

Company Registration No. 06033941

FOSTER DENOVO GROUP PLC

Report and Financial Statements

Year Ended

31 December 2013

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**FOSTER DENOVO GROUP PLC**  
**REPORT AND FINANCIAL STATEMENTS 2013**

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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  
H M Lovett (appointed 30 January 2014)  
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

### STRATEGIC REPORT

The Directors present their report and the audited consolidated financial statements for Foster Denovo Group plc (the "Company") for the year ended 31 December 2013.

#### Results

	Year Ended 31 December 2013 (£'000)	Year Ended 31 December 2012 (£'000)
Turnover	24,974	21,673
Gross Profit	11,774	10,653
Operating Expenses	11,564	9,434
Operating Profit	210	1,219
Profit before Taxation	246	1,280
Taxation	109	342
Profit after Taxation	137	938

The results for the year are set out on page 11. The profit for the year, before taxation is £245,902 (2012: £1,279,952). The Directors recommend that no dividend is paid (2012: £nil). The result before taxation for each trading subsidiary in the Group was as follows:

	£
Foster Denovo Limited	411,148
Foster Denovo Event Management Limited	(108,995)
Foster Denovo Group Services Limited	(20,438)
Sequel Investments Limited	88,000

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

Trading from the balance sheet date to the date of this report is in line with the directors' expectations for 2014.

#### Overview

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 Enrolsme Limited – dormant;
- Foster Denovo Regulatory Services Limited – dormant; and
- Second sight UK Limited – dormant.

The majority of the Group's revenues are currently derived from Foster Denovo Limited. Foster Denovo Group Plc, as a stand-alone company, did not trade in 2013.

# FOSTER DENOVO GROUP PLC

## STRATEGIC REPORT (continued)

### Review of business

During 2013, Foster Denovo Limited ("FDL") completed the implementation of its strategy in relation to the Retail Distribution Review ("RDR") in both the employee benefits and individual client markets. The Directors believe that the preparation work undertaken in prior years has been successful in ensuring that FDL meets, and will continue to meet, the new regulatory requirements that came into force on 31 December 2012.

The Directors were delighted that FDL was recognised for its efforts by winning IFA of the Year, Best Recruitment and Development and placing second in the Best RDR Transition categories at the Money Marketing Awards 2013.

As at 1 January 2013, FDL had 87 financial advisers, which number had increased to 90 at the balance sheet date. The average productivity during the year increased by 3.72% to £251,000<sup>1</sup> (2012: £242,000).

The Directors of FDL 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 FDL'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.

### Business Developments

On 4 October 2013 Sequel Investments Limited ("Sequel") acquired the Host Capital Caerus Investment Funds ICVC II Open Ended Investment Company ("OEIC") from Caerus Portfolio Management Limited to which the funds from the SA Sequel SMARTfund were subsequently transferred under an FCA-approved scheme of arrangement with unit holder agreement. The OEIC was subsequently renamed the Host Capital Sequel Investment Funds ICVC II, is managed by a third party authorised corporate director called Host Capital Limited and is also regulated by the Financial Conduct Authority. Sequel, which was approved as an Appointed Representative of Allium during 2013, is an investment adviser to the OEIC.

The results for the year include costs of £295,000 that have been expensed in relation to the scheme of arrangement and other non-recurring costs in relation to the OEIC.

The primary measure by which performance is monitored for Sequel (in addition to profit and loss, cashflow and balance sheet) is through funds under management in the OEIC. As at 31 December 2013, funds under management, excluding those purchased with the OEIC, stood at £91,572,842 (2012: £70,442,599).

Given the implications of the Financial Services Authority's Retail Distribution Review for the business of Foster Denovo Event Management Limited ("FDEML"), the primary activity of FDEML in 2013 moved towards the provision of management information to, rather than the raising of sponsorship from, providers of financial products and, as such, FDEML's revenues, as anticipated, reduced materially resulting in a loss for the period. In the light of this, the Directors have considered the ongoing activity of FDEML and intend that FDEML ceases trading in 2014.

### Future developments

In September 2013, the Office of Fair Trading ("OFT") published a report into defined contribution workplace pension schemes to be used for auto-enrolment. Whilst the OFT did not make a referral under competition rules, it did make recommendations to the Department of Work and Pensions ("DWP"). The DWP consulted further in November 2013 to which FDL contributed. As a result, the Government has recently announced changes to the rules surrounding workplace pension schemes to be used for auto-enrolment, including a charge cap, a ban on certain charging structures and remuneration by commission for financial advisers for qualifying schemes to be implemented between April 2015 and April 2016. The Directors are aware of the impact these changes will have on current arrangements with employee benefits clients and FDL is actively putting plans into place to ensure a smooth transition to the new arrangements.

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

## **FOSTER DENOVO GROUP PLC**

### **STRATEGIC REPORT (continued)**

During 2014, Sequel has re-launched the income fund it acquired and intends to launch new passive funds under the OEIC. During 2013, Foster Denovo Group Services Limited incurred start-up costs of £45,000 for a new proposition within the Foster Denovo group focussed on meeting the auto-enrolment requirements of small to medium enterprises via a web-based solution. This new proposition will be undertaken by Foster Denovo Enrolsme Limited, which was approved as an Appointed Representative of FDL after the balance sheet date.

At the balance sheet date, the Group is forecasting a profit for the year ended 31 December 2014 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, the effects of which have not yet been fully felt across the industry. It is noted that the FCA has deferred the implementation of increased capital requirements associated with the RDR and is now intending to consult again on the rules originally due to be implemented from 1 January 2012 and subsequently deferred. The Directors intend to contribute to that consultation. The scale and resources available to the Group mean that it is well placed to meet any future capital requirements arising from it.

#### **Principal risks, uncertainties and financial instruments**

The business of FDL is active in the sale of regulated financial products and advises customers as to their suitability. As a consequence, FDL'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). FDL 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.

FDL 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.

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 FDL, which could result in it losing business to its competitors. FDL manages this risk by providing an excellent service to its clients and adding 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.

## **FOSTER DENOVO GROUP PLC**

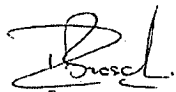
### **STRATEGIC REPORT (continued)**

#### **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 2013 was 54 (2012: 39).

On behalf of the Board

A handwritten signature in black ink, appearing to read 'R Brosch', with a stylized flourish at the end.

**Roger Brosch**  
Director

4 September 2014

# FOSTER DENOVO GROUP PLC

## DIRECTORS' REPORT

### 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 (resigned 27 June 2013)  
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.

## 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.

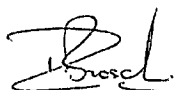
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and 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.

On behalf of the Board



**Roger Brosch**  
Director

4 September 2014

## **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 2013 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 Financial Reporting Council's (FRC'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 FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **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 2013 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

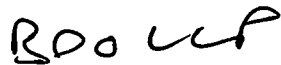
## FOSTER DENOVO GROUP PLC

### 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.



Vanessa-Jayne Bradley (senior statutory auditor)  
*For and on behalf of BDO LLP, statutory auditor*  
London  
United Kingdom

4 September 2014

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 2013

	Note	2013 £	2012 £
Turnover	2	24,973,990	21,672,863
Cost of Sales		(13,199,653)	(11,019,474)
<b>Gross Profit</b>		<b>11,774,337</b>	10,653,389
Administrative Expenses		(11,563,995)	(9,434,218)
<b>Group Operating Profit</b>	3	<b>210,342</b>	1,219,171
Interest Receivable and Similar Income		42,094	65,517
Interest Payable and Similar Charges	6	(6,534)	(4,736)
<b>Profit on Ordinary Activities before Taxation</b>		<b>245,902</b>	1,279,952
Taxation on Profit on Ordinary Activities	7	(109,097)	(341,972)
<b>Profit on Ordinary Activities after Taxation</b>		<b>136,805</b>	937,980
Minority Interest		-	(44,805)
<b>Profit for the financial year</b>	18	<b>136,805</b>	893,175

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.

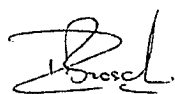
The accompanying notes are an integral part of these financial statements.

# FOSTER DENOVO GROUP PLC

## Consolidated balance sheet at 31 December 2013

	Note	2013 £	2013 £	2012 £	2012 £
<b>FIXED ASSETS</b>					
Intangible assets	9		1,263,633		1,419,472
Tangible fixed assets	10		423,706		218,372
			<u>1,687,339</u>		<u>1,637,844</u>
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due within one year	12	4,643,408		4,889,671	
Debtors: amounts falling due after more than one year	12	186,124		220,924	
Investments	13	-		5,874,890	
Cash at bank and in hand		6,334,437		403,156	
		<u>11,163,969</u>		<u>11,388,641</u>	
<b>CREDITORS: amounts falling due within one year</b>	14	<u>3,460,044</u>		<u>4,318,858</u>	
<b>NET CURRENT ASSETS</b>			<u>7,703,925</u>		<u>7,069,783</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>9,391,264</u>		<u>8,707,627</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	128,124		38,010	
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	<u>3,731,873</u>		<u>3,311,251</u>	
			3,859,997		3,349,261
			<u>5,531,267</u>		<u>5,358,366</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		601,502		600,002
Share premium account	18		1,833,169		1,827,169
Profit and loss account	18		3,096,596		2,931,195
<b>SHAREHOLDERS' FUNDS</b>	19		<u>5,531,267</u>		<u>5,358,366</u>

These financial statements were approved by the Board of Directors and authorised for issue on 4 September 2014.



**Roger Brosch**  
Director

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

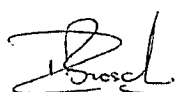
# FOSTER DENOVO GROUP PLC

## Company balance sheet at 31 December 2013

Company number 06033941

	Note	2013 £	2013 £	2012 £	2012 £
<b>FIXED ASSETS</b>					
Investment in subsidiary undertakings	11		2,405,821		2,416,604
<b>CURRENT ASSETS</b>					
Debtors: amounts falling due within one year	12	1,506,844		1,438,561	
		<u>1,506,844</u>		<u>1,438,561</u>	
<b>NET CURRENT ASSETS</b>			<u>1,506,844</u>		<u>1,438,561</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			3,912,665		3,855,165
<b>CREDITORS:</b> amounts falling due after more than one year	15		4,167		4,167
			<u>3,908,498</u>		<u>3,850,998</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		601,502		600,002
Share premium account	18		1,833,169		1,827,169
Profit and loss account	18		1,473,827		1,423,827
<b>SHAREHOLDERS' FUNDS</b>	19		<u>3,908,498</u>		<u>3,850,998</u>

These financial statements were approved by the Board of Directors and authorised for issue on 4 September 2014.



**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 2013

	Note	2013 £	2013 £	2012 £	2012 £
<b>Net cash inflow from operating activities</b>	<b>24</b>		<b>771,972</b>		<b>3,065,284</b>
<b>Returns on investment and servicing of finance</b>					
Interest received		42,094		65,517	
Interest paid		<u>(6,534)</u>		<u>(4,736)</u>	
			<b>35,560</b>		<b>60,781</b>
<b>Taxation</b>					
Corporation tax paid			<b>(295,390)</b>		<b>(335,647)</b>
<b>Capital expenditure and financial investment</b>					
Purchase of tangible and intangible fixed assets		<b>(411,035)</b>		(146,313)	
Receipt from sale of tangible fixed assets		-		199	
Dividends paid		<u>-</u>		<u>(37,800)</u>	
			<b>(411,035)</b>		<b>(183,914)</b>
<b>Acquisitions</b>					
Purchase of business operations		<u>-</u>		<u>(1,178,929)</u>	
			-		<b>(1,178,929)</b>
<b>Cash inflow before the use of liquid resources and financing</b>			<b>101,107</b>		<b>1,427,575</b>
<b>Management of liquid resources</b>					
(Increase)/decrease in short term deposits			<b>5,874,890</b>		<b>(2,555,390)</b>
<b>Financing</b>					
Capital element of finance leases repaid		<b>(52,216)</b>		(19,030)	
Issue of ordinary share capital		<u>7,500</u>		<u>59,813</u>	
<b>Net cash (outflow)/inflow from financing</b>			<b>(44,716)</b>		<b>40,783</b>
<b>Increase/(Decrease) in cash in the period</b>	<b>25</b>		<b><u>5,931,281</u></b>		<b><u>(1,087,032)</u></b>

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 2013

### 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 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

### Notes to the financial statements for the year ended 31 December 2013 (Continued)

#### 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

### Notes to the financial statements for the year ended 31 December 2013

#### 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 £40,993 at the end of the financial period which are included in accruals (2012 - £33,110).

##### *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

Operating profit is stated after charging:

	2013 £	2012 £
Depreciation on tangible fixed assets	130,701	111,261
Amortisation of goodwill	230,837	157,599
Loss on disposal of fixed assets	80	1,078
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	60,201	42,250
- tax services	19,745	10,500
- other services	1,020	8,600
Share-based payments (note 21)	28,596	22,447
Hire of other assets - operating leases	-	497,848

The audit fees for the company were borne by Foster Denovo Group Services Limited as the company did not trade during 2013.

## FOSTER DENOVO GROUP PLC

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 4. Employees

	Group 2013	Group 2012	Company 2013	Company 2012
	£	£	£	£
Staff costs during the period (including directors) consist of:				
Salaries and wages	4,895,500	4,801,528	-	-
Social security costs	504,958	514,750	-	-
Pension costs	629,812	202,474	-	-
<b>Total staff costs</b>	<b>6,030,270</b>	<b>5,518,752</b>	<b>-</b>	<b>-</b>

	Group 2013 Number	Group 2012 Number	Company 2013 Number	Company 2012 Number
The average number of employees during the period (including executive directors) was as follows:				
Directors	3	3	-	-
Adviser Sales Support	39	38	-	-
Advisers	10	10	-	-
Administration	114	73	-	-
	<b>166</b>	<b>124</b>	<b>-</b>	<b>-</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 2013 £	Group 2012 £
Directors' emoluments	380,395	553,885
Company contributions to money purchase pension schemes	128,628	41,050

There were 3 (2012:3) directors in the Group's defined contribution pension scheme.

	Group 2013 £	Group 2012 £
The amounts in respect of the highest paid director are:		
Emoluments (excluding pension contributions)	185,000	217,585
Company contributions paid to pension schemes	75,400	18,500

Out of the share based payments charge (see note 21) £7,865 (2012: £5,031) relates to share-based payments to directors.

## FOSTER DENOVO GROUP PLC

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 6. Interest Payable

	Group 2013	Group 2012
	£	£
Interest payable on finance leases	6,532	4,396
Other interest payable	2	340
	<u>6,534</u>	<u>4,736</u>

#### 7. Taxation on Profit on Ordinary Activities

	2013 £	2013 £	2012 £	2012 £
<i>UK Corporation tax</i>				
Current tax on profits of the year	133,276		339,151	
Adjustment in respect of previous period	<u>(14,772)</u>		<u>1,641</u>	
Total current tax		118,504		340,792
<i>Deferred tax</i>				
Origination and reversal of timing differences		(9,407)		1,180
Total deferred tax		<u></u>		<u></u>
Taxation on profit on ordinary activities		<u>109,097</u>		<u>341,972</u>

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

	2013 £	2012 £
Profit on ordinary activities before taxation	<u>245,902</u>	<u>1,279,952</u>
Tax on profit on ordinary activities at UK standard rate of 23.25% (2012: 24%)	57,157	313,554
Effects of:		
Expenses not deductible for tax purposes	55,804	28,024
Other timing differences	2,301	(3,372)
Capital allowances in excess of depreciation	7,100	4,457
Marginal relief	(1,721)	(2,668)
Differences in tax rates	(1,950)	(844)
Adjustment in respect of previous year	(14,772)	1,641
Tax losses carried back	14,586	-
Current tax charge for year	<u>118,504</u>	<u>340,792</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 £50,000 (2012: £151,200) which is dealt with in the financial statements of the parent company.

## FOSTER DENOVO GROUP PLC

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 9. Intangible assets

##### Group

	Goodwill £
<b>Cost</b>	
At 1 January 2013	1,818,330
Additions	<u>75,000</u>
At 31 December 2013	<u><b>1,893,330</b></u>
<b>Amortisation</b>	
At 1 January 2013	398,860
Provided during the year	<u>230,837</u>
At 31 December 2013	<u><b>629,697</b></u>
<b>Net book value</b>	
<b>At 31 December 2013</b>	<u><u><b>1,263,633</b></u></u>
At 31 December 2012	<u><u>1,419,472</u></u>

# FOSTER DENOVO GROUP PLC

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 10. Tangible fixed assets

#### Group

	Leasehold Improvements £	Computer Equipment £	Computer Software £	Fixtures and Fittings £	Total £
<b>Cost or Valuation</b>					
At 1 January 2013	329,950	361,175	162,455	313,733	1,167,313
Additions in year	1,288	259,877	64,850	10,020	336,035
Disposals	-	(47,963)	-	-	(47,963)
<b>At 31 December 2013</b>	<b>331,238</b>	<b>573,089</b>	<b>227,305</b>	<b>323,753</b>	<b>1,455,385</b>
<b>Depreciation</b>					
At 1 January 2013	310,101	270,353	90,104	278,383	948,941
Provided during year	10,208	63,249	43,546	13,698	130,701
Disposals	-	(47,963)	-	-	(47,963)
<b>At 31 December 2013</b>	<b>320,309</b>	<b>285,639</b>	<b>133,650</b>	<b>292,081</b>	<b>1,031,679</b>
<b>Net book value At 31 December 2013</b>	<b>10,929</b>	<b>287,450</b>	<b>93,655</b>	<b>31,672</b>	<b>423,706</b>
<b>At 31 December 2012</b>	<b>19,849</b>	<b>90,822</b>	<b>72,351</b>	<b>35,350</b>	<b>218,372</b>

The net book value of tangible fixed assets includes an amount of £149,182 (2012 - £53,488) in respect of assets held under finance leases. The related depreciation charge for the year was £29,084 (2012: £19,376).

## FOSTER DENOVO GROUP PLC

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 11. Fixed asset investments

##### Company

Cost as at 31 December 2013

**Group  
Undertakings**  
2,405,821

##### Subsidiary undertakings

The principal undertakings in which the company's interests at the year end is 100% are as follows:

<b>Name of Company</b>	<b>Country of incorporation</b>	<b>Proportion of voting rights and ordinary share capital held</b>	<b>Nature of Business</b>
Foster Denovo Limited	England and Wales	100%	Financial Advice
Foster Denovo Event Management Limited	England and Wales	100%	Event Management
Foster Denovo Group Services Limited	England and Wales	100%	Services company
Sequel Investments Limited	England and Wales	100%	Sponsor of investment funds
Foster Denovo Enrolsme Limited	England and Wales	100%	Dormant
Foster Denovo Regulatory Services Limited	England and Wales	100%	Dormant
Secondsight UK Limited	England and Wales	100%	Dormant

#### 12. Debtors

	<b>Group 2013 £</b>	<b>Group 2012 £</b>	<b>Company 2013 £</b>	<b>Company 2012 £</b>
<i>Debtors due within one year</i>				
Trade debtors	556,853	645,665	-	-
Amounts owed by Group undertakings	-	-	1,506,844	1,438,561
Other debtors	3,071,072	2,759,898	-	-
Corporation tax	12,703			
Deferred tax asset (see note 16)	22,823	18,982	-	-
Prepayments and accrued income	975,372	1,465,126	-	-
Other Taxation and Social Security	2,555	-	-	-
	<b>4,643,408</b>	<b>4,889,671</b>	<b>1,506,844</b>	<b>1,438,561</b>

## FOSTER DENOVO GROUP PLC

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 12. Debtors (continued)

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
<i>Debtors due after one year</i>				
Long term rent deposits	186,124	220,924	-	-
	<b>186,124</b>	<b>220,924</b>	<b>-</b>	<b>-</b>

Included in other debtors is £786,321 (2012 - £784,739) 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 £2,225,168 (2012 - £2,014,825) 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 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Short term deposits	-	5,874,890	-	-
	<b>-</b>	<b>5,874,890</b>	<b>-</b>	<b>-</b>

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 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Trade creditors	1,302,102	2,032,790	-	-
Obligations under finance lease agreements	12,378	18,373	-	-
Corporation tax	58,267	237,944	-	-
Other taxes and social security costs	341,167	215,029	-	-
Other creditors	42,637	19,203	-	-
Accruals and deferred income	1,703,493	1,795,519	-	-
	<b>3,460,044</b>	<b>4,318,858</b>	<b>-</b>	<b>-</b>

# FOSTER DENOVO GROUP PLC

## Notes to the financial statements for the year ended 31 December 2013 (continued)

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

#### Group and Company

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Convertible debt	4,167	4,167	4,167	4,167
Obligations under finance lease contracts	123,957	33,843	-	-
	<b>128,124</b>	<b>38,010</b>	<b>4,167</b>	<b>4,167</b>

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.

Other financial liabilities are due:

	Group Finance Leases 2013 £	Group Finance Leases 2012 £
In one year or less	12,378	18,373
In more than one year but not more than two years	24,934	19,786
In more than two years but not more than five years	99,023	14,057
In more than five years	-	-
	<b>123,957</b>	<b>33,843</b>

### 16. Provision for liabilities and charges

#### Group

	Indemnity Commission £	Claims Provision £	Total £
At 1 January 2013	1,292,177	2,019,074	3,311,251
Charged to the profit and loss account	2,187,758	1,061,102	3,248,860
Utilised in the year	(1,805,920)	(1,022,318)	(2,828,238)
<b>At 31 December 2013</b>	<b>1,674,015</b>	<b>2,057,858</b>	<b>3,731,873</b>

#### Deferred taxation asset

	2013 £	2012 £
Accelerated capital allowances	(14,214)	(10,893)
Other	(8,609)	(8,089)
	<b>(22,823)</b>	<b>(18,982)</b>

## FOSTER DENOVO GROUP PLC

### Notes to the financial statements for the year ended 31 December 2013 (continued)

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

##### *Provision for indemnity commission*

The provision for indemnity commission relates to the expected value of commissions reclaimable by product providers should policies be cancelled after their sale and within their indemnity period. The Directors expect this provision to be utilised over the next 4 years. A proportion of these amounts will usually be recovered from the relevant financial adviser (see note 12). Where the collection of such monies is doubtful, the Group makes an appropriate provision.

##### *Claims payable*

In the normal course of business, the Group receives queries and complaints regarding the sale of regulated financial products. Where appropriate these claims are investigated in accordance with the Group's procedures and provision is made for potential liabilities which may arise in respect of them. The provision is made gross of the amount recoverable from Professional Indemnity insurers and/or the financial adviser responsible for giving advice about which the complaint was made (see note 12). The provision is expected to be utilised predominantly in the next financial year.

#### 17. Share Capital

	2013 £	2012 £
<b>Allotted, called up and fully paid</b>		
19,304,155 "A" ordinary shares of 1p each	193,042	191,542
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>601,202</u>	<u>599,702</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>601,502</u>	<u>600,002</u>

During the year 150,000 "A" ordinary shares of 1p each, with a nominal value of £1,500, were issued for £7,500, including a premium of £6,000.

##### **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.

## FOSTER DENOVO GROUP PLC

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 17. Share capital (continued)

##### *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 2013:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
30/09/2007	3,426,000	5.0	2010-2017
19/09/2008	2,000,000	5.0	2010-2017
19/09/2008	2,029,999	5.0	2011-2018
07/07/2009	740,000	5.0	2012-2019
10/06/2011	1,101,324	5.0	2014-2021
22/06/2012	1,827,132	5.0	2015-2022
22/07/2013	358,297	5.0	2013-2023
22/07/2013	12,500	5.0	2014-2023
22/07/2013	12,500	5.0	2015-2023
22/07/2013	21,875	10.0	2015-2023
22/07/2013	3,187,00	10.0	2016-2023

##### *Adviser Share Option Plan*

Under the company's Adviser Share Option Plan the following options were held at 31 December 2013:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
16/06/2009	1,225,313	5.0	2012-2019
28/05/2010	128,741	5.0	2010-2020
28/05/2010	50,000	5.0	2012-2020
10/06/2011	189,375	5.0	2012-2021
10/06/2011	112,499	5.0	2014-2021
22/06/2012	81,875	5.0	2014-2022
22/06/2012	22,500	5.0	2015-2022
22/07/2013	57,813	5.0	2016-2023
22/07/2013	4,318,000	10.0	2016-2023

##### *Convertible Loan Stock Share Option Scheme*

Under the company's Convertible Loan Stock Share Option Scheme the following options were held at 31 December 2013:

Date of Grant	Number of shares	Price per share (p)	Exercise Period
30/09/2007	4,967,510	5.0	2010-2017
19/09/2008	405,000	5.0	2011-2017
16/06/2009	59,000	5.0	2011-2017

# FOSTER DENOVO GROUP PLC

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 18. Reserves

#### Group

	Share Premium Account £	Profit and Loss £
<b>At 1 January 2013</b>	1,827,169	2,931,195
Profit for the year	-	136,805
Premium on ordinary shares issued	6,000	-
Share-based payment	-	28,596
<b>At 31 December 2013</b>	<b>1,833,169</b>	<b>3,096,596</b>

#### Company

	Share Premium Account £	Profit and Loss £
<b>At 1 January 2013</b>	1,827,169	1,423,827
Profit for the year	-	50,000
Premium on ordinary shares issued	6,000	-
<b>Balance at 31 December 2013</b>	<b>1,833,169</b>	<b>1,473,827</b>

### 19. Reconciliation of movements in shareholders' funds

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Profit for the financial year	136,805	893,175	50,000	151,200
Ordinary shares issued	7,500	59,813	7,500	59,813
Share-based payment	28,596	22,447	-	22,447
Net additions to shareholders' funds	172,901	975,435	57,500	233,460
Opening shareholders' funds	5,358,366	4,382,931	3,850,998	3,617,538
<b>Closing shareholders' funds</b>	<b>5,531,267</b>	<b>5,358,366</b>	<b>3,908,498</b>	<b>3,850,998</b>

## FOSTER DENOVO GROUP PLC

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 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.

	<b>2013 Weighted average exercise price (p)</b>	<b>2013 Number</b>	<b>2012 Weighted average exercise price (p)</b>	<b>2012 Number</b>
Outstanding at the beginning of the period	5.0	11,987,840	5.0	10,372,706
Granted during the period	9.5	3,806,172	5.0	1,857,131
Lapsed during the period	5.0	(927,385)	5.0	(241,997)
Exercised during the period	5.0	(150,000)	-	-
Outstanding at the end of the period	<b>6.2</b>	<b>14,716,627</b>	<b>5.0</b>	<b>11,987,840</b>

##### *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.

	<b>2013 Weighted average exercise price (p)</b>	<b>2013 Number</b>	<b>2012 Weighted average exercise price (p)</b>	<b>2012 Number</b>
Outstanding at the beginning of the period	5.0	2,260,163	5.0	2,468,962
Granted during the period	5.0	57,813	5.0	111,875
Lapsed during the period	5.0	(449,860)	5.0	(320,674)
Outstanding at the end of the period	<b>5.0</b>	<b>1,868,116</b>	<b>5.0</b>	<b>2,260,163</b>

## FOSTER DENOVO GROUP PLC

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 21. Share-Based Payments (continued)

##### *Adviser Share Option Scheme 2013 – 2016*

	<b>2013 Weighted average exercise price (p)</b>	<b>2013 Number</b>	<b>2012 Weighted average exercise price (p)</b>	<b>2012 Number</b>
Outstanding at the beginning of the period	-	-	-	-
Granted during the period	10.0	4,318,000	-	-
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	<b>10.0</b>	<b>4,318,000</b>	-	-

##### *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.

	<b>2013 Weighted average exercise price (p)</b>	<b>2013 Number</b>	<b>2012 Weighted average exercise price (p)</b>	<b>2012 Number</b>
Outstanding at the beginning of the period	5.0	5,716,510	5.0	6,313,520
Lapsed during the period	5.0	(285,000)	5.0	(597,010)
Outstanding at the end of the period	<b>5.0</b>	<b>5,431,510</b>	<b>5.0</b>	<b>5,716,510</b>

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:

	<b>2013 Black- Scholes- Merton</b>	<b>2012 Black- Scholes- Merton</b>
Option pricing model used		
Weighted average contractual life	<b>10 years</b>	10 years
Expected volatility	<b>31.6%</b>	35.5%
Expected dividend growth rate	<b>0%</b>	0%
Risk free interest rate	<b>0.60%</b>	0.62%

The underlying value of the shares was taken as 10.0p (2012: 5.0p) being the actual market value agreed with HMRC for the purposes of the EMI options granted during 2013. 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.

## FOSTER DENOVO GROUP PLC

### Notes to the financial statements for the year ended 31 December 2013 (continued)

#### 21. Share-Based Payments (continued)

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

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

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

	2013 £	2012 £
Equity-settled schemes	28,596	22,447
Convertible loan stock scheme	-	-
	<u>28,596</u>	<u>22,447</u>

#### 22. Operating lease commitments

At 31 December 2013 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:	2013 Land and Buildings £	2012 Land and Buildings £
Within one year	38,200	37,097
Within two to five years	186,124	500,436
After five years	-	-
	<u>-</u>	<u>-</u>

#### 23. Related Party Transactions

Mr. André Jordache, a director of the company during the reporting period, received commissions arising from business transacted with Foster Denovo Limited of £203,746 (2012: £212,892). These payments were made on an arms-length basis on terms identical to those of other advisers. At the end of the year an amount of £22,068 was outstanding (2012: £36,935).

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 2013, Wilmslow Wealth Limited paid Foster Denovo Group Services Limited £95,360 (2012: £117,900). At the end of the year an amount of £7,920 was outstanding (2012: £9,504).

# FOSTER DENOVO GROUP PLC

## Notes to the financial statements for the year ended 31 December 2013 (continued)

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

	2013 £	2012 £
Operating profit	210,342	1,219,171
Depreciation charge	130,701	111,261
Goodwill amortisation	230,837	157,599
Loss on disposal of fixed asset	-	1,078
Decrease/(Increase) in debtors	281,065	(1,873,366)
(Decrease)/Increase in creditors	(530,191)	1,724,315
Increase in provisions	420,622	1,702,779
Share based payments charge	28,596	22,447
<b>Net cash inflow from continuing operations</b>	<b>771,972</b>	<b>3,065,284</b>

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

	2013 £	2012 £
Increase/(Decrease) in cash	5,931,281	(1,087,032)
Cash outflow from changes in debt	52,216	19,030
Cash (inflow)/outflow from changes in liquid resources	(5,874,890)	2,555,390
<b>Movement in net funds resulting from cash flows</b>	<b>108,607</b>	<b>1,487,388</b>
Inception of finance leases	(136,335)	-
<b>Movement in net funds</b>	<b>(27,7238)</b>	<b>1,487,388</b>
Opening net funds	6,225,830	4,738,442
<b>Closing net funds</b>	<b>6,198,102</b>	<b>6,225,830</b>

### 26. Analysis of net funds

	At 1 January 2013 £	Cash flow £	Non-Cash Items £	At 31 December 2013 £
Cash at bank and in hand	403,156	5,931,281	-	6,334,437
Finance leases	(52,216)	52,216	(136,335)	(136,335)
Other Liquid Resources	5,874,890	(5,874,890)	-	-
<b>Total</b>	<b>6,225,830</b>	<b>108,607</b>	<b>(136,335)</b>	<b>6,198,102</b>