Company Registration No. 06033941

FOSTER DENOVO GROUP PLC

Report and Financial Statements

Period Ended

31 December 2007

FOSTER DENOVO GROUP PLC

REPORT AND FINANCIAL STATEMENTS 2007

CONTENTS	**PAGE**

FOSTER DENOVO GROUP PLC

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R N Brosch
C N Butcher
K A Carby
M A Cleary
A R Jordache

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

REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 31 DECEMBER 2007

The directors are delighted to present the first annual report and accounts for Foster Denovo Group plc and its subsidiary companies for the period to 31 December 2007. This follows the acquisition of the business, assets and liabilities of Tenet (2007) Limited (previously named Foster Denovo Limited) on 2 August 2007. The effort required to achieve this acquisition should not be underestimated, and included successfully completing negotiations with the Tenet Group, gaining direct authorisation with the Financial Services Authority, creating new departments and functions and raising in excess of £2.5 million from within the business. The directors are grateful for the support of all Foster Denovo's Independent Financial Advisers (IFAs), staff and third parties involved in this substantial achievement.

FINANCIAL HIGHLIGHTS AND PROPOSED DIVIDENDS

Period ended 31 December 2007 (£000s)

Turnover	9,174
Gross Profit	3,337
Operating Expenses	3,120
Operating Profit	217
Profit prior to Taxation	256
Taxation	127
Profit after Taxation	129

The full profit and loss account is set out on page 11. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

Foster Denovo Group plc was incorporated on 20 December 2006 and these financial statements cover the period from incorporation to 31 December 2007, although the main trading activity did not commence until 2 August 2007.

The company was created to be a holding company for two subsidiaries, Foster Denovo Limited (formerly FD Holdings 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 are not aware at the date of this report of any likely major changes in the group's activities in the next year.

During the period, Foster Denovo Limited acquired the business and certain of the assets and liabilities of Tenet (2007) Limited, a wholly owned subsidiary of Tenet Group Limited. This acquisition was completed on 2 August 2007, at which point Foster Denovo Limited and Foster Denovo Event Management Limited began trading, although each company incurred pre-trading expenses of various kinds. As shown on page 11, the group generated a profit on ordinary activities before taxation of £256,055. The profit/(loss) before taxation for each company in the group is as follows:

	£
Foster Denovo Group plc	(90,840)
Foster Denovo Limited	361,382
Foster Denovo Event Management Limited	(14,487)

At the point of the acquisition, Tenet (2007) Limited had 119 IFAs, of which one was in a notice period, producing annualised revenue in the 6 months to June 2007 of £169,000 per head. As at the balance sheet date, the number of IFAs had reduced marginally to 116 with average annualised per capita revenue in the six months to the balance sheet date of £206,000[1]. This is believed to be one of, if not the highest average annualised per capita figures in the UK and is reflective of the quality of IFA within the company. During 2008, the company is committed to applying resources to help grow its IFA numbers, although the focus will be on controlled growth of quality rather than quantity as part of its long term business plan.

Turnover for the period was £9.174 million, which was in excess of the directors' estimates during fundraising, and is indicative of the strong performance from the acquisition date, which including cash receipts in Foster Denovo Limited exceeding the business plan by some 19%.

Operating Profit for the period was £217,369, which was, again, in excess of the directors' estimates and led to Profit prior to Taxation of £256,055.

This strong trading performance led to the balance sheet being strengthened from the date of the acquisition, such that, at the balance sheet date and having paid the purchase price for the acquisition, the group had cash of £2.682 million.

Trading from the balance sheet date to the date of this report is in line with the directors' expectations for 2008.

FUTURE DEVELOPMENTS

The group is placing increasing importance on building streams of recurring revenue, including growing funds under management. In order to speed up this transition, the group has engaged the services of external specialists to assist it in creating its own, unique, wealth management proposition. Although still in the early stages, the group intends to launch this proposition to its IFAs towards the end of 2008.

The importance of this aspect of the group's development was highlighted by the recent decision of Friends Provident Life & Pensions Limited to cease paying indemnity commission on new group pensions business. Whilst not having a significant impact on the group in the short term, this trend is anticipated to continue in the group pensions market with other product providers following suit. The group is actively assisting its IFAs who operate in the employee benefits arena in the transition to fee-based and other sustainable business models. Fundamentally, however, the big issue in the long-term savings market continues to be the lack of adequate pension provision for UK residents and so the soundness of this market itself and the opportunity it represents in the long term is not in question.

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, the subsidiary'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). The subsidiary 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.

---

[1] Based on IFAs with the relevant company for the full 6 month period concerned

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. 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, the 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 the company.

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.

Competitive risk is a continuing risk to the group, which could result in it losing business to its competitors. The group 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 IFA's 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 2007 was 34.

DIRECTORS

The directors who served during the period were as follows:

R N Brosch	(appointed 1 February 2007)
K A Carby	(appointed 1 February 2007)
C N Butcher	(appointed 27 June 2007)
A R Jordache	(appointed 27 June 2007)
M A Cleary	(appointed 3 October 2007)
Form 10 Directors FD Ltd	(appointed 20 December 2006, resigned 22 December 2006)
Form 10 Secretaries FD Ltd	(appointed 20 December 2006, resigned 28 December 2006)

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
18 June 2008

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 for 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 the 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.

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 period from 20 December 2006 to 31 December 2007, 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.

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 2007 and of its profit for the period 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 2007;

- 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
18 June 2008

FOSTER DENOVO GROUP PLC

Consolidated profit and loss account
for the period from 20 December 2006 to 31 December 2007

	Notes	Period ended 31 December 2007 £
Turnover	2	9,173,535
Cost of Sales		(5,835,762)
Gross Profit		3,337,773
Administrative Expenses		(3,120,404)
Group Operating Profit	3	217,369
Interest Receivable and Similar Income		38,686
Profit on Ordinary Activities before Taxation		256,055
Taxation on Profit on Ordinary Activities	6	(127,493)
Profit on Ordinary Activities after Taxation		128,562

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.

All amounts relate to continuing activities in respect of the businesses acquired in the period.

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

FOSTER DENOVO GROUP PLC

Consolidated Balance sheet
at 31 December 2007

	Notes	2007	2007
		£	£
FIXED ASSETS			
Intangible assets	8		505,815
Tangible fixed assets	9		528,307
			1,034,122
CURRENT ASSETS			
Debtors: amounts falling due within one year	11	2,665,007	
Debtors: amounts falling due after more than one year	11	294,005	
Current asset investment	12	843,000	
Cash at bank and in hand		1,838,708	
		5,640,720	
CREDITORS: amounts falling due within one year	13	3,107,595	
NET CURRENT ASSETS			2,533,125
TOTAL ASSETS LESS CURRENT LIABILITIES			3,567,247
CREDITORS: amounts falling due after more than one year	14	5,942	
PROVISIONS FOR LIABILITIES AND CHARGES	15	1,068,434	
			1,074,376
TOTAL ASSETS LESS TOTAL LIABILITIES			2,492,871
CAPITAL AND RESERVES			
Called up share capital	16		589,364
Share premium account	17		1,770,394
Profit and loss account	17		133,113
SHAREHOLDERS' FUNDS	18		2,492,871

These financial statements were approved by the Board of Directors and authorised for issue on 18 June 2008.

Roger Brosch
Director

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

Company Balance Sheet
at 31 December 2007

	Notes	2007 £	2007 £
FIXED ASSETS			
Investment in subsidiary undertakings	**10**		**1,504,552**
CURRENT ASSETS			
Debtors: amounts falling due within one year	**11**	**10**	
Current asset investments	**12**	**843,000**	
Cash at bank and in hand		**1,089**	
		844,099	
CREDITORS: amounts falling due within one year	**13**	**69,240**	
NET CURRENT ASSETS			**774,859**
TOTAL ASSETS LESS CURRENT LIABILITIES			**2,279,411**
CREDITORS: amounts falling due after more than one year	**14**		**5,942**
TOTAL ASSETS LESS TOTAL LIABILITIES			**2,273,469**
CAPITAL AND RESERVES			
Called up share capital	**16**		**589,364**
Share premium account	**17**		**1,770,394**
Profit and loss account	**17**		**(86,289)**
SHAREHOLDERS' FUNDS	**18**		**2,273,469**

These financial statements were approved by the Board of Directors and authorised for issue on 18 June 2008.

Roger Brosch
Director

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

Consolidated cash flow statement for the period from 20 December 2006 to 31 December 2007

	Notes	Period ended 31 December 2007	Period ended 31 December 2007
		£	£
Net cash inflow from operating activities	25		768,142
Returns on investment and servicing of finance			
Interest received			38,686
Taxation			-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(267,322)	
Receipt from sale of tangible fixed assets		212	
Net cash outflow for capital expenditure and financial investment			(267,110)
Acquisitions			
Purchase of business operations	21	(401,143)	
Cash acquired with business operations	21	183,375	
Net cash outflow for acquisitions			(217,768)
Cash inflow before use of liquid resources and financing			321,950
Management of liquid resources			
Increase in short term deposits			(2,313,000)
Financing			
Issue of ordinary share capital	18	2,359,758	
Net cash inflow from financing			2,359,758
Increase in cash in the period	26,27		368,708

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

Notes to the financial statements
for the period from 20 December 2006 to 31 December 2007

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 2007 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')
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.

The employee benefit trust was set up during the reporting period, however, there were no transactions in the EBT in the period.

1. Accounting Policies *(continued)*

Taxation
Current tax, including UK corporation 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.

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.

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

Where the terms and conditions of 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.

1. Accounting Policies (continued)

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 outstanding contributions amounting to £37,820 at the end of the financial period which are included within accruals.

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.

3. Operating profit

This is arrived at after charging:

	Period ended 31 December 2007 £
Depreciation on tangible fixed assets	**99,235**
Amortisation of goodwill	**21,992**
Loss on disposal of fixed assets	**1,145**
Fees payable to the company's auditor for the audit of the company's annual accounts	**7,450**
Fees payable to the company's auditor for other services:	
- the audit of the company's subsidiaries	**27,550**
- tax services	**7,500**
Share based payments charge (note 20)	**4,551**
Operating lease charges	
- land and buildings	**264,527**

4. Employees

Staff costs during the period (including directors) consist of:

Staff costs during the period (including directors)	Group Period ended 31 December 2007 £	Company Period ended 31 December 2007 £
Salaries and wages	**1,342,578**	**5,208**
Social security costs	**139,912**	**527**
Pension costs	**57,514**	**-**
Total Staff Costs	**1,540,004**	**5,735**

The average number of employees (including executive directors) during the period was as follows:

	Group Period ended 31 December 2007	Company Period ended 31 December 2007
Directors	**2**	**-**
Adviser Sales Support	**71**	**-**
Administration	**32**	**-**
	105	**-**

5. Directors' remuneration

	Group Period ended 31 December 2007 £
Directors' emoluments	**116,270**
Company contributions to money purchase pension schemes	**7,083**
Amounts paid to third parties for directors' services	**49,500**
	172,853

There was 1 director in the group's defined contribution pension scheme during the period.

The amounts in respect of the highest paid director are:	£
Emoluments (excluding pension contributions)	**71,478**
Company contributions paid to pension schemes	**7,083**

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

Payments to Directors for other services are disclosed in note 23.

6. Taxation on Profit on Ordinary Activities

	Period ended 31 December 2007 £
UK Corporation tax	
Current tax on profits of the period	**109,619**
Total Current Tax	**109,619**
Deferred tax	
Origination and reversal of timing differences	**17,874**
Total Deferred Tax	**17,874**
Taxation on profit on ordinary activities	**127,493**

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

	Period ended 31 December 2007 £
Profit on ordinary activities before taxation	**256,055**
Tax on profit on ordinary activities at UK standard rate of 30%	**76,816**
Effects of:	
Expenses not deductible for tax purposes	**51,422**
Tax losses created/(utilised)	**532**
Other timing differences	**14,661**
Capital allowances in excess of depreciation	**(33,812)**
Current tax charge for period	**109,619**

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 period includes a loss after tax of £90,840 which is dealt with in the financial statements of the parent company.

8. Intangible assets

Group

	Goodwill
	£
Cost	
Acquisitions (note 21)	527,807
At 31 December 2007	**527,807**
Amortisation	
Provided for the period	21,992
At 31 December 2007	**21,992**
Net book value	
At 31 December 2007	**505,815**

9. Tangible fixed assets

Group

	Leasehold Improvements	Fixtures and Fittings	Computer Equipment	Computer Software	Total
	£	£	£	£	£
Cost or valuation					
Acquisitions on 2 August 2007	119,677	165,750	250,033	36,745	572,205
Additions in period	137,218	109,229	12,750	8,125	267,322
Disposals	-	(1,760)	-	-	(1,760)
At 31 December 2007	**256,895**	**273,219**	**262,783**	**44,870**	**837,767**
Depreciation					
Acquisitions on 2 August 2007	27,390	51,808	121,754	9,676	210,628
Depreciation in period	31,329	26,270	35,217	6,419	99,235
Disposals	-	(403)	-	-	(403)
At 31 December 2007	**58,719**	**77,675**	**156,971**	**16,095**	**309,460**
Net book value					
At 31 December 2007	**198,176**	**195,544**	**105,812**	**28,775**	**528,307**

10. Fixed Asset Investments

Company

	Group Undertakings
	£
Cost	
Additions in the period	**1,504,552**
At 31 December 2007	**1,504,552**

At the period 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	100.00%	Independent Financial Advice
Foster Denovo Event Management Limited	England	100.00%	Event Management

11. Debtors

Debtors due within one year	Group 2,007	Company 2007
	£	**£**
Trade debtors	**508,696**	-
Amounts owed by group companies	**-**	10
Other debtors	**1,035,961**	-
Prepayments and accrued income	**1,120,349**	-
	2,665,006	**10**

Debtors due after more than one year	Group 2,007	Company 2007
	£	**£**
Long term rent deposits	**294,005**	-

Included in other debtors is £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 £22,250 that relates to amounts recoverable from Professional Indemnity Insurers and/or financial advisers in relation to complaints (see note15).

12. Current asset investments

Group and Company

	2007 £
Short term deposits	**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 2007 £	Company 2007 £
Trade creditors	**978,587**	**14,987**
Amounts owed to group companies	**-**	**49,737**
Corporation tax	**109,619**	**-**
Taxation and social security	**312,673**	**-**
Accruals and deferred income	**1,706,716**	**4,516**
	3,107,595	**69,240**

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

Group and Company

	2007 £
Convertible loan stock	**5,942**

The convertible loan stock was issued on the 30 September 2007. The earliest date of redemption is the 1 January 2009 and the latest is the 30 September 2017. The amount payable on redemption is 0.05p per share. The conversion is at the option of the holder.

15. Provision for liabilities and charges

Group

	Deferred Taxation £	Indemnity Commission £	Claims Provision £	Total £
Acquisitions on 2 August 2007	-	1,036,858	30,534	1,067,392
Charge/(credit) to profit and loss account	17,874	(20,117)	3,285	1,042
At 31 December 2007	**17,874**	**1,016,741**	**33,819**	**1,068,434**

15. Provision for liabilities and charges *(continued)*

Deferred taxation

	Period ended 31 December 2007 £
Accelerated Capital Allowances	**31,558**
Other	**(13,684)**
	17,874

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.

16. Share capital

	2007 £
Authorised	
39,852,217 "A" ordinary shares of 1p each	**398,522**
39,852,216 "B" ordinary shares of 1p each	**398,522**
20,295,567 "G" ordinary shares of 1p each	**202,956**
	1,000,000
Allotted, called up and fully paid	
18,225,405 "A" ordinary shares of 1p each	**182,254**
20,415,405 "B" ordinary shares of 1p each	**204,154**
20,295,567 "G" ordinary shares of 1p each	**202,956**
	589,364

16. Share capital *(continued)*

Rights to dividends

Ordinary 'G' shares and 'B' shares carry the right to receive the profits of the company available for distribution and determined to be distributed by way of interim or final dividend at such times as the directors may determine.

Ordinary 'A' shares carry the right to participate in only those dividends and distributions made or declared on or after the 1 August 2008 on and after which date they shall 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 do 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 shall 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.

During the period, 20,295,567 "G" ordinary shares were issued at a value of 3p per share, 18,225,405 "A" ordinary shares were issued at a value of 5p per share and 20,415,405 "B" ordinary shares were issued at a value of 5p per share. The nominal value of these shares was £589,364 and the consideration received was £2,540,908.

Under the company's Enterprise Management Incentive Plan the following options were held at 31 December 2007:

Date of Grant	**Number of shares**	**Price per share (p)**	**Exercise Period**
30/92007	6,849,000	5.0	2010-2017

Under the company's Convertible Loan Stock Share Option Scheme the following options were held at the 31 December 2007:

Date of Grant	**Number of shares**	**Price per share (p)**	**Exercise Period**
30/9/2007	11,873,780	5.0	2010-2017

17. Reserves

Group	Share Premium Account £	Profit and Loss £
Profit for the period		**128,562**
Premium on ordinary shares issued	**1,951,544**	
Share issue expenses	**(181,150)**	
Share-based payments		**4,551**
Balance at 31 December 2007	**1,770,394**	**133,113**

Company

	Share Premium Account £	Profit and Loss £
Balance at 1 January 2007	-	-
Premium on ordinary shares issued	**1,951,544**	**-**
Issue expenses	**(181,150)**	**-**
Retained loss for the period	**-**	**(90,840)**
Share-based payments	**-**	**4,551**
Balance at 31 December 2007	**1,770,394**	**(86,289)**

18. Reconciliation of movements in equity shareholders' funds

	Group 2007 £	Company 2007 £
Profit/(loss) for the financial period	**128,562**	**(90,840)**
Ordinary shares, issued net of expenses	**2,359,758**	**2,359,758**
Exercise of share options	**-**	**-**
Share-based payments	**4,551**	**4,551**
Net addition to shareholders funds	**2,492,871**	**2,273,469**
Opening equity shareholders' funds	**-**	**-**
Closing equity shareholders' funds	**2,492,871**	**2,273,469**

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.

There is some uncertainty over the indirect tax treatment of certain transactions. Whilst the directors are confident that the regulations have been correctly applied they are seeking further advice on this matter. The potential effect on the group's post-tax profits at 31 December 2007 was approximately £100,000.

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 forfeited if the employee leaves the Group before the options vest. The scheme is an HMRC approved employee share scheme constituted under a trust deed.

	2007 Weighted average exercise price (p)	2007 Number
Outstanding at the beginning of the period	-	
Granted during the period	5.0	6,909,500
Forfeited during the period		-
Exercised during the period	-	
Lapsed during the period	5.0	(60,500)
Outstanding at the end of the period	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.

	2007 Weighted average exercise price (p)	2007 Number
Outstanding at the beginning of the period	-	
Granted during the period	5.0	11,883,780
Forfeited during the period		-
Exercised during the period	-	
Lapsed during the period	5.0	(10,000)
Outstanding at the end of the period	5.0	11,873,780

The underlying value of the shares was taken as 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.

20. Share-Based Payments *(continued)*

Volatility was calculated as 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:

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

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

	2007
	£
Equity-settled schemes	2,023
Convertible loan stock scheme	2,528

21. Acquisitions

On 2 August 2007 Foster Denovo Limited acquired the business and related assets and liabilities of Tenet (2007) Limited (formerly Foster Denovo Limited) from Tenet Group Limited for a consideration of £350,000, plus the acquisition related costs of £51,143.

In calculating the goodwill arising on acquisition, the fair value of net assets acquired have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table:

21. Acquisitions *(continued)*

	Book Value	Accounting Policy Alignment	Other Provisional Fair Value Adjustments	Provisional Fair Value
	£	£	£	£
Tangible fixed assets	303,379	-	58,198	361,577
Debtors	1,532,994	1,148,912	-	2,681,906
Cash	183,375	-	-	183,375
Creditors due within one year	(856,268)	(1,478,208)	48,346	(2,286,130)
Provisions for liabilities and charges	(503,157)	(564,235)	-	(1,067,392)
Net assets/(liabilities) acquired	**660,323**	**(893,531)**	**106,544**	**(126,664)**
Goodwill				527,807
Consideration				**401,143**

Consideration satisfied by:

Cash paid	350,000
Acquisition costs	51,143
	401,143

The book values of the assets and liabilities have been taken from the management accounts of Tenet (2007) Limited at 31 July 2007, the latest accounting information available at the date of acquisition. The fair value adjustments contain some provisional amounts, which will be finalised in the 2008 financial statements.

The fair value adjustment for alignment of accounting policies reflects the restatement of assets and liabilities in accordance with the company's accounting policies, including the following:

a. in accordance with the company's income recognition policy, debtors have increased to account for the commission on policies which had gone on risk but for which no cash had been received at the acquisition date and for outstanding fee invoices. A corresponding creditor for the commission payable to the advisers has been included in creditors;
b. commissions payable accrual, which was understated, has been accrued in line with company's accounting policies;
c. a provision for claims payable has been made for claims in respect of financial advice provided prior to acquisition. A corresponding debtor has also been recognised for the amount that is recoverable from advisers and/or professional indemnity insurance;
d. the doubtful debt provision has been reduced in line with the company's policy;
e. the indemnity commission provision has been increased in line with the company policy. The debtor balance that relates to amounts potentially recoverable from the company's financial advisers in relation to the clawback of indemnity commission has also been increased.

21. Acquisitions *(continued*)

The other provisional fair value adjustments include the following:

a. the net book value of fixed assets have been increased to recognise fixed assets transferred on acquisition which were not recognised by Tenet (2007) Limited;
b. trade creditors, accruals and prepayments have been adjusted to include only identifiable amounts.

22. Operating lease commitments

At 31 December 2007 the group has lease agreements in respect of properties, for which payments extend over a number of years.

	Group
Annual commitments under non-cancellable operating leases expiring:	**Period to 31/12/07**
	£
Within one year	**334,167**
Within two to five years	
After five years	**322,736**

23. Other related party transactions

Mr André Jordache, a director of the company during the reporting period, received commissions arising from business transacted with Foster Denovo Limited of £115,907. These payments were made on an arms-length basis on terms identical to those of other financial advisers.

Mr Craig Butcher, a director of the company during the reporting period, received fees of £30,585 for professional services to the group prior to becoming a director of the company. The fees paid for these services were 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 2007.

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, “Related Party Transactions”, not to disclose any transactions with members of the Group headed by Foster Denovo Group Plc, on the grounds that at least 90% of the voting rights of each subsidiary company is controlled by the company and all subsidiary companies are included in the consolidated statements of Foster Denovo Group Plc.

24. Post balance sheet events

On 17 March 2008, the company entered into an agreement with Foster Denovo Limited, a wholly owned subsidiary of the company, to provide additional capital of £750,000 by way of a subordinated loan.

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

	Period ended 31 December 2007 £
Operating profit	**217,369**
Depreciation charge	**99,235**
Goodwill amortisation	**21,992**
Loss on disposal of fixed asset	**1,145**
Increase in debtors	**(277,106)**
Increase in creditors	**717,788**
Decrease in provisions	**(16,832)**
Share based payments charge	**4,551**
Net cash inflow from continuing operations	**768,142**

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

	Period ended 31 December 2007 £
Increase in cash	**368,708**
Cash outflow from changes in liquid resources	**2,313,000**
Closing net funds	**2,681,708**

27. Analysis of net funds

	On incorporation £	Cash flow £	At 31 December 2007 £
Cash at bank and in hand	-	368,708	368,708
Other liquid resources	-	2,313,000	2,313,000
Total	**-**	**2,681,708**	**2,681,708**