Foster Denovo Group Limited

Report and Financial Statements

Year Ended

31 December 2018

Company Number 06033941

Foster Denovo Group Limited

Company Information

Directors	R N Brosch D S Currie A R Jordache H M Lovett A Taylor R P Horton FCA
Company secretary	R P Horton FCA
Registered number	06033941
Registered office	1st Floor, 8 Eastcheap London EC3M 1AE
Independent auditor	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 2018

Introduction

Foster Denovo Group Limited is a non-trading holding company for a Group of companies that are collectively engaged in providing regulated financial advice, including investment management, to private clients and corporate entities. The Group provides a wide range of advice relating to personal financial planning, pensions, employee benefits, mortgages, insurance and investments. The Group's operating subsidiaries are authorised and regulated by the Financial Conduct Authority ("FCA").

The Group's principal operating subsidiaries, all of which are 100% owned are as follows:

Foster Denovo Limited ("FDG")– a regulated financial adviser.

Sequel Investments Limited ("SIL" or "Sequel") – a sponsor of a range of investment funds, and a provider of investment advice.

TEBC Limited ("TEBC") – an employee benefits consultancy based in Marlow, Buckinghamshire.

Foster Denovo Group Services Limited ("FDGS") – an unregulated internal service company.

Strategy and business model

The Group's strategy is to develop and scale its business through focussed recruitment of professional staff, acquisitions of complementary businesses, and organic growth. The Group's business model is to earn sustainable recurring revenues from long-term client relationships, corporate and individual.

Through its operating subsidiaries, the Group provides detailed and high quality advice on financial planning, estate planning, cashflow forecasting and investment to its clients. The integration of financial planning and investment advice is a key part of the business model, ensuring that clients receive holistic and comprehensive advice. Further, the focus on client needs and outcomes is central to the Group's proposition, and results in long-term relationships. This advice is provided through a mix of employed and self-employed practitioners, termed "Partners", reflecting the collegiate culture of the Group. The Group provides technical and operational support, including compliance, to its Partners who operate to agreed standards. The Group handles quality assurance and compliance centrally, ensuring compliance with regulation and best practice.

The Group's activities are wholly within Great Britain.

The demand for financial advice continues to increase, driven by legislative and regulatory changes, consistently lower yields on investments, and the transfer of investment risk on pensions from employers to employees. Within the corporate sector, employers are keen to provide financial education and pension advice. These trends, together with increased levels of regulation and capital resource requirements, provide significant challenges to the industry as a whole. The Group's approach is to ensure that it continues to have the scale, resources and infrastructure to enable it to take advantage of these trends.

The Group's growth therefore is based around attracting new Partners, who see the advantages of being able to run their own businesses, whilst outsourcing technical and compliance support. This also applies to smaller financial advisory businesses, who would benefit from being part of a larger entity that can provide more cost-effective support. The Group's operations are capable of supporting a substantially larger business with only limited incremental overheads. Accordingly, the Group will continue to seek to recruit further Partners and suitable acquisition opportunities.

Review of business

The Group's gross revenues amounted to £19.6m (2017 - £18.5m.) Growth was adversely affected by adverse market movements to which a proportion of the Group's revenues are linked. Whilst it is difficult to isolate the impact of market movements, estimated underlying revenue growth was approximately 6%.

Gross revenues from private client (including private wealth, mortgages and related matters) activities amounted to £11.1m (2017 - £11.0m). Of this approximately 68% (2017 - 49%) related to continuing service rather than initial fees.

Gross revenues from corporate advice amounted to £6.4m (2017 - £5.8m). The 2018 results reflect a full year's revenues from TEBC Limited, which was acquired on 1 October 2017.

Revenues of Sequel Investments Limited grew by 15% to £1.3m (2017 - £1.1m). At 31 December 2018, funds under management within Sequel's principal funds amounted to £278m (2017 - £209m), and within advice based pension funds £259m (2017 - £217m).

Overall gross margin remained at about 49%. Group operating expenses, including the direct costs of providing support to Partners amounted to £9.1m (2017 - £8.8m).

Group EBITDA, prior to development expenses of £285,000 (2017 - £90,000) amounted to £692,000 (2017 - £279,000). (Development expenses are the estimated costs of the Group's corporate finance function which deals with acquisitions and its recruitment function which handles partner recruitment). This continues the improvement in underlying profitability reported in 2017. The Board expects further progress during 2019.

Growth, via focussed recruitment and acquisitions, is an integral part of the Group's strategy, and the development expenses referred to above are the direct costs of the Group's corporate development activities. They do not relate to the underlying profitability of the existing business, and the benefits will show in future years.

Risk management and governance

As set out in detail below, the Group's activities in the regulated financial advice sector do carry risk. The Group has in place stringent quality assurance, training and compliance standards to manage these risks. A key part of the Risk Management process is the Group's "Conduct and Operational Risk Committee", chaired by Alan Taylor. This committee meets quarterly and reviews in detail a range of performance based indicators and risk reports from senior managers that focus on the maintenance of business standards and the proactive management of risks.

During 2018 significant resource was devoted to the implementation of the General Data Protection Regulations and those aspects of MIFID 2 which are relevant to the Group's activities.

At the corporate level, overall business performance is kept under review by the Executive Team, comprising Roger Brosch, Helen Lovett and Richard Horton. The performance of individual subsidiaries and divisions is monitored by their respective boards.

Future developments

Investment advice and management is a key part of the Group's proposition and during 2018 considerable work was devoted to establishing an investment platform. This platform will go live during 2019 and will greatly improve the Group's offering to clients, and facilitate significant service improvements and scale opportunities.

The Group completed on the acquisition of Orchard Wealth Cultivation Limited on 11 February 2019 and on the acquisition of a wealth management business on 20 May 2019.

The Group continues to be active in the recruitment of new partners. In addition, the Group will pursue further acquisitions on a selective basis.

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 5 and 20). 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, FDL recharges a proportion of such amounts to the relevant financial adviser (see notes 10 and 14). 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. Market and regulatory changes mean that the proportion of revenue derived on an indemnity basis has decreased significantly with a resulting reduction in associated provisions.

Competitive risk is a continuing risk to FDL, which could result in lost revenue. 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 by maintaining strong relationships with Partners. FDL has also invested to ensure that support staff are capable and engaged. Silver accreditation from the Investors in People and high scores from engagement surveys validate the results in this area.

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 linked. Sequel manages this risk by ensuring that the investment proposition continues to meet the needs of clients.

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.

The Group maintains sufficient liquidity to enable it to conduct its operations in an orderly manner and meet its obligations as they arise.

Board and senior management

During 2017 and 2018 the Company strengthened its Board with the appointment of a new Chairman and Finance Director. It also recruited a Head of Corporate Development. During 2018 the positive impact of these appointments has been seen.

In addition to the main Board, the Group has a number of internal forums that comprise influential stakeholders in the business. In particular, the "Equity Partner Group", and the "Key Shareholder Forum" bring together those Partners who have a significant interest in the success of the Group. The input to the Group's development from these forums has proved invaluable during 2018.

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 the latter 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 Strategic Report was approved by the Board on [23/09/2019] and signed on its behalf.

R N Brosch
Chief Executive

Directors' Report
For the Year Ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

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 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 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; and
- 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 (2017 - £Nil).

Directors

The directors who served during the year were:

R N Brosch
D S Currie
A R Jordache
H M Lovett
A Taylor
R P Horton FCA (appointed 6 September 2018)
P A Dunne (resigned 30 January 2018)

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Post statement of financial position events

The Strategic Report refers to the completion of two acquisitions since 31 December 2018. There have been no other significant events affecting the Group since the year end.

Auditor

The auditor, 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 23/09/2019 and signed on its behalf.

R N Brosch
Director

Independent Auditor's Report to the Members of Foster Denovo Group Limited

Opinion

We have audited the financial statements of Foster Denovo Group Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the 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 2018 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 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 Group Strategic Report and the Directors' 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 Group Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Group 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 Group 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.

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

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.

Independent Auditor's Report to the Members of Foster Denovo Group Limited

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.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Brown

Daniel Taylor (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
27/9/19

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 2018

	Note	2018 £	2017 £
Revenue	3	**19,570,357**	18,504,695
Cost of sales		**(10,060,152)**	(9,549,147)
Gross profit		**9,510,205**	8,955,548
Administrative expenses:			
Normal		**(9,178,991)**	(8,807,976)
Exceptional	5	**(122,500)**	(565,519)
Depreciation and amortisation		**(509,377)**	(531,431)
Group operating loss			
Before exceptional administrative expenses and depreciation and amortisation		**331,214**	**147,572**
After exceptional administrative expenses and depreciation and amortisation		**(300,663)**	(949,378)
Interest receivable and similar income	9	**38,488**	61,918
Interest payable and similar charges	10	**(80,345)**	(18,072)
Loss on ordinary activities before taxation			
Before exceptional administrative expenses		**(220,020)**	**(340,013)**
After exceptional administrative expenses		**(342,520)**	(905,532)
Taxation on loss on ordinary activities	11	**29,281**	95,164
Total comprehensive loss for the financial year		**(313,239)**	(810,368)
Attributable to:			
Non-controlling interests		**-**	(1,120)
Owners of the parent company		**(313,239)**	(809,248)
		(313,239)	(810,368)

The notes on pages 16 to 40 form part of these financial statements.

Foster Denovo Group Limited
Registered number: 06033941

Consolidated Statement of Financial Position
As at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	12		**927,951**		1,394,914
Tangible assets	13		**170,869**		168,925
			1,098,820		1,563,839
Current assets					
Debtors: amounts falling due after more than one year	15	**227,935**		193,007	
Debtors: amounts falling due within one year	15	**4,423,923**		4,352,727	
Cash at bank and in hand		**3,335,316**		3,500,510	
		7,987,174		8,046,244	
Current liabilities					
Creditors: amounts falling due within one year	16	**(3,112,404)**		(3,202,277)	
Net current assets			**4,874,770**		4,843,967
Total assets less current liabilities			**5,973,590**		6,407,806
Creditors: amounts falling due after more than one year	17		**(836,200)**		(859,061)
Provisions for liabilities					
Other provisions	21		**(452,812)**		(629,932)
Net assets			**4,684,578**		4,918,813

Foster Denovo Group Limited
Registered number: 06033941

Consolidated Statement of Financial Position (continued)
As at 31 December 2018

	Note	2018 £	2017 £
Capital and reserves			
Called up share capital	23	**738,390**	737,740
Share premium account		**2,545,052**	2,542,452
Profit and loss account		**1,401,136**	1,682,797
Equity attributable to owners of the parent Company		**4,684,578**	4,962,989
Non-controlling interests		**-**	(44,176)
		4,684,578	4,918,813

The financial statements were approved and authorised for issue by the board and were signed on its behalf on [23/09/2019]

R N Brosch
Director

The notes on pages 16 to 40 form part of these financial statements.

Foster Denovo Group Limited
Registered number: 06033941

Company Statement of Financial Position
As at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Investments	14		**5,800,754**		4,999,897
Current assets					
Debtors: amounts falling due within one year	15	**2,214,750**		2,286,697	
Cash at bank and in hand		**58,221**		722,093	
		2,272,971		3,008,790	
Current liabilities					
Creditors: amounts falling due within one year	16	**(1,021,202)**		(112,296)	
Net current assets			**1,251,769**		2,896,494
Total assets less current liabilities			**7,052,523**		7,896,391
Creditors: amounts falling due after more than one year	17		**(836,200)**		(834,862)
Net assets			**6,216,323**		7,061,529
Capital and reserves					
Called up share capital	23		**738,390**		737,740
Share premium account			**2,545,052**		2,542,452
Profit and loss account carried forward			**2,932,881**		3,781,337
			6,216,323		7,061,529

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 loss after tax of the parent Company for the year was £924,210 (2017 - Profit of £625,537).

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

R N Brosch
Director

The notes on pages 16 to 40 form part of these financial statements.

Foster Denovo Group Limited

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2018

	Called up share capital £	Share premium account £	Profit and loss account £	Non-controlling interests £	Total equity £
At 1 January 2018	**737,740**	**2,542,452**	**1,682,797**	**(44,176)**	**4,918,813**
Comprehensive income for the year					
Loss for the year			(313,239)		(313,239)
Total comprehensive loss for the year	-	-	**(313,239)**	-	**(313,239)**
Contributions by and distributions to equity interests					
Acquisition of non-controlling interest	-	-	(44,176)	44,176	-
Share Based Payment (Note10)	-	-	75,754	-	75,754
Shares Issued during the year	650	2,600	-	-	3,250
Total Contributions	**650**	**2,600**	**31,578**	**44,176**	**79,004**
At 31 December 2018	**738,390**	**2,545,052**	**1,401,136**	-	**4,684,578**

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**

The notes on pages 16 to 40 form part of these financial statements.

Foster Denovo Group Limited

Company Statement of Changes in Equity
For the Year Ended 31 December 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2018	737,740	2,542,452	3,781,337	7,061,529
Comprehensive income for the year				
Loss for the year	-	-	(924,210)	(924,210)
Total comprehensive income for the year	-	-	(924,210)	(924,210)
Contributions by and distributions to owners				
Shares issued during the year	650	2,600	-	3,250
Share – based payment	-	-	75,754	75,754
Total contributions by and distributions to owners	650	2,600	75,754	79,004
At 31 December 2018	738,390	2,545,052	2,932,881	6,216,323

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

The notes on pages 16 to 40 form part of these financial statements.

Consolidated Statement of Cash Flows (continued)
For the Year Ended 31 December 2018

	2018 £	2017 £
Operating cash flow before exceptional expenses (Note 19)	**105,601**	833,706
Exceptional expenses	(122,500)	(565,519)
Operating cash flow	**(16,899)**	**268,187**
Cash flows from investing activities		
Purchase of tangible fixed assets	(69,355)	(133,478)
Purchase of fixed asset investments		(627,988)
Cash refund of consideration TEBC	24,997	-
Interest received	38,488	61,918
Interest paid	(73,077)	(18,072)
Net cash used in investing activities	**(78,947)**	(717,620)
Cash flows from financing activities		
Issue of ordinary shares	**3,250**	41,516
Repayment of finance leases	**(72,598)**	(2,715)
Loans raised	-	831,600
Net cash (outflow) / inflow from financing activities	**(69,348)**	870,401
Net decrease in cash and cash equivalents	**(165,194)**	420,968
Cash and cash equivalents at beginning of year	**3,500,510**	3,079,542
Cash and cash equivalents at the end of year	3,335,316	3,500,510

The notes on pages 16 to 40 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 subsidiaries ("the Group") as if 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 'depreciation and amortisation' 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 'depreciation and amortisation' 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; and
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.

1.15 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. Accounting policies (continued)

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 or carrying value of these provisions.

3. Analysis of revenue

All revenue arose within the United Kingdom.

4. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	**67,411**	110,129
Amortisation of intangible assets, including goodwill	**441,966**	421,302
Share based payment	**75,754**	41,825

5. Exceptional expenses

	2018 £	2017 £
Exceptional expenses comprise:		
Abortive acquisition and finance costs	-	178,821
Settlement of customer complaint	122,500	-
Write-off of historic bad debts	-	171,026
Impairment of intercompany balance	-	100,035
Senior management restructuring costs	-	115,637
	122,500	565,519

6. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	5,600	5,360
Fees payable to the Group's auditor and its associates in respect of:		
- the audit of the Company's subsidiaries	61,400	53,570
- taxation compliance services	19,725	19,725
- other non-audit services	1,600	13,500
	82,725	86,795

7. Employees

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

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Wages and salaries	**6,129,993**	5,168,154	**-**	-
Social security costs	**616,031**	554,901	**-**	-
Cost of defined contribution scheme	**397,864**	371,720	**-**	-
	7,143,888	6,094,775	**-**	-

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

	2018 No.	2017 No.
Directors	**6**	6
Adviser Sales Support	**35**	33
Advisers	**14**	14
Administration	**112**	102
	167	155

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	**792,272**	566,709
Company contributions to defined contribution pension schemes	**42,839**	44,915
	835,111	611,624

The highest paid director received remuneration of £193,504 (2017 - £192,850).

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 (2017 - £18,500).

Out of the share based payments charge (see note 4), none related to share based payments to directors. (2017 - £Nil)

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 £1,078,251 (2017 - £865,716).

9. Interest receivable

	2018 £	2017 £
Other interest receivable	**38,488**	61,918

10. Interest payable and similar charges

	2018 £	2017 £
Other loan interest payable	**68,559**	7,266
Finance leases and hire purchase contracts	**11,786**	10,804
Other interest payable	**-**	2
	80,345	18,072

11. Taxation

	2018 £	2017 £
Corporation tax		
Adjustments in respect of previous periods	**-**	(6,869)
Total current tax	**-**	(6,869)
Deferred tax		
Origination and reversal of timing differences	**(14,545)**	(89,296)
Adjustment to prior year	**(14,736)**	1,001
Total deferred tax	**(29,281)**	(88,295)
Taxation on profit/(loss) on ordinary activities	**(29,281)**	(95,164)

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19.0% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	**(342,520)**	(905,532)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	**(65,079)**	(174,316)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**56,759**	134,671
Capital allowances for year in excess of depreciation	**4,586**	6,893
Utilisation of tax losses	**-**	18,197
Other timing differences leading to an increase in taxation	**3,734**	78,891
Origination and reversal of timing differences	**(14,545)**	(96,165)
Group relief	**-**	(45,079)
Prior year deferred tax adjustments	**(14,736)**	1,001
Non-taxable income	**-**	(19,257)
Total tax charge for the year	**(29,281)**	(95,164)

The Group has accumulated tax losses carried forward of £1,010,698 (2017 - £1,081,530).

12. Intangible assets

Group

	Other intangible assets £	Goodwill £	Website development costs £	Total £
Cost				
At 1 January 2018	769,364	2,610,719	169,614	3,549,697
Adjustment in respect of the acquisition of TEBC	-	(24,997)	-	(24,997)
At 31 December 2018	769,364	2,585,722	169,614	3,524,700
Amortisation				
At 1 January 2018	459,078	1,571,321	124,384	2,154,783
Provided for the year	186,239	252,902	2,825	441,966
At 31 December 2018	645,317	1,824,223	127,209	2,596,749
Net book value				
At 31 December 2018	124,047	761,499	42,405	927,951
At 31 December 2017	310,286	1,039,398	45,230	1,394,914

13. Tangible fixed assets

Group

	Leasehold land and buildings £	Fixtures and fittings £	Computer equipment £	Computer software £	Total £
Cost or valuation					
At 1 January 2018	392,190	342,208	481,697	262,096	1,478,191
Additions	28,152	6,959	34,244	-	69,355
At 31 December 2018	420,342	349,167	515,941	262,096	1,547,546
Depreciation					
At 1 January 2018	311,016	336,376	438,933	222,941	1,309,266
Provided for the year	22,568	4,038	25,629	15,176	67,411
At 31 December 2018	333,584	340,414	464,562	238,117	1,376,677
Net book value					
At 31 December 2018	86,758	8,753	51,379	23,979	170,869
At 31 December 2017	81,174	5,830	42,766	39,155	168,925

The net book value of tangible fixed assets includes an amount of £NIL (2017 - £2,152) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £2,152 (2017 - £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	100%	Online auto-enrolment solution provider
FDEML Oldco Limited (formerly Foster Denovo Event Management Limited) (Dissolved 8th May 2018)	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
FD Dynamic Portfolios Limited	England and Wales	Ordinary	100%	Fund Management

An application to dissolve FDERL Oldco Limited was filed on 8th July 2019.

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.

* With effect from 1st January 2018, the assets, business and undertaking of FDERL Oldco Limited were transferred to Foster Denovo Limited

14. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost	
At 1 January 2018	**4,999,897**
Further Investment in Foster Denovo Limited	**750,000**
Adjustment in relation to investment in TEBC Limited	**(24,997)**
Capital contribution arising from transfer of business of FDER Oldco Limited	**520,000**
Investment in FD Dynamic Portfolios Limited	**100**
Cost of share based payments relating to subsidiary companies	**75,754**
Write-off of capital contribution of FDER Oldco Limited	**(520,000)**
At 31 December 2018	**5,800,754**
Net book value	
At 31 December 2018	**5,800,754**
At 31 December 2017	4,999,897

During the year the company provided £750,000 of additional equity capital to its regulated subsidiary Foster Denovo Limited. The additional capital was needed to maintain compliance with the rules of the Financial Conduct Authority.

Following discussions with the Vendors of TEBC Limited, an overall reduction in the purchase consideration of £24,997 was agreed.

During the year the business of FDERL OldCo Limited ("FDERL") was transferred to FosterDenovo Limited. As part of this restructuring a capital contribution of £520,000 was made by the company. FDERL has ceased operations and an application for the dissolution has been filed with the Registrar of Companies. Accordingly the investment has been written off.

As part of a project to develop further its investment services for clients, a new company, FD Dynamic Portfolios Limited, was formed with an initial capital of £100.

The cost of share based remuneration (note 1.10) relating to subsidiaries is treated as a further investment in those subsidiaries

15. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Due after more than one year				
Other debtors	**227,935**	193,007	**-**	-

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Due within one year				
Trade debtors	**1,179,252**	1,348,698	**-**	-
Amounts owed by group undertakings	**-**	-	**1,907,440**	1,985,196
Other debtors	**1,326,293**	1,598,226	**307,310**	301,500
Prepayments and accrued income	**1,918,378**	1,405,803	**-**	-
	4,423,923	4,352,727	**2,214,750**	2,286,696

Included in other debtors is £48,646 (2017 - £131,594) 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 £665,673 (2017 - £571,523) that relates to amounts recoverable from Professional Indemnity Insurers and/or financial advisers in relation to complaints (see note 20).

16. Creditors: amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade creditors	**895,110**	724,009	**739**	385
Amounts owed to group undertakings	**-**	-	**1,014,642**	8,412
Corporation tax	**264,529**	311,366	**-**	-
Other taxation and social security	**392,672**	380,892	**-**	-
Obligations under finance lease and hire purchase contracts	**24,199**	72,598	**-**	-
Other creditors	**64,539**	52,040	**5,821**	3,261
Accruals and deferred income	**1,471,355**	1,661,372	**-**	103,498
	3,112,404	3,202,277	**1,021,202**	115,556

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

	Group 2018 £	Group 2017 £	**Company 2018 £**	Company 2017 £
Other secured loans	**836,200**	831,600	**836,200**	831,600
Net obligations under finance leases and hire purchase contracts	**-**	24,199	**-**	-
Other creditors	**-**	3,262	**-**	3,262
	836,200	859,061	**836,200**	834,862

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. There are no longer any amounts outstanding

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2018 £	Group 2017 £
Within one year	**24,199**	72,598
Between 1-2 years	**-**	24,199
	24,199	96,797

19. Reconciliation of the loss for the year to operating cash flow

	Group 2018 £	Group 2017 £
Loss on ordinary activities before tax	**(342,520)**	(905,532)
Depreciation and amortisation	**509,377**	531,431
Exceptional expenses	**122,500**	565,519
Interest receivable	**(38,488)**	(61,918)
Interest payable	**80,345**	18,072
Share based payment	**75,754**	41,825
Net movement in working capital	**(301,367)**	333,926
Corporation tax received		310,383
Operating cash flow before exceptional expenses	**105,601**	833,706

20. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	**2,572,964**	6,746,798	**2,272,971**	3,060,490
Financial liabilities				
Financial liabilities measured at amortised cost	**(2,431,004)**	(3,274,315)	**(1,857,402)**	(947,158)

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 2018	**(157,562)**	**239,628**	**547,866**	**629,932**
Current Year timing difference	**(14,545)**			**(14,545)**
Prior year adjustments	**(14,736)**			**(14,736)**
Utilised in the year	**-**	**(33,083)**	**-**	**(33,083)**
Released to profit and loss		**(113,836)**	**(920)**	**(114,756)**
At 31 December 2018	**(186,843)**	**92,709**	**546,946**	**452,812**

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

	2018 £	2017 £
Shares classified as equity		
Allotted, called up and fully paid		
33,022,947 'A' ordinary shares of £0.01 each	**330,230**	329,580
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
	738,390	737,740

During 2018, 65,000 "A" ordinary shares of 1p each, with a nominal value of £650, were issued for £3,250, including a premium of £2,600.

23. Share capital (continued)

Rights to dividends, voting rights and priority on winding up

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.

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 2018 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	**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
26/11/2018	**2,000,000**	2021-2028	7.0p

23. Share capital (continued)

Adviser Share Option Plan

At 31 December 2018 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
19/06/2018	**246,544**	2018-2028	7.0p
26/11/2018	**424,062**	2018-2028	7.0p

Convertible Loan Stock Share Option Scheme

At 31 December 2018 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 three-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.

	2018 Weighted average exercise price (pence) £	**2018 Number £**	2017 Weighted average exercise price (pence) £	2017 Number £
Outstanding at the beginning of the year	6.5	23,566,254	6.6	15,908,520
Granted during the year	7.0	2,000,000	6.9	15,805,815
Exercised during the year	5.0	80,000	5.0	(18,666)
Expired during the year			-	-
Lapsed during the year	6.0	(7,529,956)	7.6	(8,135,175)
Outstanding at the end of the year	6.7	17,956,298	6.5	23,560,494

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.

	2018 Weighted average exercise price (pence)	**2018 Number**	2017 Weighted average exercise price (pence)	2017 Number
Outstanding at the beginning of the year	**5.0**	**474,791**	5.0	1,009,903
Granted during the year		-	-	-
Exercised during the year		-	5.0	(46,875)
Lapsed during the year		-	5.4	(488,237)
	5.0	474,791	5.0	474,791

24. Share based payments (continued)

Adviser Share Option Scheme 2013-2016

	2018 Weighted average exercise price (pence)	2018 Number	2017 Weighted average exercise price (pence)	2017 Number
Outstanding at the beginning of the year	**7.0**	**23,369,851**	9.1	6,016,116
Granted during the year	**7.0**	**670,606**	6.9	20,989,110
Lapsed during the year	**6.5**	**(5,000)**	9.9	(3,635,375)
	7.1	**24,035,457**	7.0	23,369,851

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.

	2018 Weighted average exercise price (pence)	2018 Number	2017 Weighted average exercise price (pence)	2017 Number
Outstanding at the beginning of the year	**5.0**	**30,000**	5.0	2,848,000
Lapsed during the year		**-**	5.0	(2,045,500)
Converted during the year		**-**	5.0	(772,500)
	5.0	**30,000**	5.0	30,000

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.

	2018	2017
	Black Scholes Merton	Black Scholes Merton
Weighted average contractual life (years)	**10**	10
Expected volatility	**27.76%**	29.09%
Risk free interest rate	**0.66%-0.78%**	0.69%
Expected dividend growth rate	**0.00%**	0.0%

24. Share based payments (continued)

The underlying value of the shares was taken as 7.0p (2017 – 6.5p) 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 management's best estimate.

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

Equity-settled schemes	75,754	41,825

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 £397,864 (2017 - £371,720). Contributions totalling £61,086 (2017 - £52,040) 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 £392,036 (2017 - £353,744). 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 (2017 - £Nil).