Registration number: 02654877

TenetConnect Limited

Annual Report and Financial Statements

For the Year Ended 30 September 2022

TenetConnect Limited

Contents

TenetConnect Limited

Company Information

Directors
H M Ball

Company secretary
J Hixon

Registered office
5 Lister Hill
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LS18 5AZ

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

Bankers
Lloyds Bank PLC
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Independent Auditors
PricewaterhouseCoopers LLP
29 Wellington St
Leeds
LS1 4DL

TenetConnect Limited

Strategic Report for the Year Ended 30 September 2022

The directors present their strategic report for the year ended 30 September 2022.

Review of the business

TenetConnect Limited ("the Company") is a member of the group headed by Tenet Group Limited ("the Group"). The core business of the Group is the provision of financial advice and associated compliance services.

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 Company continued to be impacted by the Covid-19 pandemic particularly in the first half of the financial year. Turnover decreased by £3.0m to £68.0m (2021: £71.0m). The Company made a loss before exceptional items £1.4m (2021: loss £0.1.m). Exceptional costs in 2021 included a £12.3m provision in respect of the s404 redress scheme for the British Steel defined benefit pension scheme (Note 15). After a review of the expected claims payable this provision has been reduced by £10.8m to £1.5m in 2022. This contributes to a final profit before tax in 2022 of £8.5m (2021: loss £12m).

The statement of financial position shows that the Company's net assets have increased by £21.3m to £17.6m (2021: net liabilities of £3.7m). The Company became aware of the existence British Steel Pension Scheme s404 redress scheme in December 2021 and to mitigate any negative impact on the Regulated Capital surplus, the Board engaged with the Shareholders to obtain support in the form of £13m equity capital. The share purchase was completed on 20 September 2022.

The directors are satisfied with the results for the year and expect the general level of activity next year to reflect market conditions.

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.

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 redress 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 insurers 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 recharges a proportion of such amounts 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.

TenetConnect Limited

Strategic Report for the Year Ended 30 September 2022 (continued)

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

Approved by the Board on 17 May 2023 and signed on its behalf by:

H M Ball
Director

TenetConnect Limited

Directors' Report for the Year Ended 30 September 2022

The directors present their annual report and the audited financial statements for the year ended 30 September 2022.

Dividends
The directors do not recommend payment of a dividend (2021: £nil).

Directors of the Company
The directors, who held office during the year and up to the signing of these financial statements, were as follows:

H M Ball	
J Darlington	(resigned 30 September 2022)
M W Scanlon	(resigned 10 May 2023)
M K Tyler	(appointed 22 September 2022 and resigned 5 May 2023)

Future developments and post balance sheet events
At the date of this report, there are no plans in place that would lead to any major changes in the Company's activities in the following year.

In addition to the BSPS scheme redress, and in the context of on-going focus by the regulator of Defined Benefit pension transfers the Company are aware of a further population of transfers of concern that a former Appointed Representative of the Company advised on in the period 2015 – 2017. These transfers related to enhanced transfer value arrangements and as such present a different challenge in determining any potential redress which may be applicable in the future. At the time of signing the accounts the Company in unable to quantify the potential loss, if any, which may pertain to this population.

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 or any of its subsidiaries.

Going concern
The Company holds 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 £17.4m of cash at bank (2021: £5.1m). 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 UK, 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 auditors are aware of that information. The directors confirm that there is no relevant information that they know of which the auditors are unaware.

Appointment of independent auditors
This financial year, PricewaterhouseCoopers LLP were appointed as auditors for the Company. Their position as auditors will stay true until notified otherwise.

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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 also 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.

Approved by the Board on 17 May 2023 and signed on its behalf by:

H M Ball
Director

Independent Auditor's Report to the members of TenetConnect Limited

Report on the audit of the financial statements

Opinion

In our opinion, TenetConnect Limited's company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Statement of Financial Position as at 30 September 2022; the Income Statement and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 September 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Financial Conduct Authority ("FCA") regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. 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 posting inappropriate journal entries to manipulate reported results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- enquired of management and those charged with governance around actual and potential litigation and claims;
- enquired of management and those charged with governance to identify any instances of non-compliance with laws and regulations;
- reviewed minutes meetings held by those charged with governance;
- reviewed key correspondence with the FCA, including those in relation to compliance with laws and regulations;
- reviewed financial statement disclosures and testing to support documentation to assess compliance with applicable laws and regulations;
- performed testing over the risk of management override of controls, based on specific risk based criteria including through testing journals entries posted by management based on specific risk criteria; and
- performed testing over judgemental accounting estimates which could be susceptible to manipulation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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 or intentional misrepresentations, or through collusion. 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 auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

J. Wilkinson

James Wilkinson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
17 May 2023

TenetConnect Limited

Income Statement for the Year Ended 30 September 2022

	Note	2022 £000	2021 £000
Turnover	4	67,938	70,981
Cost of sales		(61,375)	(64,989)
Gross profit		6,563	5,992
Administrative expenses		(8,006)	(6,122)
Operating loss before exceptional items		(1,443)	(130)
Exceptional income/(costs)	5	9,867	(11,878)
Operating profit/(loss)	6	8,424	(12,008)
Interest receivable and similar income	7	26	21
Profit/(loss) before tax		8,450	(11,987)
Income tax (charge)/credit	10	(124)	(22)
Profit/ (loss) for the year		8,326	(12,009)

The above results were derived from continuing operations. There was no recognised income and expenditure in the year 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 13 to 25 form an integral part of these financial statements.

TenetConnect Limited

(Registration number: 02654877)
Statement of Financial Position as at 30 September 2022

	Note	2022 £000	2021 restated £000
Non-current assets			
Intangible assets	11	67	67
Investments	12	2,570	2,570
		2,637	2,637
Current assets			
Trade and other receivables	13	11,605	14,191
Cash at bank and in hand		17,379	5,125
		28,984	19,316
Trade and other payables	14	(9,068)	(11,619)
Net current assets		19,916	7,697
Total assets less: current liabilities		22,553	10,334
Provisions for liabilities	15	(4,950)	(14,057)
Net assets/(liabilities)		17,603	(3,723)
Equity			
Called up share capital	16	14,542	1,542
Share premium reserve		42	42
Capital redemption reserve		75	75
Retained earnings/(accumulated losses)		2,944	(5,382)
Total shareholders' equity		17,603	(3,723)

The notes on pages 13 to 25 form an integral part of these financial statements.

Approved by the Board on 17 May 2023 and signed on its behalf by:

H M Ball
Director

TenetConnect Limited

Statement of Changes in Equity for the Year Ended 30 September 2022

	Called up Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Retained earnings £000	Total £000
At 1 October 2021	1,542	42	75	(5,382)	(3,723)
Profit for the year	-	-	-	8,326	8,326
Total comprehensive expense	-	-	-	8,326	8,326
Issue of Ordinary Share Capital	13,000	-	-	-	13,000
At 30 September 2022	14,542	42	75	2,944	17,603

	Called up Share Capital £000	Share Premium £000	Capital Redemption Reserve £000	Accumulated losses £000	Total £000
At 1 October 2020	1,542	42	75	6,627	8,286
Loss for the year	-	-	-	(12,009)	(12,009)
Total comprehensive expense	-	-	-	(12,009)	(12,009)
At 30 September 2021	1,542	42	75	(5,382)	(3,723)

The notes on pages 13 to 25 form an integral part of these financial statements.

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 and FRS 101 as 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, related party transactions and a balance sheet as at the beginning of the earliest comparative period when an entity makes a prior year adjustment. 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. The Company has secured the commitment from its ultimate parent undertaking to support the entity when required.

The Company is exempt from the requirement to prepare group accounts, under s401 Companies Act 2006, as it is included in the consolidated accounts of a larger group.

Going concern assessment
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 year

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

2. Accounting policies (continued)

New accounting standards (continued

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

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 year.

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

Variable Consideration
The Company have reviewed the treatment of commission clawback and have determined that this should be classed as variable consideration under IFRS15. Previously the clawback payable and receivable was included as a clawback provision within the financial statements. These amounts will now be presented as a clawback receivable within other receivables and as clawback liability.

This presentational change is material to the 2021 accounts therefore the 2021 Statement of Financial Position (page 10) has been restated to show the impact that the adoption of IFRS15 in respect of variable consideration has on other receivables (Note 13), clawback liability (Note 14) and provisions (Note 15).

Variable consideration -clawback receivable.
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. Where the collection of such receivables is doubtful, the Company makes an appropriate provision. As such there is an uncertainty over the number of clawbacks received, and the amount recoverable from Appointed Representatives which require estimation.

Variable consideration - clawback liability.
The company records a creditor in respect of commissions received on "indemnity" terms whereby commission amounts are repayable if policies are cancelled subsequent to their sale. This creditor 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.

2. Accounting policies (continued)

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.

Investments
Investments are included at cost less amounts written off for permanent impairment. These are assessed for impairment on an annual basis.

Intangible assets
Intangible assets are stated at cost net of amortisation. Amortisation is provided at rates calculated to write off the cost of each asset on a straight-line basis over its estimated useful economic life of 7-10 years.

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 receivables
Trade and other receivables are classified as financial assets measured at amortised cost. Under the IFRS 9 expected credit loss model (ECL), 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.

The Company has taken the simplification available under IFRS 9 paragraph 5.5.15 which allows the loss amount in relation to a trade receivable to be measured at initial recognition and throughout its life at an amount equal to lifetime ECL. This simplification is permitted where there is either no significant financing component (such as customer receivables where the customer is expected to repay the balance in full prior to interest accruing) or where there is a significant financing component (such as where the customer expects to repay only the minimum amount each month), but the directors make an accounting policy choice to adopt the simplification. Adoption of this approach means that Significant Increase in Credit Risk (SICR) and Date of Initial Recognition (DOIR) concepts are not applicable to the Group's ECL calculations.

Credit risk is regularly reviewed by management to ensure the ECL model is being appropriately applied.

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

2. Accounting policies (continued)

Pensions
The Company contributes to a defined contribution pension scheme administered by another Group company. The amount charged to the income statement relates 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.

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 14). 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 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.

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 discount rate of 3% (risk free rate with customer credit risk and market risk).

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.

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

Variable Consideration
The Company have reviewed the treatment of commission clawback and have determined that this should be classed as variable consideration under IFRS15. Previously the clawback payable and receivable were included as a clawback provision within the financial statements. These amounts will now be presented as a clawback receivable within other receivables (note 13) and as a clawback liability (Note 14).

Variable consideration -clawback receivable.
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. Where the collection of such receivables is doubtful, the Company makes an appropriate provision. As such there is an uncertainty over the number of clawbacks received, and the amount recoverable from Appointed Representatives which require estimation.

Variable consideration -clawback liability.
The company records a creditor in respect of commissions received on "indemnity" terms whereby commission amounts are repayable if policies are cancelled subsequent to their sale. This creditor 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.

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.

Key sources of estimation uncertainty

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. 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. This analysis, however, doesn't capture fraudulent activities by advisers who have not declared business written. In order to factor this in, based on historic experience of these rare events, an additional overlay has been included in the year.

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.

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

Key sources of estimation uncertainty (continued)

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 15 to the financial statements.

Provisions, contingent liabilities and contingent assets
In determining whether a provision needs to be recorded in respect of a new event a critical judgement exists over whether the amount of the obligation can be measured with "sufficient reliability"
The judgement is based on guidance provided in IAS37 which states:-
"A provision shall be recognised when:
(a) an entity has a present obligation (legal or constructive) as a result of a past event;
(b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(c) a reliable estimate can be made of the amount of the obligation. If these conditions are not met, no provision shall be recognised."
The Group is unable to calculate a reliable estimate at this time and therefore no provision will be recorded, and instead will disclose the potential obligation as a contingent liability (Note 17)

4. Revenue

	2022 £000	2021 £000
All revenue is derived in the UK	67,938	70,981

5. Exceptional income/(costs)

The exceptional income/(costs) for the year were as follows:

	2022 £000	2021 £000
Provision for British Steel Pension Scheme s404 claims credit/(charge)	10,835	(12,323)
Impairment of goodwill	-	(523)
Insurance recoveries for the British Steel Pension Scheme s404 claims	(968)	968
	9,867	(11,878)

6. Operating loss

Operating loss is arrived at after charging:

	2022 £000	2021 £000
Auditor's remuneration	72	70

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.

7. Interest receivable and similar income

	2022 £000	2021 £000
Other interest	8	7
Bank interest	18	14
	26	21

8. Staff costs

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:

	2022 £000	2021 £000
Wages and salaries	3,623	3,235
Social security costs	400	353
Other pension costs	225	179
	4,248	3,767

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

	2022 No.	2021 No.
Headcount - Administration and support	66	60
Headcount - Directors	3	3
	69	63

	2022 No.	2021 No.
FTE - Administration and support	64	55
FTE - Directors	3	3
	67	58

9. Directors' remuneration

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

Three (2021: Three) of the directors are executives of the ultimate parent undertaking, Tenet Group Limited, and their remuneration is disclosed within Tenet Group Limited consolidated financial statements.

10. Income tax charge

Tax charged/(credited) in the income statement

	2022 £000	2021 £000
Current taxation		
UK corporation tax	124	2
Deferred tax	-	20
Total tax charged	124	22

The tax on profit before tax for the year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%).

The differences are reconciled below:

	2022 £000	2021 £000
Profit/ (loss) before tax	8,450	(11,987)
Corporation tax at standard rate	1,606	(2,278)
Adjustment for:		
- Depreciation and assets subject to capital allowances written off	133	76
- Impairment not subject to income tax	-	100
- Bad Debt provision	34	-
- Group relief	(657)	(119)
- Provisions reallocated	-	65
Losses not taxable	-	2,158
Deferred tax movement	-	20
Losses brought forward	(992)	-
Total tax charge/(credit)	124	22

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
There are £5.4m (2021: £10.6m) of unused tax losses for which no deferred tax asset is recognised in the statement of financial position.

11. Intangible assets

	Goodwill £000	Acquisition Cost £000	Other intangible assets £000	Total £000
Cost or valuation				
At 01 October 2021	590	677	356	1,623
At 30 September 2022	590	677	356	1,623
Amortisation				
At 01 October 2021	523	677	356	1,556
Impairment	-	-	-	-
At 30 September 2022	523	677	356	1,556
Carrying amount				
At 30 September 2022	67	-	-	67
At 30 September 2021	67	-	-	67

12. Investments

	2022 £000	2021 £000
Investment in subsidiaries		
As at 01 October 2021	2,570	2,570
Additions	-	-
Disposals	-	-
As at 30 September 2022	2,570	2,570

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held 2022	2021
Tenet Business Solutions Limited	Dormant	England and Wales	100%	100%

13. Trade and other receivables

	2022 £000	2021 restated £000	Increase/ (decrease) £000	2021 £000
Trade receivables	6,517	6,718	-	6,718
Provision for impairment of trade receivables	(469)	(383)	-	(383)
Net trade receivables	6,048	6,335	-	6,335
Amounts due from related parties	5,167	6,242	-	6,242
Deferred tax asset	-	-	-	-
Other debtors	390	313	307	6
Prepayments	-	333	-	333
Contingent Asset	-	968	-	968
Total current trade and other receivables	11,605	14,191	307	13,884

IFRS 15 Variable Consideration
Other debtors include £0.4m of clawbacks receivable from appointed representatives. Commission receipts in certain group companies may be subsequently repaid should policies be cancelled after their sale. The Company recharges some or all of such amounts as applicable to the Appointed Representatives, other group company or financial advisers, responsible for the individual case. The clawback receivable is stated after an expected credit loss provision of £0.1m. The impact of the adoption of IFRS15 on 2021 Other debtors in shown in the following table.

Other receivables	2022 £000	2021 £000
Other debtors	-	6
Clawback receivable	426	342
Clawback ECL	(36)	(35)
	390	313

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

Included in trade receivables is £161k (2021: £201k) that relates to the provision of secured loans as part of the Company's ongoing support for its appointed representatives.

14. Trade and other payables

	2022 £000	2021 restated £000	Increase/ (decrease) £000	2021 £000
Trade payables	6,891	7,484	-	7,484
Accruals	734	127	-	127
Clawback liability	512	424	424	-
Amounts due to related parties	-	2,931	-	2,931
Other creditors	761	583	-	583
Corporation Tax	124	-	-	-
Social security and other taxes	46	70	-	70
Total current trade and other receivables	9,068	11,619	424	11,195

IFRS 15 Variable Consideration
Clawback liability recognised under IRFS15 is an estimate of indemnity commission which is likely to be clawed back in future periods.

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.

15. Provisions for liabilities

	Claims payable £000	Clawbacks £000	Total £000
At 01 October 2020	726	105	832
Provisions utilised	(5)	-	(5)
Provisions released	(734)	(55)	(790)
BSPS s404 provision	12,323	-	12,323
Other provisions added	1,747	67	1,814
IFRS 15 reclassification	-	(117)	(117)
At 30 September 2021	14,057	-	14,057
At 01 October 2021	14,057	-	14,057
Provisions utilised	-	-	-
Provision released	(2,402)	-	(2,402)
BSPS 404 Revised estimate release	(10,835)	-	(10,835)
Other provisions added	4,130	-	4,130
At 30 September 2022	4,950	-	4,950

IFRS 15 Variable Consideration
The IFRS 15 reclassification adjustment represents amounts shown in the table below. These amounts now form part of other receivables (Note 13) and clawback liability (Note 14)

	2022 £000	2021 £000
Clawback receivable	426	342
Clawback ECL	(36)	(35)
Clawback liability	(512)	(424)
Total	(122)	(117)

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 was £12.7m. This was discounted to give a net present value of £12.3m for inclusion in the 2021 accounts.

It is expected that redress payments will be made between December 2023 and February 2024.

Since the original estimate was calculated more information has become available as claims are settled, and the details of expected claims become clearer. As a result of this management have revised their estimate of the potential redress payable. The Company's best estimate of the outflow arising from this redress is now £1.6m. This has been discounted to give a net present value of £1.5m.

Furthermore, management now believe the inflows from the insurers relating to the British Steel Pension Scheme s404 are no longer virtually certain, so the contingent asset has been reduced to £nil (2021: £0.9m.)

Contingent Liability
In addition to the BSPS scheme redress, and in the context of on-going focus by the regulator of Defined Benefit pension transfers the Company are aware of a further population of transfers of concern that a former Appointed Representative of the Company advised on in the period 2015 – 2017. These transfers related to enhanced transfer value arrangements and as such present a different challenge in determining any potential redress which may be applicable in the future. At the time of signing the accounts the Company in unable to quantify the potential loss, if any, which may pertain to this population.

16. Called up share capital

Allotted, called up and fully paid shares

	No.	2022 £000	No.	2021 £000
Ordinary shares of £1 each	14,542,416	14,542	1,542,416	1,542

On 14 September 2022 Tenet Limited subscribed for and purchased Ordinary shares of £1 each in TenetConnect Limited for a cash consideration of £13.0m.

17. 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.

18. 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.

The Company is itself therefore exempt from the requirement to prepare group accounts because it is included in the consolidated accounts of a larger group as permitted by s401 Companies Act 2006

19. Events after the balance sheet date

In addition to the BSPS scheme redress, and in the context of on-going focus by the regulator of Defined Benefit pension transfers the Company are aware of a further population of transfers of concern that a former Appointed Representative of the Company advised on in the period 2015 – 2017. These transfers related to enhanced transfer value arrangements and as such present a different challenge in determining any potential redress which may be applicable in the future. At the time of signing the accounts the Company in unable to quantify the potential loss, if any, which may pertain to this population.