

Company

Company Registration No. 06033941

FOSTER DENOVO GROUP PLC

Report and Financial Statements

Year Ended

31 December 2011

FOSTER DENOVO GROUP PLC

REPORT AND FINANCIAL STATEMENTS 2011

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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

REGISTERED OFFICE

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BANKERS

Barclays Bank PLC
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AUDITORS

BDO LLP
55 Baker Street
London
W1U 7EU

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 2011.

Financial highlights

	Year Ended 31 December 2011 (£'000)	Year Ended 31 December 2010 (£'000)
Turnover	19,146	17,983
Gross Profit	9,226	7,988
Operating Expenses	8,261	7,440
Operating Profit	965	548
Profit before Taxation	1,019	583
Taxation	286	165
Profit after Taxation	733	418

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 £1,019,315 (2010: £582,643). The Directors recommend that no dividend is paid (2010: £nil). The profit before taxation for each trading subsidiary in the Group was as follows:

	£
Foster Denovo Limited	551,975
Foster Denovo Event Management Limited	72,441
Foster Denovo Group Services Limited	33,307
Sequel Investments Limited	361,592

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 2012.

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 2011, Foster Denovo Limited spent considerable time and effort in its preparations for the implementation of the Retail Distribution Review ("RDR") in both the employee benefits and individual client markets, which work will continue into 2012. The Directors believe that this work will bring longer term benefits of lower operating costs, increased efficiencies and higher quality support with increased overall capacity alongside meeting regulatory requirements.

FOSTER DENOVO GROUP PLC

As at 1 January 2011, Foster Denovo Limited had c100 independent financial advisers, which number had reduced to 87 at the balance sheet date, largely as a result of ending relationships with a number of advisers for reasons of profitability. Consequently, the average productivity during the year increased to £208,000¹ (2010: £168,000).

At the balance sheet date, the Group is forecasting a profit for the year ended 31 December 2012 and has significant surpluses. On this basis the Directors have prepared the financial statements on a going concern basis.

Looking ahead, the Directors continue to 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. 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 suitability. 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.

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.

¹ Based on IFAs with the Company for the full 12 month period concerned

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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 2011 was 22 (2010: 20).

Directors

The directors who served during the year were as follows:

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

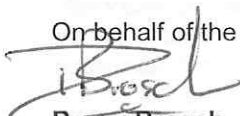
Disclosure of information to auditors

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

18 April 2012

FOSTER DENOVO GROUP PLC

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 2011 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 2011 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.

FOSTER DENOVO GROUP PLC

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 (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

18 April 2012

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 2011

	Note	2011 £	2010 £
Turnover	2	19,146,199	17,983,293
Cost of Sales		(9,919,893)	(9,995,344)
Gross Profit		9,226,306	7,987,949
Administrative Expenses		(8,260,979)	(7,440,087)
Group Operating Profit	3	965,327	547,862
Interest Receivable and Similar Income		59,053	41,584
Interest Payable and Similar Charges	6	(5,065)	(6,803)
Profit on Ordinary Activities before Taxation		1,019,315	582,643
Taxation on Profit on Ordinary Activities	7	(286,336)	(164,414)
Profit on Ordinary Activities after Taxation		732,979	418,229
Minority Interest		(53,159)	(30,426)
Profit for the financial year	18	679,820	387,803

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.

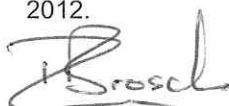
The accompanying notes are an integral part of these financial statements.

FOSTER DENOVO GROUP PLC

Consolidated balance sheet at 31 December 2011

	Note	2011 £	2011 £	2010 £	2010 £
FIXED ASSETS					
Intangible assets	9		421,780		347,440
Tangible fixed assets	10		184,597		273,152
			<u>606,377</u>		<u>620,592</u>
CURRENT ASSETS					
Debtors: amounts falling due within one year	12	3,016,305		3,042,025	
Debtors: amounts falling due after more than one year	12	220,924		245,486	
Investments	13	3,319,500		3,663,000	
Cash at bank and in hand		1,490,188		434,056	
		<u>8,046,917</u>		<u>7,384,567</u>	
CREDITORS: amounts falling due within one year	14	<u>2,588,875</u>		<u>2,311,966</u>	
NET CURRENT ASSETS			<u>5,458,042</u>		<u>5,072,601</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			6,064,419		5,693,193
CREDITORS: amounts falling due after more than one year	15	56,383		53,191	
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>1,608,472</u>		<u>1,929,832</u>	
			1,664,855		1,983,023
			<u>4,399,564</u>		<u>3,710,170</u>
CAPITAL AND RESERVES					
Called up share capital	17		591,124		591,124
Share premium account	18		1,776,234		1,776,234
Profit and loss account	18		2,015,573		1,314,338
SHAREHOLDERS' FUNDS	19		<u>4,382,931</u>		<u>3,681,696</u>
Minority interests			16,633		28,474
			<u>4,399,564</u>		<u>3,710,170</u>

These financial statements were approved by the Board of Directors and authorised for issue on 18 April 2012.



Roger Brosch
Director

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

FOSTER DENOVO GROUP PLC

Company balance sheet at 31 December 2011

Company number 06033941

	Note	2011 £	2011 £	2010 £	2010 £
FIXED ASSETS					
Investment in subsidiary undertakings	11		1,603,450		1,582,035
CURRENT ASSETS					
Debtors: amounts falling due within one year	12	2,018,255		558,255	
		<u>2,018,255</u>		<u>558,255</u>	
NET CURRENT ASSETS			<u>2,018,255</u>		<u>558,255</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,621,705</u>		<u>2,140,290</u>
CREDITORS: amounts falling due after more than one year	15		4,167		4,167
			<u>3,617,538</u>		<u>2,136,123</u>
CAPITAL AND RESERVES					
Called up share capital	17		591,124		591,124
Share premium account	18		1,776,234		1,776,234
Profit and loss account	18		1,250,180		(231,235)
SHAREHOLDERS' FUNDS	19		<u>3,617,538</u>		<u>2,136,123</u>

These financial statements were approved by the Board of Directors and authorised for issue on 18 April 2012.


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 2011

	Note	2011 £	2011 £	2010 £	2010 £
Net cash inflow from operating activities	24		1,179,291		735,176
Returns on investment and servicing of finance					
Interest received		59,053		41,584	
Interest paid		<u>(5,065)</u>		<u>(6,803)</u>	
			53,988		34,781
Taxation					
Corporation tax paid			(250,871)		(37,957)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(48,465)		(33,112)	
Receipt from sale of tangible fixed assets		75		68	
Dividends paid		<u>(65,000)</u>		<u>-</u>	
			(113,390)		(33,044)
Acquisitions					
Purchase of business operations		<u>(135,232)</u>		<u>-</u>	
			(135,232)		-
Cash inflow before the use of liquid resources and financing			733,786		698,956
Management of liquid resources					
Decrease/(increase) in short term deposits			343,500		(957,000)
Financing					
Capital element of finance leases repaid		(21,154)		(55,988)	
Issue of ordinary share capital		<u>-</u>		<u>6,345</u>	
Net cash outflow from financing			(21,154)		(49,643)
Increase/(decrease) in cash in the period	25		<u>1,056,132</u>		<u>(307,687)</u>

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

FOSTER DENOVO GROUP PLC

Notes to the financial statements for the year ended 31 December 2011

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 Foster Denovo Group plc and all of its subsidiary undertakings as at 31 December 2011 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.

FOSTER DENOVO GROUP PLC

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.

FOSTER DENOVO GROUP PLC

1. Accounting Policies (*continued*)

Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. The proceeds received from the convertible loan stock scheme are allocated to liabilities until the options are exercised.

Pensions

Contributions to the Group's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable. The assets of the scheme are held separately from those of the Group. There were outstanding contributions of £26,414 at the end of the financial period which are included in accruals (2010 - £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

	2011 £	2010 £
Depreciation on tangible fixed assets	139,248	189,992
Depreciation on assets held under finance leases	22,137	17,191
Amortisation of goodwill	60,892	52,800
Loss on disposal of fixed assets	441	817
Fees payable to the company's auditor for the audit of the company's annual accounts	6,750	6,750
Fees payable to the company's auditor for other services:		
- the audit of the company's subsidiaries	49,000	42,250
- tax services	10,000	10,000
- other services	8,000	1,500
Share-based payments (note 21)	21,415	30,421
Hire of other assets - operating leases	495,382	586,022

The audit fees for the company were borne by Foster Denovo Group Services Limited as the company did not trade during 2011.

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4. Employees

	Group 2011	Group 2010	Company 2011	Company 2010
	£	£	£	£
Staff costs during the period (including directors) consist of:				
Salaries and wages	4,188,399	3,255,309	-	-
Social security costs	442,742	332,468	-	-
Pension costs	175,961	160,434	-	-
Total staff costs	4,807,102	3,748,211	-	-

	Group 2011 Number	Group 2010 Number	Company 2011 Number	Company 2010 Number
The average number of employees during the period (including executive directors) was as follows:				
Directors	3	3	-	-
Adviser Sales Support	46	47	-	-
Advisers	7	-	-	-
Administration	62	49	-	-
	118	99	-	-

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 2011 £	Group 2010 £
Directors' emoluments	542,290	435,030
Company contributions to money purchase pension schemes	40,376	39,480

There were 3 (2010: 3) directors in the Group's defined contribution pension scheme.

	Group 2011 £	Group 2010 £
The amounts in respect of the highest paid director are:		
Emoluments (excluding pension contributions)	187,262	187,410
Company contributions paid to pension schemes	18,345	16,650

Out of the share based payments charge (see note 21) £4,935 (2010: £8,115) relates to share-based payments to directors.

FOSTER DENOVO GROUP PLC

6. Interest Payable

	Group 2011	Group 2010
	£	£
Interest payable on finance leases	5,010	5,039
Other interest payable	55	1,764
	<u>5,065</u>	<u>6,803</u>

7. Taxation on Profit on Ordinary Activities

	2011 £	2011 £	2010 £	2010 £
<i>UK Corporation tax</i>				
Current tax on profits of the year	289,299		184,200	
Adjustment in respect of previous period	<u>10,170</u>		<u>(11,048)</u>	
Total current tax		299,469		173,152
<i>Deferred tax</i>				
Origination and reversal of timing differences	(12,629)		(13,404)	
Adjustment in respect of previous year	<u>(504)</u>		<u>4,666</u>	
Total deferred tax		<u>(13,133)</u>		<u>(8,738)</u>
Taxation on profit on ordinary activities		<u>286,336</u>		<u>164,414</u>

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

	2011 £	2010 £
Profit on ordinary activities before taxation	<u>1,019,315</u>	<u>582,643</u>
Tax on profit on ordinary activities at UK standard rate of 26% (2010: 28%)	265,022	163,140
Effects of:		
Expenses not deductible for tax purposes	11,947	14,840
Tax losses created/(utilised)	-	(3,834)
Other timing differences	5,628	1,050
Capital allowances in excess of depreciation	8,346	16,188
Marginal relief	(7,162)	(7,184)
Differences in tax rates	5,518	-
Adjustment in respect of previous year	<u>10,170</u>	<u>(11,048)</u>
Current tax charge for year	<u>299,469</u>	<u>173,152</u>

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 profit of £1,460,000 (2010: £nil) which is dealt with in the financial statements of the parent company.

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9. Intangible assets

Group

	Goodwill £
Cost	
At 1 January 2011	527,807
Additions	135,232
At 31 December 2011	<u>663,039</u>
Amortisation	
At 1 January 2011	180,367
Provided during the year	60,892
At 31 December 2011	<u>241,259</u>
Net book value	
At 31 December 2011	<u>421,780</u>
At 31 December 2010	<u>347,440</u>

10. Tangible fixed assets

Group

	Leasehold Improvements £	Computer Equipment £	Computer Software £	Fixtures and Fittings £	Total £
Cost or Valuation					
At 1 January 2011	323,154	398,899	83,249	283,247	1,088,549
Additions in year	358	45,885	10,760	16,343	73,346
Disposals	(9,870)	(49,200)	(5,994)	(6,045)	(71,109)
At 31 December 2011	<u>313,642</u>	<u>395,584</u>	<u>88,015</u>	<u>293,545</u>	<u>1,090,786</u>
Depreciation					
At 1 January 2011	256,639	253,406	63,646	241,706	815,397
Provided during year	42,723	73,371	13,784	31,507	161,385
Disposals	(9,870)	(48,684)	(5,994)	(6,045)	(70,593)
At 31 December 2011	<u>289,492</u>	<u>278,093</u>	<u>71,436</u>	<u>267,168</u>	<u>906,189</u>
Net book value					
At 31 December 2011	<u>24,150</u>	<u>117,491</u>	<u>16,579</u>	<u>26,377</u>	<u>184,597</u>
At 31 December 2010	<u>66,515</u>	<u>145,493</u>	<u>19,603</u>	<u>41,541</u>	<u>273,152</u>

The net book value of tangible fixed assets includes an amount of £72,864 (2010 - £70,120) in respect of assets held under finance leases. The related depreciation charge for the year was £22,137 (2010: £17,191).

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11. Fixed asset investments

Company

	Group Undertakings £
Cost	
At 1 January 2011	1,582,035
Additions in the year	21,415
At 31 December 2011	1,603,450

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 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
<i>Debtors due within one year</i>				
Trade debtors	610,367	704,800	-	-
Amounts owed by Group undertakings	-	-	2,018,255	558,255
Other debtors	1,244,557	1,492,635	-	-
Deferred tax asset (see note 16)	20,162	7,029	-	-
Prepayments and accrued income	1,141,219	837,561	-	-
	3,016,305	3,042,025	2,018,255	558,255

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
<i>Debtors due after one year</i>				
Long term rent deposits	220,924	220,924	-	-
Other debtors	-	24,562	-	-
	220,924	245,486	-	-

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12. Debtors (continued)

Included in other debtors is £671,886 (2010 - £875,314) 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 £476,970 (2010 - £436,125) 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 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Short term deposits	3,319,500	3,663,000	-	-
	<u>3,319,500</u>	<u>3,663,000</u>	<u>-</u>	<u>-</u>

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 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Trade creditors	998,410	685,714	-	-
Obligations under finance lease agreements	19,030	18,495	-	-
Corporation tax	232,799	184,200	-	-
Other taxes and social security costs	173,694	172,301	-	-
Other creditors	36,646	142,471	-	-
Accruals and deferred income	1,128,296	1,108,785	-	-
	<u>2,588,875</u>	<u>2,311,966</u>	<u>-</u>	<u>-</u>

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

Group and Company

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Convertible debt	4,167	4,167	4,167	4,167
Obligations under finance lease contracts	52,216	49,024	-	-
	<u>56,383</u>	<u>53,191</u>	<u>4,167</u>	<u>4,167</u>

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

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15. Creditors: amounts falling due after more than one year (*continued*)

Other financial liabilities are due:

	Group Finance Leases 2011 £	Group Finance Leases 2010 £
In one year or less	19,030	18,495
In more than one year but not more than two years	18,373	15,210
In more than two years but not more than five years	30,583	33,814
In more than five years	3,260	-
	<u>52,216</u>	<u>49,024</u>

16. Provision for liabilities and charges

Group

	Indemnity Commission £	Claims Provision £	Total £
At 1 January 2011	1,493,707	436,125	1,929,832
Charged to the profit and loss account	474,263	101,293	575,556
Utilised in the year	(836,468)	(60,448)	(896,916)
At 31 December 2011	1,131,502	476,970	1,608,472

Deferred taxation asset

	2011 £	2010 £
Accelerated capital allowances	(13,813)	(5,979)
Losses	(6,349)	(1,050)
	<u>(20,162)</u>	<u>(7,029)</u>

Provision for indemnity commission

The provision for indemnity commission relates to the expected value of commissions reclaimable by product providers should policies be cancelled after their sale and within their indemnity period. The Directors expect this provision to be utilised over the next 4 years. A proportion of these amounts will usually be recovered from the relevant financial adviser (see note 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.

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17. Share Capital

	2011 £	2010 £
Allotted, called up and fully paid		
18,266,405 "A" ordinary shares of 1p each	182,664	182,664
20,520,405 "B" ordinary shares of 1p each	205,204	205,204
20,295,567 "G" ordinary shares of 1p each	202,956	202,956
	<u>590,824</u>	<u>590,824</u>
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
	<u>591,124</u>	<u>591,124</u>

Rights to dividends, voting rights and priority on winding up

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

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

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

Deferred Share Subscription Plan

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

Enterprise Management Incentive Plan

Under the company's Enterprise Management Incentive Plan the following options were held at 31 December 2011:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
30/09/2007	3,574,500	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	825,000	5.0	2012-2019
16/12/2009	500,000	5.0	2013-2019
10/06/2011	1,343,207	5.0	2014-2021

Adviser Share Option Plan

Under the company's Adviser Share Option Plan the following options were held at 31 December 2011:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
16/06/2009	1,842,500	5.0	2012-2019
28/05/2010	163,962	5.0	2010-2020
28/05/2010	78,125	5.0	2012-2020
10/06/2011	198,750	5.0	2012-2020
10/06/2011	185,625	5.0	2014-2020

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17. Share capital (*continued*)

Convertible Loan Stock Share Option Scheme

Under the company's Convertible Loan Stock Share Option Scheme the following options were held at 31 December 2011:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
30/09/2007	5,719,020	5.0	2010-2017
19/09/2008	516,000	5.0	2011-2017
16/06/2009	78,500	5.0	2011-2017

18. Reserves

Group

	Share Premium Account £	Profit and Loss £
At 1 January 2011	1,776,234	1,314,338
Profit for the year	-	679,820
Share-based payment	-	21,415
At 31 December 2011	<u>1,776,234</u>	<u>2,015,573</u>

Company

	Share Premium Account £	Profit and Loss £
At 1 January 2011	1,776,234	(231,235)
Profit for the year	-	1,460,000
Share-based payment	-	21,415
Balance at 31 December 2011	<u>1,776,234</u>	<u>1,250,180</u>

19. Reconciliation of movements in shareholders' funds

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Profit for the financial year	679,820	387,803	1,460,000	-
Exercise of share options	-	7,050	-	7,050
Ordinary shares issued, net of expenses	-	250	-	250
Share-based payment	21,415	30,421	21,415	30,421
Net additions to shareholders' funds	<u>701,235</u>	<u>425,524</u>	<u>1,481,415</u>	<u>37,721</u>
Opening shareholders' funds	<u>3,681,696</u>	<u>3,256,172</u>	<u>2,136,123</u>	<u>2,098,402</u>
Closing shareholders' funds	<u>4,382,931</u>	<u>3,681,696</u>	<u>3,617,538</u>	<u>2,136,123</u>

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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.

	2011 Weighted average exercise price (p)	2011 Number	2010 Weighted average exercise price (p)	2010 Number
Outstanding at the beginning of the period	5.0	9,099,499	5.0	9,364,499
Granted during the period	5.0	1,509,207	-	-
Lapsed during the period	5.0	(236,000)	5.0	(265,000)
Outstanding at the end of the period	5.0	10,372,706	5.0	9,099,499

Adviser Share Option Scheme

The company established the Foster Denovo Group plc Unapproved Share Option Plan in 2009. Options granted to advisers have vesting periods ranging from immediate vesting 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.

	2011 Weighted average exercise price (p)	2011 Number	2010 Weighted average exercise price (p)	2010 Number
Outstanding at the beginning of the period	5.0	2,341,462	5.0	4,045,000
Granted during the period	5.0	384,375	5.0	298,124
Lapsed during the period	5.0	(256,875)	5.0	(2,001,662)
Outstanding at the end of the period	5.0	2,468,962	5.0	2,341,462

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21. Share-Based Payments (*continued*)

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.

	2011 Weighted average exercise price (p)	2011 Number	2010 Weighted average exercise price (p)	2010 Number
Outstanding at the beginning of the period	5.0	7,701,010	5.0	8,990,500
Exercised during the period	5.0	-	5.0	(141,000)
Lapsed during the period	5.0	(1,387,490)	5.0	(1,148,490)
Outstanding at the end of the period	5.0	6,313,520	5.0	7,701,010

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:

	2011 Black- Scholes- Merton	2010 Black- Scholes- Merton
Option pricing model used		
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	40.3%	46.8%
Expected dividend growth rate	0%	0%
Risk free interest rate	2.1%	2.76%

The underlying value of the shares was taken as 5p (2010: 5.0p) being the actual market value agreed with HMRC for the purposes of the EMI options granted during 2011. 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:

	2011 £	2010 £
Equity-settled schemes	10,785	8,657
Convertible loan stock scheme	10,630	21,764
	21,415	30,421

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22. Operating lease commitments

At 31 December 2011 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:	2011	2010
	Land and Buildings £	Land and Buildings £
Within one year	91,482	36,022
Within two to five years	177,700	232,090
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 £154,511 (2010 - £200,396). These payments were made on an arms-length basis on terms identical to those of other financial advisers.

During 2010, Foster Denovo Group Services Limited entered into a contract for the provision of services with Wilmslow Wealth Limited, a company of which Mr Keith Carby is a director. In 2011, Wilmslow Wealth Limited paid Foster Denovo Group Services Limited £98,000 (2010: £21,196). There were no amounts outstanding at the end of the year.

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 £nil (2010: £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

	2011 £	2010 £
Operating profit	965,327	547,862
Depreciation charge	161,385	207,183
Goodwill amortisation	60,892	52,800
Loss on disposal of fixed asset	441	817
Decrease/(increase) in debtors	49,232	(551,960)
Increase in creditors	241,959	61,900
(Decrease)/increase in provisions	(321,360)	386,153
Share based payments charge	21,415	30,421
Net cash inflow from continuing operations	1,179,291	735,176

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

	2011	2010
	£	£
Increase/(decrease) in cash	1,056,132	(307,687)
Cash outflow from changes in debt	21,154	55,988
Cash (inflow)/outflow from changes in liquid resources	(343,500)	957,000
Movement in net funds resulting from cash flows	733,786	705,301
Inception of finance leases	(24,881)	(33,945)
Movement in net funds	708,905	671,356
Opening net funds	4,029,537	3,358,181
Closing net funds	4,738,442	4,029,537

26. Analysis of net funds

	At 1 January 2011 £	Cash flow £	Other non cash items £	At 31 December 2011 £
Cash at bank and in hand	434,056	1,056,132	-	1,490,188
Finance leases	(67,519)	21,154	(24,881)	(71,246)
Other liquid resources	3,663,000	(343,500)	-	3,319,500
Total	4,029,537	733,786	(24,881)	4,738,442