

Foster Denovo Limited

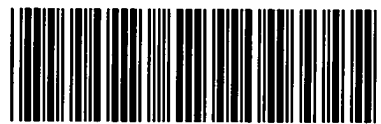
Annual Report and Financial Statements

Year Ended

31 December 2023

Company Number 05970987

THURSDAY



ADCG8EM1

A12

26/09/2024

#464

COMPANIES HOUSE

Foster Denovo Limited

Company Information

Directors

R N Brosch

D S Currie

H M Lovett

P J Davies

J Irvine (appointed 1 March 2023)

J M Brettell (appointed 1 August 2024)

Registered number

05970987

Registered office

Ruxley House

2 Hamm Moor Lane

Addlestone

Surrey

KT15 2SA

Independent auditor

BDO LLP

55 Baker Street

London

W1U 7EU

Foster Denovo Limited

Contents

	Page
Strategic Report	1 - 3
Directors' Report	4 - 5
Directors' Responsibilities Statement	6
Independent Auditor's Report	7 - 10
Statement of Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14 - 29

Foster Denovo Limited

Strategic Report

For the Year Ended 31 December 2023

The Directors present the Strategic Report, Directors' Report and the audited financial statements for Foster Denovo Limited ("the Company") for the year ended 31 December 2023.

Overview

The Company is a wholly owned subsidiary of Foster Denovo Group Limited ("the Group") and is incorporated and domiciled in England & Wales. Its principal activity is the provision of financial advice and associated services to individual and corporate clients. The Company is authorised and regulated by the Financial Conduct Authority ("FCA").

Strategy and business model

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

The Company 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". The Company provides technical and operational support, including compliance, to its Partners who operate to agreed standards. The Company handles quality assurance and compliance centrally, ensuring compliance with regulation and best practice.

The Company's activities are wholly within Great Britain.

Review of business

Gross revenues amounted to £26.0m (2022: £24.1m).

The profit for the year before taxation amounted to £0.4m (2022: £0.8m profit) a decrease of £0.4m. Revenues increased by £1.9m, cost of sales decreased by £0.2m and administrative expenses increased by £1.9m. EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) increased by £0.2m to £4.1m (2022: £3.9m). Depreciation and amortisation increased by £0.6m to £3.8m reflecting the results of the strategy of the company to acquire businesses and the goodwill generated being amortised. This caused the decrease in Operating profit of £0.3m. The results reflect the strategy of the company to continue to invest and build its operational capability to support future growth and further acquisitions.

The Directors monitor key metrics on a regular basis to track and improve the Company's business performance, liquidity and solvency position. These include new business production, expenses, cash flow, solvency and production per adviser. A key monitoring tool is the regular review by the Company's "Conduct and Operational Risk Management Committee", chaired by Helen Lovett. This committee meets quarterly and reviews in detail a range of business quality indicators and risk reports from senior managers that focus on the maintenance of business standards and the proactive management of conduct and operational risks.

Group funding

The Group agreed investment of up to £100m of funding with Crestline Investors Inc. in early 2022. The investment is to fund the Group's acquisition and growth strategy. Funding drawdowns in the year comprised £18.6m in two tranches of £9.6m and £9.0m both in December 2023.

As at 31 December 2023 the Group has drawn funding of £39.0m (2022: £20.3m). Further details can be found in the accounts of the parent company.

Foster Denovo Limited

Strategic Report

For the Year Ended 31 December 2023

Going concern

As noted in the review of business section above the Company continues to be profitable before taxation in 2023. Also noted above, the additional funding is being put to use by the Group through acquisitions. The funding and acquisitions increase both the EBITDA of the Group and the operational cash flow of Group, putting the Group in a stronger financial position.

Management has determined that there is no material uncertainty that casts doubt on the entity's ability to continue as a going concern for the next twelve months from the date of signing of these financial statements. In reaching this conclusion Management considered the results on a number of scenario tests on the Company's and the Group's forward-looking results and cash flow projections.

Future developments

The Company will continue to develop its business through focussed recruitment and the acquisition of complementary businesses. At the date of this report, two further acquisitions have been completed which are detailed in the Directors' Report.

The Directors are not aware at the date of this report of any other likely major changes in the Company's activities in the next year.

Principal risks, uncertainties and financial instruments

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

The Company 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, the Company recharges a proportion of such amounts to the relevant financial adviser (see notes 13 and 16). As a consequence, to mitigate the risk of accepting commission on an indemnity basis, the Company monitors such activity and the ability of its financial advisers to service their clawback liabilities to the Company. As a result of the changes brought about by the Retail Distribution Review, the proportion of revenue derived on an indemnity basis has decreased significantly with a resulting decrease in associated provisions.

In common with other businesses, the Company 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 Company's operations. The Company 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.

Competitive risk is a continuing risk which could result in lost revenue. The Company 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. The Company has also invested to ensure that support staff are capable and engaged. Gold accreditation from the Investors in People and high scores from engagement surveys validate the results in this area.

Foster Denovo Limited

Strategic Report

For the Year Ended 31 December 2023

Statement in compliance with section 172(1) of CA 2006

The Directors have a duty to promote the success of the company and our related stakeholders. A Director must act in the way he or she considers, in good faith, to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term;
- The interests of our employees;
- The need to foster business relationships with our suppliers, clients and others;
- The impact of operations on our communities and environment;
- The desirability to maintain a reputation for high standards of business conduct; and
- The need to act fairly across all members.

The directors are committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risks and internal controls.

In considering their duty under s172, the directors have identified the following key stakeholders, in addition to shareholders:

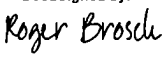
- Clients – we work with our clients to understand their needs and help them achieve their goals and outcomes. We have regular client service reviews to monitor how we are doing;
- Employees and Self-Employed Advisors – we promote a diverse workforce and provide an inclusive work environment with regular communication and feedback to and from employees and self-employed advisors. We monitor progress internally and against industry benchmarks through the use of surveys and regular meetings and have, as at June 2024, achieved IIP Platinum status;
- Environment and community – the company and wider Group sponsor an initiative to improve collaboration, communication and wellbeing through considering charity / wellbeing, environmental and social considerations;
- Regulators – we maintain appropriate compliance and prudential processes and controls to ensure compliance with the industry regulatory requirements and future developments; and
- Suppliers – we aim to promote long term partnerships with key suppliers.

As already noted in the “Review of business” section of this report a number of key decisions were made during the year. These included:

- The further drawdown of funds from the investment from Crestline Investors Inc. which provides the funding to grow the Group;
- The completion of the acquisition of two external acquisitions and one practice buy-out and exchange on a third external acquisition which has had an immediate impact to EBITDA; and
- Implementation of the FCA Consumer Duty provisions.

These key decisions are all taken to expand the customer base and provide a better experience to clients and hence improve the revenues and profitability of the company and Group that it is part of. As such they also benefit employees and self-employed advisors and the other key stakeholder groups identified.

The Strategic Report was approved by the Board on 24 September 2024 and signed on its behalf.

DocuSigned by:

8FE9C3E9699B48B...
Roger Brosch
Director

Foster Denovo Limited

Directors' Report

For the Year Ended 31 December 2023

The directors present their report together with the audited financial statements for the year ended 31 December 2023. The following report should be read in conjunction with the Strategic Report as the necessary disclosures requirements have been addressed across both reports.

Directors

The directors of the Company who served during the year were:

R N Brosch
D S Currie
H M Lovett
A Taylor (resigned 28 February 2023)
P J Davies
R Paul (appointed 1 March 2023, resigned 8 March 2024)
J Irvine (appointed 1 March 2023)

J M Brettell was appointed as a director on 1 August 2024.

Annual General Meetings

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

Dividends

There were no dividends paid in 2023 (2022: £Nil). The Directors do not recommend paying any dividends for the year (2022: Nil).

Disclosure of information to auditors

Each of the persons who are directors at the time when this Director's Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company'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's auditors are aware of that information. This confirmation is given in accordance with the provision of section 418 of the Companies Act 2006.

Qualifying Third Party Indemnity

The Group maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. Qualifying third party liability indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during the year ended 31 December 2023 and remain in force.

Post balance sheet events

On 31 January 2024, the Company acquired the Employee Benefit business of Punter Southall, with coverage across the UK.

On 31 August 2024 the Group also acquired 100% of the issued share capital in Rosemount Asset Management Holdings Limited and its wholly owned subsidiaries, including Rosemount Asset Management Limited, a financial planning firm based in Glasgow.

Both acquisitions will increase the future revenue and EBITDA for the Group.

Foster Denovo Limited

Directors' Report

For the Year Ended 31 December 2023

Auditors

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006. BDO LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

The Directors' Report was approved by the Board on 24 September 2024 and signed on its behalf:

DocuSigned by:

8FE9C3E9699B48B...
Roger Brosch
Director

Foster Denovo Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2023

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Foster Denovo Limited

Independent Auditor's Report to the Members of Foster Denovo Limited For the Year Ended 31 December 2023

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its 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.

We have audited the financial statements of Foster Denovo Limited ("the Company") for the year ended 31 December 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Foster Denovo Limited

Independent Auditor's Report to the Members of Foster Denovo Limited For the Year Ended 31 December 2023

Other Companies Act 2006 reporting

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Foster Denovo Limited

Independent Auditor's Report to the Members of Foster Denovo Limited For the Year Ended 31 December 2023

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be the Companies Act 2006, the applicable accounting framework being United Kingdom General Accepted Accounting Practice, UK tax legislation and regulations resulting from being authorised by the Financial Conduct Authority ("FCA") to undertake regulated activities.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Review of FCA regulatory correspondence.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and revenue recognition.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- For a sample of revenue items, we recalculated the expected revenue and agreed to invoice and bank receipt.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Foster Denovo Limited

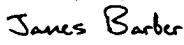
Independent Auditor's Report to the Members of Foster Denovo Limited For the Year Ended 31 December 2023

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on 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 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.

DocuSigned by:

A6A721D881B64A3...

James Barber (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
24 September 2024

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

Foster Denovo Limited

Statement of Comprehensive Income For the Year Ended 31 December 2023

		2023	2022
	Note	£'000	£'000
Revenue	4	25,968	24,062
Cost of sales	4	(6,041)	(6,282)
Gross profit		19,927	17,780
Administrative expenses		(15,766)	(13,884)
Depreciation and amortisation		(3,774)	(3,189)
Operating profit		387	707
Interest receivable and similar income	8	53	101
Interest payable and expenses	9	(72)	(48)
Profit before tax	5	368	760
Tax on profit on ordinary activities	10	(959)	(743)
Total comprehensive (loss) / profit for the financial year		(591)	17

There was no other comprehensive income in the year (2022: £Nil).

All activities relate to ongoing operations.

The notes on pages 14 to 29 form part of these financial statements.

Foster Denovo Limited

Statement of Financial Position As at 31 December 2023

	Note	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Fixed assets					
Intangible assets	11		30,196		33,373
Tangible assets	12		59		91
			<u>30,255</u>		<u>33,464</u>
Current assets					
Debtors	13	4,497		3,259	
Cash at bank and in hand		<u>4,082</u>		<u>4,285</u>	
		8,579		7,544	
Current liabilities					
Creditors: amounts falling due within one year	14	<u>(2,035)</u>		<u>(3,387)</u>	
Net current assets			<u>6,544</u>		<u>4,157</u>
Total assets less current liabilities			<u>36,799</u>		<u>37,621</u>
Creditors: amounts falling due after one year	15		(573)		(779)
Provisions for liabilities					
Other provisions	16		<u>(48)</u>		<u>(73)</u>
Net assets			<u>36,178</u>		<u>36,769</u>
Capital and reserves					
Called-up share capital	18		40,776		40,776
Capital contribution reserve	19		510		510
Profit and loss account	19		<u>(5,108)</u>		<u>(4,517)</u>
Shareholders' funds			<u>36,178</u>		<u>36,769</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 September 2024.

DocuSigned by:

 R N Brosch
 Director

Company number: 05970987

The notes on pages 14 to 29 form part of these financial statements.

Foster Denovo Limited

Statement of Changes in Equity For the Year Ended 31 December 2023

	Called-up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2023	40,776	510	(4,517)	36,769
Comprehensive income for the year				
Loss for the year	-	-	(591)	(591)
Total comprehensive loss for the year	-	-	(591)	(591)
Contributions by and distributions to owners				
Shares issued during the year	-	-	-	-
Share based payments	-	-	-	-
Total transactions with owners	-	-	-	-
At 31 December 2023	40,776	510	(5,108)	36,178

Statement of Changes in Equity For the Year Ended 31 December 2022

	Called-up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2022	7,800	508	(4,534)	3,774
Comprehensive income for the year				
Profit for the year	-	-	17	17
Total comprehensive profit for the year	-	-	17	17
Contributions by and distributions to owners				
Shares issued during the year	32,976	-	-	32,976
Share based payments	-	2	-	2
Total transactions with owners	32,976	2	-	32,978
At 31 December 2022	40,776	510	(4,517)	36,769

The notes on pages 14 to 29 form part of these financial statements.

Foster Denovo Limited

Notes to the Financial Statements

For the Year Ended 31 December 2023

1. General information

Foster Denovo Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is shown on the company information page. The nature of the company's operations and its principal activities are outlined in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in Sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest thousand (£'000).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

The principal accounting policies adopted are set out below.

2.2 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the for the twelve months from the signing of these financial statements. In reaching this conclusion the directors have considered the following: budgeted and projected results of the business, projected cash flow, including the alternates for refinancing the Crestline preferred shares, and the risks that could impact on the Company's liquidity and capital over the next twelve months including the impact of the continuing global conflicts and cost of living rises. To help inform their conclusion the directors assessed the impact of scenarios covering reductions in revenue across different business areas. Accordingly, the Directors have prepared the financial statements on a going concern basis.

2.3 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 "Statement of Cash Flows" and Section 3 "Financial Statement Presentation" paragraph 3.17(d);
- the requirements of Section 11 "Basic Financial Instruments" paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c) and Section 12 "Other Financial Instrument Issues" 12.26, 12.27, 12.29(a), 12.29(b), 12.29A and 12.30;
- the requirements of Section 26 "Share Based Payments" paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- the requirements of Section 33 "Related Party Disclosures" 33.7.

This information is included in the consolidated financial statements of Foster Denovo Group Limited as at 31 December 2023 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ and also its registered office.

Foster Denovo Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

2. Accounting policies (continued)

2.4 Revenue

Revenue comprises the value of commissions and financial planning advisory fees receivable, excluding VAT, in the normal course of business. All revenue arises in the United Kingdom.

Commissions, both initial commission and ongoing advice fees are recognised on fulfilment.

Non-indemnity fees and commissions are recognised on an accruals basis.

Advisory fees are recognised on an ongoing basis to reflect the nature of the performance obligations being discharged.

2.5 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 in the Statement of Comprehensive Income over its useful economic life.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. If a reliable estimate cannot be made, the useful life is presumed to be 10 years.

2.6 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 company 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 company. 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 each asset less its residual value over its estimated useful life, using the straight-line method.

The estimated useful lives range as follows:

Leasehold improvements	– 4 years
Fixtures and fittings	– 4 years
Computer equipment	– 3 years
Computer software	– 3 years

Foster Denovo Limited

Notes to the Financial Statements

For the Year Ended 31 December 2023

2. Accounting policies (continued)

2.7 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 into either an advice business CGU or an investment business CGU. The advice business CGU comprises the legal entities Foster Denovo Limited, TEBC Limited, Foster Denovo Group Services Limited, Orchard Wealth Cultivation Limited and Secondsight UK Limited. The investment business CGU comprises the legal entities FD Dynamic Portfolios Limited and Sequel Investments Limited. Individual subsidiaries have also been considered for impairment. 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.

2.8 Operating leases

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

2.9 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.

2.10 Debtors

Debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Foster Denovo Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

2. Accounting policies (continued)

2.12 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

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 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 of the recoverable amount, which is an approximation of the amount that the company 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.

2.13 Creditors

Creditors 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.

2.14 Finance costs

Finance costs are charged to the 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.

2.15 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the 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 company in independently administered funds.

2.16 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

Foster Denovo Limited

Notes to the Financial Statements

For the Year Ended 31 December 2023

2. Accounting policies (continued)

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the company 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 statement of comprehensive income in the year that the company 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.

2.18 Taxation

Tax is recognised in the 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 operates and generates income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined based on the rates expected to apply at the date of reversal, using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Foster Denovo Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

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

In preparing these financial statements, the directors have made the following judgements:

- Determine the useful economic life, hence the amortisation period, and whether there are indicators of impairment of the company'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.
- Determine whether leases entered into by the company as a lessee are operating 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.

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. This includes an estimate for the costs to settle any outstanding claims against the Group.
- Revenues contain advice fees that are collected by financial product providers and then paid to the Group. The revenue for the year contains an estimate for the element of these fees that are receivable at the year-end and paid to the Group after the year end.
- There are no significant judgements and estimates other than the ones disclosed above

4. Revenue and Cost of sales

Revenue of £26.0m (2022: £24.1m) is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

Cost of sales of £6.0m (2022: £6.3m) reflects the amounts paid to self-employed partners.

5. Operating profit/(loss)

The operating profit is stated after charging:

	2023 £'000	2022 £'000
Depreciation of tangible fixed assets	69	126
Amortisation of intangible assets, including goodwill	3,705	3,063
Operating lease expense	813	636
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	170	157
Fees payable to the company's auditor or an associate of the company's auditor for taxation compliance	18	15
Fees payable to the company's auditor or an associate of the company's auditor for other non-audit services	8	5
Share based payment	-	2

Foster Denovo Limited

Notes to the Financial Statements

For the Year Ended 31 December 2023

6. Employees

Staff costs (including directors) were as follows:

	2023 £'000	2022 £'000
Wages and salaries	10,975	9,556
Social security costs	1,120	988
Other pension costs	708	627
	12,803	11,171

The Group provides services to self-employed financial advisors (called partners) those costs are recovered directly from the self-employed partners 2023 £540k (2022 £679k)

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

	2023 Number	2022 Number
Directors	6	6
Employed advisers	39	27
Administration	197	176
Total	242	209

All employees of the company (other than directors) are employed by Foster Denovo Group Services Limited, a fellow subsidiary undertaking.

The company has incurred management charges in respect of such employee costs and, accordingly, these staff costs and average staff numbers are included in the disclosures above.

7. Directors' remuneration

	2023 £'000	2022 £'000
Directors' emoluments	669	645
Company contributions to money purchase pension schemes	55	52
	724	697

There were two directors in the company's defined contribution pension scheme during the year (2022: two).

The total amount payable to the highest paid director in respect of emoluments was £221k (2022: £254k). Company pension contributions of £20k (2022: £19k) were made to a money purchase scheme on their behalf.

Of the total share-based payment charge (see note 5), £Nil (2022: £2k) relates to directors.

Key management personnel include all directors and a number of senior managers across the company who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £1,233k (2022: £1,165k).

Foster Denovo Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

8. Interest receivable

	2023	2022
	£'000	£'000
Other interest receivable	53	101

Other interest receivable in 2022 includes £92k written back in relation to accrued interest charges not charged by HMRC.

Other interest receivable in 2023 includes bank interest of £49k and partner loan interest of £4k.

9. Interest payable and similar charges

	2023	2022
	£'000	£'000
Discount unwind on liabilities	70	46
Finance leases and hire purchase contracts	2	2
	72	48

10. Taxation

	2023	2022
	£'000	£'000
Current Tax		
UK corporation tax	981	277
Group relief (receivable)	-	447
Adjustments in respect of prior periods	(3)	-
Total Current Tax charge	978	724
Deferred tax		
Origination and reversal of timing differences	(21)	26
Adjustment in respect of previous period	3	(7)
Total deferred tax	(18)	19
Taxation on profit/(loss) on ordinary activities	960	743

Foster Denovo Limited

Notes to the Financial Statements

For the Year Ended 31 December 2023

10. Taxation (continued)

Factors affecting tax credit for the year

The tax assessed for the year is higher than (2022 – lower than) the standard rate of corporation tax in the UK of 23.5% (2022:19.0%). The differences are explained below:

	2023	2022
	£'000	£'000
Profit/(loss) on ordinary activities before tax	368	754
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.5% (2022:19%)	87	143
Effects of:		
Fixed asset differences	873	-
Expenses not deductible for tax purposes	17	10
Adjustment to brought forward values	(17)	-
Capital allowances in deficit of depreciation	-	591
Adjustments to tax charge in respect of prior periods	(3)	-
Adjustment in respect of previous period - deferred tax	3	(7)
Remeasurement of deferred tax for changes in tax rates	(1)	6
Group relief	-	(447)
Payment for group relief claimed / surrendered	-	447
Total tax charge for the year	959	743

Foster Denovo Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

11. Intangible assets

	Other intangibles	Purchased goodwill	Total
Cost	£'000	£'000	£'000
At 1 January 2023	769	37,529	38,298
Additions	-	727	727
Change in goodwill from acquisitions due to a change in estimate of the deferred payments	-	(199)	(199)
Written off during the year as fully amortised	(769)		(1,292)
At 31 December 2023	-	38,057	37,534
Amortisation			
At 1 January 2023	769	4,156	4,925
Provided for the year	-	3,705	3,705
Written off during the year as fully amortised	(769)		(1,292)
At 31 December 2023	-	7,861	7,338
Net book value			
At 31 December 2023	-	30,196	30,196
At 31 December 2022	-	33,373	33,373

Goodwill represents the customer lists and customer relationships from acquired businesses. Details of the additions in the year are disclosed in Note 17.

Foster Denovo Limited

Notes to the Financial Statements

For the Year Ended 31 December 2023

12. Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Computer equipment	Computer software	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2023	504	351	425	374	1,654
Additions	30	-	7	-	37
Disposals	-	-	(4)	-	(4)
At 31 December 2023	534	351	428	374	1,687
Depreciation					
At 1 January 2023	460	345	414	344	1,563
Charge in the year	37	4	11	17	69
Disposals	-	-	(4)	-	(4)
At 31 December 2023	497	349	421	361	1,628
Net book value					
At 31 December 2023	37	2	7	13	59
At 31 December 2022	44	6	11	30	91

The net book value of tangible fixed assets includes an amount of £10k (2022: £25k) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £14k (2022: £14k).

Foster Denovo Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

13. Debtors

	2023 £'000	2022 £'000
Due within one year		
Trade debtors	773	707
Amounts due from group undertakings	2,179	380
Other debtors	26	325
Prepayments and accrued income	1,317	1,661
	4,295	3,073
Due after more than one year		
Deferred tax asset (note 16)	55	37
Other debtors	147	149
	202	186

Included in other debtors is £16k (2022: £27k) that relates to amounts recoverable from the company's advisers in relation to the clawback of indemnity commission. Also included in other debtors is £36k (2022: £117k) that relates to amounts recoverable from Professional Indemnity Insurers and/or financial advisers in relation to complaints (see note 16).

14. Creditors: Amounts falling due within one year

	2023 £'000	2022 £'000
Trade creditors	375	275
Amounts owed to group undertakings	59	1,437
Other taxation and social security	345	(101)
Obligations under finance lease and hire purchase contracts	11	14
Other creditors	77	210
Deferred Consideration	287	-
Accruals and deferred income	881	1,552
	2,035	3,387

During the year the parent Company, Foster Denovo Group Limited, continued to hold an overdraft arrangement with Barclays Bank, the bankers to the Group, which has a cross guarantee between Foster Denovo Group Limited, Foster Denovo Limited and Sequel Investments Limited.

Foster Denovo Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

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

	2023 £'000	2022 £'000
Obligations under finance lease and hire purchase contracts	-	11
Other Creditors	108	344
Deferred Consideration	465	424
	573	779

16. Provisions

	Indemnity commission £'000	Claim provision £'000	Total £'000
At 1 January 2023	44	29	73
Charged to the profit and loss	9	1	10
Utilised in the year	(10)	(25)	(35)
At 31 December 2023	43	5	48

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 (see note 13). Where the collection of such monies is doubtful, the company makes an appropriate provision against the debtor.

Claims Provision

In the normal course of business, the company receives queries and complaints regarding the sale of regulated financial products. Where appropriate these claims are investigated in accordance with the company's procedures and provision is made for potential liabilities which may arise in respect of them.

Deferred tax assets

	2023 £'000	2022 £'000
At 1 January 2023	37	56
Origination and reversal of timing differences	18	(27)
Adjustment in respect of previous period	-	8
At 31 December 2023	55	37

The deferred tax asset arises from brought forward losses, timing differences between depreciation and available capital allowances and short-term timing differences.

Foster Denovo Limited

Notes to the Financial Statements For the Year Ended 31 December 2023

17. Acquisition of trade and assets

During the year, the Company acquired the business of a self-employed advisor. (2022: various self-employed advisors acquired for £35.0m)

The business was acquired for total consideration of £0.7m in shares and deferred consideration. The deferred consideration is dependent on future performance targets for the business and the fair value

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Fair value of net assets	-	-	-
Goodwill			727
Total purchase consideration			727
Cash and shares outflow on acquisition			481
Deferred consideration			246

The intangible assets comprise customer lists and customer relationships.

Since acquisition, the businesses have contributed £78k to profit and £131k to revenue. As these acquisitions are internal practice buy-outs then only the profit element is additive to the Group results.

18. Share capital

	2023 £'000	2022 £'000
Allotted, called up and fully paid		
40,775,884 Ordinary shares of £1 each	40,776	40,776

19. Capital and reserves

The company's capital and reserves comprise the following:

Called-up share capital

Called-up share capital reserve represents the nominal value of the shares issued.

Capital contribution reserve

The capital contribution reserve comprises the accumulated total of amounts relating to share based payments.

Profit and loss account

The profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

Foster Denovo Limited

Notes to the Financial Statements

For the Year Ended 31 December 2023

20. Contingent liabilities

The company is subject to claims in the ordinary course of its business, resulting principally from alleged errors and omissions in connection with the company's business. While provision is made for potential liabilities that may arise in respect of such claims (see note 16), there is always uncertainty as to the outcome of any claim. However, the directors do not expect such claims existing at the statement of financial position date to have a material adverse effect on the company's future results or financial position.

21. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £708k (2022: £627k). There were no outstanding contributions at either 31 December 2023 or 31 December 2022.

22. Commitments under operating leases

At 31 December 2023 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2023 £'000	2022 £'000
Within one year	825	651
Between 1 - 5 years	1,576	346
After 5 years	18	-
	2,419	997

23. Related party transactions

Advantage has been taken of the exemption under FRS 102 Section 33.1A not to disclose transactions between entities within the Foster Denovo Group Limited group, where no less than 100% of voting rights are controlled within the group, whose consolidated financial statements are publicly available. There are no other transactions requiring disclosure.

Aggregate amounts due from and to group entities are disclosed in note 13 and 14.

Foster Denovo Limited

Notes to the Financial Statements

For the Year Ended 31 December 2023

24. Ultimate parent company and controlling party

The Company is a subsidiary of Foster Denovo Group Limited which is the ultimate parent company and controlling party incorporated in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by Foster Denovo Group Limited incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ and also its registered office. No other group accounts include the results of the company.

25. Events after the end of the reporting period

On 31 January 2024, the Company acquired the Employee Benefit business of Punter Southall.

This acquisition is expected to increase the Company's revenue and EBITDA. This is because the acquired business is booked in the Company. This will be measurable at the end of the Group's next financial year.