Company Registration No. 06033941

FOSTER DENOVO GROUP PLC

Report and Financial Statements

Year Ended

31 December 2010

FOSTER DENOVO GROUP PLC

REPORT AND FINANCIAL STATEMENTS 2010

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FOSTER DENOVO GROUP PLC

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

BDO LLP
55 Baker Street
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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 (the "Company") for the year ended 31 December 2010.

Financial highlights

	Year Ended 31 December 2010 (£'000)	Year Ended 31 December 2009 (£'000)
Turnover	17,983	17,438
Gross Profit	7,988	7,464
Operating Expenses	7,440	7,134
Operating Profit	548	330
Profit before Taxation	583	382
Taxation	165	131
Profit after Taxation	418	253

Results and proposed dividends

The results for the year are set out on page 10. The profit for the year, before taxation and minority interests, is £582,643 (2009: £381,816). The Directors recommend that no dividend is paid. The profit before taxation for each company in the Group was as follows:

	£
Foster Denovo Group plc	Nil
Foster Denovo Limited	201,243
Foster Denovo Event Management Limited	170,552
Foster Denovo Group Services Limited	2,110
Sequel Investments Limited	208,738

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

Trading from the balance sheet date to the date of this report is in line with the directors' expectations for 2011.

Principal and ongoing activity

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

- 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;
- Foster Denovo Group Services Limited – a supplier of services (including personnel) to associated group companies and third parties; and
- Sequel Investments Limited – a sponsor of a range of investment funds.

The majority of the Group's revenues are currently derived from Foster Denovo Limited. The Company itself did not trade in 2011.

Review of business and future developments

During 2010, Foster Denovo Limited spent considerable time and effort consolidating the majority of its employee benefits functions into a single brand, proposition and operational delivery platform. Whilst the implementation of these changes has had an impact on turnover in the short term, particularly in the second half of the year, the directors believe that they will bring longer term benefits of lower operating costs, increased efficiencies and higher quality support with increased overall capacity.

This consolidation has been a key focus of Foster Denovo Limited's preparations for the Retail Distribution Review ("RDR") in the employee benefits market, which includes a change in income shape from indemnified commission to a recurring income base. Significant work continues to take place in relation to Foster Denovo Limited's propositions to individual clients to ensure that they, too, continue to provide Foster Denovo Limited with a competitive advantage in the lead up to RDR and beyond.

As at 1 January 2010, Foster Denovo Limited had 112 independent financial advisers, which number had reduced to 101 at the balance sheet date, largely as a result of ending relationships with a number of advisers for reasons of risk and profitability. Consequently, the average productivity during the year increased marginally to £168,000[1] (2009: £165,000).

2009's Directors' Report for Foster Denovo Limited made reference to the FSA's November 2009 paper "Review of the Prudential Rules for Personal Investment Firms" which laid out increased financial resource requirements for Foster Denovo Limited from the end of 2011 moving towards full implementation by the start of 2014. The directors are pleased to report that, as a result of the above corporate restructuring and continued profitability, as at the balance sheet date Foster Denovo Limited is in a position to meet the 2014 requirements in full without the need for further capital.

Looking ahead, the directors expect the future financial advice market to move towards increased consolidation. This will be driven by the impact of regulatory changes such as the RDR, which will increase capital requirements and place a more proportional regulatory burden on smaller firms in the industry than has been the case in the recent past. The scale and resource available to the Group mean that it is well placed to meet the capital and other regulatory requirements arising from RDR.

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

The services offered by the Group have minimal environmental impact. Wherever possible however, the Group recycles office products such as paper and printer cartridges.

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, Foster Denovo Limited 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.

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

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 2010 was 20 (2009: 25).

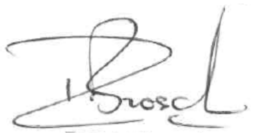
Directors and their interests
The directors who served during the year were as follows:

R N Brosch
K A Carby
P A Dunne (appointed 1 January 2010)
A R Jordache
A J S Soper
A Taylor

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

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

On behalf of the Board



Roger Brosch
Director
6 April 2011

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.

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 2010 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's 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 year 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.

Peter Chidgey

Peter Chidgey (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
6 April 2011

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 2010

	Note	2010	2009
		£	£
Turnover	2	**17,983,293**	17,437,595
Cost of Sales		**(9,995,344)**	(9,973,471)
Gross Profit		**7,987,949**	7,464,124
Administrative Expenses		**(7,440,087)**	(7,134,192)
Group Operating Profit	3	**547,862**	329,932
Interest Receivable and Similar Income		**41,584**	52,915
Interest Payable and Similar Charges	6	**(6,803)**	(1,031)
Profit on Ordinary Activities before Taxation		**582,643**	381,816
Taxation on Profit on Ordinary Activities	7	**(164,414)**	(130,786)
Profit on Ordinary Activities after Taxation		**418,229**	251,030
Minority Interest		**(30,426)**	1,972
Profit for the financial year	19	**387,803**	253,002

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 2010

	Note	2010	2010	2009	2009
		£	£	£	£
FIXED ASSETS					
Intangible assets	9		**347,440**		400,240
Tangible fixed assets	10		**273,152**		414,163
			620,592		814,403
CURRENT ASSETS					
Debtors: amounts falling due within one year	12	**3,042,025**		2,440,496	
Debtors: amounts falling due after more than one year	12	**245,486**		294,005	
Investments	13	**3,663,000**		2,706,000	
Cash at bank and in hand		**434,056**		741,743	
		7,384,567		6,182,244	
CREDITORS: amounts falling due within one year	14	**2,311,966**		2,154,866	
NET CURRENT ASSETS			**5,072,601**		4,027,378
TOTAL ASSETS LESS CURRENT LIABILITIES			**5,693,193**		4,841,781
CREDITORS: amounts falling due after more than one year	15	**53,191**		42,173	
PROVISIONS FOR LIABILITIES AND CHARGES	16	**1,929,832**		1,545,388	
			1,983,023		1,587,561
			3,710,170		3,254,220
CAPITAL AND RESERVES					
Called up share capital	17		**591,124**		589,664
Share premium account	18		**1,776,234**		1,770,394
Profit and loss account	18		**1,314,338**		896,114
SHAREHOLDERS' FUNDS	19		**3,681,696**		3,256,172
Minority interests			**28,474**		(1,952)
			3,710,170		3,254,220

These financial statements were approved by the Board of Directors and authorised for issue on 6 April 2011.

Roger Brosch
Director

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

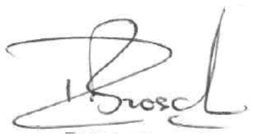
FOSTER DENOVO GROUP PLC

Company balance sheet
at 31 December 2010

Company number 06033941

	Note	2010 £	2010 £	2009 £	2009 £
FIXED ASSETS					
Investment in subsidiary undertakings	**11**		**1,582,035**		1,551,613
CURRENT ASSETS					
Debtors: amounts falling due within one year	**12**	**558,255**		3,352	
Cash at bank and in hand		**-**		567,487	
		558,255		570,839	
CREDITORS: amounts falling due within one year	**14**	**-**		19,600	
NET CURRENT ASSETS			**558,255**		551,239
TOTAL ASSETS LESS CURRENT LIABILITIES			**2,140,290**		2,102,852
CREDITORS: amounts falling due after more than one year	**15**		**4,167**		4,450
			2,136,123		2,098,402
CAPITAL AND RESERVES					
Called up share capital	**17**		**591,124**		589,664
Share premium account	**18**		**1,776,234**		1,770,394
Profit and loss account	**18**		**(231,235)**		(261,656)
SHAREHOLDERS' FUNDS	**19**		**2,136,123**		2,098,402

These financial statements were approved by the Board of Directors and authorised for issue on 6 April 2011.



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 2010

	Note	2010	2010	2009	2009
		£	£	£	£
Net cash inflow from operating activities	**24**		**735,176**		478,580
Returns on investment and servicing of finance					
Interest received		**41,584**		52,915	
Interest paid		**(6,803)**		(1,031)	
			34,781		51,884
Taxation					
Corporation tax paid			**(37,957)**		(200,799)
Capital expenditure and financial investment					
Purchase of tangible fixed assets			**(33,112)**		(139,926)
Receipt from sale of tangible fixed assets			**68**		-
Cash inflow before use of liquid resources and financing			**698,956**		189,739
Management of liquid resources					
(Increase)/decrease in short term deposits			**(957,000)**		284,336
Financing					
Capital element finance of leases repaid		**(55,988)**		(42,575)	
Ordinary shares issued - minority interest		**-**		20	
Issue of ordinary share capital		**6,345**		300	
Net cash outflow from financing			**(49,643)**		(42,255)
(Decrease)/increase in cash in the period	**25**		**(307,687)**		431,820

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

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 2010 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 plc'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 (2009 - £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

	2010 £	2009 £
Depreciation on tangible fixed assets	**189,992**	202,998
Depreciation on assets held under finance leases	**17,191**	5,735
Amortisation of goodwill	**52,800**	52,795
Loss on disposal of fixed assets	**817**	1,304
Fees payable to the company's auditor for the audit of the company's annual accounts	**6,750**	7,000
Fees payable to the company's auditor for other services:		
- the audit of the company's subsidiaries	**42,250**	37,500
- tax services	**10,000**	10,850
- other services	**1,500**	-
Share-based payments (note 21)	**30,421**	23,431
Hire of other assets - operating leases	**586,022**	543,294

The audit fees for the company were borne by Foster Denovo Group Services Limited as the company did not trade during 2010.

4. Employees

	Group 2010	Group 2009	Company 2010	Company 2009
Staff costs during the period (including directors) consist of:	**£**	**£**	**£**	**£**
Salaries and wages	**3,255,309**	3,293,592	-	35,000
Social security costs	**332,468**	335,058	-	2,371
Pension costs	**160,434**	158,554	**-**	-
Total staff costs	**3,748,211**	3,787,204	-	37,371

	Group 2010 Number	Group 2009 Number	Company 2010 Number	Company 2009 Number
The average number of employees during the period (including executive directors) was as follows:				
Directors	**3**	2	**-**	-
Adviser Sales Support	**47**	62	**-**	-
Administration	**49**	36	**-**	-
	99	100	**-**	-

5. Directors' remuneration

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

	Group 2010	Group 2009
	£	**£**
Directors' emoluments	**435,030**	297,330
Company contributions to money purchase pension schemes	**39,480**	22,267
Amounts paid to third parties for directors' services	**-**	61,233

There were 3 (2009: 1 for the whole year and 1 for part of the year) directors in the Group's defined contribution pension scheme.

	Group 2010	Group 2009
	£	**£**
The amounts in respect of the highest paid director are:		
Emoluments (excluding pension contributions)	**187,410**	**186,816**
Company contributions paid to pension schemes	**16,650**	**17,267**

Out of the share based payments charge (see note 21) £8,115 (2009: £3,081) relates to share-based payments to directors.

6. Interest Payable

	Group 2010	Group 2009
	£	£
Interest payable on finance leases	**5,039**	1,031
Other interest payable	**1,764**	-
	6,803	1,031

7. Taxation on Profit on Ordinary Activities

	2010	2010	2009	2009
	£	£	£	£
UK Corporation tax				
Current tax on profits of the year	**184,200**		135,206	
Adjustment in respect of previous period	**(11,048)**		**-**	
Total current tax		**173,152**		135,206
Deferred tax				
Origination and reversal of timing differences	**(13,404)**		(4,420)	
Adjustment in respect of previous period	**4,666**		-	
Total deferred tax		**(8,738)**		(4,420)
Taxation on profit on ordinary activities		**164,414**		130,786

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

	2010	2009
	£	£
Profit on ordinary activities before taxation	**582,643**	381,816
Tax on profit on ordinary activities at UK standard rate of 28% (2009: 28%)	**163,140**	106,908
Effects of:		
Expenses not deductible for tax purposes	**14,840**	28,851
Tax losses created/(utilised)	**(3,834)**	3,834
Other timing differences	**1,050**	-
Capital allowances in excess of depreciation	**16,188**	757
Marginal relief/change in tax rate	**(7,184)**	(5,144)
Adjustment in respect of previous period	**(11,048)**	-
Current tax charge for period	**173,152**	135,206

8. Profit for the financial period

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group profit for the year includes a loss of £nil (2009: £115,841) which is dealt with in the financial statements of the parent company.

9. Intangible assets

Group

	Goodwill
	£
Cost	
At 1 January 2010 and 31 December 2010	**527,807**
Amortisation	
At 1 January 2010	127,567
Provided during the year	52,800
At 31 December 2010	**180,367**
Net book value	
At 31 December 2010	**347,440**
At 31 December 2009	400,240

10. Tangible fixed assets

Group

	Leasehold Improvements	Computer Equipment	Computer Software	Fixtures and Fittings	Total
	£	£	£	£	£
Cost or Valuation					
At 1 January 2010	318,321	393,653	77,799	293,712	1,083,485
Additions in year	6,008	50,101	7,008	3,940	67,057
Disposals	(1,175)	(44,855)	(1,558)	(14,405)	(61,993)
At 31 December 2010	**323,154**	**398,899**	**83,249**	**283,247**	**1,088,549**
Depreciation					
At 1 January 2010	186,397	228,290	50,720	203,915	669,322
Provided during year	71,417	69,850	14,484	51,432	207,183
Disposals	(1,175)	(44,734)	(1,558)	(13,641)	(61,108)
At 31 December 2010	**256,639**	**253,406**	**63,646**	**241,706**	**815,397**
Net book value					
At 31 December 2010	**66,515**	**145,493**	**19,603**	**41,541**	**273,152**
At 31 December 2009	**131,924**	**165,363**	**27,079**	**89,797**	**414,163**

The net book value of tangible fixed assets includes an amount of £70,120 (2009 - £53,367) in respect of assets held under finance leases. The related depreciation charge for the year was £17,191 (2009: £5735).

11. Fixed asset investments

Company

	Group Undertakings £
Cost	
At 1 January 2010	1,551,613
Additions in the year	30,422
At 31 December 2010	**1,582,035**

During the year the company invested £1 in Foster Denovo Regulatory Services Limited, a company incorporated during 2010. Foster Denovo Regulatory 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	England and Wales	80%	Sponsor of investment funds
Foster Denovo Group Services Limited	England and Wales	100%	Services company
Foster Denovo Regulatory Services Limited	England and Wales	100%	Dormant

12. Debtors

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Debtors due within one year				
Trade debtors	**704,800**	451,317	**-**	-
Amounts owed by Group undertakings	**-**	-	**558,255**	3,352
Other debtors	**1,492,635**	1,206,818	**-**	-
Deferred tax asset (see note 16)	**7,029**	-	-	-
Prepayments and accrued income	**837,561**	782,361	-	-
	3,042,025	2,440,496	**558,255**	3,352

12. Debtors *(continued)*

Debtors due after one year	**Group 2010 £**	**Group 2009 £**	**Company 2010 £**	**Company 2009 £**
Long term rent deposits	**220,924**	294,005	**-**	-
Other debtors	**24,562**	-	**-**	-
	245,486	294,005	**-**	-

Included in other debtors is £875,314 (2009 - £952,792) 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 £436,125 (2009 - £150,202) that relates to amounts recoverable from Professional Indemnity Insurers and/or financial advisers in relation to complaints (see note 16).

13. Current asset investments

	Group 2010 £	**Group 2009 £**	**Company 2010 £**	**Company 2009 £**
Short term deposits	**3,663,000**	2,706,000	**-**	-
	3,663,000	2,706,000	**-**	-

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 2010 £	**Group 2009 £**	**Company 2010 £**	**Company 2009 £**
Trade creditors	**685,714**	487,221	-	2,796
Obligations under finance lease agreements	**18,495**	51,839	**-**	-
Corporation tax	**184,200**	47,251	**-**	-
Other taxes and social security costs	**172,301**	147,440	**-**	-
Other creditors	**142,471**	9,655	**-**	-
Accruals and deferred income	**1,108,785**	1,411,460	-	16,804
	2,311,966	2,154,866	**-**	19,600

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

Group and Company

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Convertible debt	**4,167**	4,450	**4,167**	4,450
Obligations under finance lease contracts	**49,024**	37,723	**-**	-
	53,191	42,173	**4,167**	4,450

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 2010 £	Group Finance Leases 2009 £
In one year or less	**18,495**	51,839
In more than one year but not more than two years	**15,210**	14,851
In more than two years but not more than five years	**33,814**	22,872
	49,024	37,723

16. Provision for liabilities and charges

Group

	Deferred Tax £	Indemnity Commission £	Claims Provision £	Total £
At 1 January 2010	1,709	1,359,772	183,907	1,545,388
Charged/(credited) to the profit and loss account	(1,709)	1,303,139	287,860	1,589,290
Utilised in the year	-	(1,169,204)	(35,642)	(1,204,846)
At 31 December 2010	**-**	**1,493,707**	**436,125**	**1,929,832**

Deferred taxation (asset)/provision

	2010 £	2009 £
Accelerated capital allowances	**(5,979)**	**5,543**
Losses	**(1,050)**	**(3,834)**
	(7,029)	**1,709**

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

	2010	2009
	£	£
Allotted, called up and fully paid		
18,266,405 "A" ordinary shares of 1p each	**182,664**	182,254
20,520,405 "B" ordinary shares of 1p each	**205,204**	204,154
20,295,567 "G" ordinary shares of 1p each	**202,956**	202,956
	590,824	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**	300
	591,124	589,664

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 2010:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
30/09/2007	3,629,500	5.0	2010-2017
19/09/2008	2,000,000	5.0	2010-2017
19/09/2008	2,129,999	5.0	2011-2018
07/07/2009	840,000	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 the following options were held at 31 December 2010:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
16/06/2009	2,107,500	5.0	2012-2019
28/05/2010	163,962	5.0	2010-2020
28/05/2010	70,000	5.0	2012-2020

Convertible Loan Stock Share Option Scheme
Under the company's Convertible Loan Stock Share Option Scheme the following options were held at 31 December 2010:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
30/09/2007	6,749,010	5.0	2010-2017
19/09/2008	693,500	5.0	2011-2017
16/06/2009	258,500	5.0	2011-2017

18. Reserves

Group

	Share Premium Account	Profit and Loss
	£	£
At 1 January 2010	1,770,394	896,114
Profit for the year	-	387,803
Premium on ordinary shares issued	5,840	-
Share-based payment	-	30,421
At 31 December 2010	**1,776,234**	**1,314,338**

Company

	Share Premium Account	Profit and Loss
	£	£
At 1 January 2010	1,770,394	(261,656)
Premium on ordinary shares issued	5,840	-
Share-based payment	-	30,421
Balance at 31 December 2010	**1,776,234**	**(231,235)**

19. Reconciliation of movements in shareholders' funds

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Profit/(loss) for the financial period	**387,803**	253,002	**-**	(115,841)
Exercise of share options	**7,050**	-	**7,050**	-
Ordinary shares issued, net of expenses	**250**	-	**250**	-
Share-based payment	**30,421**	23,431	**30,421**	23,431
Net additions to/(reductions in) shareholders' funds	**425,524**	276,433	**37,721**	(92,410)
Opening shareholders' funds	**3,256,172**	2,979,739	**2,098,402**	2,190,812
Closing shareholders' funds	**3,681,696**	3,256,172	**2,136,123**	2,098,402

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 16), 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.

	2010 Weighted average exercise price (p)	2010 Number	2009 Weighted average exercise price (p)	2009 Number
Outstanding at the beginning of the period	5.0	9,364,499	5.0	8,948,499
Granted during the period	-	-	5.0	1,830,000
Lapsed during the period	5.0	(265,000)	5.0	(1,414,000)
Outstanding at the end of the period	**5.0**	**9,099,499**	**5.0**	**9,364,499**

21. Share-Based Payments *(continued)*

Adviser Share Option Scheme

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

	2010 Weighted average exercise price (p)	2010 Number	2009 Weighted average exercise price (p)	2009 Number
Outstanding at the beginning of the period	5.0	4,045,000	-	-
Granted during the period	5.0	298,124	5.0	4,075,000
Lapsed during the period	5.0	(2,001,662)	5.0	(30,000)
Outstanding at the end of the period	**5.0**	**2,341,462**	**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. The advisers could qualify under this scheme until 2008, however, no new grants are expected.

	2010 Weighted average exercise price (p)	2010 Number	2009 Weighted average exercise price (p)	2009 Number
Outstanding at the beginning of the period	5.0	8,990,500	5.0	10,124,780
Granted during the period	-	-	5.0	258,500
Exercised during the period	5.0	(141,000)	-	-
Lapsed during the period	5.0	(1,148,490)	5.0	(1,392,780)
Outstanding at the end of the period	**5.0**	**7,701,010**	**5.0**	**8,990,500**

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:

	2010	**2009**
Option pricing model used	**Black-Scholes-Merton**	Black-Scholes-Merton
Weighted average share price at grant date	**£0.050**	£0.050
Exercise price	**£0.050**	£0.050
Weighted average contractual life	**10 years**	10 years
Expected volatility	**46.8%**	42.42%
Expected dividend growth rate	**0%**	0%
Risk free interest rate	**2.76%**	2.5%

21. Share-Based Payments *(continued)*

The underlying value of the shares was taken as 5p (2009: 5.0p) being the actual market value agreed with HMRC for the purposes of the EMI options granted during 2010. The options were valued using the Black-Scholes-Merton model over the relevant vesting periods and the amounts then distributed across the relevant accounting periods.

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

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

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

	2010	**2009**
	£	**£**
Equity-settled schemes	**8,657**	13,505
Convertible loan stock scheme	**21,764**	9,926
	30,421	23,431

22. Operating lease commitments

At 31 December 2010 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:	**2010**	**2009**
	Land and Buildings	**Land and Buildings**
	£	**£**
Within one year	**36,022**	213,722
Within two to five years	**232,090**	54,390
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 £200,396 (2009 - £242,263). These payments were made on an arms-length basis on terms identical to those of other financial advisers

Allium Capital Limited owns 20% of the share capital in Sequel Investments Limited, a company in which Foster Denovo Group plc owns 80% of the share capital. During the year, Sequel Investments Limited paid Allium Capital Limited an amount of £14,893 for the provision of employee services. There were no amounts outstanding at the end of the year.

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

	2010 £	2009 £
Operating profit	**547,862**	329,932
Depreciation charge	**207,183**	208,733
Goodwill amortisation	**52,800**	52,795
Loss on disposal of fixed asset	**817**	1,304
(Increase)/decrease in debtors	**(551,960)**	121,056
Increase/decrease in creditors	**61,900**	(480,435)
Increase in provisions	**386,153**	221,764
Share based payments charge	**30,421**	23,431
Net cash inflow from continuing operations	**735,176**	478,580

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

	2010 £	2009 £
Increase/(decrease) in cash	**(307,687)**	431,820
Cash outflow from changes in debt	**55,988**	42,575
Cash (inflow)/outflow from changes in liquid resources	**957,000**	(284,336)
Movement in net funds resulting from cashflows	**705,301**	190,059
Inception of finance leases	**(33,945)**	(132,137)
Movement in net funds	**671,356**	57,922
Opening net funds	**3,358,181**	3,300,259
Closing net funds	**4,029,537**	3,358,181

26. Analysis of net funds

	At 1 January 2010 £	Cash flow £	Other non cash items £	At 31 December 2010 £
Cash at bank and in hand	**741,743**	(307,687)	-	**434,056**
Finance leases	**(89,562)**	55,988	(33,945)	**(67,519)**
Other liquid resources	**2,706,000**	957,000	-	**3,663,000**
Total	**3,358,181**	705,301	(33,945)	**4,029,537**