

COMPANY

Company Registration No. 06033941

FOSTER DENOVO GROUP PLC

Report and Financial Statements

Year Ended

31 December 2012

# **FOSTER DENOVO GROUP PLC**

## **REPORT AND FINANCIAL STATEMENTS 2012**

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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

1<sup>st</sup> Floor  
8 Eastcheap  
London  
EC3M 1AE

### BANKERS

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

### 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 2012.

#### Financial highlights

	Year Ended 31 December 2012 (£'000)	Year Ended 31 December 2011 (£'000)
Turnover	21,673	19,146
Gross Profit	10,653	9,226
Operating Expenses	9,434	8,261
Operating Profit	1,219	965
Profit before Taxation	1,280	1,019
Taxation	342	286
Profit after Taxation	938	733

#### 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 £1,279,952 (2011: £1,019,315). The Directors recommend that no dividend is paid (2011: £nil). The profit before taxation for each trading subsidiary in the Group was as follows:

	£
Foster Denovo Limited	947,358
Foster Denovo Event Management Limited	62,738
Foster Denovo Group Services Limited	6,294
Sequel Investments Limited	335,927

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 2013.

#### Principal and ongoing activity

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

- Foster Denovo Limited – a financial adviser directly regulated by the Financial Conduct Authority (FCA);
- 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;
- Sequel Investments Limited – a sponsor of a range of investment funds;
- Foster Denovo Regulatory Services Limited – dormant;
- Second sight UK Limited – dormant; and
- Sequel Research Limited – dormant.

The majority of the Group's revenues are currently derived from Foster Denovo Limited. The Company itself did not trade in 2012.

On 6 April 2012, the Company acquired the entire share capital of Second sight UK Limited, a company owning the "Second sight" brand and associated intellectual property. Second sight UK Limited has not traded during the period.

## FOSTER DENOVO GROUP PLC

On 26 November 2012, the Company acquired the shares in Sequel Investments Limited previously owned by Allium Capital Limited. Sequel Investments Limited is therefore now a wholly owned subsidiary of the Company.

### Review of business and future developments

During 2012, Foster Denovo Limited continued to spend 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. The Directors believe that this work has been successful in ensuring that Foster Denovo Limited meets, and will continue to meet, the new regulatory requirements that came into force on 31 December 2012.

As at 1 January 2012, Foster Denovo Limited had 87 financial advisers, which number remained the same at the balance sheet date. The average productivity during the year increased by 16.84% to £242,000<sup>1</sup> (2011: £208,000).

At the balance sheet date, the Group is forecasting a profit for the year ended 31 December 2013 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 FCA. 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 FCA.

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. As a result of the changes brought about by RDR, the Directors expect that the proportion of revenue derived on an indemnity basis will decrease significantly in the future.

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.

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<sup>1</sup> Based on financial advisers with Foster Denovo Limited for the full 12 month period concerned

## FOSTER DENOVO GROUP PLC

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 2012 was 39 (2011: 22).

### 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

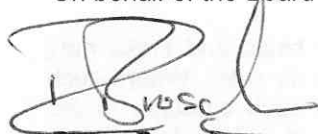
### Disclosure of information to auditors

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

22 May 2013

## **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 2012 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](http://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 2012 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.



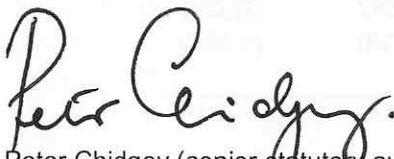
## FOSTER DENOVO GROUP PLC

### 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

22 May 2013

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 2012

	Note	2012 £	2011 £
Turnover	2	21,672,863	19,146,199
Cost of Sales		(11,019,474)	(9,919,893)
<b>Gross Profit</b>		<b>10,653,389</b>	<b>9,226,306</b>
Administrative Expenses		(9,434,218)	(8,260,979)
<b>Group Operating Profit</b>	3	<b>1,219,171</b>	<b>965,327</b>
Interest Receivable and Similar Income		65,517	59,053
Interest Payable and Similar Charges	6	(4,736)	(5,065)
<b>Profit on Ordinary Activities before Taxation</b>		<b>1,279,952</b>	<b>1,019,315</b>
Taxation on Profit on Ordinary Activities	7	(341,972)	(286,336)
<b>Profit on Ordinary Activities after Taxation</b>		<b>937,980</b>	<b>732,979</b>
Minority Interest		(44,805)	(53,159)
<b>Profit for the financial year</b>	18	<b>893,175</b>	<b>679,820</b>

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 total recognised gains or losses is presented.

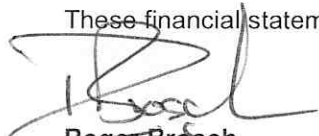
The accompanying notes are an integral part of these financial statements.

# FOSTER DENOVO GROUP PLC

## Consolidated balance sheet at 31 December 2012

	Note	2012 £	2012 £	2011 £	2011 £
<b>FIXED ASSETS</b>					
Intangible assets	9		1,419,472		421,780
Tangible fixed assets	10		218,372		184,597
			<u>1,637,844</u>		<u>606,377</u>
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due within one year	12	4,889,671		3,016,305	
Debtors: amounts falling due after more than one year	12	220,924		220,924	
Investments	13	5,874,890		3,319,500	
Cash at bank and in hand		403,156		1,490,188	
		<u>11,388,641</u>		<u>8,046,917</u>	
<b>CREDITORS: amounts falling due within one year</b>	14	<u>4,318,858</u>		<u>2,588,875</u>	
<b>NET CURRENT ASSETS</b>			<u>7,069,783</u>		<u>5,458,042</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>8,707,627</u>		<u>6,064,419</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	38,010		56,383	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	<u>3,311,251</u>		<u>1,608,472</u>	
			<u>3,349,261</u>		<u>1,664,855</u>
			<u>5,358,366</u>		<u>4,399,564</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		600,002		591,124
Share premium account	18		1,827,169		1,776,234
Profit and loss account	18		2,931,195		2,015,573
<b>SHAREHOLDERS' FUNDS</b>	19		<u>5,358,366</u>		<u>4,382,931</u>
Minority interests			-		16,633
			<u>5,358,366</u>		<u>4,399,564</u>

These financial statements were approved by the Board of Directors and authorised for issue on 22 May 2013.

  
Roger Brosch  
Director

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

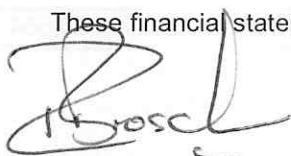
# FOSTER DENOVO GROUP PLC

## Company balance sheet at 31 December 2012

Company number 06033941

	Note	2012 £	2012 £	2011 £	2011 £
<b>FIXED ASSETS</b>					
Investment in subsidiary undertakings	11		2,416,604		1,603,450
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due within one year	12	1,438,561		2,018,255	
		<u>1,438,561</u>		<u>2,018,255</u>	
<b>NET CURRENT ASSETS</b>			<u>1,438,561</u>		<u>2,018,255</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			3,855,165		3,621,705
<b>CREDITORS:</b> amounts falling due after more than one year	15		4,167		4,167
			<u>3,850,998</u>		<u>3,617,538</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		600,002		591,124
Share premium account	18		1,827,169		1,776,234
Profit and loss account	18		1,423,827		1,250,180
<b>SHAREHOLDERS' FUNDS</b>	19		<u>3,850,998</u>		<u>3,617,538</u>

These financial statements were approved by the Board of Directors and authorised for issue on 22 May 2013.



**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 2012

	Note	2012	2012	2011	2011
		£	£	£	£
<b>Net cash inflow from operating activities</b>	<b>25</b>		<b>3,065,284</b>		<b>1,179,291</b>
<b>Returns on investment and servicing of finance</b>					
Interest received		65,517		59,053	
Interest paid		<u>(4,736)</u>		<u>(5,065)</u>	
			60,781		53,988
<b>Taxation</b>					
Corporation tax paid			(335,647)		(250,871)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(146,313)		(48,465)	
Receipt from sale of tangible fixed assets		199		75	
Dividends paid		<u>(37,800)</u>		<u>(65,000)</u>	
			(183,914)		(113,390)
<b>Acquisitions</b>					
Purchase of business operations		<u>(1,178,929)</u>		<u>(135,232)</u>	
			(1,178,929)		(135,232)
<b>Cash inflow before the use of liquid resources and financing</b>			<b>1,427,575</b>		<b>733,786</b>
<b>Management of liquid resources</b>					
(Increase)/decrease in short term deposits			(2,555,390)		343,500
<b>Financing</b>					
Capital element of finance leases repaid		(19,030)		(21,154)	
Issue of ordinary share capital		<u>59,813</u>		<u>-</u>	
<b>Net cash inflow/(outflow)outflow from financing</b>			<b>40,783</b>		<b>(21,154)</b>
<b>(Decrease)/increase in cash in the period</b>	<b>26</b>		<u><b>(1,087,032)</b></u>		<u><b>1,056,132</b></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 2012

### 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 2012 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 between 5 and 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 £33,110 at the end of the financial period which are included in accruals (2011 - £26,414).

#### *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

	2012 £	2011 £
Depreciation on tangible fixed assets	111,261	161,385
Amortisation of goodwill	157,599	60,892
Loss on disposal of fixed assets	1,078	441
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	42,250	42,250
- tax services	10,500	10,000
- other services	8,600	8,000
Share-based payments (note 21)	22,447	21,415
Hire of other assets - operating leases	497,848	495,382

The audit fees for the company were borne by Foster Denovo Group Services Limited as the company did not trade during 2012.



## FOSTER DENOVO GROUP PLC

### 4. Employees

	Group 2012	Group 2011	Company 2012	Company 2011
	£	£	£	£
Staff costs during the period (including directors) consist of:				
Salaries and wages	4,801,528	4,188,399	-	-
Social security costs	514,750	442,742	-	-
Pension costs	202,474	175,961	-	-
<b>Total staff costs</b>	<b>5,518,752</b>	<b>4,807,102</b>	-	-

	Group 2012 Number	Group 2011 Number	Company 2012 Number	Company 2011 Number
The average number of employees during the period (including executive directors) was as follows:				
Directors	3	3	-	-
Adviser Sales Support	38	46	-	-
Advisers	10	7	-	-
Administration	73	62	-	-
	<b>124</b>	<b>118</b>	-	-

### 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 2012 £	Group 2011 £
Directors' emoluments	553,885	542,290
Company contributions to money purchase pension schemes	41,050	40,376

There were 3 (2011:3) directors in the Group's defined contribution pension scheme.

	Group 2012 £	Group 2011 £
The amounts in respect of the highest paid director are:		
Emoluments (excluding pension contributions)	217,585	187,262
Company contributions paid to pension schemes	18,500	18,345

Out of the share based payments charge (see note 21) £5,031 (2011: £4,935) relates to share-based payments to directors.

## FOSTER DENOVO GROUP PLC

### 6. Interest Payable

	Group 2012	Group 2011
	£	£
Interest payable on finance leases	4,396	5,010
Other interest payable	340	55
	<u>4,736</u>	<u>5,065</u>

### 7. Taxation on Profit on Ordinary Activities

	2012 £	2012 £	2011 £	2011 £
<i>UK Corporation tax</i>				
Current tax on profits of the year	339,151		289,299	
Adjustment in respect of previous period	<u>1,641</u>		<u>10,170</u>	
Total current tax		340,792		299,469
<i>Deferred tax</i>				
Origination and reversal of timing differences	1,180		(12,629)	
Adjustment in respect of previous year	<u>-</u>		<u>(504)</u>	
Total deferred tax				(13,133)
Taxation on profit on ordinary activities		<u>341,972</u>		<u>286,336</u>

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

	2012 £	2011 £
Profit on ordinary activities before taxation	<u>1,279,952</u>	<u>1,019,315</u>
Tax on profit on ordinary activities at UK standard rate of 24.5% (2011: 26%)	313,554	265,022
Effects of:		
Expenses not deductible for tax purposes	28,024	11,947
Other timing differences	(3,372)	5,628
Capital allowances in excess of depreciation	4,457	8,346
Marginal relief	(2,668)	(7,162)
Differences in tax rates	(844)	5,518
Adjustment in respect of previous year	<u>1,641</u>	<u>10,170</u>
Current tax charge for year	<u>340,792</u>	<u>299,469</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 £151,200 (2011: £1,460,000) which is dealt with in the financial statements of the parent company.

## FOSTER DENOVO GROUP PLC

### 9. Intangible assets

#### Group

	Goodwill £
<b>Cost</b>	
At 1 January 2012	663,039
Additions (note 22)	1,155,291
At 31 December 2012	<u>1,818,330</u>
<b>Amortisation</b>	
At 1 January 2012	241,259
Provided during the year	157,599
At 31 December 2012	<u>398,858</u>
<b>Net book value</b>	
At 31 December 2012	<u>1,419,472</u>
At 31 December 2011	<u>421,780</u>

### 10. Tangible fixed assets

#### Group

	Leasehold Improvements £	Computer Equipment £	Computer Software £	Fixtures and Fittings £	Total £
<b>Cost or Valuation</b>					
At 1 January 2012	313,642	395,584	88,015	293,545	1,090,786
Additions in year	16,308	31,114	74,440	24,451	146,313
Disposals	-	(65,523)	-	(4,263)	(69,786)
At 31 December 2012	<u>329,950</u>	<u>361,175</u>	<u>162,455</u>	<u>313,733</u>	<u>1,167,313</u>
<b>Depreciation</b>					
At 1 January 2012	289,492	278,093	71,436	267,168	906,189
Provided during year	20,609	57,278	18,668	14,706	111,261
Disposals	-	(65,018)	-	(3,491)	(68,509)
At 31 December 2012	<u>310,101</u>	<u>270,353</u>	<u>90,104</u>	<u>278,383</u>	<u>948,941</u>
<b>Net book value</b>					
At 31 December 2012	<u>19,849</u>	<u>90,822</u>	<u>72,351</u>	<u>35,350</u>	<u>218,372</u>
At 31 December 2011	<u>24,150</u>	<u>117,491</u>	<u>16,579</u>	<u>26,377</u>	<u>184,597</u>

The net book value of tangible fixed assets includes an amount of £53,488 (2011 - £72,864) in respect of assets held under finance leases. The related depreciation charge for the year was £19,376 (2011: £22,137).

# FOSTER DENOVO GROUP PLC

## 11. Fixed asset investments

### Company

	Group Undertakings £
<b>Cost</b>	
At 1 January 2012	1,603,450
Additions in the year	822,711
<b>At 31 December 2012</b>	<b>2,426,161</b>

### Subsidiary undertakings

The principal undertakings in which the company's interests at the year end is 100% 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%	Financial Advice
Foster Denovo Event Management Limited	England and Wales	100%	Event Management
Sequel Investments Limited	England and Wales	100%	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
Secondsight UK Limited	England and Wales	100%	Dormant
Sequel Research Limited	England and Wales	100%	Dormant

## 12. Debtors

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
<i>Debtors due within one year</i>				
Trade debtors	645,665	610,367	-	-
Amounts owed by Group undertakings	-	-	1,438,561	2,018,255
Other debtors	2,759,898	1,244,557	-	-
Deferred tax asset (see note 16)	18,982	20,162	-	-
Prepayments and accrued income	1,465,126	1,141,219	-	-
	<b>4,889,671</b>	<b>3,016,305</b>	<b>1,438,561</b>	<b>2,018,255</b>

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
<i>Debtors due after one year</i>				
Long term rent deposits	220,924	220,924	-	-
	<b>220,924</b>	<b>220,924</b>	<b>-</b>	<b>-</b>

## FOSTER DENOVO GROUP PLC

### 12. Debtors (continued)

Included in other debtors is £784,739 (2011 - £671,886) 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 £2,014,825 (2011 - £476,970) 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 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Short term deposits	5,874,890	3,319,500	-	-
	<u>5,874,890</u>	<u>3,319,500</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 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Trade creditors	2,032,790	998,410	-	-
Obligations under finance lease agreements	18,373	19,030	-	-
Corporation tax	237,944	232,799	-	-
Other taxes and social security costs	215,029	173,694	-	-
Other creditors	19,203	36,646	-	-
Accruals and deferred income	1,795,519	1,128,296	-	-
	<u>4,318,858</u>	<u>2,588,875</u>	<u>-</u>	<u>-</u>

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

#### Group and Company

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Convertible debt	4,167	4,167	4,167	4,167
Obligations under finance lease contracts	33,843	52,216	-	-
	<u>38,010</u>	<u>56,383</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.

## FOSTER DENOVO GROUP PLC

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

Other financial liabilities are due:

	Group Finance Leases 2012 £	Group Finance Leases 2011 £
In one year or less	18,373	19,030
In more than one year but not more than two years	19,786	18,373
In more than two years but not more than five years	14,057	30,583
In more than five years	-	3,260
	<b>33,843</b>	<b>52,216</b>

### 16. Provision for liabilities and charges

#### Group

	Indemnity Commission £	Claims Provision £	Total £
At 1 January 2012	1,131,502	476,970	1,608,472
Charged to the profit and loss account	957,499	1,787,843	2,745,342
Utilised in the year	(796,824)	(245,739)	(1,042,563)
<b>At 31 December 2012</b>	<b>1,292,177</b>	<b>2,019,074</b>	<b>3,311,251</b>

#### Deferred taxation asset

	2012 £	2011 £
Accelerated capital allowances	(10,893)	(13,813)
Other	(8,089)	(6,349)
	<b>(18,982)</b>	<b>(20,162)</b>

#### *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.

## FOSTER DENOVO GROUP PLC

### 17. Share Capital

	2012 £	2011 £
<b>Allotted, called up and fully paid</b>		
19,154,155 "A" ordinary shares of 1p each	191,542	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>599,702</u>	<u>590,824</u>
<b>Allotted, called up and part paid</b>		
6,000,000 "A" ordinary shares of 1p each of which 0.005p is called up and paid	300	300
	<u>600,002</u>	<u>591,124</u>

During the year 887,750 "A" ordinary shares of 1p each, with a nominal value of £8,878, were issued for £59,813, including a premium of £50,935.

#### 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 2012:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
30/09/2007	3,552,500	5.0	2010-2017
19/09/2008	2,000,000	5.0	2010-2017
19/09/2008	2,044,999	5.0	2011-2018
07/07/2009	805,000	5.0	2012-2019
16/12/2009	500,000	5.0	2013-2019
10/06/2011	1,241,543	5.0	2014-2021
22/06/2012	1,843,798	5.0	2015-2022

## FOSTER DENOVO GROUP PLC

### 17. Share capital (continued)

#### Adviser Share Option Plan

Under the company's Adviser Share Option Plan the following options were held at 31 December 2012:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
16/06/2009	1,580,000	5.0	2012-2019
28/05/2010	155,163	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	136,250	5.0	2014-2020
22/06/2012	40,938	5.0	2014-2022
22/06/2012	70,937	5.0	2015-2022

#### 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	5,252,510	5.0	2010-2017
19/09/2008	405,000	5.0	2011-2017
16/06/2009	59,000	5.0	2011-2017

### 18. Reserves

#### Group

	Share Premium Account	Profit and Loss
	£	£
At 1 January 2012	1,776,234	2,015,573
Profit for the year	-	893,175
Premium on ordinary shares issued	50,935	-
Share-based payment	-	22,447
At 31 December 2012	<u>1,827,169</u>	<u>2,931,195</u>

#### Company

	Share Premium Account	Profit and Loss
	£	£
At 1 January 2012	1,776,234	1,250,180
Profit for the year	-	151,200
Premium on ordinary shares issued	50,935	-
Share-based payment	-	22,447
Balance at 31 December 2012	<u>1,827,169</u>	<u>1,423,827</u>













