Foster Denovo Group Limited

Report and Financial Statements

Year Ended

31 December 2019

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 – Resigned 31 March 2020 P J Davies – Appointed 1 July 2020
Company secretary	R P Horton FCA – Resigned 31 March 2020
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 2019

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 ("FDL")– 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.

FD Dynamic Portfolios Limited - management of the dynamic portfolios investment solution..

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. During the year the Group strengthened the proposition to clients with the launch of its own investment platform for its Partners and financial advisers, alongside a new range of Dynamic Portfolios.

During 2019, the Group made two new acquisitions, the first being Kent-based financial planning firm Orchard Wealth Cultivation in February 2019 and the second being London & Capital's UK Wealth business in May 2019.

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 £21.2m (2018 - £19.6m.) During the year, the Group acquired the UK wealth division of London and Capital Asset Management Limited and Orchard Wealth Cultivation Limited. In aggregate, both acquisitions contributed £0.8m to revenue in the Group for the year and will support revenue growth in future years.

Gross revenues from private client (including private wealth, mortgages and related matters) activities amounted to £12.3m (2018 - £11.1m). Of this approximately 70% (2018 - 68%) related to continuing service rather than initial fees.

Gross revenues from corporate advice amounted to £6.4m (2018 - £6.4m).

Revenues of Sequel Investments Limited grew by 13% to £1.5m (2018 - £1.3m). At 31 December 2019, funds under management within Sequel's principal funds amounted to £261m (2018 - £228m), and within advice based pension funds £360m (2018 - £259m).

Overall gross margin increased to about 50.3% (2018 – 48.6%). Group operating expenses, including the direct costs of providing support to Partners amounted to £10.5m (2018 - £10.1m).

Group EBITDA, amounted to £0.3m (2018 - £0.3m). This reflects the investment made in the investment platform, launch of the Dynamic Portfolios and acquisitions made during the year.

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.

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

Future developments

The Group will continue to develop its business through focussed recruitment and the acquisition of complementary businesses.

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

Principal risks, uncertainties and financial instruments

The business of FDL is to provide financial advice to clients and as part of this recommend financial products and so is active in the sale of regulated financial products. 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 22). FDL operates a strict compliance regime, including regular compliance 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 15 and 21). As a consequence, to mitigate the risk of accepting commission on an indemnity basis, FDL monitors such activity and the ability of its financial advisers to service their clawback liabilities to FDL. 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

The Group Board meets quarterly to review all aspects of the Group's performance, financial position and strategy. After the year end Richard Horton resigned on 31 March 2020 and was replaced by the appointment of Philip Davies as Finance Director for the Group.

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 and employees 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 2019.

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 the due date, 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.

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

The Directors have a duty to promote the success of the Group and our related stakeholders. A Director must act in the way he or she considers, in good faith, to promote the success of the Group 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 achieved IIP silver 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 Group acquired the UK wealth division of London and Capital Asset Management Limited;
- The Group acquired Orchard Wealth Cultivation Limited; and
- The Group set up an in-house platform for the firm's advisers to use giving the group greater control of the client experience.

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 Group. 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 22 December 2020 and signed on its behalf.

R N Brosch
Chief Executive

Directors' Report
For the Year Ended 31 December 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

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 (2018 - £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 (resigned 31 March 2020)

Foster Denovo Group Limited

Directors' Report (continued)
For the Year Ended 31 December 2019

Post balance sheet event – Covid-19

Since the Group's year end, the global economy has been adversely impacted by the emergence of the Covid-19 health pandemic and the Government lockdown imposed in the UK in March 2020. The Covid-19 pandemic will impact the Group with an expected reduction in revenue as (1) the lock down will impact the volume of new business and (2) the fall in markets will impact fees that are based on a percentage of asset values. To mitigate the impact, the Directors have taken prompt action across the Group to reduce costs, manage cash flow and implement operational changes to enable home-working during the lock down.

This is a non-adjusting post balance sheet event and as such does not impact the financial position of the company as at 31 December 2019

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's 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.

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 22 December 2020 and signed on its behalf.

R N Brosch
Director

Foster Denovo Group Limited

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

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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 2019 which comprise Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated 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 2019 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.

Daniel Taylor (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
22 December 2020

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 2019

	Note	2019 £	2018 £
Revenue	3	**21,165,292**	19,570,357
Cost of sales		**(10,519,661)**	(10,060,152)
Gross profit		**10,645,631**	9,510,205
Administrative expenses:			
Normal		**(10,314,135)**	(9,178,991)
Exceptional	5	**(196,104)**	(122,500)
Depreciation and amortisation		**(608,624)**	(509,377)
Group operating profit / (loss)			
Before exceptional administrative expenses and depreciation and amortisation		**331,496**	**331,214**
After exceptional administrative expenses and depreciation and amortisation		**(473,232)**	(300,663)
Interest receivable and similar income	9	**11,782**	38,488
Interest payable and similar charges	10	**(152,555)**	(80,345)
Loss on ordinary activities before taxation			
Before exceptional administrative expenses		**(417,901)**	**(220,020)**
After exceptional administrative expenses		**(614,005)**	(342,520)
Taxation on loss on ordinary activities	11	**242,674**	29,281
Total comprehensive loss for the financial year		**(371,331)**	(313,239)

The notes on pages 17 to 42 form part of these financial statements.

Foster Denovo Group Limited
Registered number: 06033941

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	12		**4,174,740**		927,951
Tangible assets	13		**289,320**		170,869
			4,464,060		1,098,820
Current assets					
Debtors: *amounts falling due after more than one year*	15	**235,684**		227,935	
Debtors: amounts falling due within one year	15	**4,464,054**		4,423,923	
Cash at bank and in hand		**2,189,049**		3,335,316	
		6,888,787		7,987,174	
Current liabilities					
Creditors: amounts falling due within one year	16	**(4,805,955)**		(3,112,404)	
Net current assets			**2,082,832**		4,874,770
Total assets less current liabilities			**6,546,892**		5,973,590
Creditors: amounts falling due after more than one year	17		**(1,594,910)**		(836,200)
Provisions for liabilities					
Other provisions	22		**(577,940)**		(452,812)
Net assets			**4,374,042**		4,684,578

Foster Denovo Group Limited
Registered number: 06033941

Consolidated Statement of Financial Position (continued)
As at 31 December 2019

	Note	2019 £	2018 £
Capital and reserves			
Called up share capital	24	**738,990**	738,390
Share premium account		**2,547,852**	2,545,052
Profit and loss account		**1,087,200**	1,401,136
		4,374,042	4,684,578

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 December 2020.

R N Brosch
Director

The notes on pages 17 to 42 form part of these financial statements.

Foster Denovo Group Limited
Registered number: 06033941

Company Statement of Financial Position
As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Investments	14		**11,209,129**		5,800,754
Current assets					
Debtors: amounts falling due within one year	15	**2,098,483**		2,214,750	
Cash at bank and in hand		**24,723**		58,221	
		2,123,206		2,272,971	
Current liabilities					
Creditors: amounts falling due within one year	16	**(6,208,049)**		(1,021,202)	
Net current assets			**(4,084,843)**		1,251,769
Total assets less current liabilities			**7,124,286**		7,052,523
Creditors: amounts falling due after more than one year	17		**(1,065,796)**		(836,200)
Net assets			**6,058,490**		6,216,323
Capital and reserves					
Called up share capital	24		**738,990**		738,390
Share premium account			**2,547,852**		2,545,052
Profit and loss account carried forward			**2,771,648**		2,932,881
			6,058,490		6,216,323

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 £695,618 (2018- Loss of £924,210).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 22 December 2020

R N Brosch
Director

The notes on pages 17 to 42 form part of these financial statements.

Foster Denovo Group Limited

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Non-controlling interests £	Total equity £
At 1 January 2019	738,390	2,545,052	1,401,136	-	4,684,578
Comprehensive income for the year					
Loss for the year			(371,331)		(371,331)
Total comprehensive loss for the year	-	-	(371,331)	-	(371,331)
Contributions by and distributions to equity interests					
Share Based Payment	-	-	57,395	-	57,395
Shares Issued during the year	600	2,800	-	-	3,400
Total Contributions	600	2,800	57,395	-	60,795
At 31 December 2019	738,990	2,547,852	1,087,200	-	4,374,042

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 owners					
Acquisition of non-controlling interest			(44,176)	44,176	-
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	31,578	44,176	79,004
At 31 December 2018	738,390	2,545,052	1,401,136	-	4,684,578

The notes on pages 17 to 42 form part of these financial statements.

Foster Denovo Group Limited

Company Statement of Changes in Equity
For the Year Ended 31 December 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2019	738,390	2,545,052	2,932,881	6,216,323
Comprehensive income for the year				
Loss for the year	-	-	(218,628)	(218,628)
Total comprehensive income for the year	-	-	(218,628)	(218,628)
Contributions by and distributions to owners				
Shares issued during the year	600	2,800	-	3,400
Share – based payment	-	-	57,395	57,395
Total contributions by and distributions to owners	600	2,800	-	60,795
At 31 December 2019	738,990	2,547,852	2,771,648	6,058,490

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				
Profit 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

The notes on pages 17 to 42 form part of these financial statements.

Foster Denovo Group Limited

Consolidated Statement of Cash Flows (continued)
For the Year Ended 31 December 2019

	2019 £	2018 £
Operating cash flow before exceptional expenses (Note 20)	**230,967**	105,601
Exceptional expenses	(196,104)	(122,500)
Operating cash flow	**34,863**	**(16,899)**
Cash flows from investing activities		
Purchase of tangible fixed assets	(201,897)	(69,355)
Purchase of fixed asset investments	(2,235,557)	-
Cash refund of consideration TEBC	-	24,997
Interest received	11,782	38,488
Interest paid	(72,467)	(73,077)
Net cash used in investing activities	**(2,498,139)**	(78,947)
Cash flows from financing activities		
Issue of ordinary shares	**3,400**	3,250
Increase / (Repayment) of finance leases	**43,609**	(72,598)
Loans raised	**1,270,000**	-
Net cash (outflow) / inflow from financing activities	**1,317,009**	(69,348)
Net decrease in cash and cash equivalents	**(1,146,267)**	(165,194)
Cash and cash equivalents at beginning of year	**3,335,316**	3,500,510
Cash and cash equivalents at the end of year	2,189,049	3,335,316

The notes on pages 17 to 42 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 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 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 (see note 2).

Going Concern

The directors have a reasonable expectation that the Group and company has adequate resources to continue in operational existence for the foreseeable future. In reaching this conclusion the directors have considered the following: budgeted and projected results of the business, projected cash flow and the risks that could impact on the Group's and company's liquidity and capital over the next twelve months including the impact of the COVID-19 pandemic. Accordingly, the Directors have prepared the financial statements on a going concern basis.

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. Accounting policies (continued)

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.

1.4 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.

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.

1. Accounting policies (continued)

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.

Depreciation is provided on the following basis:

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

1.8 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.

1. Accounting policies (continued)

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.

1.10 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.

1. *Accounting policies (continued)*

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.

1.13 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.

1. Accounting policies (continued)

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.

1.16 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.

	2019	2018
	£	£
Depreciation of tangible fixed assets	**83,446**	67,411
Amortisation of intangible assets, including goodwill	**525,177**	441,966
Share based payment	**57,395**	75,754

5. Exceptional expenses

The following exceptional items are one off charges which are disclosed separately below to provide further understanding of the financial performance of the Group.

	2019 £	2018 £
Exceptional expenses comprise:		
Abortive acquisition and finance costs	**184,104**	-
Settlement of customer complaint	**-**	122,500
Senior management restructuring costs	**12,000**	-
	196,104	122,500

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**5,600**	5,600
Fees payable to the Group's auditor and its associates in respect of:		
- the audit of the Company's subsidiaries	**88,400**	61,400
- taxation compliance services	**27,330**	19,725
- other non-audit services	-	1,600
	115,730	82,725

7. Employees

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

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Wages and salaries	**7,556,608**	6,129,993	**-**	-
Social security costs	**747,231**	616,031	**-**	-
Cost of defined contribution scheme	**471,365**	397,864	**-**	-
	8,775,204	7,143,888	**-**	-

Of the above total, an amount of £2.84M (2018 £2.35M) was recovered from self-employed partners.

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

	2019 No.	2018 No.
Directors	**6**	6
Adviser Sales Support	**45**	35
Advisers	**19**	14
Administration	**134**	112
	204	167

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	**686,988**	792,272
Company contributions to defined contribution pension schemes	**38,433**	42,839
	725,421	835,111

The highest paid director received remuneration of £193,768 (2018 - £193,504).

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 (2018 - £18,500).

Out of the share based payments charge (see note 4), £47,531 related to share based payments to directors. (2018 - £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 £984,179 (2018 - £1,078,251).

9. Interest receivable

	2019 £	2018 £
Other interest receivable	**11,782**	38,488

10. Interest payable and similar charges

	2019 £	2018 £
Other loan interest payable	**68,559**	68,559
Finance leases and hire purchase contracts	**4,467**	11,786
Other interest payable	**-**	-
	73,026	80,345

11. Taxation

	2019 £	2018 £
Corporation tax		
Adjustment in respect of previous period - deferred tax	**(261,196)**	-
Total current tax	**(261,196)**	-
Deferred tax		
Origination and reversal of timing differences	**14,242**	(14,545)
Adjustment in respect of previous period	**4,280**	(14,736)
Total deferred tax	**18,522**	(29,281)
Taxation on profit/(loss) on ordinary activities	**(242,674)**	(29,281)

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss on ordinary activities before tax	**(614,005)**	(342,520)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	**(116,661)**	(65,079)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**109,088**	56,759
Capital allowances for year in excess of depreciation	**(20,769)**	4,586
Utilisation of tax losses	**-**	-
Other timing differences leading to an increase in taxation	**9,616**	3,734
Origination and reversal of timing differences	**14,242**	(14,545)
Group relief	**-**	-
Adjustment in respect of previous period - deferred tax	**4,280**	-
Prior year deferred tax adjustments	**18,726**	(14,736)
Adjustment in respect of previous period - deferred tax	**(261,196)**	
Non-taxable income	**-**	-
Total tax charge for the year	**(242,674)**	(29,281)

The Group has accumulated tax losses carried forward of £1,161,512 (2018 - £1,010,698).

12. Intangible assets

Group

	Other intangible assets £	Goodwill £	Website development costs £	Total £
Cost				
At 1 January 2019	769,364	2,585,722	169,614	3,524,700
Additions	-	3,771,966	-	3,771,966
Adjustment for fully depreciated assets	-		(169,614)	(169,614)
At 31 December 2019	769,364	6,357,688	-	7,127,052
Amortisation				
At 1 January 2019	645,317	1,824,223	127,209	2,596,749
Provided for the year	124,047	358,725	42,405	525,177
Adjustment for fully depreciated assets			(169,614)	(169,614)
At 31 December 2019	769,364	2,182,948	-	2,952,312
Net book value				
At 31 December 2019	-	4,174,740	-	4,174,740
At 31 December 2018	124,047	761,499	42,405	927,951

13. Tangible fixed assets

Group

	Leasehold land and buildings £	Fixtures and fittings £	Computer equipment £	Computer software £	Total £
Cost or valuation					
At 1 January 2019	420,342	349,167	515,941	262,096	1,547,546
Additions	44,396	14,904	56.958	85,639	201,897
Disposals			(163,346)		(163,346)
At 31 December 2019	464,738	364,071	409,553	347,735	1,586,097
Depreciation					
At 1 January 2019	333,584	340,414	464,562	238,117	1,376,677
Provided for the year	20,611	4,513	39,126	19,196	83,446
Disposals			(163,346)		(163,346)
At 31 December 2019	354,195	344,927	340,342	257,313	1,296,777
Net book value					
At 31 December 2019	110,543	19,144	69,211	90,422	289,320
At 31 December 2018	86,758	8,753	51,379	23,979	170,869

The net book value of tangible fixed assets includes an amount of £67,808 (2018 - £NIL) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £3,569 (2018 - £2,152).

14. *Fixed asset investments*

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Company number	Country of incorporation	Class of shares	Holding	Principal activity
Foster Denovo Limited	05970987	England and Wales	Ordinary	100%	Financial advice
Foster Denovo Group Services Limited	06966738	England and Wales	Ordinary	100%	Services Company
Sequel Investments Limited	06751956	England and Wales	Ordinary	100%	Sponsor of investment funds
FDERL Oldco Limited (formerly Foster Denovo Enrolsme Limited) * (Dissolved 1 October 2019)	08114721	England and Wales	Ordinary	100%	Online auto-enrolment solution provider
Foster Denovo Regulatory Services Limited	07441279	England and Wales	Ordinary	100%	Dormant
Secondsight UK Limited	05477434	England and Wales	Ordinary	100%	Dormant
TEBC Limited	04674059	England and Wales	Ordinary	100%	Financial advice
FD Dynamic Portfolios Limited	11721242	England and Wales	Ordinary	100%	Fund Management
Orchard Wealth Cultivation Limited	05383425	England and Wales	Ordinary	100%	Financial advice

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

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

Orchard Wealth Cultivation Limited is exempt from the requirements of the Companies Act relating to the audit of individual subsidiary accounts by virtue of section 479A of the companies Act 2006. The parent company, Foster Denovo Group Limited has given a guarantee under section 479C of the Companies Act 2006 in respect of the financial year ending 31 December 2019 for this subsidiary.

14. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost	
At 1 January 2019	**5,800,754**
Further Investment in Foster Denovo Limited	**4,022,366**
Purchase of Orchard Wealth Limited	**1,328,614**
Cost of share based payments relating to subsidiary companies	**57,395**
At 31 December 2019	**11,209,129**
Net book value	
At 31 December 2019	**11,151,734**
At 31 December 2018	5,800,754

During the year the company provided £3,800,000 of additional equity capital to its regulated subsidiary Foster Denovo Limited to facilitate the acquisition of the UK Wealth business from London and Capital.

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

15. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due after more than one year				
Other debtors	**235,684**	227,935	**-**	-

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Due within one year				
Trade debtors	**1,008,018**	1,179,252	**-**	-
Amounts owed by group undertakings	**-**	-	**2,076,940**	1,907,440
Other debtors	**1,063,223**	1,326,293	**21,543**	307,310
Prepayments and accrued income	**2,392,813**	1,918,378	**-**	-
	4,464,054	4,423,923	**2,098,483**	2,214,750

Included in other debtors is £48,646 (2018 - £48,646) 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 £672,515 (2018 - £548,173) that relates to amounts recoverable from Professional Indemnity Insurers and/or financial advisers in relation to complaints (see note 21).

16. Creditors: amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade creditors	**766,057**	895,110	**385**	739
Amounts owed to group undertakings	**-**	-	**4,787,708**	1,014,642
Corporation tax	**32,643**	264,529	**-**	-
Other taxation and social security	**472,181**	392,672	**-**	-
Obligations under finance lease and hire purchase contracts	**14,275**	24,199	**-**	-
Other creditors	**1,870,096**	64,539	**1,219,426**	5,821
Accruals and deferred income	**1,650,703**	1,471,355	**200,530**	-
	4,805,955	3,112,404	**6,208,049**	1,021,202

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

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Other secured loans	**850,000**	836,200	**850,000**	836,200
Net obligations under finance leases and hire purchase contracts	**53,532**	-	-	-
Other creditors	**691,378**	-	**215,796**	-
	1,594,910	836,200	**1,065,796**	836,200

Other loans are repayable in November 2021 and are secured by a debenture granting a fixed and floating charge over the Company's assets and undertakings.

Other creditors represents the deferred payments arising as a result of the two acquisitions made during the year.

18. Hire purchase and finance leases

Minimum lease payments under hire purchase and operating leases fall due as follows:

	Group 2019 £	Group 2018 £
Within one year	**14,275**	24,199
Between 1-2 years	**53,532**	-
	67,807	24,199

19. Commitments under operating leases

At 31 December 2019, the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £
Within one year	**685,894**	673,282
Between 1-5 years	**2,268,199**	2,601,280
After 5 years	**-**	328,614
	2,954,093	3,603,176

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

	Group 2019 £	Group 2018 £
Loss on ordinary activities before tax	**(614,005)**	(342,520)
Depreciation and amortisation	**608,623**	509,377
Exceptional expenses	**196,104**	122,500
Interest receivable	**(11,782)**	(38,488)
Interest payable	**152,555**	80,345
Share based payment	**57,395**	75,754
Net movement in working capital	**(400,596)**	(330,648)
Corporation tax credit	**242,673**	29,281
Operating cash flow before exceptional expenses	**230,967**	105,601

21. Financial instruments

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	**4,528,484**	6,143,474	**2,112,551**	2,272,970
Financial liabilities				
Financial liabilities measured at amortised cost	**(5,100,323)**	(3,274,897)	**(7,058,065)**	(1,871,202)

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.

22. Provisions

Group

	Deferred taxation £	Indemnity provision £	Claims provision £
At 1 January 2019	**(186,843)**	**92,709**	**546,946**
Current Year timing difference			
Prior year adjustments			
Utilised in the year	**18,525**	**-**	**(158,479)**
Released to profit and loss		**-**	**265,082**
At 31 December 2019	**(168,318)**	**92,709**	**653,549**

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. 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.

23. 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.

24. Share capital

	2019 £	2018 £
Shares classified as equity		
Allotted, called up and fully paid		
33,022,947 'A' ordinary shares of £0.01 each	**330,830**	330,230
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
	738,990	738,390

During 2020, 60,000 "A" ordinary shares of 1p each, with a nominal value of £600, were issued for £3,400, including a premium of £2,800.

Enterprise Management incentive plan

At 31 December 2019 the following share options were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of option	Price per share
10/06/2011	189,332	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	5,760	2015-2025	5.0p
14/12/2015	752,275	2015-2025	5.0p
10/11/2016	1,019,533	2016-2026	7.0p
10/11/2016	89,000	2017-2026	7.0p
10/11/2016	219,000	2019-2026	7.0p
10/11/2016	100,000	2019-2026	7.0p
27/11/2017	1,239,331	2017-2027	6.5p
27/11/2017	2,265,466	2017-2027	7.0p
27/11/2017	205,700	2018-2027	7.0p
27/11/2017	500,000	2020-2027	7.0p
27/11/2017	5,369,604	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
10/01/2019	1,000,000	2021-2029	7.0p
18/02/2019	4,999,999	2019-2029	10.00p
20/02/2019	572,000	2022-2029	11.20p

24. Share capital (continued)

Enterprise Management incentive plan (continued)

At 31 December 2019 the following share options were outstanding in respect of the ordinary shares (continued):

Date of grant	Number of shares	Period of option	Price per share
25/02/2019	150,000	2022-2029	7.0p
25/02/2019	792,000	2022-2029	12.00p
26/02/2019	290,000	2022-2029	12.00p
04/03/2019	170,000	2022-2029	12.00p
07/05/2019	251,920	2022-2029	7.00p

Adviser Share Option Plan

At 31 December 2019 the following share options were outstanding in respect of the ordinary shares:

Date of grant	Number of shares	Period of option	Price per share
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	2,446,237	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	1,105,000	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
05/08/2019	307,813	2019-2029	7.0p

25. 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.

	2019 Weighted average exercise price (pence) £	**2019 Number £**	2018 Weighted average exercise price (pence) £	2018 Number £
Outstanding at the beginning of the year	6.7	17,956,298	6.5	23,566,254
Granted during the year	4.5	8,225,919	7.0	2,000,000
Exercised during the year	5.7	(60,000)	5.0	(80,000)
Expired during the year	-	-	-	-
Lapsed during the year	7.0	(256,000)	6.0	(7,529,956)
Outstanding at the end of the year	**6.0**	**25,866,217**	6.7	17,956,298

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.

	2019 Weighted average exercise price (pence)	**2019 Number**	2018 Weighted average exercise price (pence)	2018 Number
Outstanding at the beginning of the year	**5.0**	**474,791**	5.0	474,791
Granted during the year		-	-	-
Exercised during the year		-		-
Lapsed during the year	**5.0**	**(307,813)**		-
Outstanding at the end of the year	**5.0**	**166,978**	5.0	474,791

25. Share based payments (continued)

Adviser Share Option Scheme 2013-2016

	2019 Weighted average exercise price (pence)	**2019 Number**	2018 Weighted average exercise price (pence)	2018 Number
Outstanding at the beginning of the year	**7.1**	**24,035,457**	7.0	23,369,851
Granted during the year	**7.0**	**307,813**	7.0	670,606
Lapsed during the year	**7.0**	**(100,000)**	6.5	(5,000)
Outstanding at the end of the year	**7.1**	**24,243,270**	7.1	24,035,457

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.

	2019	2018
	Black Scholes Merton	Black Scholes Merton
Weighted average contractual life (years)	**10**	10
Expected volatility	**24.12%**	27.76%
Risk free interest rate	**0.69%**	0.78%
Expected dividend growth rate	**0.0%**	0.0%

The underlying value of the shares was taken as 7.0p (2018 – 7.0p) being the actual market value agreed with HMRC for the purposes of the EMI options granted during 2019. 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	57,395	75,754

26. 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 £383,267 (2018 - £397,864). Contributions totalling £82,528 (2018 - £61,086) were payable to the fund at the reporting date and included in accruals.

27. Acquisition of Trade and Assets

On 19th February 2019 the Group acquired 100% of Orchard Wealth Cultivation Limited, a UK based Wealth Advisory business for £1.0 million paid in cash.

	Book Value £	Fair value adjustment £	Fair Value £
Tangible Fixed Assets	1,361	-	1,361
Current Assets			
Debtors	2,953	-	2,953
Cash at bank and in hand	166,721	-	166,721
Total Assets	171,035	-	171,035
Creditors due within one year	(53,847)	-	(53,847)
Fair value of net assets	117,188	-	117,188
Goodwill			892,214
Total purchase consideration			1,009,402
Cash outflow on acquisition			550,000
Deferred consideration			459,402

The intangible assets comprise customer lists and customer relationships.

Since acquisition, Orchard Wealth has contributed £0.13 million to profit and £0.25 million to turnover.

On 1st May 2019, the trade of the UK Wealth Division of London and Capital was acquired by Foster Denovo Limited for £2.3 million paid in cash.

	Book Value £	Fair value adjustment £	Fair Value £
Fair value of net assets	-	-	-
Goodwill			2,268,598
Total purchase consideration			2,268,598
Cash outflow on acquisition			1,215,238
Deferred consideration			1,053,360

The intangible assets comprise customer lists and customer relationships.

Since acquisition, the business has contributed £0.14 million to profit and £0.52 million to turnover.

28. 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 £418,485 (2018 - £392,036). 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 (2018 - £Nil).

There is no ultimate controlling party to the Group.

29. Post Balance Sheet Note

Since the Group's year end, the global economy has been adversely impacted by the emergence of the Covid-19 health pandemic and the Government lockdown imposed in the UK. This has had an effect on the UK economy but it remains too early to predict what the eventual impact of the downturn will be, it is expected that there will be some impact on the Group's revenue, although not on its ability to continue as a going concern.

The directors have carried out stress forecasts to monitor the impact of the Covid-19 pandemic on the Company and Group and further details on this are set out in the "Post balance sheet event – Covid-19 paragraph" in the Directors' report. The directors are continuously monitoring the Group's liquidity and capital requirements and position.

This is a non-adjusting post balance sheet event and as such does not impact the financial position of the Group as at 31 December 2019