Foster Denovo Limited

Report and Financial Statements

Year Ended

31 December 2021

Company Number 05970987

Foster Denovo Limited

Company Information

Directors	R N Brosch D S Currie H M Lovett A Taylor P J Davies A R Jordache (resigned 31 January 2022)
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
Bankers	Barclays Bank PLC PO Box 100 Leeds LS1 1PA

Foster Denovo Limited

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Foster Denovo Limited

Strategic Report
For the Year Ended 31 December 2021

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 2021.

Introduction

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 £23.4m (2020 - £19.7m).

The loss for the year before taxation amounted to £0.2m (2020 – £0.9m) an increase of £0.7m. Revenues increased by £3.7m, cost of sales increased by £3.2m and administrative expenses decreased by £0.2m giving an increase in operating profit of £0.7m reflecting the results of the strategy of the company to continue to invest and build its operational capability to support future growth including further acquisitions.

The Directors monitor key metrics on a regular basis in order 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.

New funding received in early 2022 – post balance sheet event

The Group announced in early April 2022 that it had secured up to £100m of funding from Crestline Investors, Inc. The investment will fund the Company's and the Group's acquisition and growth strategy and the transaction was completed in February 2022. The Company and Group have used the initial funding to undertake a series of acquisitions in the form of adviser practice buy-outs covering four of the largest private client and corporate practices operating under the Company and Group. The Group expects to use further drawdowns to fund further acquisitions in line with strategy.

The initial amount drawn down was £17.3m with the Group issuing 5.2m new preferred shares. After the Group purchased the four practices; the businesses were sold to the Company with the Company issuing 33m new shares as consideration. The acquisition of the four practices is expected to increase EBITDA significantly in 2022.

Going concern

As noted in the review of business section above the Company has had a more profitable year in 2021 than in 2020. This enabled the Directors to enter into discussions with potential investors resulting in the completion of a funding transaction in early 2022.

As noted immediately above in the post balance sheet event section, the first drawdown of this additional funding has been immediately put to use by the Company and Group though the initial acquisition of the four largest adviser practice buy-outs. The funding and acquisitions increase both the EBITDA of the Company and the Group and the operational cash flow of the Company and the Group, putting the Company and 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. 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.

The Directors are not aware at the date of this report of any 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 2021

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 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:

- Refinements to the business model to enable on-line as well as face-to-face working and combinations of the two as suitable to best fit client demand and needs; and
- The commitment to search for an investment partner to fund the next phase of growth (funding transaction with Crestline Investors Inc completed after the 2021 year end in February 2022.

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 1 December 2022 and signed on its behalf.

R Brosch

Roger Brosch

Director

Foster Denovo Limited

Directors' Report
For the Year Ended 31 December 2021

The Directors present their report together with the audited financial statements for the year ended 31 December 2021.

Directors

The Directors who served during the year were as follows:

R N Brosch
D S Currie
H M Lovett
A Taylor
P J Davies
A R Jordache (resigned 31 January 2022)

Annual General Meetings

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

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.

Auditors

In accordance with the provisions of the Companies Act legislation the Company has dispensed with the obligation to appoint auditors annually.

The Directors' Report was approved by the Board on 1 December 2022 and signed on its behalf:

Roger Brosch
Director

Directors' Responsibilities Statement
For the Year Ended 31 December 2021

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 2021

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 2021 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 2021 which comprise the statement of comprehensive income, statement of financial position, 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 remain 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 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.

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 or 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.

We gained an understanding of the legal and regulatory framework applicable to Company and the industry in which they operate and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including but not limited to compliance with Companies Act 2006, relevant accounting standards and UK tax legislation. We assessed the extent of compliance as part of our procedures on the related financial statement areas. We considered compliance through discussions with management and those charged with governance and performed audit procedures on these areas as considered necessary.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of override of controls and determined that the principal risks were related to management bias in accounting estimates. We addressed the risk of management override of internal controls through testing journals and other adjustments, evaluating the business rationale of any significant transactions that were unusual or outside the normal course of business.

We evaluated whether there was evidence of bias by the Directors in accounting estimates that represented a risk of material misstatement due to fraud. We challenged assumptions and judgements made by management in their significant accounting estimates.

We read minutes of board minutes to identify any non-compliance with laws and regulations.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including any specialists, to ensure we remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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:

Andrew Barclay

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Andrew Barclay (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
1 December 2022
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 2021

	Note	2021 £'000	2020 £'000
Revenue	4	**23,412**	19,709
Cost of sales	4	**(13,604)**	(10,376)
Gross profit		**9,808**	9,333
Administrative expenses:			
Normal		**(9,539)**	(9,733)
Depreciation and amortisation		**(349)**	(395)
Operating profit / (loss)			
Before depreciation and amortisation	5	**269**	(400)
After depreciation and amortisation	5	**(80)**	(795)
Interest receivable and similar income	8	**4**	7
Interest payable and expenses	9	**(130)**	(77)
Loss before tax		**(206)**	(865)
Tax on loss on ordinary activities	10	**(13)**	178
Total comprehensive loss for the financial year		**(219)**	(687)

There was no other comprehensive income for 2021 (2020 £Nil).

All amounts relate to continuing activities.

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

Foster Denovo Limited
Registered number: 05970987

Statement of Financial Position
As at 31 December 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Intangible assets	11		**1,626**		1,986
Tangible assets	12		**194**		267
			1,820		2,253
Current assets					
Debtors	13	**6,574**		5,292	
Cash at bank and in hand		**2,025**		1,726	
		8,599		7,018	
Current liabilities					
Creditors: amounts falling due within one year	14	**(6,331)**		(5,129)	
Net current assets			**2,268**		1,889
Total assets less current liabilities			**4,088**		4,142
Provisions and long term liabilities					
Creditors: amounts falling due after one year	15		**(25)**		(39)
Other provisions	16		**(289)**		(623)
Net assets			**3,774**		3,480

Foster Denovo Limited
Registered number: 05970987

Statement of Financial Position (continued)
As at 31 December 2021

	Note	2021 £'000	2020 £'000
Capital and reserves			
Called up share capital	17	**7,800**	7,300
Capital contribution reserve	18	**508**	495
Profit and loss account	18	**(4,534)**	(4,315)
Shareholders' funds		**3,774**	3,480

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 December 2022.

R N Brosch
Director

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 2021

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2021	7,300	495	(4,315)	3,480
Comprehensive income for the year				
Loss for the year	-	-	(219)	(219)
Total comprehensive loss for the year	-	-	(219)	(219)
Contributions by and distributions to owners				
Shares issued during the year	500			500
Share Based payments	-	13	-	13
Total transactions with owners	500	13	-	513
At 31 December 2021	7,800	508	(4,534)	3,774

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 2020

	Called up share capital	Capital contribution reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2020	7,300	499	(3,628)	4,171
Comprehensive income for the year				
Loss for the year	-	-	(687)	(687)
Total comprehensive loss for the year	-	-	(687)	(687)
Contributions by and distributions to owners				
Shares issued during the year	-	-	-	
Share based payments	-	(4)	-	(4)
Total transactions with owners	-	(4)	-	(4)
At 31 December 2020	7,300	495	(4,315)	3,480

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

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 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 3).

2.2 Going concern

The directors have a reasonable expectation that the 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 company's liquidity and capital over the next twelve months including the impact of the COVID-19 pandemic. 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 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Foster Denovo Group Limited as at 31 December 2021 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

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

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill arising on acquisitions is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Goodwill is capitalised and amortised to 'administrative expenses' in the statement of comprehensive income over the directors' estimate of its useful economic life of 10 years. Provision is made for impairment where required.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised to 'administrative expenses' in the statement of comprehensive income over the directors' estimate of their useful economic life of 5 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

2.7 Impairment of fixed assets and intangible assets (including goodwill)

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. 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. Accounting policies (continued)

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

Short term 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 and cash equivalents

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.

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.

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 debtors and creditors, 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.

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

Short term 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. Accounting policies (continued)

2.15 Share based payments

Foster Denovo Group Limited, the parent company, operates several share option schemes for the employees and advisers of Foster Denovo Limited.

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the 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 statement of financial position 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 fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

The parent company operates a convertible loan stock scheme for the advisers. The fair value of the options is charged to the 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 statement of financial position 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.

The shares are awarded in the parent company, Foster Denovo Group Limited, therefore this is recognised as a capital contribution in reserves.

2.16 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.

2.17 Interest income

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

2. Accounting policies (continued)

2.18 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.

2.19 Current and deferred 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.

2. Accounting policies (continued)

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 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.

4. Revenue and Cost of Sales

Revenue is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

Cost of sales reflects the amounts paid to self-employed partners.

5. Operating loss

The operating loss is stated after charging:

	2021	2020
	£'000	£'000
Depreciation of tangible fixed assets	**102**	113
Amortisation of intangible assets, including goodwill	**247**	282
Operating lease expense	**647**	637
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	**85**	63
Fees payable to the company's auditor or an associate of the company's auditor for taxation compliance	**12**	11
Share based payment	**13**	(4)

6. Employees

Staff costs (including directors) were as follows:

	2021 £'000	2020 £'000
Wages and salaries	**8,286**	7,265
Social security costs	**778**	727
Other pension costs	**493**	398
	9,557	8,390

The Group provides services to self-employed financial advisors (called partners). Of the above total, an amount of £2,938k (2020 – £2,880k) was recovered from self-employed partners.

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

	2021 No.	2020 No.
Directors	**6**	6
Employed advisers	**16**	19
Administration	**177**	187
	199	212

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

	2021 £	2020 £
Directors emoluments	**608**	533
Company contributions to money purchase pension schemes	**48**	29
	656	562

There were two directors in the company's defined contribution pension scheme during the year (2020 two).

The total amount payable to the highest paid director in respect of emoluments was £210k (2020 - £185k). Company pension contributions of £17k (2020 - £5k) were made to a money purchase scheme on their behalf.

Of the total share based payment charge (see note 5), £2k (2020 - £(11)k) 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 £1,072k (2020 - £986k).

8. Interest receivable

	2021 £'000	2020 £'000
Other interest receivable	**4**	7

9. Interest payable and similar expenses

	2021 £'000	2020 £'000
Finance leases and hire purchase contracts	**130**	77

10. Taxation

	2021	2020
	£'000	£'000
UK Corporation Tax		
Group relief (receivable)	**(95)**	(169)
Total Current Tax (credit)	**(95)**	(169)
Deferred tax		
Origination and reversal of timing differences	**166**	3
Adjustment in respect of previous period	**(5)**	(12)
Effect of tax rate change on opening balance	**(53)**	
Total deferred tax	**108**	(9)
Taxation on profit/(loss) on ordinary activities	**13**	(178)

Factors affecting tax credit for the year
The tax assessed for the year is higher than (2020 – lower than) the standard rate of corporation tax in the UK of 19% (2020 19%). The differences are explained below:

	2021	2020
	£'000	£'000
Profit/(loss) on ordinary activities before tax	**(206)**	(865)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 19%)	**(39)**	(165)
Effects of:		
Expenses not deductible for tax purposes	**22**	1
Other Timing differences	**-**	-
Capital allowances in deficit of depreciation	**48**	55
Adjustments to tax charge in respect of prior periods	**-**	-
Adjustment in respect of previous period - deferred tax	**(5)**	(12)
Other Adjusting Items	**-**	(57)
Remeasurement of deferred tax for changes in tax rates	**(13)**	-
Group relief	**95**	168
Payment for group relief claimed / surrendered	**(95)**	(168)
Total tax charge / (credit) for the year	**13**	(178)

11. Intangible assets

	Other intangible assets £'000	Purchased goodwill £'000	Total £'000
Cost			
At 1 January 2021	769	3,360	4,129
Change in goodwill from acquisitions due to a change in estimate of the deferred payments	-	(113)	(113)
Written off during the year as fully amortised	-	(528)	(528)
At 31 December 2021	769	2,719	3,488
Amortisation			
At 1 January 2021	769	1,374	2,143
Provided for the year	-	247	247
Written off during the year as fully amortised	-	(528)	(528)
At 31 December 2021	769	1,093	1,862
Net book value			
At 31 December 2021	-	1,626	1,626
At 31 December 2020	-	1,986	1,986

12. Tangible fixed assets

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer equipment £'000	Computer software £'000	Total £'000
Cost					
At 1 January 2021	478	346	416	374	1,614
Additions	15	3	11	-	29
At 31 December 2021	493	349	427	374	1,643
Depreciation					
At 1 January 2021	379	331	343	294	1,347
Charge for the year	27	7	42	26	102
At 31 December 2021	406	338	385	320	1,449
Net book value					
At 31 December 2021	87	11	42	54	194
At 31 December 2020	99	15	73	80	267

13. Debtors

	2021	2020
	£'000	£'000
Due after more than one year		
Deferred Tax Asset (note 17)	56	164
Other debtors	253	228
	309	392
Due within one year		
Trade debtors	811	159
Amounts due from group undertakings	3,417	2,665
Other debtors	370	753
Prepayments and accrued income	1,667	1,323
	6,265	4,900

Included in other debtors is £37k (2020 - £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 £229k (2020 - £610k) that relates to amounts recoverable from Professional Indemnity Insurers and/or financial advisers in relation to complaints (see note 16).

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £NIL (2020 - £NIL) and in respect of amounts recoverable from partners was £4k (2020 - £66k).

14. Creditors: Amounts falling due within one year

	2021	2020
	£'000	£'000
Trade creditors	911	268
Amounts owed to group undertakings	2,276	2,378
Other taxation and social security	434	309
Obligations under finance lease and hire purchase contracts	14	14
Other creditors	-	433
Accruals and deferred income	2,696	1,727
	6,331	5,129

During the year the parent Company, Foster Denovo Group Limited, entered into 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. The overdraft facility has not been utilised during the year.

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

	2021 £'000	2020 £'000
Obligations under finance lease and hire purchase contracts	**25**	39
	25	39

16. Provisions

	Indemnity commission £'000	Claim provision £'000	Total £'000
At 1 January 2021	**46**	**577**	**623**
Charged to profit and loss	**19**	**123**	**142**
Utilised in year	**(18)**	**(458)**	**(476)**
At 31 December 2021	**47**	**242**	**289**

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.

16. Provisions (continued) – Deferred Tax Assets

	Deferred taxation Total £'000	Fixed Asset timing differences £'000	Short term timing differences £'000	Losses and other deductions £'000
At 1 January 2021	**164**	(22)	-	186
Origination and reversal of timing differences	**(166)**	13	19	(198)
Adjustment in respect of previous period	**5**	-	-	5
Effect of tax rate change on opening balance	**53**	(7)	-	60
At 31 December 2021	**56**	(16)	19	53

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

17. Share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid		
7,800,000 Ordinary shares of £1 each	7,800	7,300

18. 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.

19. 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.

20. 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 £493k (2020 - £397k). There were no outstanding contributions at either 31 December 2021 or 31 December 2020.

21. Commitments under operating leases

At 31 December 2021 the company had future minimum lease payments under noncancellable operating leases as follows:

	2021 £'000	2020 £'000
Not later than 1 year	**642**	676
Later than 1 year and not later than 5 years	**998**	1,606
	1,640	2,282

22. 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 £434k (2020 - £419k). 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 (2020 - £Nil).

23. Ultimate parent company

The company is a subsidiary of Foster Denovo Group Limited which is the ultimate parent company 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. No other group accounts include the results of the company.