Company Registration No. 06033941

FOSTER DENOVO GROUP PLC

Report and Financial Statements

Year Ended

31 December 2009

FOSTER DENOVO GROUP PLC

REPORT AND FINANCIAL STATEMENTS 2009

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R N Brosch
K A Carby
P A Dunne
A R Jordache
A J S Soper
A Taylor

SECRETARY

P A Dunne

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BANKERS

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AUDITORS

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FOSTER DENOVO GROUP PLC

DIRECTORS' REPORT

The directors present their report and the audited financial statements for Foster Denovo Group plc for the year ended 31 December 2009.

FINANCIAL HIGHLIGHTS

	Year Ended 31 December 2009 (£'000)	Year Ended 31 December 2008 (£'000)
Turnover	**17,438**	20,697
Gross Profit	**7,464**	8,327
Operating Expenses	**7,134**	7,787
Operating Profit	**330**	540
Profit before Taxation	**382**	689
Taxation	**131**	226
Profit for year	**253**	463

RESULTS AND PROPOSED DIVIDENDS

During the period, as shown on page 10, the Group generated a profit on ordinary activities before taxation of £381,816 (2008: £689,428). The profit/(loss) before taxation for each company in the Group was as follows:

	£
Foster Denovo Group plc	(115,841)
Foster Denovo Limited	353,891
Foster Denovo Event Management Limited	157,458
Sequel Investments Limited	(13,692)

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

Trading from the balance sheet date to the date of this report is in line with the directors' expectations for 2010.

PRINCIPAL ACTIVITIES

Foster Denovo Group plc is a holding company for three trading subsidiaries:

- Foster Denovo Limited – an independent financial adviser directly regulated by the Financial Services Authority (FSA);
- Foster Denovo Event Management Limited – the manager of events for Foster Denovo Limited's advisers; and
- Sequel Investments Limited – a sponsor of a range of investment funds (together the "Group")

The majority of the Group's revenue is currently derived from the activities of Foster Denovo Limited. Following a review of corporate structure, the directors intend that Foster Denovo Group plc will become non-trading in 2010.

At 1 January 2009, Foster Denovo Limited had 115 independent financial advisers, which number had reduced slightly to 112 at the balance sheet date. At the start of 2009, the world economy remained in the midst of global crisis as a result of the credit crunch and the directors prepared business plans on the basis of ensuring Foster Denovo Limited's financial safety during this difficult period. Despite a net reduction in adviser numbers over the year and a reduction in average productivity to £165,000[1] (2008: £180,000), the board is pleased to report that revenue for the year exceeded those plans by over 11% with a resultant continued profit. Foster Denovo Limited was also able to invest in IT infrastructure to provide it with a more stable

[1] Based on IFAs with Foster Denovo Limited for the full 12 month period concerned.

platform from which to grow as the UK economy moves out of recession and into recovery in 2010 and beyond.

FUTURE DEVELOPMENTS

Perhaps the single most significant consideration for the future development of both the Group and retail financial services in the UK is the FSA's Retail Distribution Review ('RDR'). This has the potential to transform retail financial services in a variety of areas, from professional standards and qualifications to the definition of what constitutes "independent" advice to remuneration structures and financial resource requirements. During 2009, Foster Denovo Limited continued to play an active role in the FSA's consultation in matters relating to RDR and continues to be broadly supportive of its aims. Foster Denovo Limited is well advanced in ensuring that its business is well positioned for the implementation of RDR, which the board sees as a significant competitive advantage in the next 3 years prior to full implementation at the end of 2012 and beyond.

November 2009 saw the FSA publish a policy statement entitled "Review of the Prudential Rules for Personal Investment Firms" which essentially laid out increased financial resource requirements for Foster Denovo Limited from 2011 moving towards full implementation by 2014. As at the balance sheet date, we calculate that Foster Denovo Limited held a surplus on regulatory tests of 144% of the most stringent test and professional indemnity insurance already met the new requirements. Foster Denovo Limited would, therefore, already be in a position to meet the revised requirements up to and including 2013. Whilst the planned increase in capital requirements would, as things stand at the balance sheet date, require additional capital in 2014, the directors believe that corporate restructuring and continued profitability will mean that no further capital will be required by that time, all other things being equal.

On 1 January 2010, all employees of Foster Denovo Limited (save directors) transferred their employment to a new company within the Group – Foster Denovo Group Services Limited. That company will also, over a period of time, take on direct responsibility for the costs and contracts directly incurred by Foster Denovo Limited in the past in order to provide more flexibility within the Group. All costs directly incurred by Foster Denovo Group plc will be transferred either direct to Foster Denovo Limited (in the case of directors' costs) or Foster Denovo Group Services Limited.

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, Foster Denovo Limited's activities are regulated which gives rise to a number of risks, including censure by the FSA. Such risks may manifest themselves financially through compensation payable regarding the sale of financial products (see notes 12 and 16). 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 FSA.

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, Foster Denovo Limited recharges a proportion of such amounts to the relevant financial adviser (see notes 12 and 16). 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.

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

Liquidity and cash flow risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The directors monitor this risk by reviewing projected cash flow requirements and ensuring that the 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 Foster Denovo Limited, which could result in it losing business to its competitors. Foster Denovo Limited manages this risk by providing added value to its advisers, having fast response times not only in supplying services and products, but in handling all adviser queries and by maintaining strong relationships with them.

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 2009 was 25 (2008: 30).

DIRECTORS

The directors who served during the year were as follows:

R N Brosch	
C N Butcher	(resigned 1 February 2009)
K A Carby	
M A Cleary	(resigned 23 November 2009)
A R Jordache	
A J S Soper	(appointed 16 December 2009)
A Taylor	(appointed 1 February 2009)

P A Dunne was appointed a director of the company on 1 January 2010.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each of the persons who are directors of Foster Denovo Group plc at the date when this report was approved:

- So far as each of the directors is aware, there is no relevant audit information 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.

AUDITORS

A resolution to re-appoint BDO LLP as Foster Denovo Group plc's auditor will be put to the members at the Annual General Meeting.

On behalf of the Board

Roger Brosch
Director

1 April 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

In preparing these financial statements, the directors are required to:

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

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

FOSTER DENOVO GROUP PLC

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

We have audited the financial statements of Foster Denovo Group plc for the year ended 31 December 2009 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent auditor’s report to the members of Foster Denovo Group plc *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Paul Gough (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Epsom
United Kingdom

1 April 2010

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

FOSTER DENOVO GROUP PLC

Consolidated profit and loss account
for the year ended 31 December 2009

	Note	2009	2008
		£	£
Turnover	2	**17,437,595**	20,696,734
Cost of Sales		**(9,973,471)**	(12,368,914)
Gross Profit		**7,464,124**	8,327,820
Administrative Expenses		**(7,134,192)**	(7,787,358)
Group Operating Profit	3	**329,932**	540,462
Interest Receivable and Similar Income		**52,915**	148,966
Interest Payable and Similar Charges	6	**(1,031)**	-
Profit on Ordinary Activities before Taxation		**381,816**	689,428
Taxation on Profit on Ordinary Activities	7	**(130,786)**	(226,409)
Profit on Ordinary Activities after Taxation		**251,030**	463,019
Minority Interest		**1,972**	-
Profit for the financial year	19	**253,002**	463,019

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 2009

	Note	2009	2009	2008	2008
		£	£	£	£
FIXED ASSETS					
Intangible assets	9		400,240		453,035
Tangible fixed assets	10		414,163		352,137
			814,403		805,172
CURRENT ASSETS					
Debtors: amounts falling due within one year	12	2,440,496		2,561,852	
Debtors: amounts falling due after more than one year	12	294,005		294,005	
Investments	13	2,706,000		2,990,336	
Cash at bank and in hand		741,743		309,923	
		6,182,244		6,156,116	
CREDITORS: amounts falling due within one year	14	2,154,866		2,648,591	
NET CURRENT ASSETS			4,027,378		3,507,525
TOTAL ASSETS LESS CURRENT LIABILITIES			4,841,781		4,312,697
CREDITORS: amounts falling due after more than one year	15	42,173		4,914	
PROVISIONS FOR LIABILITIES AND CHARGES	16	1,545,388		1,328,044	
			1,587,561		1,332,958
			3,254,220		2,979,739
CAPITAL AND RESERVES					
Called up share capital	17		589,664		589,664
Share premium account	18		1,770,394		1,770,394
Profit and loss account	18		896,114		619,681
SHAREHOLDERS' FUNDS	19		3,256,172		2,979,739
Minority interests			(1,952)		-
			3,254,220		2,979,739

These financial statements were approved by the Board of Directors and authorised for issue on 1 April 2010.

Roger Brosch
Director

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

FOSTER DENOVO GROUP PLC

Company balance sheet
at 31 December 2009

Company number 06033941

	Note	2009 £	2009 £	2008 £	2008 £
FIXED ASSETS					
Investment in subsidiary undertakings	11		1,551,613		1,528,102
CURRENT ASSETS					
Debtors: amounts falling due within one year	12	3,352		310	
Debtors: amounts falling after more than one year	12	-		750,000	
Cash at bank and in hand		567,487		5,830	
		570,839		756,140	
CREDITORS: amounts falling due within one year	14	19,600		88,516	
NET CURRENT ASSETS			551,239		667,624
TOTAL ASSETS LESS CURRENT LIABILITIES			2,102,852		2,195,726
CREDITORS: amounts falling due after more than one year	15		4,450		4,914
			2,098,402		2,190,812
CAPITAL AND RESERVES					
Called up share capital	17		589,664		589,664
Share premium account	18		1,770,394		1,770,394
Profit and loss account	18		(261,656)		(169,246)
SHAREHOLDERS' FUNDS	19		2,098,402		2,190,812

These financial statements were approved by the Board of Directors and authorised for issue on 1 April 2010.

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 2009

	Note	2009	2009	2008	2008
		£	£	£	£
Net cash inflow from operating activities	**24**		**478,580**		782,898
Returns on investment and servicing of finance					
Interest received		**52,915**		148,966	
Interest paid		**(1,031)**		**-**	
			51,884		148,966
Taxation					
Corporation tax paid			**(200,799)**		(234,929)
Capital expenditure and financial investment					
Purchase of tangible fixed assets			**(139,926)**		(78,384)
Cash inflow before use of liquid resources and financing			**189,739**		618,551
Management of liquid resources					
Decrease/(increase) in short term deposits			**284,336**		(677,336)
Financing					
Capital element finance of leases repaid		**(42,575)**		-	
Ordinary shares issued **-** minority interest		**20**		-	
Issue of ordinary share capital		**300**		-	
Net cash outflow from financing			**(42,255)**		-
Increase/(decrease) in cash in the period	**25**		**431,820**		(58,785)

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

Notes to the financial statements
for the year ended 31 December 2009

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 2009 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 Foster Denovo Group's shares held by the EBT is deducted from shareholders' funds in the company and the 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.

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

1. Accounting Policies *(continued)*

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

All other leases are treated as operating leases. Their annual rentals are charged to 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.

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.

Foster Denovo Group plc 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 no outstanding contributions at the end of the financial period (2008 - £nil).

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

	2009 £	2008 £
Depreciation on tangible fixed assets	**202,998**	230,619
Depreciation on assets held under finance leases	**5,735**	-
Amortisation of goodwill	**52,795**	52,780
Loss on disposal of fixed assets	**1,304**	23,935
Fees payable to the company's auditor for the audit of the company's annual accounts	**7,000**	13,000
Fees payable to the company's auditor for other services:		
- the audit of the company's subsidiaries	**37,500**	42,010
- tax services	**10,850**	8,350
- other services	**-**	24,145
Share-based payments (note 21)	**23,431**	23,549
Hire of other assets - operating leases	**543,294**	549,630

4. Employees

	Group 2009	Group 2008	Company 2009	Company 2008
Staff costs during the period (including directors) consist of:	**£**	**£**	**£**	**£**
Salaries and wages	**3,138,610**	3,636,762	**35,000**	50,000
Social security costs	**317,253**	380,836	**2,371**	5,189
Pension costs	**247,233**	263,787	**-**	**-**
Total staff costs	**3,703,096**	4,281,385	**37,371**	55,189

	Group 2009 Number	Group 2008 Number	Company 2009 Number	Company 2008 Number
The average number of employees during the period (including executive directors) was as follows:				
Directors	**2**	2	**-**	-
Adviser Sales Support	**62**	73	**-**	-
Administration	**36**	38	**-**	-
	100	113	**-**	-

5. Director's 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 2009	Group 2008
	£	**£**
Directors' emoluments	**297,330**	453,937
Company contributions to money purchase pension schemes	**22,267**	29,875
Amounts paid to third parties for directors' services	**61,233**	49,500

There was 1 (2008: 2) director in the Group's defined contribution pension scheme during the year and 1 for part of the year.

	Group 2009	Group 2008
	£	**£**
The amounts in respect of the highest paid director are:		
Emoluments (excluding pension contributions)	**186,816**	258,951
Company contributions paid to pension schemes	**17,267**	18,125

Out of the share based payments charge (see note 21) £3,081 (2008: £10,109) relates to share-based payments to directors.

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

6. Interest Payable

	Group 2009 £	Group 2008 £
Interest payable on finance leases	**1,031**	-

7. Taxation on Profit on Ordinary Activities

	2009 £	2009 £	2008 £	2008 £
UK Corporation tax				
Current tax on profits of the year	**135,206**		243,271	
Adjustment in respect of previous period	**-**		(5,117)	
Total current tax		**135,206**		238,154
Deferred tax				
Origination and reversal of timing differences	**(4,420)**		(11,579)	
Adjustment in respect of previous period	**-**		(166)	
Total deferred tax		**(4,420)**		(11,745)
Taxation on profit on ordinary activities		**130,786**		226,409

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

	2009 £	2008 £
Profit on ordinary activities before taxation	**381,816**	689,428
Tax on profit on ordinary activities at UK standard rate of 28% (2008: 28.5%)	**106,908**	196,487
Effects of:		
Expenses not deductible for tax purposes	**28,851**	38,442
Tax losses created	**3,834**	-
Other timing differences	**-**	(10,756)
Capital allowances in excess of depreciation	**757**	22,542
Marginal relief	**(5,144)**	(3,444)
Adjustment in respect of previous period	**-**	(5,117)
Current tax charge for period	**135,206**	238,154

8. 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 £115,841 (2008: £106,506) which is dealt with in the financial statements of the parent company.

9. Intangible assets

Group

	Goodwill
	£
Cost	
At 1 January 2009 and 31 December 2009	**527,807**
Amortisation	
At 1 January 2009	74,772
Provided during the year	52,795
At 31 December 2009	**127,567**
Net book value	
At 31 December 2009	**400,240**
At 31 December 2008	453,035

10. Tangible fixed assets

Group

	Leasehold Improvements	Computer Equipment	Computer Software	Fixtures and Fittings	Total
	£	£	£	£	£
Cost or Valuation					
At 1 January 2009	272,553	279,719	51,252	274,147	877,671
Additions in year	45,768	179,478	26,547	20,270	272,063
Disposals	-	(65,544)	-	(705)	(66,249)
At 31 December 2009	**318,321**	**393,653**	**77,799**	**293,712**	**1,083,485**
Depreciation					
At 1 January 2009	113,422	245,279	31,600	135,233	525,534
Provided during year	72,975	47,589	19,120	69,049	208,733
Disposals	-	(64,578)	-	(367)	(64,945)
At 31 December 2009	**186,397**	**228,290**	**50,720**	**203,915**	**669,322**
Net book value					
At 31 December 2009	**131,924**	**165,363**	**27,079**	**89,797**	**414,163**
At 31 December 2008	159,131	34,440	19,652	138,914	352,137

The net book value of tangible fixed assets includes an amount of £53,367 (2008 - £Nil) in respect of assets held under finance leases.

11. Fixed asset investments

Company

	Group Undertakings £
Cost	
At 1 January 2009	1,528,102
Additions in the year	23,511
At 31 December 2009	**1,551,613**

During the year the company invested an additional £79 in Sequel Investments Limited (formerly FDWM Limited), a company incorporated during 2008, and £1 in Foster Denovo Group Services Limited. Sequel Investments Limited began trading in October 2009, and Foster Denovo Group Services Limited did not trade during this period.

Subsidiary undertakings

The principal undertakings in which the company's interests at the year end is 80% or more are as follows:

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	80%	Sponsor of investment funds
Foster Denovo Group Services Limited	England and Wales	100%	Dormant services company

12. Debtors

Debtors due within one year	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Trade debtors	**451,317**	530,586	**-**	-
Amounts owed by Group undertakings	**-**	-	**3,352**	10
Other debtors	**1,206,818**	1,194,123	**-**	300
Prepayments and accrued income	**782,361**	837,143	-	-
	2,440,496	2,561,852	**3,352**	310

Debtors due after one year	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Subordinated Loan	**-**	-	**-**	750,000
Long term rent deposits	**294,005**	294,005	**-**	-
	294,005	294,005	-	750,000

12. Debtors *(continued)*

Included in other debtors is £952,792 (2008 - £733,296) that relates to potential amounts recoverable from the Group's financial advisers in relation to commission clawbacks (see note 16). Also included in other debtors is £150,202 (2008 - £292,845) that relates to amounts recoverable from Professional Indemnity Insurers and/or financial advisers in relation to complaints (see note 16).

The company entered into a subordinated loan agreement with Foster Denovo Limited on 25 March 2008. Except where Foster Denovo Limited had obtained the FSA's prior written consent and that consent had not been withdrawn, no repayment of the loan could be made, in whole or in part, earlier than 25 March 2013. Foster Denovo Limited received written approval from the FSA on 24 September 2009 approving the repayment of the loan and, having received this approval, the loan was repaid on 29 September 2009. The loan was unsecured with interest payable at the base rate of the Bank of England on a monthly basis, such payment being made in arrears.

13. Current asset investments

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Short term deposits	**2,706,000**	2,990,336	**-**	-
	2,706,000	2,990,336	**-**	-

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

14. Creditors: amounts falling due within one year

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Trade creditors	**487,221**	676,483	**2,796**	3,016
Amounts owed to Group undertakings	**-**	-	**-**	68,775
Obligations under finance lease agreements	**51,839**	-	**-**	-
Corporation tax	**47,251**	112,844	**-**	-
Other taxes and social security costs	**147,440**	129,940	**-**	-
Other creditors	**9,655**	21,708	**-**	-
Accruals and deferred income	**1,411,460**	1,707,616	**16,804**	16,725
	2,154,866	2,648,591	**19,600**	88,516

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

Group and Company

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Convertible debt	**4,450**	4,914	**4,450**	4,914
Obligations under finance lease contracts	**37,723**	-	**-**	-
	42,173	4,914	**4,450**	4,914

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

Other financial liabilities are due:

	Group Finance Leases 2009 £	Group Finance Leases 2008 £
In one year or less	**51,839**	**-**
In more than one year but not more than two years	**14,851**	**-**
In more than two years but not more than five years	**22,872**	**-**
	37,723	**-**

16. Provision for liabilities and charges

Group

	Deferred Tax £	Indemnity Commission £	Claims Provision £	Total £
At 1 January 2009	6,129	1,022,443	299,472	1,328,044
Charged/(credited) to the profit and loss account	(4,420)	1,855,794	33,163	1,884,537
Utilised in the year	-	(1,518,465)	(148,728)	(1,667,193)
At 31 December 2009	**1,709**	**1,359,772**	**183,907**	**1,545,388**

Deferred taxation

	2009 £	2008 £
Accelerated capital allowances	**5,543**	6,151
Losses	**(3,834)**	-
Other timing differences	**-**	(22)
	1,709	6,129

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

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 12). Where the collection of such monies is doubtful, the Group makes an appropriate provision.

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 12). The provision is expected to be utilised predominantly in the next financial year.

17. Share Capital

	2009	**2008**
	£	**£**
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	**202,956**	202,956
	589,364	589,364
Allotted, called up and part paid		
6,000,000 "A" ordinary shares of 1p each of which 0.005p is called up and paid	**300**	-
	589,664	589,364
Allotted, called up and unpaid		
6,000,000 "A" ordinary shares of 1p each of which 0.005p is called up and unpaid	**-**	300

Rights to dividends, voting rights and priority on winding up
The Ordinary 'A', 'B' and 'G' shares rank pari passu in relation to the right to receive the profits of the company available for distribution, to be distributed by way of interim or final dividend at such times as the directors may determine.

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

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

Deferred Share Subscription Plan

During 2008, 6,000,000 "A" ordinary shares of 1p each with a total nominal value of £60,000 were issued under the Deferred Share Subscription Plan. An initial subscription price of £300, amounting to 0.05p per share was paid. The full subscription price payable on exercise is £300,000, amounting to 5p per share. Subject to meeting performance criteria, the balance of the payment on the deferred shares may be made between 2010 and 2017.

17. Share capital *(continued)*

Enterprise Management Incentive Plan

Under the company's Enterprise Management Incentive Plan the following options were held at 31 December 2009:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
30/09/2007	3,712,000	5.0	2010-2017
19/09/2008	2,000,000	5.0	2010-2017
19/09/2008	2,267,499	5.0	2011-2018
07/07/2009	885,000	5.0	2012-2019
16/12/2009	500,000	5.0	2013-2019

Adviser Share Option Plan

Under the company's Adviser Share Option Plan, established during the year, the following options were held at the 31 December 2009:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
16/06/2009	4,045,000	5.0	2012-2019

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 2009:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
30/09/2007	7,893,500	5.0	2010-2017
19/09/2008	838,500	5.0	2011-2018
16/06/2009	258,500	5.0	2011-2019

18. Reserves

Group

	Share Premium Account	Profit and Loss
	£	£
At 1 January 2009	1,770,394	619,681
Profit for the year	-	253,002
Share-based payment	-	23,431
At 31 December 2009	**1,770,394**	**896,114**

Company

	Share Premium Account	Profit and Loss
	£	£
At 1 January 2009	1,770,394	(169,246)
Loss for the year	-	(115,841)
Share-based payment	-	23, 431
Balance at 31 December 2009	**1,770,394**	**(261,656)**

19. Reconciliation of movements in shareholders' funds

	Group 2009 £	Group 2008 £	Company 2009 £	Company 2008 £
Profit/(loss) for the financial period	**253,002**	463,019	**(115,841)**	(106,506)
Ordinary shares, issued net of expenses	**-**	300	**-**	300
Share-based payment	**23,431**	23,549	**23,431**	23,549
Net additions to/(reductions in) shareholders' funds	**276,433**	486,868	**(92,410)**	(82,657)
Opening equity shareholders' funds	**2,979,739**	2,492,871	**2,190,812**	2,273,469
Closing equity shareholders' funds	**3,256,172**	2,979,739	**2,098,402**	2,190,812

20. 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.

21. Share-Based Payments

The Group operates a number of adviser, executive and employee equity settled share based payment schemes and a convertible loan stock share option scheme for advisers. 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 3 year period and after certain non-market performance conditions have been met. The options are lapsed if the employee leaves the Group before the options vest. The scheme is an HMRC approved employee share scheme constituted under a trust deed.

	2009 Weighted average exercise price (p)	2009 Number	2008 Weighted average exercise price (p)	2008 Number
Outstanding at the beginning of the period	5.0	8,948,499	5.0	6,849,000
Granted during the period	5.0	1,830,000	5.0	4,654,999
Forfeited during the period		-	5.0	(2,000,000)
Lapsed during the period	5.0	(1,414,000)	5.0	(555,500)
Outstanding at the end of the period	**5.0**	**9,364,499**	**5.0**	**8,948,499**

21. Share-Based Payments *(continued)*

Adviser Share Option Scheme

During 2009, the company established the Foster Denovo Group plc Unapproved Share Option Plan and granted options to advisers with vesting periods ranging from 2.5 years to 5.5 years. The options will vest based on key performance indicators. The options lapse should the adviser cease to be registered through Foster Denovo Limited.

	2009 Weighted average exercise price (p)	**2009 Number**
Outstanding at the beginning of the period		-
Granted during the period	5.0	4,075,000
Lapsed during the period	5.0	(30,000)
Outstanding at the end of the period	**5.0**	**4,045,000**

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 3 to 10 years. The options lapse should the adviser cease to be registered through Foster Denovo Limited.

	2009 Weighted average exercise price (p)	**2009 Number**	**2008 Weighted average exercise price (p)**	**2008 Number**
Outstanding at the beginning of the period	5.0	10,124,780	5.0	11,873,780
Granted during the period	5.0	258,500	5.0	1,358,000
Lapsed during the period	5.0	(1,392,780)	5.0	(3,107,000)
Outstanding at the end of the period	**5.0**	**8,990,500**	**5.0**	**10,124,780**

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

	2009	**2008**
Option pricing model used	**Black-Scholes-Merton**	Black-Scholes-Merton
Weighted average share price at grant date	**£0.050**	£0.015
Exercise price	**£0.050**	£0.050
Weighted average contractual life	**10 years**	10 years
Expected volatility	**42.42%**	58.95%
Expected dividend growth rate	**0%**	0%
Risk free interest rate	**2.5%**	4.35%

The underlying value of the shares was taken as 5p (2008: 1.5p) being the actual market value agreed with HMRC for the purposes of the EMI options granted during 2009. 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.

21. Share-Based Payments *(continued)*

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

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last 3 years of comparable publicly quoted companies. No dividends were assumed over the vesting period. Failure to vest was based on management's best estimate.

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

	2009	2008
	£	£
Equity-settled schemes	**13,505**	13,338
Convertible loan stock scheme	**9,926**	10,211
	23,431	23,549

22. Operating lease commitments

At 31 December 2009 the Group has lease agreements in respect of properties, for which payments extend over a number of years.

Annual commitments under non-cancellable operating leases expiring:	2009	2008
	Land and Buildings £	Land and Buildings £
Within one year	**213,722**	90,262
Within two to five years	**54,390**	177,700
After five years	**322,736**	322,736

23. 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 £242,263 (2008 - £204,525). These payments were made on an arms-length basis on terms identical to those of other financial advisers. At the 31 December 2009, Mr Jordache had an outstanding quasi-loan of £nil (2008 - £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 31 December 2008 in respect of shares issued, called up and unpaid. This amount was settled in full during the year.

Mr Paul Dunne, a member of key management, had an outstanding loan of £10,000 at the 31 December 2008. This amount was repaid in full during the year.

In order to assist Sequel Investments Limited, a subsidiary undertaking, and ensure that it can meet its liabilities as they fall due in its early stages, Foster Denovo Group plc has confirmed that it will provide financial support such as Sequel Investments Limited requires for a period that extends to 1 April 2011.

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

	2009	2008
	£	£
Operating profit	**329,932**	540,462
Depreciation charge	**208,733**	230,619
Goodwill amortisation	**52,795**	52,780
Loss on disposal of fixed asset	**1,304**	23,935
Decrease in debtors	**121,056**	103,455
Decrease in creditors	**(480,435)**	(463,257)
Increase in provisions	**221,764**	271,355
Share based payments charge	**23,431**	23,549
Net cash inflow from continuing operations	**478,580**	782,898

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

	2009	2008
	£	£
Increase/(decrease) in cash	**431,820**	(58,785)
Cash outflow from changes in debt	**42,575**	**-**
Cash (inflow)/outlow from changes in liquid resources	**(284,336)**	677,336
Movement in net funds resulting from cashflows	**190,059**	618,551
Inception of finance leases	**(132,137)**	-
Movement in net funds	**57,922**	618,551
Opening net funds	**3,300,259**	2,681,708
Closing net funds	**3,358,181**	3,300,259

26. Analysis of net funds

	At 1 January 2009	Cash flow	Other non cash items	At 31 December 2009
	£	£		£
Cash at bank and in hand	309,923	431,820	-	**741,743**
Finance leases	-	42,575	(132,137)	**(89,562)**
Other liquid resources	2,990,336	(284,336)	-	**2,706,000**
Total	3,300,259	190,059	(132,137)	**3,358,181**