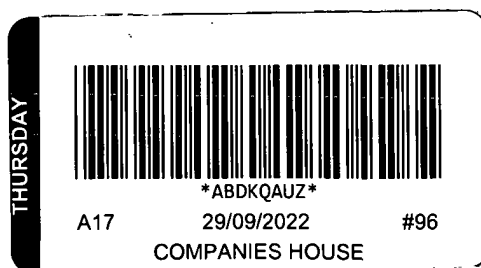


TenetConnect Services Limited
Annual Report and Financial Statements
For the Year Ended 30 September 2021



TenetConnect Services Limited

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TenetConnect Services Limited

Company Information

Director

H M Ball
J Darlington
M W Scanlon
M K Tyler

Company secretary

R J Fletcher

Registered office

5 Lister Hill
Horsforth
Leeds
LS18 5AZ

Solicitors

Addleshaw Goddard LLP
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

Bankers

Lloyds Bank PLC
1 Lovell Park Road
Leeds
LS2 8DA

Auditors

Deloitte LLP
1 City Square
Leeds
LS1 2AL

TenetConnect Services Limited

Strategic Report for the Year Ended 30 September 2021

The directors present their strategic report for the Year Ended 30 September 2021.

Review of the business

The Company's principal activities are that of the management of a financial services network of independent financial advisers regulated by the Financial Conduct Authority ("FCA"). There have not been any significant changes in the Company's principal activities in the year under review. 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.

The Company continued to be impacted by the Covid-19 pandemic particularly in the first half of the financial year. Turnover decreased by £2.8m to £17.2m (2020: £20.0m). The Company had a loss before tax of £1.1m (2020: loss £0.5m), primarily due to the impact of the British Steel pension scheme s404 redress scheme of £0.9m (2020: £nil). Included within the loss before tax is £2.0m of provision releases outside of the British Steel s404. The statement of financial position shows that the Company's net asset position at the year-end has decreased by £2.2m to £2.7m (2020: £4.9m). The directors are satisfied with the results for the year and expect the general level of activity next year to reflect market conditions.

The emergence of the BSPS provision was an adjustment calculated post balance sheet and to mitigate any negative impact on the Regulated Capital surplus, the Board engaged with the Shareholder to obtain support in the form of equity capital. The board also engaged with the FCA to keep them apprised of the impact of the BSPS provision as well as their plans to mitigate and as such, the capital position in September 2022 and in the forecast is in surplus and no regulatory breach was triggered.

The directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. Notes 2 and 3 include details of key assumptions used in the preparation of the Company's financial statements. The principal risks and uncertainties facing the Company are detailed below. There have been no significant events since the balance sheet date.

Principal risks and uncertainties

The business is active in the sale of regulated financial products and advises customers as to their appropriateness. 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 and fines imposed by the FCA for regulatory breaches. The Company operates a strict compliance regime, including regular audits of its Appointed Representatives, to mitigate such risks and has arranged professional indemnity insurance which conforms to the requirements of the FCA.

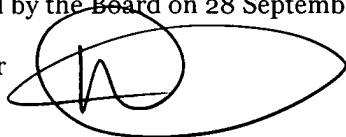
The business receives commission for the sale of financial products from life companies and mortgage lenders. Some commission payments are received on an "indemnity" basis and may become repayable in the event that a policy is cancelled subsequent to its sale. Where such clawbacks of commission occur, the Company typically recharges such amounts in full to the relevant Appointed Representative. As a consequence, to mitigate the risk of accepting commission on an indemnity basis, the Company monitors such activity and the ability of its Appointed Representatives to service their clawback liabilities to the Company.

Competitive pressure is a continuing risk for the Company, which could result in it losing sales to its key competitors. The Company manages this risk by providing added value services to its Appointed Representatives, having fast response times not only in supplying products and services but in handling all Appointed Representatives queries and by maintaining strong relationships with its Appointed Representatives.

Group risks are discussed in the ultimate parent undertaking's annual report which does not form part of this report.

Approved by the Board on 28 September 2022 and signed on its behalf by:

M K Tyler
Director



TenetConnect Services Limited

Directors' Report for the Year Ended 30 September 2021

The directors present their report and the financial statements for the Year Ended 30 September 2021.

Dividends

The directors do not recommend payment of a dividend (2020: £nil).

Directors of the Company

The directors, who held office during the year and up to the signing of these accounts, were as follows:

H M Ball
K J Craig (resigned on 31 July 2021)
J Darlington
M W Scanlon
M K Tyler (appointed 22 September 2022)

Future Developments and post Balance Sheet Events

On 14 September 2022 Tenet Limited subscribed for and purchased Ordinary shares of £1 each in TenetConnect Services Limited for a cash consideration of £1.0m. At the date of this report, the directors are not aware of any likely major changes in the Company's activities in the next year.

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the directors of the Company, to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as directors of the Company.

Going concern

In December 2021, Tenet Group Limited was contacted by the FCA in connection with a multi-firm thematic review in relation to the potential redress for former members of the British Steel Pension Scheme who had been advised to transfer out of the scheme with the intention of launching a Section 404 Redress Scheme. The Group's best estimate of the outflow in respect of TenetConnect Services Limited to £955k. This has been discounted to give a net present value of £927k.

On 14 September 2022 Tenet Limited subscribed for and purchased Ordinary shares of £1 each in TenetConnect Services Limited for a cash consideration of £1.0m.

The Company holds large buffers for regulatory capital and cash. This is monitored on a monthly basis. The Company's forecasts and projections, including sensitivity analysis taking into account reasonably possible adverse changes in trading performance, show that the Company should be able to operate successfully. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully in the present challenging economic environment.

The Company has an adequate level of financial resources, including £1.2m of cash at bank (2020: £2.4m) and net assets of £2.7m (2020: £4.9m). Furthermore, the Company has no bank debt or other financial liabilities with any restrictive or financial covenants. It has long established relationships with a large number of advisers, product providers and suppliers across a diverse geographical area within the U.K, with no significant credit risk exposure to any single counterparty.

Taking these factors into account, and after making enquiries, the directors have a reasonable expectation that the Company has adequate resources to trade successfully and fully comply with its regulatory requirements for 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

TenetConnect Services Limited

Directors' Report for the Year Ended 30 September 2021 (continued)

Appointment of auditors

The auditors Deloitte LLP have made the Company aware that they do not intend to continue in their role as auditors of the Company for the next financial year.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board on 28 September 2022 and signed on its behalf by:



M K Tyler
Director

Independent Auditor's Report to the members of TenetConnect Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of TenetConnect Services Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 September 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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

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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Independent Auditor's Report to the members of TenetConnect Services Limited (continued)

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

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

Extent to which the audit was considered 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 considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements and;
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Risk that revenue was not recognised in the correct accounting year. We tested the year-end pipeline receivable to post year-end receipt to ensure that the cut-off and inclusion in the pipeline receivable was correct with revenue recognised in the correct period.
- Risk of complaint provisions being incomplete. We tested provisions held relating to claims payables arising from complaints. We tested a sample of known complaints to relevant legal and regulatory correspondence to verify whether a provision was required at year-end. We tested the inputs of the unknown complaints model and the wider assumptions and judgements of the overall complaint total held against the risk of future settlements. Utilising regulatory and pension specialists we also challenged Management's key assumptions underlying the British Steel Pension Scheme provision, being suitability and redress rates, by reference to both internal data relating to settled claims and advice suitability as well as external data. We also independently extracted advice data to recalculate the affected population derived by Management.
- Risk of the clawback provision being incomplete. We tested the input assumptions of the clawback model and the key judgements around latency and claim rate. We tested a sample of individual clawbacks used in the calculation to ensure that calculation was being performed accurately.

Independent Auditor's Report to the members of TenetConnect Services Limited
(continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and the Financial Conduct Authority.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and 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 have 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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.



Matthew Bainbridge FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
28 September 2022

TenetConnect Services Limited

Income Statement for the Year Ended 30 September 2021

	Note	2021 £000	2020 £000
Turnover	2	17,213	20,023
Cost of sales		(14,620)	(17,609)
Gross profit		2,593	2,414
Administrative expenses		(2,802)	(2,957)
Operating loss before exceptional items		(209)	(543)
Exceptional costs	4	(927)	-
Operating loss	5	(1,136)	(543)
Interest receivable and similar income	6	7	12
Loss before tax		(1,129)	(531)
Income tax (charge)/credit	9	(74)	41
Loss for the year		(1,203)	(490)

The above results were derived from continuing operations. There was no recognised income and expenditure in the period other than the result for the year as shown above and consequently no statement of other comprehensive income has been presented.

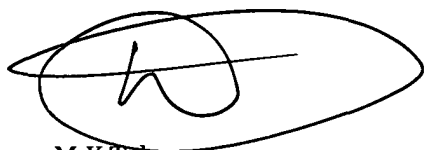
The notes on pages 12 to 20 form an integral part of these financial statements.

TenetConnect Services Limited
(Registration number: 02277754)
Statement of Financial Position as at 30 September 2021

	Note	2021 £000	2020 £000
Current assets			
Trade and other receivables	10	7,709	8,603
Cash at bank and in hand		1,167	2,413
		<u>8,876</u>	<u>11,016</u>
Trade and other payables	11	(4,477)	(3,881)
Total assets less current liabilities		<u>4,399</u>	<u>7,135</u>
Provisions for liabilities	12	(1,722)	(2,255)
Net assets		<u>2,677</u>	<u>4,880</u>
Equity			
Called up share capital	13	2,351	2,351
Other reserves		(1,092)	(92)
Retained earnings		<u>1,418</u>	<u>2,621</u>
Total equity		<u>2,677</u>	<u>4,880</u>

The notes on pages 12 to 20 form an integral part of these financial statements.

Approved by the Board on 28 September 2022 and signed on its behalf by:



M K Tyler
Director

TenetConnect Services Limited

Statement of Changes in Equity for the Year Ended 30 September 2021

	Share Capital £000	Other Reserves £000	Retained Earnings £000	Total £000
At 01 October 2020	2,351	(92)	2,621	4,880
Capital distribution	-	(1,000)	-	(1,000)
Loss for the year	-	-	(1,203)	(1,203)
Total comprehensive expense	-	-	(1,203)	(1,203)
At 30 September 2021	2,351	(1,092)	1,418	2,677

	Share Capital £000	Other Reserves £000	Retained Earnings £000	Total £000
At 01 October 2019	2,351	(92)	3,111	5,370
Loss for the year	-	-	(490)	(490)
Total comprehensive expense	-	-	(490)	(490)
At 30 September 2020	2,351	(92)	2,621	4,880

The notes on pages 12 to 20 form an integral part of these financial statements.

TenetConnect Services Limited

Notes to the Financial Statements for the Year Ended 30 September 2021

1. General information

The Company is a private company limited by share capital incorporated and domiciled in England and Wales.

The address of its registered office is:

5 Lister Hill
Horsforth
Leeds
West Yorkshire
LS18 5AZ

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

The financial statements have been prepared on the historic cost basis. The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to standards issued but not yet effective, financial instruments, presentation of a cash-flow statement and related party transactions. Where required, equivalent disclosures are given in the Group financial statements of Tenet Group Limited. The Group financial statements of Tenet Group Limited are available to the public.

As stated in the Directors' Report, after making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue trading successfully and fully comply with its regulatory requirements for 12 months from the date of the director's report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

2. Accounting policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New accounting standards

New standards, amendments and improvements to IFRS applicable to the current accounting period

There are no new accounting standards, amendments, or IFRS ICs which are expected to have an impact on the financial statements.

New standards, amendments and improvements to IFRS, applicable to the next accounting period.

There are no new accounting standards, amendments, or IFRS ICs which are expected to have an impact on the financial statements for the next accounting period.

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2. Accounting policies (continued)

Revenue recognition

All revenue relates to the principal activities described in the Strategic Report and arises in the United Kingdom.

Revenue is measured at the fair value of the consideration received or receivable and represents commissions and fees receivable, other amounts receivable from product providers and sales of services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Initial fee income is recognised once the performance obligation has been met, which is the provision of financial advice.

Renewal commissions are accounted for when received for those which have a servicing element. Fee income is recognised based on when the performance obligation is met and when there is likely to be no significant revenue reversal. Further details are available in the significant judgement and estimates note.

Related amounts of commission due to the Group's agents (Appointed Representatives and/or Financial Advisers) are included in cost of sales and trade creditors, when the corresponding revenue is recognised.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are only recognised when it is probable that the Company will be able to realise these benefits. Deferred tax liabilities are recognised when incurred. These are recognised at the substantially enacted tax rates.

Trade receivables

Trade and other receivables are classified as financial assets measured at amortised cost. Under the IFRS 9 ECL model, a credit event (or impairment trigger) no longer needs to occur before credit losses are recognised. The Company analysed the risk profile of trade receivables based on past experience and an analysis of the receivables current financial position, potential for a default event to occur, adjusted for specific factors, general economic conditions of the industry in which the receivables operate and assessment of both the current and forecast direction of conditions at the reporting date. A default event is considered to occur when information is obtained that indicates a receivable is unlikely to settle their liability with the Company.

Credit risk is regularly reviewed by management to ensure the expected credit loss model (ECL) is being appropriately applied.

TenetConnect Services Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables

Trade payables are other financial liabilities initially measured at fair value and subsequently measured at amortised cost.

Pensions

The Company contributes to a defined contribution pension scheme administered by another Group Company. The amounts charged to the income statement relate to the contributions payable in the year. Differences arising between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

The two most significant provisions are:

Commission clawback

The Company makes a provision in respect of commissions received on "indemnity" terms whereby commission amounts are repayable if policies are cancelled subsequent to their sale. This provision is estimated based on historic data. All commission amounts previously paid in respect of such cancelled policies are recharged in their entirety to the relevant Appointed Representatives. Where the collection of such receivables is doubtful, the Company makes an appropriate provision (see Note 12).

Claims payable

In the normal course of business, the Company receives queries and complaints regarding the sale of regulated financial products. Where appropriate these are investigated in accordance with the Company's procedures. In some instances, compensation may be payable. Based upon the experience of the Company, an estimate of the total compensation which may become payable is calculated. These amounts, if they become payable, will usually be recovered from either Professional Indemnity insurers and/or the Appointed Representative responsible for giving the advice about which the complaint was made (see Note 12). Where the collection of such receivables is doubtful, the Company makes an appropriate provision. Further details are available in the critical judgements and key sources of estimation note.

Financial assets and liabilities

Classification and measurement of financial assets and liabilities

Classification of financial assets and liabilities are generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at amortised cost if it is held with the objective of collecting the contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. There are currently no other financial assets which are measured at fair value through other comprehensive income or profit or loss.

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies

The following are critical judgements that the Company has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Renewal commissions are accounted for when received for those which have a servicing element. Fee income is recognised based on when the performance obligation is met and when there is likely to be no significant revenue reversal.

For renewals and trail income, which have no servicing requirements, in accordance with IFRS 15, the performance obligations have already been met and therefore all of the revenue (and related costs) should be recognised up front. The total amount of this income stream has been estimated and discounted back to present value at the risk adjusted rate (risk free rate with customer credit risk and market risk).

The income was recognised in the prior financial year, with the corresponding balance sheet entry being a contract asset within debtors. The associated costs and a contract liability has also been recognised in cost of sales and creditors which relates to the amounts of commission due to the Group's agents.

Sensitivities have been performed on the tail length at 10 and 15 years which would give a difference of £20k less to £12k more in profit before tax in the current financial year. If a discount rate of 5% was used, this would result in £7k less profit before tax in the current financial year.

Related amounts of commission due to the Company's agents (Appointed Representatives and/or Financial Advisers) are included in cost of sales and trade creditors when the corresponding revenue is recognised.

Key sources of estimation uncertainty

Accrued revenue

Due to the nature of the business, it is not possible to precisely determine at the date of the financial statements which policies have been accepted by the product providers or mortgages completed where commissions have not yet been received by these companies. The estimated accrued revenue is based upon historic data regarding the value of policies submitted to the product providers, in line with the requirements of IFRS 15 and IFRS 9.

Commission clawback

All commission amounts previously paid by the Company in respect of such cancelled policies are recharged to the relevant Appointed Representative and/or Financial Adviser.

Commission clawbacks are typically recharged to the relevant Appointed Representative by the Company. Where the collection of such receivables is doubtful, an appropriate provision is made. As such there is an uncertainty over the number of clawbacks received, and the amount recoverable from Appointed Representatives which require estimation.

Provision may be made in respect of commissions received on "indemnity" terms whereby commission amounts are repayable if policies are cancelled subsequent to their sale. This provision is estimated based on historic data, of the number of clawbacks, the emergence period of the clawback and the amount of clawback within a 48-month period of the indemnity policy being written.

TenetConnect Services Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Claims payable

In the normal course of business, the Company receives queries and complaints regarding the sale of financial products and/or financial advice. Where appropriate these are investigated, in some instances redress may be payable. Claims are reviewed on a regular basis through the Group Claims Committee.

All complaints are investigated in accordance with regulatory rules. Where redress is payable, loss calculations are undertaken using market wide technology utilised by the Financial Ombudsman Service or through external actuarial services. Based upon the historic experience, an estimate of total redress which may be payable is calculated based upon the assessment of the claim, legal advice and regulator correspondence. Given the nature and uniqueness of these claims, as well as influence from external parties, a level of uncertainty is evident in the amount of any payable redress. On top of this estimate, a proof in total model is prepared, based on historic information, factoring in the type and amounts of business written, claims received, settled and total settlement amounts. This is then sensitised if the claim rate and settlement rates were to change. The overall economic environment and state of the markets are used to determine if a higher claim or settlement rate should be factored in.

These amounts, if they become payable, will usually be recovered from either Professional Indemnity insurers and/or the Appointed Representative and/or Financial Advisers responsible for giving the advice about which the complaint was made.

Claims payable – British Steel Pension Scheme s404 provision

To arrive at our estimate of the final liability arising under the British Steel Pension Scheme s404 redress claim we identified the British Steel Pension Scheme population and applied an unsuitability rate and a redress rate, using our best estimates and following advice from a number of industry experts. For more information on the British Steel Pension Scheme s404 provision calculation see Note 12 to the accounts.

4. Exceptional costs

The exceptional costs for the year were as follows:

	2021 £000	2020 £000
Provision for British Steel s404 claims	(927)	-
	<u>(927)</u>	<u>-</u>

5. Operating loss

Operating loss is arrived at after charging:

	2021 £000	2020 £000
Auditor's remuneration	<u>32</u>	<u>23</u>

Audit fees for the Company are borne by Tenet Group Limited on behalf of all the Group companies, an allocation has been made for disclosure purposes.

6. Interest receivable and similar income

	2021 £000	2020 £000
Bank interest	7	5
Other interest	-	7
	<u>7</u>	<u>12</u>

7. Staff costs

TenetConnect Services Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

All staff utilised by the Company in the delivery of its services are employed by Tenet Group Limited. Tenet Group Limited is responsible for the payment of the remuneration of all Tenet Group Limited employees, including the directors of the Company, and it receives recompense from the Company in respect of this service through management recharges.

The amounts disclosed below relate to amounts which are incurred by the Company and have been recharged to the Company by Tenet Group Limited.

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021	2020
	£000	£000
Wages and salaries	1,129	1,527
Social security costs	124	165
Pension costs, defined contribution scheme	67	82
	<u>1,320</u>	<u>1,774</u>

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2021	2020
	No.	No.
Administration and support	31	33
Directors	4	4
	<u>35</u>	<u>37</u>

8. Directors' remuneration

The fees or emoluments of all directors were paid by Tenet Group Limited.

Three (2020: four) of the directors are executives of the ultimate parent undertaking, Tenet Group Limited, and their remuneration is disclosed within Tenet Group Limited consolidated accounts. No allocation between the services is made nor is the Group prepared to attempt such allocation.

9. Income tax

Tax charged/(credited) in the income statement:

	2021	2020
	£000	£000
Current taxation		
Deferred tax	74	-
UK corporation tax	-	(41)
Total tax charge/(credit)	<u>74</u>	<u>(41)</u>

The tax on profit before tax for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are reconciled below:

	2021	2020
	£000	£000
Loss before tax	(1,129)	(531)
Corporation tax at standard rate	(215)	(101)
Adjustments for:		

TenetConnect Services Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

- Depreciation and assets subject to capital allowances written off	46	29
- Capital allowances	(4)	(4)
- Group relief	-	(2)
- Brought forward losses utilised	(68)	-
- Provisions reallocated	64	-
- Prior year adjustment	-	(35)
Other timing differences	177	-
Deferred tax movement	74	72
Total tax charge/ (credit)	<u>74</u>	<u>(41)</u>

Finance Act 2021, which was substantively enacted on 24 May 2021, includes a provision to increase corporation tax to 25% with effect from 1 April 2023. This rate increase has been applied to any timing differences expected to reverse on or after 1 April 2023.

Deferred tax

The current deferred tax asset balance at £21k (2020: £94k at 19%) is in relation to capital allowances and carried forward losses.

10. Trade and other receivables

	2021	2020
	£000	£000
Trade receivables	3,798	4,305
Provision for impairment of trade receivables	<u>(706)</u>	<u>(459)</u>
Net trade receivables	3,092	3,846
Amounts due from related parties	4,580	4,600
Prepayments	16	63
Deferred tax asset	<u>21</u>	<u>94</u>
Total current trade and other receivables	<u>7,709</u>	<u>8,603</u>

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Included in trade receivables is £586k (2020: £549k) that relates to amounts receivable from Appointed Representatives in relation to claims payable (see Notes 2 and 11) and £4k (2020: £61k) that relates to the provision of secured loans as part of the Company's ongoing support for its Appointed Representatives.

11. Trade and other payables

	2021	2020
	£000	£000
Trade payables	2,824	3,484
Accrued expenses	10	9
Amounts due to related parties	1,393	5
Social security and other taxes	25	23
Other payables	<u>225</u>	<u>360</u>
	<u>4,477</u>	<u>3,881</u>

The directors consider that the carrying amount of trade and other payables approximates their fair value. Amounts due to related parties are repayable on demand.

TenetConnect Services Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

12. Provisions for liabilities

	Claims Payable £000	Clawbacks £000	Total £000
At 01 October 2020	2,236	19	2,255
British Steel s404 provision	927	-	927
Other provisions added	502	20	522
Provisions released	(1,963)	(19)	(1,982)
At 30 September 2021	1,702	20	1,722
Non-current liabilities	1,702	20	1,722

Claims payable provision

The claims payable provision is in respect of amounts that may be payable to customers of the firm following a review of the sales process of the individual cases involved. These amounts, if payable, will usually be recovered from Professional Indemnity insurers less a policy excess (see Note 2), and the policy excess is usually recovered from the Appointed Representative responsible for the individual case. The directors re-assess the provision each year.

British Steel Pension Scheme s404 provision

In December 2021, the Company was contacted by the FCA in connection with a multi-firm thematic review in relation to the potential redress for former members of the British Steel Pension Scheme who had been advised to transfer out of the scheme with the intention of launching a Section 404 Redress Scheme. The Company's best estimate of the outflow arising from this redress is £955k. After discounting for net present value a provision of £927k has been made. It is expected that redress payments will be made between December 2023 and February 2024. The following uncertainties were considered by management in arriving at their best estimate:

- Change in the scheme from Opt-Out to Opt-In as indicated by FCA guidance
- The potential for removal of or a reduction in the scope of the scheme
- The impact of other exits from the scheme
- The redress rate and unsuitability rate

Sensitivities have been performed against the potential value of the claims assumed in arriving at the Group's best estimate of the liability as follows:

- + / - 10% in redress rate increases / decreases the provision by + / - £0.4m
- + / - 15% in redress rate increases / decreases the provision by + / - £0.6m
- + / - 20% in redress rate increases / decreases the provision by + / - £0.8m

The Group's insurance arrangements allow for up to £12.5m of inflows against claims to be recovered from third party insurers. Under IAS 37 a contingent asset may only be recognised when the realisation of income is virtually certain. Given the degree of uncertainty surrounding the specifics of the claim, and therefore as a result the uncertainty of the Insurance Recoveries, the Board is unable to conclude reliably that recovery of all potential future claims relating to the British Steel Pension Scheme s404 is "virtually certain".

None of the claims that have been received to date, that fulfil the above criteria, arise from TenetConnect Services Limited. Therefore a contingent asset has not been included in these accounts.

Commission clawback provision

The commission clawback provision relates to commission receipts subsequently repaid should policies be cancelled after their sale. All commissions previously paid in respect of such cancelled policies will usually be recovered from the relevant Appointed Representative (see Note 2). The directors re-assess the provision each year.

TenetConnect Services Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

13. Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary Shares of £1 each	<u>2,351,000</u>	<u>2,351,000</u>	<u>2,351,000</u>	<u>2,351,000</u>

14. Related party transactions

Summary of transactions with parent entities

As a wholly owned subsidiary, the Company has taken advantage of the exemption in FRS 101 "Related Party Transactions" from disclosing related party transactions with other entities included in the consolidated financial statements of Tenet Group Limited.

15. Parent and ultimate parent undertaking

The Company is a wholly owned subsidiary of Tenet Limited, a Company incorporated in England and Wales. The directors consider that Tenet Group Limited, also a Company incorporated in England and Wales, is the Company's ultimate parent undertaking and is the controlling party.

Tenet Group Limited is the smallest and largest group in which the results of the Company are consolidated. Copies of the financial statements of Tenet Group Limited are available from 5 Lister Hill, Horsforth, Leeds, LS18 5AZ.

16. Events after the balance sheet date

In December 2021, Tenet Group Limited was contacted by the FCA in connection with a multi-firm thematic review in relation to the potential redress for former members of the British Steel Pension Scheme who had been advised to transfer out of the scheme with the intention of launching a Section 404 Redress Scheme. The Group's best estimate of the outflow in respect of TenetConnect Services Limited to £955k. This has been discounted to give a net present value of £927k. It is expected that redress payments will be made between December 2023 and February 2024.

On 14 September 2022 Tenet Limited subscribed for and purchased Ordinary shares of £1 each in TenetConnect Services Limited for a cash consideration of £1.0m.