Foster Denovo Group Limited

Report and Financial Statements

Year Ended

31 December 2017

Company Number 06033941

Foster Denovo Group Limited

Company Information

Directors	R N Brosch D S Currie A R Jordache H M Lovett A Taylor
Registered number	06033941
Registered office	1st Floor, 8 Eastcheap London EC3M 1AE
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU

Foster Denovo Group Limited

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Foster Denovo Group Limited

Group strategic report
For the year ended 31 December 2017

Introduction

The Directors present their report and the audited consolidated financial statements for Foster Denovo Group Limited (the "Company") for the year ended 31 December 2017.

The detailed results for the year are set out on page 10 of the financial statements.

The Board's principal measure of financial performance is EBITDA. EBITDA, prior to exceptional expenses, for 2017 amounted to £147,572 compared to an equivalent loss of £228,273 in 2016. On a proforma basis, including a full year for TEBC, EBITDA would have been approximately £403,558.

The improved EBITDA performance reflects further growth in Sequel Investments Limited (see below), a small contribution from TEBC of £25,835 in the final quarter of 2017, and improved operating efficiencies throughout the Group. The Board anticipates further progress on EBITDA during 2018, and additional contributions from acquisitions.

The results for the year are set out on page 10. The loss for the year, before taxation is £905,532 (2016 - £807,648). The Directors do not recommend that a dividend is paid in respect of the year (2016 - £Nil).

The result before taxation for each trading subsidiary in the Group was as follows

	£
Foster Denovo Limited	(1,661,312)
FDERL Oldco Limited (formerly Foster Denovo Enrolsme Limited)	(16,969)
TEBC Limited	278,821
Foster Denovo Group Services Limited	(6,998)
Sequel Investments Limited	987,069

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 2018 and there are no significant matters to report.

Overview

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

- Foster Denovo Limited ("FDL") – a financial adviser directly regulated by the Financial Conduct Authority ("FCA");
- Foster Denovo Group Services Limited ("FDGSL") – a supplier of services (including personnel) to associated group companies and third parties;
- Sequel Investments Limited ("Sequel") – a sponsor of a range of investment funds;
- TEBC Limited ("TEBC"), an employee benefits consultancy based in Marlow, Buckinghamshire.

Foster Denovo Group Limited, as a stand-alone company, did not trade in 2017.

On 14 February 2018 the directors applied for FDEML Oldco Limited (formerly Foster Denovo Events Management Limited) to be dissolved.

Review of business

FDL

As at 1 January 2017, FDL had 71 financial advisers, which remained unchanged at the balance sheet date. The average productivity during the year increased overall by 14.34% to £248,000 (2016 - £212,000) and increased by 20.9% to £236,000 across its private client advisers. These figures are based on those advisors with FDL for the entire period.

The impact of the DWP-led changes in the way in which employee benefits business is remunerated continued to be felt during the year (the changes having been effective from April 2016) and contributed to FDL generating total revenues of £16,806,169 (2016 - £15,696,375) and loss before tax for the year of £1,661,312 (2016 - £1,070,465).

Post year end the business of Enrolsme was transferred to FDL.

On 30 September 2017, the Group acquired the whole of the issued share capital of TEBC, and is in the process of integrating its operations with FDL. The acquisition was partly funded through a senior debt facility.

The Directors monitor key performance indicators on a regular basis in order to track and improve the Company'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 the Company'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.

Sequel

The primary measure by which performance in Sequel is monitored (in addition to profit and loss, cashflow and balance sheet) is through funds under management in the OEIC and the pension funds.

As at 31 December 2017, funds under management in the OEIC, stood at £209,004,000 (2016 - £174,569,000) and advised upon in the pension funds were £219,196,000 (2016 - £181,111,000) an overall increase of 20.4%.

Future developments

The Company continues to see the demand for financial advice increasing, whether through legislative change such as that leading to pension freedoms and choice or through employers seeking to provide financial education and access to advice in the workplace. The scale and resources available to the Company mean that it is well placed to take advantage of resulting opportunities as they arise as a result of these trends.

The Directors consider that the impact of increasing regulation and capital resource requirements will drive further consolidation within the IFA market, as smaller operators seek to be part of a larger group to offset the costs of compliance and capital. The Company has a sizeable operation which is capable of supporting a substantially larger business with only limited incremental overheads. Accordingly, the Company will continue to seek suitable acquisition opportunities to take advantage of this inherent operational gearing.

Principal risks, uncertainties and financial instruments

The business of FDL is active in the sale of regulated financial products and advises clients 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 15 and 21). FDL operates a strict compliance regime, including regular audits of financial advisers, to mitigate such risks and has arranged professional indemnity insurance consistent with these risks and FCA requirements.

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, FDL recharges a proportion of such amounts to the relevant financial adviser (see notes 15 and 21). As a consequence, to mitigate the risk of accepting commission on an indemnity basis, FDL monitors such activity and the ability of its financial advisers to service their clawback liabilities to FDL. As a result of the changes brought about by RDR, the proportion of revenue derived on an indemnity basis has decreased significantly with a resulting decrease in associated provisions.

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.

The principal risks and uncertainties of Sequel relate to the level of fund inflows generated by financial advisers, their retention thereafter and, of course, the performance of the OEIC and the pension funds, to which the first two are inextricably linked. Sequel manages this risk by ensuring that the investment proposition continues to meet the needs of customers and by engaging strongly and continuously with financial advisers to that end.

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 Company maintains sufficient working capital to ensure that its requirements are met on a day-to-day basis.

The Group's strategy is partly based on achieving scale through acquisitions and selective recruitment of qualified advisers. This strategy carries risks that suitable acquisition targets may not be available, or that the Group may not be able to fund such acquisitions economically, or to a suitable timescale. This risk is mitigated through the engagement of external advisers and in-house staff, and the development of close relationships with a small number of funders who understand and support the Group strategy.

Board and senior management changes

In order to ensure that the Group has senior management with the experience to drive through the Group's strategy and development, there have been a number of changes during the year and in early 2018, as follows.

On 3 October 2017, David Currie of Codex Capital joined the Board as Chairman. The Board is delighted to welcome David to the Group. He brings with him significant financial services experience and expertise which will greatly assist the Group to implement its growth strategy. David replaces Keith Carby who resigned in September 2017. Keith played a significant role in the early development of the Group and in particular the buyout from the Tenet Group, fund raise and the creation of FDG as a stand-alone, directly authorised business. The Board would like to recognise Keith's contribution and wish him every success for the future.

In January, Paul Dunne, the Group's Commercial Director, retired from the Group. The separation was mutually agreed and entirely amicable. During his 12 years with the business, Paul made a significant contribution to its development and we thanks him for his contribution and wish him well for the future.

On 1 February 2018, Richard Horton FCA joined the Group as Interim Finance Director. Richard is an Oxford educated FCA, who has held a number of Finance Director positions in public and private companies. We anticipate that Richard's experience will prove invaluable in developing the Group for the intended growth strategy.

Finally, on 6 March 2018, the Group appointed Henna Fry as Head of Corporate Development. Henna will focus on the Group's acquisition activity. Henna has extensive investment banking and M&A experience gained within a number of leading investment banks as well as in-house M&A notes and related strategic development.

The board believes that these changes complete the senior team required to deliver the medium term strategic intent of the Group.

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.

This report was approved by the board on 9 May 2018 and signed on its behalf.

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R N Brosch
Director

Directors' report
For the year ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 Company and the Group 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 for the Group's financial statements 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 Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Dividends paid

There were no dividends paid in the year under review (2016 - £Nil).

Directors

The directors who served during the year were:

R N Brosch
K A Carby (resigned 28 September 2017)
P A Dunne (resigned 30 January 2018)
D S Currie (appointed 3 October 2017)
A R Jordache
H M Lovett
A Taylor

Directors' report (continued)
For the year ended 31 December 2017

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Annual General Meetings

In accordance with the provisions of the Companies Act legislation the Company has dispensed with the holding of Annual General Meetings.

This report was approved by the board on 9 May 2018 and signed on its behalf.

R N Brosch
Director

Independent Auditors' Report to the members of Foster Denovo Group Limited

Opinion

We have audited the financial statements of Foster Denovo Group Limited ("the Parent Company") for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which 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.

Independent Auditors' Report to the members of Foster Denovo Group Limited (continued)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:
https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

VJBradley

Vanessa-Jayne Bradley (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory auditor
London
United Kingdom

9 May 2018

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

Foster Denovo Group Limited

Consolidated statement of comprehensive income
For the year ended 31 December 2017

	Note	2017 £	2016 £
Revenue	3	18,504,695	16,959,225
Cost of sales		(9,549,147)	(8,444,981)
Gross profit		8,955,548	8,514,244
Administrative expenses:			
Normal		(8,807,976)	(8,843,556)
Exceptional	5	(565,519)	-
Depreciation and amortisation		(531,431)	(529,009)
Group operating profit/loss):			
Before exceptional administrative expenses and depreciation and amortisation		**147,572**	**(329,312)**
After exceptional administrative expenses and depreciation and amortisation		(949,378)	(858,321)
Interest receivable and similar income	9	61,918	56,129
Interest payable and similar charges	10	(18,072)	(5,456)
(Loss) on ordinary activities before taxation			
Before exceptional administrative expenses		**(340,013)**	**(807,648)**
After exceptional administrative expenses		(905,532)	(807,648)
Taxation on profit on ordinary activities	11	95,164	94,535
Total comprehensive loss for the year		(810,368)	(713,113)
Attributable to:			
Non-controlling interests		(1,120)	(12,665)
Owners of the parent company		(809,248)	(700,448)
		(810,368)	(713,113)

Foster Denovo Group Limited
Registered number: 06033941

Consolidated statement of financial position
As at 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	12		1,394,914		1,098,827
Tangible assets	13		168,925		141,865
			1,563,839		1,240,692
Current assets					
Debtors: amounts falling due after more than one year	16	193,007		193,007	
Debtors: amounts falling due within one year	16	4,352,727		4,193,951	
Cash at bank and in hand		3,500,510		3,079,542	
		8,046,244		7,466,500	
Current liabilities					
Creditors: amounts falling due within one year	17	(3,202,277)		(2,266,681)	
Net current assets			4,843,967		5,199,819
Total assets less current liabilities			6,407,806		6,440,511
Creditors: amounts falling due after more than one year	18		(859,061)		(53,808)
Provisions for liabilities					
Other provisions	21	(629,932)		(980,864)	
			(629,932)		(980,864)
Net assets			4,918,813		5,405,839

Foster Denovo Group Limited
Registered number: 06033941

Consolidated statement of financial position (continued)
As at 31 December 2017

	Note	2017 £	2016 £
Capital and reserves			
Called up share capital	23	**737,740**	729,359
Share premium account		**2,542,452**	2,269,316
Profit and loss account		**1,682,797**	2,450,220
Equity attributable to owners of the parent Company		**4,962,989**	5,448,895
Non-controlling interests		**(44,176)**	(43,056)
		4,918,813	5,405,839

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

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R N Brosch
Director
9 May 2018

The notes on pages 18 to 43 form part of these financial statements.

Foster Denovo Group Limited
Registered number: 06033941

Company statement of financial position
As at 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Investments	14		**4,999,897**		3,855,708
Current assets					
Debtors: amounts falling due within one year	16	**2,286,697**		2,263,435	
Cash at bank and in hand		**722,093**		7,347	
		3,008,790		2,270,782	
Current liabilities					
Creditors: amounts falling due within one year	17	**(112,296)**		(9,788)	
Net current assets			**2,896,494**		2,260,994
Total assets less current liabilities			**7,896,391**		6,116,702
Creditors: amounts falling due after more than one year	18		**(834,862)**		(4,052)
Net assets			**7,061,529**		6,112,650
Capital and reserves					
Called up share capital	23		**737,740**		729,359
Share premium account			**2,542,452**		2,269,316
Profit and loss account			**3,781,337**		3,113,975
			7,061,529		6,112,650

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £565,837 (2016 - £500,001).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

R Brosch

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R N Brosch
Director

9 May 2018

The notes on pages 18 to 43 form part of these financial statements.

Foster Denovo Group Limited

Consolidated statement of changes in equity
For the year ended 31 December 2017

	Called up share capital	Share premium account	Profit and loss account	Non-controlling interests	Total equity
	£	£	£	£	£
At 1 January 2017	729,360	2,269,316	2,450,220	(43,056)	5,405,840
Comprehensive income for the year					
Loss for the year	-	-	(809,248)	(1,120)	(810,368)
Total comprehensive loss for the year	-	-	(809,248)	(1,120)	(810,368)
Contributions by and distributions to owners					
Shares issued during the year	8,380	273,136	-	-	281,516
Share-based payment	-	-	41,825	-	41,825
Total contributions by and distributions to owners	8,380	273,136	41,825	-	323,341
At 31 December 2017	737,740	2,542,452	1,682,797	(44,176)	4,918,813

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Called up share capital	Share premium account	Profit and loss account	Non-controlling interests	Total equity
	£	£	£	£	£
At 1 January 2016	714,392	2,223,929	3,049,629	(30,391)	5,957,559
Comprehensive income for the year					
Loss for the year	-	-	(700,448)	(12,665)	(713,113)
Total comprehensive loss for the year	-	-	(700,448)	(12,665)	(713,113)
Contributions by and distributions to owners					
Shares issued during the year	14,968	45,387	-	-	60,355
Share-based payment	-	-	101,039	-	101,039
Total contributions by and distributions to owners	14,968	45,387	101,039	-	161,394
At 31 December 2016	729,360	2,269,316	2,450,220	(43,056)	5,405,840

The notes on pages 18 to 43 form part of these financial statements.

Company statement of changes in equity
For the year ended 31 December 2017

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	729,360	2,269,316	3,113,975	6,112,651
Comprehensive income for the year				
Profit for the year	-	-	625,537	625,537
Total comprehensive income for the year	-	-	625,537	625,537
Contributions by and distributions to owners				
Shares issued during the year	8,380	273,136	-	281,516
Share-based payment	-	-	41,825	41,825
Total contributions by and distributions to owners	8,380	273,136	41,825	323,341
At 31 December 2017	737,740	2,542,452	3,781,337	7,061,529

Company statement of changes in equity
For the year ended 31 December 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	714,392	2,223,929	2,512,935	5,451,256
Comprehensive income for the year				
Profit for the year	-	-	500,001	500,001
Total comprehensive income for the year	-	-	500,001	500,001
Contributions by and distributions to owners				
Shares issued during the year	14,968	45,387	-	60,355
Share-based payment	-	-	101,039	101,039
Total contributions by and distributions to owners	14,968	45,387	101,039	161,394
At 31 December 2016	729,360	2,269,316	3,113,975	6,112,651

The notes on pages 18 to 43 form part of these financial statements.

Foster Denovo Group Limited

Consolidated statement of cash flows
For the year ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Loss for the financial year	**(810,368)**	(713,113)
Adjustments for:		
Amortisation of intangible assets	**421,302**	424,321
Depreciation of tangible assets	**110,129**	104,688
Profit on disposal of tangible assets	**-**	(75)
Interest paid	**18,072**	5,456
Interest received	**(61,918)**	(56,129)
Taxation credit for the year	**(95,164)**	(94,535)
(Increase)/decrease in receivables	**176,494**	336,690
Increase/(decrease) in payables	**423,200**	(355,010)
Decrease in provisions	**(265,768)**	(1,241,423)
Corporation tax received	**310,383**	72,800
Share based payments charge	**41,825**	101,039
Net cash generated/(used) in operating activities	**268,187**	(1,415,291)
Cash flows from investing activities		
Purchase of intangible fixed assets	**-**	(15,743)
Purchase of tangible fixed assets	**(133,478)**	(28,887)
Sale of tangible fixed assets	**-**	75
Purchase of fixed asset investments	**(627,988)**	-
Interest received	**61,918**	56,129
Hire purchase interest paid	**(18,072)**	(5,456)
Net cash (used in)/from investing activities	**(717,620)**	6,118
Cash flows from financing activities		
Issue of ordinary shares	**41,516**	56,733
Other new loans	**831,600**	-
Repayment of finance leases	**(2,715)**	(49,756)
Net cash generated from financing activities	**870,401**	6,977

Consolidated statement of cash flows (continued)
For the year ended 31 December 2017

	2017 £	2016 £
Net decrease in cash and cash equivalents	**420,968**	(1,402,196)
Cash and cash equivalents at beginning of year	**3,079,542**	4,481,738
Cash and cash equivalents at the end of year	**3,500,510**	3,079,542

The notes on pages 18 to 43 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

Foster Denovo Group Limited is a company limited by shares, incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the group's operations and its principal activities are set out in the strategic report.

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Company's accounting policies (see note 2).

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- Disclosures in respect of the parent company's share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

1.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

1.3 Revenue

Revenue comprises the value of commissions and fees receivable, excluding VAT, in the normal course of business. All revenue 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.

1. Accounting policies (continued)

1.4 Intangible assets

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years. Other intangible assets are amortised on a straight line basis to 'administrative expenses' in the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets are amortised over a period of 5 years.

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to 'administrative expenses' in the Consolidated Statement of Comprehensive Income over its useful economic life.

Goodwill is amortised over a period of 10 years.

Website development costs

Where Group companies' websites are expected to generate future revenues in excess of the costs of developing those websites and all other capitalisation criteria are met, expenditure on the functionality of the website is capitalised and treated as an intangible fixed asset. Expenditure incurred on maintaining websites and expenditure incurred on developing websites used only for advertising and promotional purposes are written off as incurred. Development costs that are capitalised in accordance with the requirements of FRS 102 are not treated, for dividend purposes, as a realised loss. The capitalised development costs are subsequently amortised to 'administrative expenses' on a straight line basis over their expected useful economic lives, which is 5 years.

1.5 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

1. Accounting policies (continued)

1.5 Tangible fixed assets (continued)

Depreciation is provided on the following basis:

Leasehold improvements	- 4 years
Fixtures and fittings	- 4 years
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

1.6 Impairment of fixed assets and intangible assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit 'CGU' to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1. Accounting policies (continued)

1.8 Financial instruments

The Group only enters into basic financial instruments which result in financial assets and liabilities such as trade and other receivables and payables and investments in non-puttable ordinary shares. Non-puttable means that the holder, in this case the Company or one of its subsidiary undertakings, has no right to exchange those shares for cash or another financial instrument.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, such as the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

i) At fair value with changes recognised in the Consolidated Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
ii) At cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Short term payables are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.9 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1. Accounting policies (continued)

1.10 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Consolidated Statement of Comprehensive Income 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 Consolidated Statement of Comprehensive Income over the remaining vesting period.

The Group operates a convertible loan stock scheme for the advisers. The fair value of the options is charged to the Consolidated Statement of Comprehensive Income 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. The proceeds received from the convertible loan stock scheme are allocated to liabilities until the options are exercised.

1.11 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

1.12 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

1. Accounting policies (continued)

1.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

1.14 Taxation

Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

1. Accounting policies (continued)

1.15 Leased assets

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 profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of 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 profit or loss on a straight-line basis over the term of the lease.

The group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the shorter period to the first market rent review rather than the term of lease.

For leases entered into on or after 1 January 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease.

Where the Group has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

1.16 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.

1.17 Reserves

The Group and Company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

- Determine whether leases entered into by the Group as a lessee are operating lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Group's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Provisions are made where an event has taken place that gives the Group a legal or constructive obligation at the year end. Estimates, assumptions and judgements relate to the determination of carrying value of these provisions.

3. Analysis of revenue

All turnover arose within the United Kingdom.

4. Operating loss

The operating loss is stated after charging:

	2017	2016
	£	£
Depreciation of tangible fixed assets	**110,129**	104,688
Amortisation of intangible assets, including goodwill	**421,302**	424,321
Share based payment	**41,825**	101,039

5. Exceptional expenses

	2017	2016
	£	£
Exceptional expenses comprise:		
Abortive acquisition and finance costs	**178,821**	-
Write-off of historic bad debts	**171,026**	-
Impairment of intercompany balance	**100,035**	-
Senior management restructuring costs	**115,637**	-
	565,519	-

6. Auditors' remuneration

	2017 £	2016 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	**5,360**	5,200
Fees payable to the Group's auditor and its associates in respect of:		
- the audit of the Company's subsidiaries	**53,570**	46,800
- taxation advisory services	**-**	11,722
- taxation compliance services	**19,725**	9,000
- other non-audit services	**13,500**	10,000
	86,795	77,522

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Wages and salaries	**5,168,154**	5,130,494	**-**	-
Social security costs	**554,901**	524,766	**-**	-
Cost of defined contribution scheme	**371,720**	299,989	**-**	-
	6,094,775	5,955,249	**-**	-

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Directors	**6**	6
Adviser Sales Support	**33**	32
Advisers	**14**	15
Administration	**102**	106
	155	159

8. Directors' remuneration

	2017	2016
	£	£
Directors' emoluments	**566,709**	421,999
Company contributions to defined contribution pension schemes	**44,915**	19,200
	611,624	441,199

The highest paid director received remuneration of £192,850 (2016 - £173,601).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18,500 (2016 - £Nil).

Out of the share-based payments charge (see note 4), £Nil (2016 - £37,616) related to share-based payments to directors.

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £865,716 (2016 - £705,292).

9. Interest receivable

	2017 £	2016 £
Other interest receivable	**61,918**	56,129

10. Interest payable and similar charges

	2017 £	2016 £
Other loan interest payable	**7,266**	-
Finance leases and hire purchase contracts	**10,804**	5,456
Other interest payable	**2**	-
	18,072	5,456

11. Taxation

	2017 £	2016 £
Corporation tax		
Adjustments in respect of previous periods	**(6,869)**	(22,718)
Total current tax	**(6,869)**	(22,718)
Deferred tax		
Origination and reversal of timing differences	**(89,296)**	(71,817)
Adjustment to prior year	**1,001**	-
Total deferred tax	**(88,295)**	(71,817)
Taxation on loss on ordinary activities	**(95,164)**	(94,535)

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	**(905,532)**	(807,648)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	**(174,316)**	(161,530)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**134,671**	53,744
Capital allowances for year in excess of depreciation	**6,893**	10,475
Utilisation of tax losses	**18,197**	-
Adjustments to tax charge in respect of prior periods	**-**	(22,718)
Other timing differences leading to an increase (decrease) in taxation	**78,891**	97,311
Origination and reversal of timing differences	**(96,165)**	(71,817)
Group relief	**(45,079)**	-
Underprovision in respect of prior year - deferred tax	**1,001**	-
Non-taxable income	**(19,257)**	-
Total tax charge for the year	**(95,164)**	(94,535)

The Group has accumulated tax losses carried forward of £1,081,530.

12. Intangible assets

Group

	Other intangible assets £	Goodwill £	Website development costs £	Total £
Cost				
At 1 January 2017	769,364	1,893,330	169,614	2,832,308
On acquisition of subsidiary	-	717,389	-	717,389
At 31 December 2017	769,364	2,610,719	169,614	3,549,697
Amortisation				
At 1 January 2017	303,936	1,339,084	90,461	1,733,481
Charge for the year	155,142	232,237	33,923	421,302
At 31 December 2017	459,078	1,571,321	124,384	2,154,783
Net book value				
At 31 December 2017	310,286	1,039,398	45,230	1,394,914
At 31 December 2016	465,428	554,246	79,153	1,098,827

13. Tangible fixed assets

Group

	Leasehold land and buildings £	Fixtures and fittings £	Computer equipment £	Computer software £	Total £
Cost or valuation					
At 1 January 2017	326,723	323,316	412,536	219,670	1,282,245
Additions	65,467	-	29,296	42,426	137,189
At 31 December 2017	392,190	323,316	441,832	262,096	1,419,434
Depreciation					
At 1 January 2017	299,625	312,727	313,420	214,608	1,140,380
Charge for the year	11,391	4,759	85,646	8,333	110,129
At 31 December 2017	311,016	317,486	399,066	222,941	1,250,509
Net book value					
At 31 December 2017	81,174	5,830	42,766	39,155	168,925
At 31 December 2016	27,098	10,589	99,116	5,062	141,865

The net book value of tangible fixed assets includes an amount of £2,152 (2016 - £66,829) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £30,489 (2016 - £30,489).

14. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Foster Denovo Limited	England and Wales	Ordinary	100%	Financial advice
Foster Denovo Group Services Limited	England and Wales	Ordinary	100%	Services Company
Sequel Investments Limited	England and Wales	Ordinary	100%	Sponsor of investment funds
FDERL Oldco Limited (formerly Foster Denovo Enrolsme Limited)	England and Wales	Ordinary	90%	Online auto-enrolment solution provider
FDEML Oldco Limited (formerly Foster Denovo Event Management Limited)	England and Wales	Ordinary	100%	Dormant
Foster Denovo Regulatory Services Limited	England and Wales	Ordinary	100%	Dormant
Secondsight UK Limited	England and Wales	Ordinary	100%	Dormant
TEBC Limited	England and Wales	Ordinary	100%	Financial advice

The registered office of Foster Denovo Limited, and Foster Denovo Group Services Limited is Ruxley House, 2 Hamm Moor Lane, Addlestone, Surrey KT15 2SA.

The registered office of all other companies is 1st Floor, 8 Eastcheap, London EC3M 1AE.

On 14 February 2018 the director applied for FDERL Oldco Limited (formerly Foster Denovo Enrolsme Limited) to be dissolved.

14. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost	
At 1 January 2017	3,855,708
Additions	1,374,189
Capital distribution from subsidiary	(230,000)
At 31 December 2017	4,999,897
Net book value	
At 31 December 2017	4,999,897
At 31 December 2016	3,855,708

15. Business combinations

Acquisition of TEBC Limited

On 29 September 2017 Foster Denovo Group Limited acquired 100% of the share capital in TEBC Limited for £1,082,363 paid in cash.

	Book value £	Fair value adjustment £	Fair value £
Fixed assets			
Tangible	**3,711**	-	3,711
	3,711	-	3,711
Current assets			
Debtors	**94,307**	-	94,307
Cash at bank and in hand	**454,376**	-	454,376
Total assets	**552,394**	-	552,394
Creditors			
Due within one year	**(177,420)**	-	(177,420)
Provision for liabilities	**(10,000)**	-	(10,000)
Fair value of net assets	**364,974**	-	364,974
Goodwill	**717,389**	-	717,389
Total purchase consideration	**1,082,363**	-	1,082,363
Purchase consideration settled in cash, as above	**1,082,363**	-	1,082,363
Cash outflow on acquisition	**1,082,363**	-	1,082,363

The results of TEBC Limited since its acquisition are as follows:

	Current period since acquisition £
Profit for the year	**25,835**

16. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due after more than one year				
Other debtors	**193,007**	193,007	**-**	-

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due within one year				
Trade debtors	**1,348,698**	1,112,990	**-**	-
Amounts owed by group undertakings	**-**	-	**1,985,197**	2,203,735
Other debtors	**1,598,226**	1,880,141	**301,500**	59,700
Prepayments and accrued income	**1,405,803**	1,200,820	**-**	-
	4,352,727	4,193,951	**2,286,697**	2,263,435

Included in other debtors is £131,594 (2016 - £116,463) that relates to amounts potentially recoverable from the Group's advisers in relation to the clawback of indemnity commission. Also included in other receivables is £571,523 (2016 - £891,979) that relates to amounts recoverable from Professional Indemnity Insurers and/or financial advisers in relation to complaints (see note 20).

17. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	**724,009**	737,965	**385**	-
Amounts owed to group undertakings	**-**	-	**8,413**	9,788
Corporation tax	**311,366**	983	**-**	-
Other taxation and social security	**380,892**	324,045	**-**	-
Obligations under finance lease and hire purchase contracts	**72,598**	49,756	**-**	-
Other creditors	**52,040**	45,586	**-**	-
Accruals and deferred income	**1,661,372**	1,108,346	**103,498**	-
	3,202,277	2,266,681	**112,296**	9,788

18. Creditors: Amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Other secured loans	**831,600**	-	**831,600**	-
Net obligations under finance leases and hire purchase contracts	**24,199**	49,756	**-**	-
Other creditors	**3,262**	4,052	**3,262**	4,052
	859,061	53,808	**834,862**	4,052

Other loans are secured by a debenture granting a fixed and floating charge over the Company's assets and undertakings.

Other creditors represent the convertible loan stock which 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.

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2017 £	Group 2016 £
Within one year	**72,598**	49,756
Between 1-2 years	**24,199**	49,756
	96,797	99,512

20. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	**6,746,798**	6,556,132	**3,060,490**	2,270,782
Financial liabilities				
Financial liabilities measured at amortised cost	**(3,274,315)**	(1,995,221)	**(947,158)**	(13,840)

Financial assets measured at amortised cost comprise cash, trade receivables, other receivables and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade payables, other payables, accruals and amounts owed to group undertakings.

21. Provisions

Group

	Deferred taxation £	Indemnity provision £	Claims provision £	Total £
At 1 January 2017	**(63,500)**	**211,615**	**832,749**	**980,864**
Charged to profit or loss	**(94,062)**	**119,864**	**(284,883)**	**(259,081)**
Utilised in year	**-**	**(91,851)**	**-**	**(91,851)**
At 31 December 2017	**(157,562)**	**239,628**	**547,866**	**629,932**

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 adviser. Where the collection of such monies is doubtful, the Group makes an appropriate provision against the debtor.

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.

22. Capital and reserves

Called up share capital

The share capital account represents the nominal value of the company's shares.

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Non-controlling interest

Non-controlling interest refers to the 10% of share capital in FDERL Oldco Limited (formerly Foster Denovo Enrolsme Limited), not held by the group.

23. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
32,957,996 (2016 -26,119,906) 'A' ordinary shares of £0.01 each	**329,580**	261,199
20,520,405 'B' ordinary shares of £0.01 each	**205,204**	205,204
20,295,567 'G' ordinary shares of £0.01 each	**202,956**	202,956
Nil (2016 - 6,000,000) 'A' ordinary shares of £0.01 each of which 0.005p is called up and paid shares of £0.01 each	**-**	60,000
	737,740	729,359

During 2017 838,041 "A" ordinary shares of 1p each, with a nominal value of £8,380, were issued for £41,516, including a premium of £33,136.

During 2017, the premium of £240,000 due on 6,000,000 shares issued partly paid in 2008 was received. This amount was credited to the share premium account.

During prior year 1,134,666 "A" ordinary shares of 1p each, with a nominal value of £11,347, were issued for £56,733, including a premium of £45,386.

In addition, 362,085 "A" ordinary shares of 1p each were issued at par value for deferred consideration of £3,621.

23. Share capital (continued)

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

At 31 December 2017 the following share options were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of option	Price per share
			ᵖrice per share
19/09/2008	**2,000,000**	2010-2018	5.0p
19/09/2008	**1,529,549**	2011-2018	5.0p
07/07/2009	**65,000**	2012-2019	5.0p
10/06/2011	**369,332**	2014-2021	5.0p
22/06/2012	**738,333**	2015-2022	5.0p
22/12/2014	**20,000**	2014-2024	5.0p
14/12/2015	**752,275**	2015-2025	5.0p
10/11/2016	**1,752,190**	2016-2026	7.0p
10/11/2016	**109,000**	2017-2026	7.0p
10/11/2016	**219,000**	2019-2026	7.0p
10/11/2016	**100,000**	2019-2026	7.0p
10/11/2016	**100,000**	2020-2026	7.0p
27/11/2017	**2,419,331**	2017-2027	6.5p
27/11/2017	**3,148,354**	2017-2027	7.0p
27/11/2017	**269,700**	2018-2027	7.0p
27/11/2017	**500,000**	2020-2027	7.0p
27/11/2017	**6,541,466**	2021-2027	7.0p
01/12/2017	**1,005,450**	2017-2027	6.5p
01/12/2017	**921,514**	2017-2027	7.0p
01/12/2017	**1,000,000**	2021-2027	7.0p

23 Share capital (continued)

Advisor Share Option Plan

At 31 December 2017 the following share options were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of option	Price per share
16/06/2009	307,813	2012-2019	5.0p
28/05/2010	26,354	2010-2020	5.0p
28/05/2010	31,250	2012-2020	5.0p
10/06/2011	9,375	2012-2021	5.0p
10/06/2011	54,374	2014-2021	5.0p
22/06/2012	38,125	2014-2022	5.0p
22/06/2012	7,500	2015-2022	5.0p
14/12/2015	1,081,299	2015-2025	10.0p
10/11/2016	15,500	2019-2026	7.0p
10/11/2016	1,383,942	2016-2026	7.0p
17/01/2017	112,500	2019-2027	7.0p
08/12/2017	2,451,237	2017-2027	6.5p
08/12/2017	1,406,875	2017-2027	7.0p
08/12/2017	13,500	2018-2027	7.0p
08/12/2017	1,205,000	2019-2027	7.0p
08/12/2017	15,699,998	2021-2027	7.0p

Convertible Loan Stock Share Option Scheme

At 31 December 2017 the following share options were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of option	Price per share
19/09/2008	30,000	2011-2017	5.0p

24. 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.

Enterprise Management Incentive Scheme

Foster Denovo Group Limited staff share scheme gives the opportunity to have shares in the parent company. 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.

	2017 Weighted average exercise price (pence) £	**2017 Number £**	2016 Weighted average exercise price (pence) £	2016 Number £
Outstanding at the beginning of the year	**6.6**	**15,908,520**	6.6	15,065,814
Granted during the year	**6.9**	**15,805,815**	7.0	2,955,704
Exercised during the year	**5.0**	**(18,666)**	5.0	(1,134,666)
Expired during the year	**-**	**-**	-	-
Lapsed during the year	**7.6**	**(8,135,175)**	10.0	(1,001,332)
Outstanding at the end of the year	**6.5**	**23,560,494**	6.6	15,885,520

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 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.

	2017 Weighted average exercise price (pence)	**2017 Number**	2016 Weighted average exercise price (pence)	2016 Number
Outstanding at the beginning of the year	**5.0**	**1,009,903**	5.0	1,096,778
Granted during the year	**-**	**-**	-	-
Exercised during the year	**5.0**	**(46,875)**	-	-
Lapsed during the year	**5.4**	**(488,237)**	5.0	(86,875)
	5.0	**474,791**	5.0	1,009,903

24. Share based payments (continued)

Adviser Share Option Scheme 2013-2016

	2017 Weighted average exercise price (pence)	2017 Number	2016 Weighted average exercise price (pence)	2016 Number
Outstanding at the beginning of the year	**9.1**	**6,016,116**	10.0	4,930,424
Granted during the year	**6.9**	**20,989,110**	7.0	1,902,192
Lapsed during the year	**9.9**	**(3,635,375)**	10.0	(816,500)
	7.0	**23,369,851**	10.0	6,016,116

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.

	2017 Weighted average exercise price (pence)	2017 Number	2016 Weighted average exercise price (pence)	2016 Number
Outstanding at the beginning of the year	**5.0**	**2,848,000**	5.0	3,067,000
Lapsed during the year	**5.0**	**(2,045,500)**	5.0	(219,000)
Converted during the year	**5.0**	**(772,500)**	-	-
	5.0	**30,000**	5.0	2,848,000

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.

	2017 Black scholes Merton	2016 Black scholes Merton
Weighted average contractual life (years)	**10**	10
Expected volatility	**29.09%**	32.09%
Risk free interest rate	**0.69%**	0.55%
Expected dividend growth rate	**0.0%**	0.0%

24 Share based payments (continued)

The underlying value of the shares was taken as 6.5p (2016 - 7p) 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.

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 managements best estimate.

The share-based remuneration expense (note 4) comprises:

Equity-settled schemes	**41,825**	101,039

25. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £371,720 (2016 - £299,989). Contributions totalling £52,040 (2016 - £45,558) were payable to the fund at the reporting date and included in accruals.

26. Related party transactions

Mr. André Jordache, a director of the Company during the year, received a share of fees and commissions arising from business transacted with Foster Denovo Limited as a financial adviser of £Nil (2016 - £286,089). These payments were made on an arm's length basis on terms identical to those of other advisers. At the end of the year an amount of £Nil was outstanding (2016 - £19,080).

In 2017, Caerus Wealth Limited, a company of which K A Carby is a director paid Foster Denovo Group Services Limited £167,717 (2016 - £153,504). There was an amount of £13,680 outstanding at the end of the year (2016 - £13,897).