 £	2007 £
FIXED ASSETS					
Investment in subsidiary undertakings	10		1,528,102		1,504,552
CURRENT ASSETS					
Debtors: amounts falling due within one year	11	310		10	
Debtors: amounts falling after more than one year	11	750,000		-	
Investments	12	-		843,000	
Cash at bank and in hand		5,830		1,089	
		<u>756,140</u>		<u>844,099</u>	
CREDITORS: amounts falling due within one year	13	<u>88,516</u>		<u>69,240</u>	
NET CURRENT ASSETS			<u>667,624</u>		<u>774,859</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,195,726</u>		<u>2,279,411</u>
CREDITORS: amounts falling due after more than one year	14		4,914		5,942
TOTAL ASSETS LESS TOTAL LIABILITIES			<u><u>2,190,812</u></u>		<u><u>2,273,469</u></u>
CAPITAL AND RESERVES					
Called up share capital	16		589,664		589,364
Share premium account	17		1,770,394		1,770,394
Profit and loss account	17		(169,246)		(86,289)
SHAREHOLDERS' FUNDS	18		<u><u>2,190,812</u></u>		<u><u>2,273,469</u></u>

These financial statements were approved by the Board of Directors and authorised for issue on 20 March 2009.

Roger Brosch
Director

The accompanying notes are an integral part of this balance sheet.

FOSTER DENOVO GROUP PLC

Consolidated cash flow statement for the year ended 31 December 2008

	Note	Year ended 31 December 2008 £	Year ended 31 December 2008 £	Period ended 31 December 2007 £	Period ended 31 December 2007 £
Net cash inflow from operating activities	23		782,898		768,142
Returns on investment and servicing of finance					
Interest received			148,966		38,686
Taxation			(234,929)		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(78,384)		(267,322)	
Receipt from sale of tangible fixed assets		-		212	
			(78,384)		(267,110)
Acquisitions					
Purchase of business operations		-		(401,143)	
Cash acquired with business operations		-		183,375	
			-		(217,768)
Cash inflow before use of liquid resources and financing			618,551		321,950
Management of liquid resources					
Increase in short term deposits			(677,336)		(2,313,000)
Financing					
Issue of ordinary share capital			-		2,359,758
(Decrease)/Increase in cash in the period	24,25		(58,785)		368,708

The accompanying notes are an integral part of these financial statements.

FOSTER DENOVO GROUP PLC

Notes to the financial statements for the year ended 31 December 2008

1. Accounting Policies

Basis of accounting

These financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards. The financial statements have been prepared on a going concern basis.

Basis of Consolidation

The consolidated financial statements incorporate the results of the Foster Denovo Group Plc and all of its subsidiary undertakings as at 31 December 2008 using the acquisition method of accounting. The results of subsidiary undertakings are included from the date of acquisition.

Goodwill

Goodwill arising on acquisitions is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss accounts over the directors' estimate of its useful economic life of 10 years. Provision is made for impairment where required.

Turnover

Turnover comprises the value of commissions and fees receivable from product providers, excluding VAT, in the normal course of business. All turnover 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. Turnover generated by Foster Denovo Event Management Limited has been recognised in the same accounting period as the event to which it relates.

Depreciation

Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset, on a straight line basis over its estimated useful life as follows:

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

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.

Employee benefit trust ('EBT')

Where held, the cost of the company's shares held by the EBT is deducted from shareholders' funds in the company and group balance sheet. Any cash received by the EBT on disposal of the shares it holds is also recognised directly in shareholders' funds.

Other assets and liabilities of the EBT (including borrowings) are recognised as assets and liabilities of the company.

Operating leases

Annual rentals applicable to operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

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.

FOSTER DENOVO GROUP PLC

1. Accounting Policies (*continued*)

Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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

Where the terms and conditions of 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 company 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.

Pensions

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable. The assets of the scheme are held separately from those of the group. There were no outstanding contributions (2007 - £37,820) at the end of the financial period.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

2. Turnover

All turnover relates to the principal activities as described in the accompanying Directors' report and arises in the United Kingdom.

FOSTER DENOVO GROUP PLC

3. Operating profit

	Year ended 31 December 2008 £	Period ended 31 December 2007 £
This is arrived at after charging:		
Depreciation on tangible fixed assets	230,619	99,235
Amortisation of goodwill	52,780	21,992
Loss on disposal of fixed assets	23,935	1,145
Fees payable to the company's auditor for the audit of the company's annual accounts	13,000	7,450
Fees payable to the company's auditor for other services:		
- the audit of the company's subsidiaries	42,010	27,550
- tax services	8,350	7,500
- other services	24,145	-
Share-based payments (note 20)	23,549	4,551
Hire of other assets - operating leases	549,630	264,527

4. Employees

	Group Year ended 31 December 2008 £	Group Period ended 31 December 2007 £	Company Year ended 31 December 2008 £	Company Period ended 31 December 2007 £
Staff costs during the period (including directors) consist of:				
Salaries and wages	3,636,762	1,342,578	50,000	5,208
Social security costs	380,836	139,912	5,189	527
Pension costs	263,787	57,514	-	-
Total staff costs	4,281,385	1,540,004	55,189	5,735

	Group Year ended 31 December 2008 Number	Group Period ended 31 December 2007 Number	Company Year ended 31 December 2008 Number	Company Period ended 31 December 2007 Number
The average number of employees (including executive directors) during the period was as follows:				
Directors	2	2	-	-
Adviser Sales Support	73	71	-	-
Administration	38	32	-	-
	113	105	-	-

FOSTER DENOVO GROUP PLC

5. Directors' remuneration

Directors' remuneration is made up of a basic salary, company contributions to money purchase pension scheme and employee benefits consisting of death in service, income replacement benefit and private medical insurance.

	Group Year ended 31 December 2008 £	Group Period ended 31 December 2007 £
Directors' emoluments	453,937	116,270
Company contributions to money purchase pension schemes	29,875	7,083
Amounts paid to third parties for directors' services	49,500	49,500

In 2008, the directors also participated in a bonus scheme, calculated as a multiple of basic salary, based on the achievement of profitability of Foster Denovo Group plc against base and sales plan targets and on the achievement of a business quality benchmark. Based on the financial results of the year, a bonus of 41.20% of basic salary is payable to the directors and an amount of £125,660 in respect of directors' bonuses under this bonus scheme arrangement is included within Directors' emoluments.

There were 2 (2007: 2) directors in the group's defined contribution pension scheme during the period.

	Group Year ended 31 December 2008 £	Group Period ended 31 December 2007 £
The amounts in respect of the highest paid director are:		
Emoluments (excluding pension contributions)	258,951	71,478
Company contributions paid to pension schemes	18,125	7,083

Emoluments of the highest paid director include an amount of £76,220 in respect of the directors' bonus scheme arrangement.

Out of the share based payments charge (see note 20) £10,109 (2007 - £1,363) relates to share-based payments to directors.

Payments to Directors for other services are disclosed in note 22.

FOSTER DENOVO GROUP PLC

6. Taxation on Profit on Ordinary Activities

	Year ended 31 December 2008 £	Year ended 31 December 2008 £	Period ended 31 December 2007 £	Period ended 31 December 2007 £
<i>UK Corporation tax</i>				
Current tax on profits of the year	243,271		109,619	
Adjustment in respect of previous period	<u>(5,117)</u>		<u>-</u>	
Total current tax		238,154		109,619
<i>Deferred tax</i>				
Origination and reversal of timing differences	(11,579)		17,874	
Adjustment in respect of previous period	<u>(166)</u>		<u>-</u>	
Total deferred tax		(11,745)		17,874
Taxation on profit on ordinary activities		<u>226,409</u>		<u>127,493</u>

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

	Year ended 31 December 2008 £	Period ended 31 December 2007 £
Profit on ordinary activities before taxation	689,428	256,055
Tax on profit on ordinary activities at UK standard rate of 28.5% (2007: 30%)	196,487	76,816
Effects of:		
Expenses not deductible for tax purposes	38,442	51,422
Tax losses created	-	532
Other timing differences	(10,756)	14,661
Capital allowances in excess of depreciation	22,542	(33,812)
Marginal relief	(3,444)	-
Adjustment in respect of previous period	(5,117)	-
Current tax charge for period	<u>238,154</u>	<u>109,619</u>

FOSTER DENOVO GROUP PLC

7. Profit for the financial period

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a loss after tax of £106,506 (2007 - £90,840) which is dealt with in the financial statements of the parent company.

8. Intangible assets

Group

	Goodwill
	£
Cost	
At 1 January 2008 and 31 December 2008	<u>527,807</u>
Amortisation	
At 1 January 2008	21,992
Provided during the year	<u>52,780</u>
At 31 December 2008	<u>74,772</u>
Net book value	
At 31 December 2008	<u><u>453,035</u></u>
At 31 December 2007	<u><u>505,815</u></u>

9. Tangible fixed assets

Group

	Leasehold Improvements	Computer Equipment	Computer Software	Fixtures and Fittings	Total
	£	£	£	£	£
Cost or valuation					
At 1 January 2008	256,895	262,783	44,870	273,219	837,767
Additions in year	33,217	16,936	6,382	21,849	78,384
Disposals	(17,559)	-	-	(20,921)	(38,480)
At 31 December 2008	<u>272,553</u>	<u>279,719</u>	<u>51,252</u>	<u>274,147</u>	<u>877,671</u>
Depreciation					
At 1 January 2008	58,719	156,971	16,095	77,675	309,460
Provided during year	60,190	88,308	15,505	66,616	230,619
Disposals	(5,487)	-	-	(9,058)	(14,545)
At 31 December 2008	<u>113,422</u>	<u>245,279</u>	<u>31,600</u>	<u>135,233</u>	<u>525,534</u>
Net book value					
At 31 December 2008	<u><u>159,131</u></u>	<u><u>34,440</u></u>	<u><u>19,652</u></u>	<u><u>138,914</u></u>	<u><u>352,137</u></u>
At 31 December 2007	<u><u>198,176</u></u>	<u><u>105,812</u></u>	<u><u>28,775</u></u>	<u><u>195,544</u></u>	<u><u>528,307</u></u>

FOSTER DENOVO GROUP PLC

10. Fixed asset investments

Company

	Group Undertakings
	£
Cost	
At 1 January 2008	1,504,552
Additions in the year	23,550
At 31 December 2008	<u>1,528,102</u>

During the year the company invested £1 in Sequel Investments Limited (formerly FDWM Limited), a company incorporated during 2008. This company did not trade during the reporting period.

At the year end the company owned 100% of the issued share capital of the subsidiary undertakings listed below:

Name of Company	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of Business
Foster Denovo Limited	England and Wales	100%	Independent Financial Advice
Foster Denovo Event Management Limited	England and Wales	100%	Event Management
Sequel Investments Limited (formerly FDWM Limited)	England and Wales	100%	Investments

11. Debtors

	Group 2008	Group 2007	Company 2008	Company 2007
	£	£	£	£
Debtors due within one year:				
Trade debtors	530,586	508,696	-	-
Amounts owed by group companies	-	-	10	10
Other debtors	1,194,123	1,035,962	300	-
Prepayments and accrued income	837,143	1,120,349	-	-
	<u>2,561,852</u>	<u>2,665,007</u>	<u>310</u>	<u>10</u>
Debtors due after one year:				
Subordinated loan	-	-	750,000	-
Long term rent deposits	294,005	294,005	-	-
	<u>294,005</u>	<u>294,005</u>	<u>750,000</u>	<u>-</u>

Included in other debtors is £733,296 (2007 £742,221) that relates to potential amounts recoverable from the group's financial advisers in relation to commission clawbacks (see note 15). Also included in other debtors is £292,845 (2007 £22,250) that relates to amounts recoverable from Professional Indemnity Insurers and/or financial advisers in relation to complaints (see note 15).

The company entered into a subordinated loan agreement with Foster Denovo Limited on 25 March 2008. Except where Foster Denovo Limited has obtained FSA's prior written consent and that consent has not been withdrawn, no repayment of the loan shall be made, in whole or in part, earlier than 25 March 2013. The loan is unsecured with interest payable at the base rate of the Bank of England on a monthly basis, such payment to be made in arrears.

FOSTER DENOVO GROUP PLC

12. Current asset investments

	Group 2008	Group 2007	Company 2008	Company 2007
	£	£	£	£
Short term deposits	2,990,336	2,313,000	-	843,000

Short term deposits are with major UK banks. The credit risk associated with these investments is considered to be low.

13. Creditors: amounts falling due within one year

	Group 2008	Group 2007	Company 2008	Company 2007
	£	£	£	£
Trade creditors	676,483	978,587	3,016	14,987
Amounts owed to group companies	-	-	68,775	49,737
Other taxes and social security costs	129,940	312,673	-	-
Accruals and deferred income	1,729,324	1,706,716	16,725	4,516
Corporation tax	112,844	109,619	-	-
	2,648,591	3,107,595	88,516	69,240

14. Creditors: amounts falling due after more than one year

Group and Company

	Group 2008	Group 2007	Company 2008	Company 2007
	£	£	£	£
Convertible debt	4,914	5,942	4,914	5,942

The convertible loan stock was issued on 30 September 2007 and 19 August 2008. The earliest date of redemption is 1 January 2009 and the latest date is 30 September 2018. The amount payable on redemption is 0.05p per share. The conversion is at the option of the holder.

FOSTER DENOVO GROUP PLC

15. Provision for liabilities and charges

Group

	Deferred Tax £	Indemnity Commission £	Claims Provision £	Total £
At 1 January 2008	17,874	1,016,741	33,819	1,068,434
Charged/(credited) to the profit and loss account	(11,745)	5,702	275,078	269,035
Utilised in the year	-	-	(9,425)	(9,425)
At 31 December 2008	6,129	1,022,443	299,472	1,328,044

Deferred taxation

	Year ended 31 December 2008 £	Period ended 31 December 2007 £
Accelerated capital allowances	6,151	31,558
Other	(22)	(13,684)
	<u>6,129</u>	<u>17,874</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 financial adviser (see note 11). Where the collection of such monies is doubtful, the group makes an appropriate provision. It is not possible to calculate accurately the amount of opening provision utilised during the period and consequently only net movements in the provision are reported.

Claims payable

In the normal course of business, the group receives queries and complaints regarding the sale of regulated financial products. Where appropriate these claims are investigated in accordance with the group's procedures and provision is made for potential liabilities which may arise in respect of them. The provision is made gross of the amount recoverable from Professional Indemnity insurers and/or the financial adviser responsible for giving advice about which the complaint was made (see note 11). The provision is expected to be utilised predominantly in the next financial year.

FOSTER DENOVO GROUP PLC

16. Share capital

	2008 £	2007 £
Authorised		
39,852,217 "A" ordinary shares of 1p each	398,522	398,522
39,852,216 "B" ordinary shares of 1p each	398,522	398,522
20,295,567 "G" ordinary shares of 1p each	<u>202,956</u>	<u>202,956</u>
	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
18,225,405 "A" ordinary shares of 1p each	182,254	182,254
20,415,405 "B" ordinary shares of 1p each	204,154	204,154
20,295,567 "G" ordinary shares of 1p each	<u>202,956</u>	<u>202,956</u>
	<u>589,364</u>	<u>589,364</u>
Allotted, called up and unpaid		
6,000,000 "A" ordinary shares of 1p each of which 0.005p is called and unpaid	<u>300</u>	-
	<u>589,664</u>	<u>589,364</u>

Rights to dividends

Ordinary 'G' shares and 'B' shares carry 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.

Ordinary 'A' shares carried the right to participate in only those dividends and distributions made or declared on or after the 1 August 2008 on and after this date they have equal rights with Ordinary 'G' and 'B' shares as to dividends and distributions.

Voting rights

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

The holders of the Ordinary 'B' shares did not have the right to vote at any general meeting of the company held before the 1 August 2008 on and after which date they carry the same voting entitlements as the Ordinary 'A' and 'G' shares.

Priority on winding up

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 the year, 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 0.05p per share, was due but unpaid at 31 December 2008. 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.

Enterprise Management Incentive Plan

Under the company's Enterprise Management Incentive Plan the following options were held at 31 December 2008:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
30 September 2007	4,293,500	5.0	2010-2017
19 September 2008	2,000,000	5.0	2010-2017
19 September 2008	2,654,999	5.0	2011-2018

FOSTER DENOVO GROUP PLC

16. Share capital (continued)

Convertible Loan Stock Share Option Scheme

Under the company's Convertible Loan Stock Share Option Scheme the following options were held at the 31 December 2008:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
30 September 2007	8,766,780	5.0	2010-2017
19 September 2008	1,358,000	5.0	2011-2018

17. Reserves

Group

	Share Premium Account £	Profit and Loss £
At 1 January 2008	1,770,394	133,113
Profit for the period	-	463,019
Share-based payment	-	23,549
At 31 December 2008	1,770,394	619,681

Company

	Share Premium Account £	Profit and Loss £
Balance at 1 January 2008	1,770,394	(86,289)
Retained loss for the financial period	-	(106,506)
Share-based payment	-	23,549
At 31 December 2008	1,770,394	(169,246)

18. Reconciliation of movements in shareholders' funds

	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Profit/(loss) for the financial period	463,019	128,562	(106,506)	(90,840)
Ordinary shares, issued net of expenses	300	2,359,758	300	2,359,758
Share-based payment	23,549	4,551	23,549	4,551
Net addition to shareholders' funds	486,868	2,492,871	(82,657)	2,273,469
Opening shareholders' funds	2,492,871	-	2,273,469	-
Closing shareholders' funds	2,979,739	2,492,871	2,190,812	2,273,469

FOSTER DENOVO GROUP PLC

19. Contingent liabilities

The group is subject to claims in the ordinary course of its business, resulting principally from alleged errors and omissions in connection with the group's business. While provision is made for potential liabilities that may arise in respect of such claims (see note 15), there is always uncertainty as to the outcome of any claim. However, the directors do not expect such claims existing at the balance sheet date to have a material adverse effect on the group's future results or financial position.

20. Share-Based Payments

The Group operates a number of executive and employee equity settled share based payment schemes and a convertible loan stock share option scheme for advisers. The fair values of these schemes have been assessed in line with FRS 20. The fair values of the schemes are expensed over the period between grant and vesting.

Enterprise Management Incentive Scheme

Foster Denovo Group plc staff share scheme gives staff the opportunity to have shares in the Group. The shares vest to the employees after a three 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.

	2008 Weighted average exercise price (p)	2008 Number	2007 Weighted average exercise price (p)	2007 Number
Outstanding at the beginning of the period	5.0	6,849,000		-
Granted during the period	5.0	4,654,999	5.0	6,909,500
Forfeited during the period	5.0	(2,000,000)		-
Exercised during the period		-		-
Lapsed during the period	5.0	(555,500)	5.0	(60,500)
Outstanding at the end of the period	5.0	8,948,499	5.0	6,849,000

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 three years to ten years. The options lapse should the adviser cease to be registered through Foster Denovo Limited.

	2008 Weighted average exercise price (p)	2008 Number	2007 Weighted average exercise price (p)	2007 Number
Outstanding at the beginning of the period	5.0	11,873,780	-	-
Granted during the period	5.0	1,358,000	5.0	11,883,780
Lapsed during the period	5.0	(3,107,000)	5.0	(10,000)
Outstanding at the end of the period	5.0	10,124,780	5.0	11,873,780

The underlying value of the shares was taken as 1.5p (2007 - 2.2p) being the actual market value agreed with HMRC for the purposes of the EMI options. 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.

FOSTER DENOVO GROUP PLC

20. Share-Based Payments (*continued*)

Volatility was calculated as 58.95% (2007 - 64.2%) being the average historical volatilities at the date of grant for similar companies.

No dividends were assumed over the vesting period.

Failure to vest was based on management's best estimate.

The following information is relevant in the determination of the fair value of options granted during the period under the enterprise management incentive scheme and the convertible loan stock share option scheme:

	2008	2007
	Black-Scholes-Merton	Black-Scholes-Merton
Option pricing model used		
Weighted average share price at grant date	£0.015	£0.022
Exercise price	£0.050	£0.050
Weighted average contractual life	10 years	10 years
Expected volatility	58.95%	64.20%
Expected dividend growth rate	0%	0%
Risk free interest rate	4.35%	5.00%

The share-based remuneration expense (note 3) comprises:

	2008	2007
	£	£
Equity-settled schemes	13,338	2,023
Convertible loan stock scheme	10,211	2,528
	23,549	4,551

21. Operating lease commitments

At 31 December 2008 the group has lease agreements in respect of properties, for which payments extend over a number of years.

	2008	2007
	Land & buildings	Land & buildings
	£	£
Annual commitments under non-cancellable operating leases expiring:		
Within one year	90,262	334,167
In two to five years	177,700	-
After five years	322,736	322,736

FOSTER DENOVO GROUP PLC

22. Related party transactions

Mr André Jordache, a director of the company during the year, received commissions arising from business transacted with Foster Denovo Limited of £204,525 (2007 - £115,907). These payments were made on an arms-length basis on terms identical to those of other financial advisers. At the 31 December 2008, Mr Jordache had an outstanding quasi-loan of £30,906, which was made on an arms-length basis on terms identical to those of other financial advisers.

Mr Keith Carby, a director of the company during the year, had an outstanding debt to Foster Denovo Group plc of £300 at the 31 December 2008, in respect of shares issued, called up and unpaid.

Mr Craig Butcher, a director of the company during year, was a director of Act 4 Group Limited for part of the year. While Mr Butcher was a director of both companies, the company paid Act 4 Group Limited fees of £4,109 for professional services to the group. The fees paid were for services delivered on an arms-length basis.

Mr Paul Dunne, a member of key management, had an outstanding loan of £10,000 at the 31 December 2008 (2007 - £10,000).

23. Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 December 2008 £	Period ended 31 December 2007 £
Operating profit	540,462	217,369
Depreciation charge	230,619	99,235
Goodwill amortisation	52,780	21,992
Loss on disposal of fixed asset	23,935	1,145
Decrease/(Increase) in debtors	103,455	(277,106)
(Decrease)/Increase in creditors	(463,257)	717,788
Increase/(Decrease) in provisions	271,355	(16,832)
Share based payments charge	23,549	4,551
Net cash inflow from continuing operations	782,898	768,142

24. Reconciliation of net cash flow to movement in net funds

	Year ended 31 December 2008 £	Period ended 31 December 2007 £
(Decrease)/Increase in cash	(58,785)	368,708
Cash outflow from changes in liquid resources	677,336	2,313,000
Movement in net funds resulting from cashflows	618,551	2,681,708
Opening net funds	2,681,708	-
Closing net funds	3,300,259	2,681,708

FOSTER DENOVO GROUP PLC

25. Analysis of net funds

	At 1 January 2008 £	Cash flow £	At 31 December 2008 £
Cash at bank and in hand	368,708	(58,785)	309,923
Other liquid resources	2,313,000	677,336	2,990,336
Total	2,681,708	618,551	3,300,259