

Tenet Limited

**Directors' report and consolidated
financial statements**

Registered number 3909395

30 April 2003



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Company information

Directors	SH Hudson NA Preston (resigned 15 October 2003) SK Bryant (resigned 18 August 2003) SM Jones (resigned 21 September 2003) SJ Martin (resigned 12 August 2002) BC Kayes SE Pullan (resigned 21 October 2002) A Glennon (appointed 29 October 2002) MJ Greenwood GS Clarkson PW Lane (appointed 24 June 2002) NE Kelly (appointed 1 December 2002, resigned 18 August 2003)
Secretary	NA Preston
Registered Office	Network House Lister Hill Horsforth LEEDS LS18 5AZ
Registered Number	3909395 (England and Wales)
Auditors	KPMG Audit Plc 1 The Embankment Neville Street LEEDS LS1 4DW
Bankers	Barclays Bank PLC Barclays Business Centre PO Box 100 LEEDS LS1 1PA
Solicitors	Eversheds Cloth Hall Court Infirmary Street LEEDS LS1 2JB

Business Philosophy

Our core values and objectives are:

- To create growth in shareholder value
- To be the most successful business in our chosen markets
and
- To provide a stable and rewarding environment for staff
- To provide a professional and valued service to our customers
- To operate in compliance with the requirements of the regulatory authorities

We aim to deal with all third parties with integrity and recognise their value to Tenet whilst putting the interests of our business first.

Our key stakeholders are:

- Our staff and sales consultants
- Our customers – financial advisers and retail clients
- Our shareholders and other financial backers
- Our key suppliers

Chairman's Statement

Last year my Chairman's Statement noted that the format of our statutory accounts had changed, and this year I am pleased to say that we have made our Report and Accounts more user-friendly still.

In part, this has been facilitated by the finalisation of our medium-term strategic plan and the associated re-organisation of our management structures, which Simon Hudson describes in his overview. Change at Tenet and in the Report and Accounts also reflects the ongoing development of our Group following the successful acquisition of Capital Planning UK Limited, which has added ownership of an IFA firm to our list of corporate activities.

So not only have our accounts changed, but so has our organisation structure. And once again, so has the industry. Taking a step back, the rate of change and the uncertainties of the last year make for exciting times with lots of good news for Tenet, its shareholders and its client base.

If we accept that the regulatory framework was always going to change, the outcome of the FSA's consultation process on this change looks to be as positive as it could be for IFA businesses, and it is in sharp contrast to the gloomy future that we foresaw this time last year. The lobbying of the Association of Independent Financial Advisers has paid dividends for us all, and I have been pleased to play my part in this through my role on its Executive Council. At Tenet, our plans are well advanced to take advantage of the regulatory change that we will see in 2004.

The prognosis for Tenet is also good in markets which have been previously unregulated, most notably the mortgage and general insurance markets. We have strong compliance offerings in these areas already and market demand for our comprehensive service is likely to swing sharply upwards over the next two to three years. I am confident that new look-alike competitors do not have the strength-in-depth of our service offerings: they will be found out and fade away in the fullness of time. We also plan to deliver new services to this market segment during the remainder of 2003, and I look forward to reporting on this next year.

And what of trading? There is no escaping the fact that falling and (at best) volatile stockmarkets during 2002 and into the first half of 2003 resulted in falling investment activity; in turn, this impacted upon the advisers authorised to give financial advice by Tenet Group companies, and upon Tenet. We have not been immune.

However, and this is excellent news for shareholders and anyone associated with the Tenet Group, we have not recorded the massive losses that have plagued some listed competitors and other well known privately owned IFA firms. This is not down to good luck, but hard work and good management.

So in summary, our prospects remain strong, our strategic positioning is good and as the largest independently owned IFA group in the UK we have an exciting future.

Barry Kayes
Chairman

Chief Executive's Overview

INNOVATION

Tenet has established for itself a reputation for innovation over the last five years, and as the Group grows in size, so the rate of innovation has increased. During the last twelve months we have implemented and completed a number of key initiatives, all of which add to the strength of the Group. I have chosen to highlight just a few of these here:

OfficeNet

The strength of Tenet's IT systems is a critical factor in our ability to offer quality support and business development tools to the financial advisers who use the Group's services. Solid and effective back office systems enable us to provide services more cost effectively, benefiting our customers and shareholders alike.

We have therefore invested a huge amount of time and money with Marlborough Stirling in re-designing their OfficeWeb software platform from the ground up to create OfficeNet. The decision to move forward with Marlborough Stirling was taken after carefully analysing the market and alternatives available to us. I am pleased to announce that the first phases of OfficeNet are now live and full roll out of the system should be completed by early 2004.

The Network Partnership Programme

As the demands of consumers and the regulator increase, the need for intensive support for financial advisers has grown. This need has been exaggerated by tough trading conditions over the last eighteen months. As a result, we have carefully designed an enhanced training and development programme for the members of our IFA networks in conjunction with the major product providers.

This Partnership Programme was launched at the start of the New Year and has been well received by all concerned. The real test of success for the programme will be whether our network members generate additional product sales over the course of the next twelve months, and I hope to be able to report on this next year.

Capital Planning UK Limited

Capital Planning UK was acquired in December 2002. We had long identified that the ownership of an IFA firm would benefit the Group and we can now offer realistic in-house retirement solutions to owners of IFA firms as well as the capability to retain advisers who wish to remain in the industry but join a larger firm.

The acquisition of Capital Planning UK was not undertaken lightly: we took time to find a firm with a matching culture, good quality management and a desire to provide a first rate support service to its advisers. I am pleased to report that the merger of Capital Planning UK's operations with the original Tenet business has proceeded very smoothly. The firm's rate of development has been rapid with adviser numbers increasing by over 20% since acquisition and sales activity rates by around 30%.

OUR PEOPLE

As a business which employs people to provide services to other people, we are, of course, at heart a people business. We have been investing in our human resources for a number of years, and this has not stopped in the last twelve months:

Investment in Management

The last year has seen a number of key appointments, most notably Nick Kelly's appointment as Managing Director of the IFA networks. Nick's appointment has allowed us to devote substantial management attention to the networks at a time when the trading environment for financial advisers has been difficult.

Other key developments in the Group's management team have been the appointment of John Thompson as Director of IT, the creation of the role of Director of Human Resources, and, of course, the recruitment of the management team of Capital Planning UK.

Taken together these appointments represent a significant positive statement about Tenet's future by the Board of Directors which I am sure all associated with the business will greet with enthusiasm.

Organisational Change

Finally, as a natural consequence of diversification and growth we have had to review the way in which we manage ourselves. This has been important to ensure that our efforts are effectively channelled and managed, and has been vital to assist in the process of succession planning.

New trading divisions were created on 1 September 2003 and the people and objectives of these divisions are set out in the following pages. As time goes by our structures will evolve to accommodate further change in our business, although the basic model we have now established will endure.

This is because the new structure places a renewed emphasis on the importance of our individual subsidiary companies and their customers. I believe that it will deliver superior results to all the financial advisers who rely upon us as well as to our shareholders.

As we continue to innovate and invest in our people I believe that Tenet will become increasingly successful. I look forward to reporting on our progress in twelve months time as the foundations of our business are now stronger than ever.

Simon Hudson

Our Business

Tenet

Tenet acts primarily as a holding company and is responsible for all aspects of the performance of its trading subsidiaries.

Its other main responsibilities include:

- Ensuring appropriate levels of corporate governance are observed throughout all Group companies;
- Managing relationships with the FSA, the life companies, investment houses and mortgage lenders;
- Long-term financial planning for the Group in conjunction with its professional advisers, auditors, investors and bankers;
- Developing Group strategy and initiating major business change;
- Appraising all proposals for acquisition and investment within the Group.

Simon Hudson is the Chief Executive Officer of Tenet and Barry Kayes is the Chairman.

The Investment Adviser Services Division

The Investment Adviser Services Division provides a range of compliance and business support services to financial advisers. It is responsible for the quality of the services provided and the profitability of these activities.

Its other main responsibilities include:

- The maintenance and growth of the networks' membership;
- Providing the training and compliance regimes required to ensure that advisers authorised within the Division to give financial advice are fit and proper;
- Supporting the development of the sales activities and profitability of advisory firms within the Investment Adviser Services Division;
- The management of the trading relationship of our network members with the life companies and investment houses.

The Investment Adviser Services Division encompasses the networks and our client service business, and is headed by Nick Kelly. The Division provides services to around 2,250 financial advisers.

The Regulatory and Compliance Division

The prime responsibility of the Regulatory and Compliance Division is to ensure that the Group's regulated companies and the financial advisers authorised to give financial advice by any Tenet Group company act in accordance with the requirements of the regulator and best practice.

Its specific responsibilities are:

- The preparation and implementation of the compliance procedures for all Group companies;
- The design of an appropriate Training & Competence Regime and its implementation for the Group's regulated companies;
- Providing regulatory consultancy services to financial advisory firms which are directly regulated by the FSA;
- Examining and advising on the implications and opportunities for the Group arising from regulatory change.

The Regulatory and Compliance Division is headed by Geoffrey Clarkson.

The Group Support Division

The prime responsibility of the Group Support Division is to provide the back office support and corporate infrastructure required by all of Tenet's operating divisions. Specifically, the Group Support Division is responsible for:

- The development and implementation of a robust and innovative IT strategy;
- The timely production of reliable financial data and accounts;
- The development and implementation of an HR strategy which accommodates our training requirements and ongoing acquisition strategy;
- Legal, risk management and all Company Secretarial activities;
- The commission processing and other administrative support required by our trading divisions.

The Group Support Division is a vital component of the business and critical to its success. It is currently headed by Simon Hudson.

The IFA Firms Division

The prime responsibility of the IFA Firms Division is to provide high quality financial advice to its clients by providing its sales consultants with reliable operational and marketing support. Its other responsibilities include:

- The recruitment and development of financial advisers;
- Providing the training and compliance regimes required to ensure that advisers authorised within the division to give financial advice are fit and proper;
- Supporting the development of the sales activities of the advisers within the IFA Firms Division;
- The management of the trading relationship with the life companies and investment houses.

The division currently comprises Capital Planning UK Limited and is headed by Ted Dolan-Abrahams. The division currently comprises around 170 financial advisers and support staff.

Corporate Governance

The Company is committed to high standards of corporate governance and the Board is accountable to the Company's shareholders for achieving these standards. During the year the Group's corporate governance processes were reviewed and subsequently were updated in line with the Group's organisational change on 1 September 2003.

DIRECTORS

The Group is controlled through the company's Board of Directors which comprises the executive Chairman, executive directors and independent non-executive directors. The Board normally meets every month. All directors receive sufficient relevant information on financial, business and corporate issues prior to meetings, and are able to take independent professional advice in furtherance of their duties if necessary.

THE BOARD

Is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure and significant financing matters. It monitors exposure to key business risks and reviews the strategic direction of individual trading activities, annual budgets and progress towards achieving them, and employee issues including key executive appointments. The Chief Executive is ultimately responsible for running all aspects of the Group's business, and for implementing Group strategy.

The Board has established the following committees that operate within defined terms of reference. Minutes of the committees' meetings are circulated to, and reviewed by, the full Board.

The Audit Committee

Reviews the Group's annual financial reports and matters arising from the audit, with the external auditors in attendance. It is also responsible for accounting policies and for monitoring internal financial compliance and the effectiveness of the external audit function. The committee is chaired by the Group Chairman and includes the Chief Executive and both non-executive Directors.

The Remuneration Committee

Determines the Group's remuneration policy, the main purpose of which is to attract, retain and motivate high calibre individuals with a competitive remuneration package whilst limiting the Group's fixed employee costs. It meets to approve annual salary reviews, bonus awards and other incentives for employees. The committee is chaired by the Group Chairman, and includes the Chief Executive and the non-executive directors. The Committee consults other Directors as necessary about its proposals and has access to professional advice from outside the company. The committee makes recommendations to the Board. No director plays a part in any discussion about his or her own remuneration.

Directors' remuneration

The remuneration packages of directors and other executives comprise a basic salary, performance related bonus awards, pension contributions and other benefits in kind. The directors are also eligible to benefit from the staff share option scheme. There are no remuneration schemes that are exclusively for the benefit of directors.

The Risk Management Committee

The Committee's role is to examine and challenge the processes, systems and controls of the Group and aims to identify operational and financial risk. The Committee receives information on relevant risk matters from line management and other sources on a regular basis. The committee is chaired by Martin Greenwood, a non-executive director.

INTERNAL CONTROL

The Board is responsible for the Group's systems of internal control and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key control mechanisms established by the Board to maintain a sound system of internal control in order to safeguard shareholders' investment and the Group's assets are:

Financial information

The Board reviews and approves a detailed annual budget covering all aspects of the Group. The Group operates a comprehensive financial reporting system and management accounts are prepared for each subsidiary company and the Group on a monthly basis. Material variances from budget are fully investigated. The monthly management accounts and commentary compare actual results against budget, and are reviewed by the Board, which determines appropriate action. Cash flow forecasts are regularly prepared to ensure that the Group has adequate funds and resources for the foreseeable future. Standard financial control procedures operate throughout the Group to ensure the integrity of the Group's financial statements.

Subsidiary and divisional boards

All executive directors of the Group are members of the board of at least one trading subsidiary and at least one divisional board, at whose regular meetings the detailed operation of each department is reviewed, and minutes are distributed to the Group Board.

Quality and integrity of personnel

All staff are appraised of company operating procedures and training updates are performed at regular intervals. All new staff are required to attend an induction programme. All procedures are available in hard copy format and on the company intranet.

Regulatory Management

The Group's regulatory director and his team ensure the Group's regulatory activities are carried out in accordance with the requirements of the regulator, the Financial Services Authority (FSA), and ensure that regulatory staff are aware of the implications of these requirements.

Computer controls

The Group has established controls over the security of data held on computer systems and has in place disaster recovery procedures.

Internal Audit

The directors have reviewed the need for an internal audit function and believe that the Group is not of sufficient size and complexity to require such a function.

HEALTH AND SAFETY

The Group recognises both its legal and moral responsibility for the health, safety and welfare at work of all employees. The responsibility also extends to other associated groups (such as sub-contractors and the general public) which the Group uses or for which it has a duty of care.

The Group's policy is to meet all its legal obligations and it is the Group's policy to adopt safe working practices and operations, including the use of plant, machinery and equipment.

Employees are given information, instruction, training and the supervision necessary for their health and safety. All employees shall be aware of, and must comply with, their individual and collective responsibilities and have a clear duty to take reasonable precautions to avoid injury to themselves and colleagues and members of the public. All Group vehicles will be maintained and driven to a safe and high standard.

Issues relating to health and safety are discussed at individual trading company board meetings and at Tenet Group board meetings.

SHAREHOLDERS

The Board welcomes the attendance of private shareholders at the Annual General Meeting and the opportunity to address any questions that they may have. The Chairmen of the Audit, Remuneration and Risk Management Committees attend each Annual General Meeting and are available to take questions.

Directors' report

The directors present their annual report on the affairs of the company, together with the Group accounts and auditors' report, for the year ended 30 April 2003.

Principal activities

The principal activities of the company are those of a holding company of a group of companies which provides support services and facilities to independent financial advisers and a company providing financial advice to private individuals. Services provided by Group include the following:

- Compliance consulting;
- Industry guidance;
- Technical advice;
- Commissions processing facilities and business administration;
- Provision of financial advice.

Business review

The company has traded as a group holding company throughout the year, incurring costs. The element of those costs which related to Group overheads, were recharged to subsidiary companies. The directors are satisfied with the performance of the Group for the year ended 30 April 2003.

Proposed dividend

The directors do not recommend the payment of a dividend (2002 : Nil).

Directors and directors' interests

The directors who held office during the period were as follows:

S H Hudson

NA Preston (resigned 15 October 2003)

S K Bryant (resigned 18 August 2003)

S M Jones (resigned 21 September 2003)

S J Martin (resigned 12 August 2002)

B C Kayes

S E Pullan (resigned 21 October 2002)

M J Greenwood

G S Clarkson

A Glennon (appointed 29 October 2002)

P W Lane (appointed 24 June 2002)

N E Kelly (appointed 1 December 2002, resigned 18 August 2003)

Directors' report (continued)

The directors who held office at the end of the financial period had the following interests in the shares of Group companies according to the register of directors' interests:

	Company	Class of share	Interest at the start of year or date of appointment	Interest at end of year
S H Hudson	Tenet Limited	'A' Ordinary	230,000	23,000,000
S H Hudson	Tenet Limited	'A' Preference	336,302	336,302
N A Preston	Tenet Limited	'A' Ordinary	15,000	1,500,000
S K Bryant	Tenet Limited	'A' Ordinary	15,000	1,500,000
S M Jones	Tenet Limited	'A' Ordinary	15,000	1,500,000
B C Kayes	Tenet Limited	'A' Ordinary	20,000	2,000,000
G S Clarkson	Tenet Limited	'A' Ordinary	20,000	4,000,000

Geoffrey Clarkson exercised a warrant for 20,000 'A' Ordinary shares in the year at par.

During the year the nominal value of 'A' Ordinary shares was subdivided from £0.01 per share to £0.0001 per share.

The directors who held office at the end of the financial period had the following options to acquire interests in the shares of Group companies according to the register of directors' interests:

	Company	Class of share	Options at the start of year or date of appointment	Options at end of year
P W Lane	Tenet Limited	'A' Ordinary	-	1,666,666
N E Kelly	Tenet Limited	'A' Ordinary	-	1,500,000
S K Bryant	Tenet Limited	'A' Ordinary	-	300,000

The options were granted under the rules of the Tenet Limited Enterprise Management Incentive Plan as described in note 17.

Peter Lane was granted an option to purchase 1,666,666 'A' Ordinary shares at £0.06 per share on 6 December 2002.

Nick Kelly was granted options to purchase 500,000 'A' Ordinary shares at £0.15 per share and 1,000,000 'A' Ordinary shares at £0.215 per share on 6 December 2002.

Sharon Bryant was granted options to purchase 150,000 'A' Ordinary shares at £0.15 per share and 150,000 'A' Ordinary shares at £0.215 per share on 6 December 2002.

Directors' report *(continued)*

Pensions review

By 30 April 2003 the pension review process was nearing its conclusion. The amount of the provision that remains is an amount the directors consider appropriate to cover any settlements that require finalisation.

Political and charitable contributions

It is the Group's policy not to make contributions for political purposes. Donations to UK charities amounted to £150 (2002 : £1,223).

Going Concern

After making enquiries and with the continuing support of the Group's bankers, the directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. See Note 1 to the financial statements for further details.

Employment Policies

The Company's policy on employee involvement is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Company's operations.

Employment policies are designed to provide equal opportunities irrespective of colour, ethnic or natural origin, nationality, sex, religion, marital or disabled status. Full consideration is given to applications for employment by and the continuing employment, training and career development of disabled people.

Payment of Suppliers

Payment terms are agreed with each supplier and every endeavour is made to adhere to the agreed terms.

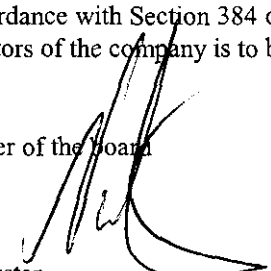
The Environment

The Group encourages energy efficiency and avoidance of waste, including recycling of materials and reduction of use of paper through office automation. The Group also promotes high standards of health and safety at work.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board


N A Preston
Secretary

5/11/03

Network House
Lister Hill
Horsforth
Leeds
LS18 5AZ

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Report of the independent auditors to the members of Tenet Limited

We have audited the financial statements on pages 19 to 47.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 16, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 April 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc .

KPMG Audit Plc
Chartered Accountants
Registered Auditor

5 November 2003

Consolidated profit and loss account
for the year ended 30 April 2003

	Note	2003 £	2003 £	2002 £
Group Turnover				
Continuing operations	1/2	54,398,503		61,272,282
Acquisitions	1/2	2,215,544		-
			56,614,047	61,272,282
Cost of sales			(45,091,570)	(52,424,542)
Gross profit			11,522,477	8,847,740
Administrative expenses			(12,447,707)	(10,411,953)
Exceptional income	3		450,000	911,615
Group operating loss				
Continuing operations		(139,757)		(652,598)
Acquisitions		(335,473)		-
			(475,230)	(652,598)
Other interest receivable and similar income	6		159,012	93,192
Interest payable and similar charges	7		(1,005,053)	(887,203)
Loss on ordinary activities before taxation	4		(1,321,271)	(1,446,609)
Tax (charge) / credit on loss on ordinary activities	8		(120,776)	209,610
Loss on ordinary activities after taxation being loss for the financial year			(1,442,047)	(1,236,999)
Retained loss for the year for Group	18		(1,442,047)	(1,236,999)

There is no material difference between the results as described in the profit and loss account and the results on an unmodified historical cost basis. A statement of total recognised gains and losses has not been prepared as the total recognised gains in each year equate to the profit for the year.

All results relate to continuing operations.

Consolidated balance sheet
at 30 April 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Intangible assets	9		14,126,056		12,486,505
Tangible assets	10		1,710,839		536,528
Investments	11		41,475		-
			<u>15,878,370</u>		<u>13,023,033</u>
Current assets					
Debtors (including amounts due after more than one year £1,052,059; 2002 £137,680)	12	11,131,245		10,439,630	
Cash at bank and in hand	13	7,650,155		13,488,934	
		<u>18,781,400</u>		<u>23,928,564</u>	
Creditors: amounts falling due within one year	14	(16,617,322)		(18,288,706)	
Net current assets			<u>2,164,078</u>		<u>5,639,858</u>
Total assets less current liabilities			<u>18,042,448</u>		<u>18,662,891</u>
Creditors: amounts falling due after more than one year	15		(17,022,869)		(15,703,217)
Provisions for liabilities and charges	16		(388,605)		(2,395,903)
Net assets			<u>630,974</u>		<u>563,771</u>
Capital and reserves					
Called up share capital - Equity	17	10,703		10,000	
Non Equity	17	11,210		11,210	
		<u>21,913</u>		<u>21,210</u>	
Shares to be issued - Equity	17	200		-	
		<u>22,113</u>		<u>21,210</u>	
Share premium account - Equity	18	2,938,347		1,430,000	
Non Equity	18	1,109,790		1,109,790	
		<u>4,048,137</u>		<u>2,539,790</u>	
Profit and loss account	18		(3,439,276)		(1,997,229)
Shareholders' funds			<u>(490,026)</u>		<u>(557,229)</u>
Equity			1,121,000		1,121,000
Non Equity			<u>630,974</u>		<u>563,771</u>
	19		<u>630,974</u>		<u>563,771</u>

These financial statements were approved by the board of directors on 5 November 2003 and were signed on its behalf by:

Director

Pit L

Company balance sheet
at 30 April 2003

	<i>Note</i>	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Investments	11		20,590,070		18,868,589
Tangible assets	10		27,904		38,409
			<hr/>		<hr/>
			20,617,974		18,906,998
Current assets					
Debtors (including amounts due after more than one year £966,667; 2002 £nil)	12	1,544,598		235,766	
Cash at bank and in hand		-		5,612,405	
		<hr/>		<hr/>	
		1,544,598		5,848,171	
Creditors: amounts falling due within one year	14	(5,390,631)		(9,114,166)	
		<hr/>		<hr/>	
Net current liabilities			(3,846,033)		(3,265,995)
			<hr/>		<hr/>
Total assets less current liabilities			16,771,941		15,641,003
Creditors: amounts falling due after more than one year	15		(14,975,000)		(14,425,000)
Provisions for liabilities and charges	16		(2,020)		(2,020)
			<hr/>		<hr/>
Net assets			1,794,921		1,213,983
			<hr/>		<hr/>
Capital and reserves					
Called up share capital - Equity	17	10,703		10,000	
Non Equity	17	11,210		11,210	
		<hr/>		<hr/>	
		21,913		21,210	
Shares to be issued - Equity	17	200		-	
		<hr/>		<hr/>	
			22,113		21,210
Share premium account - Equity	18	2,938,347		1,430,000	
Non Equity	18	1,109,790		1,109,790	
		<hr/>		<hr/>	
			4,048,137		2,539,790
Profit and loss account	18		(2,275,329)		(1,347,017)
Shareholders' funds - Equity		673,921		92,893	
Non Equity		1,121,000		1,121,000	
		<hr/>		<hr/>	
	19		1,794,921		1,213,983
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 5/11/03 and were signed on its behalf by:

Director



Consolidated cash flow statement
for the year ended 30 April 2003

	<i>Note</i>	2003 £	2002 £
Cash flow from operating activities	21	(279,307)	(273,137)
Returns on investments and servicing of finance	22	(336,526)	(1,114,877)
Taxation		-	127,890
Capital expenditure	22	(1,444,577)	(245,618)
Acquisitions and disposals	22	(200,006)	-
		<hr/>	<hr/>
Cash outflow before financing		(2,260,416)	(1,505,742)
Financing	22	4,250	5,546,214
		<hr/>	<hr/>
(Decrease)/ increase in cash in the period	23	(2,256,166)	4,040,472
		<hr/>	<hr/>

Reconciliation of net cash flow to movement in net debt

(Decrease)/ increase in cash in the period		(2,256,166)	4,040,472
Cash outflow from decrease in debt and lease financing	22	-	(5,546,214)
		<hr/>	<hr/>
Movement in net debt in the period	23	(2,256,166)	(1,505,742)
Debt acquired with subsidiary	23	(33,588)	-
Net debt at the start of the period	23	(8,250,299)	(6,744,557)
		<hr/>	<hr/>
Net debt at the end of the period	23	(10,540,053)	(8,250,299)
		<hr/>	<hr/>

Notes

1 Accounting policies

A summary of the Group and company's principal accounting policies, all of which have been applied consistently throughout the year and the preceding year are set out below.

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The company is exempt under S230(4) of the Companies Act 1985 from the requirement to present its own profit and loss account.

Five of the Group's companies, The Independent Mortgage Adviser Network Limited, Tenet Business Solutions Limited, IFA Professional Services Limited, Capital Planning UK Limited and Capital Planning Holdings Limited, are reliant on the support of their ultimate parent undertaking, Tenet Limited, in order to continue as a going concern for the 12 months from the signing of these accounts. The directors of Tenet Limited have indicated this support will continue until the companies are able to support themselves, and that repayment of balances due to Group companies will only be required when funds are available. Accordingly, the financial statements of these companies have been prepared on a going concern basis.

The board is required to report as to whether it is appropriate for the financial statements to be prepared on a going concern basis. The executive directors have prepared a budget which demonstrates that the business can continue to grow. The company's bankers have indicated that they cannot foresee any difficulty in renewing the Group's current facilities for a further 12 months. The Board therefore continues to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 April 2003. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

The company holds a 20% stake in Ayrshire Limited. The results of Ayrshire have not been included within the consolidated results of the results of the Group as the directors do not consider that it is an associated company under the terms of FRS9. The investment has been included as a fixed asset investment in the accounts of Tenet Limited.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given and associated costs over the fair value of the separable net assets acquired) arising on consolidation is capitalised and amortised over its estimated useful economic life, not exceeding 20 years. On the subsequent disposal or termination of a business acquired, the profit or loss on disposal or termination is calculated after charging (crediting) the unamortised amount of any related goodwill (negative goodwill).

Investments

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off for impairment.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost net of depreciation with the exception of work in progress on computer equipment which reflects expenditure on assets not yet brought into use and therefore not yet subject to depreciation. Depreciation is provided at rates calculated to write off the cost, less the estimated residual value of each asset, on a straight-line basis over its estimated useful life as follows:

Fixtures, fittings & equipment	-	3 to 5 years
Leasehold improvements	-	3 to 5 years
Motor vehicles	-	1 to 4 years

Notes (continued)

1 Accounting policies (continued)

Leases and hire purchase contracts

Assets held under finance hire purchase contracts are initially reported at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its estimated useful economic life. Finance costs are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance. Rentals are apportioned between finance costs and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate.

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term even if the payments are not made on such a basis.

Pension costs

The Group operates a defined contribution pension scheme. The amounts charged to the profit and loss account are the contributions payable in the period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover comprises the value of commissions receivable, sales of services and other amounts receivable from product providers, excluding VAT, in the normal course of business. Turnover and trade debtors, representing commission receivable, are shown net of provisions for amounts not subsequently received. Related amounts of commission due to member firms are included in trade creditors. All turnover arises in the United Kingdom.

2 Turnover

All turnover relates to the principal activities described in the accompanying Directors' report and arises in the United Kingdom.

Included within the turnover of Tenet Business Solutions Limited, a Group company, is amounts received from product providers to aid marketing efforts of that Company and Group as a whole. The product provider income arose for the first time in the current year.

Notes (continued)

3 Exceptional income

In 2002 the exceptional item related to net proceeds received from the termination of the relationship between The M&E Network Limited, a Group company, and Heritage Financial Partners Limited to supply services to that company.

In 2003 the exceptional item relates to compensation received in respect of a failed software project. The capitalised costs of the project were written off in 2002 and are shown in note 4 below.

4 Loss on ordinary activities before taxation

	2003 £	2002 £
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Group - audit	147,727	81,966
Group - other services	105,330	100,907
Depreciation and other amounts written off tangible fixed assets	288,981	262,957
Amortisation of goodwill	730,041	693,694
Hire of other assets - operating leases	514,294	443,985
Loss on sale of fixed assets	458	3,135
Write off of fixed assets	-	425,551
Provision against loan to David Gates	350,000	-
	<hr/>	<hr/>

A loan of £350,000 owed by David Gates, a director of Capital Planning Holdings Limited and Capital Planning UK Limited, was provided against in the year as in the directors' opinion the amount may be irrecoverable.

Auditors' remuneration for the Company was £11,727 for audit services and £nil for other services.

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2003	2002
Sales and marketing	11	12
Administration	223	216
	<hr/>	<hr/>
	234	228
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	5,362,986	4,865,614
Social security costs	521,676	479,042
Other pension costs	222,014	228,342
	<hr/>	<hr/>
	6,106,676	5,572,998
	<hr/>	<hr/>

No staff costs were incurred by the company during the period (2002 : Nil).

The remuneration of directors was as follows:

	2003	2002
	£	£
Emoluments	905,922	518,228
Pension contributions	102,704	67,053
	<hr/>	<hr/>
	1,008,626	585,281
	<hr/>	<hr/>
Emoluments of the highest paid director including pension contributions	216,211	197,499
	<hr/>	<hr/>

The highest paid director's emoluments are paid by the M&E Network Limited.

Notes (continued)

The number of directors who were members of pension schemes was as follows:

	Number of directors 2003	2002
Defined contribution schemes	<u>9</u>	<u>9</u>

6 Other interest receivable and similar income – Group

	2003 £	2002 £
Bank interest	<u>159,012</u>	<u>93,192</u>

7 Interest payable and similar charges – Group

	2003 £	2002 £
On bank loans and overdrafts	14,417	162,935
Loan stock	990,636	650,808
Finance charges payable in respect of finance leases and hire purchase contracts	-	482
Other interest	-	72,978
	<u>1,005,053</u>	<u>887,203</u>

Notes (continued)

8 Taxation

a) Analysis of charge in year at 30% (2002 – 30%)

	2003 £	2002 £
Current tax at 30% (2002 – 30%)	-	-
Overprovision of tax in prior years		
In respect of non taxable income	-	-
Other	-	-
Repayments of prior years	-	(85,406)
	<hr/>	<hr/>
Total current tax	-	(85,406)
Deferred tax		
Origination and reversal of timing differences	(517)	(40,869)
Adjustment in respect of prior years	121,293	(83,335)
	<hr/>	<hr/>
Total deferred tax	120,776	(124,204)
	<hr/>	<hr/>
Tax on loss on ordinary activities	120,776	(209,610)
	<hr/>	<hr/>

b) Factors affecting current tax charge in year

Loss on ordinary activities before tax	(1,321,271)	(1,446,609)
	<hr/>	<hr/>
Tax on loss on ordinary activities at UK Standard rate of 30 % (2002 – 30%)	(396,381)	(433,983)
Effects of:		
Adjustments for rate changes	-	-
Depreciation in excess of capital allowances	(8,292)	28,017
Other timing differences	77,608	15,074
Expenses not deductible for tax purposes	125,358	(333,125)
Offset of prior year losses	(34,502)	(12,072)
Overprovision in respect of prior years	-	85,406
Effects of consolidation	236,209	736,089
	<hr/>	<hr/>
Current tax charge for year	-	85,406
	<hr/>	<hr/>

The Group has potential deferred tax assets, at 30%, of £335,772 (2002: £269,749) on taxable losses, £138,873 (2002: £25,226) on accelerated capital allowances and £106,409 (2002: £nil) on short term timing differences.

There are no other deferred tax assets within the Group of a material nature. As the Group is not expected to make profits in the foreseeable future, the deferred tax assets have not been recognised.

Notes (continued)

9 Intangible fixed assets

Group	Consolidated Goodwill £
<i>Cost</i>	
At beginning of period	13,884,257
Additions	2,394,929
Write down	(25,000)
	<hr/>
At end of period	16,254,186
	<hr/>
<i>Amortisation</i>	
At beginning of period	1,397,752
Charged in the period	730,378
	<hr/>
At end of period	2,128,130
	<hr/>
<i>Net book value</i>	
At 30 April 2003	14,126,056
	<hr/>
At 30 April 2002	12,486,505
	<hr/>

The goodwill is being amortised on a straight line basis over 20 years.

The company had no intangible fixed assets at the period end. See note 11 for further details of the write down.

Notes (continued)

10 Tangible fixed assets

Group	Leasehold Improvements	Fixtures, Fittings and Computer Equipment	Motor Vehicles	Assets Under Course of Construction	Total
	£	£	£	£	£
Cost					
At beginning of period	317,360	1,324,528	6,192	-	1,648,080
Additions	3,200	299,355	15,050	1,146,729	1,464,334
Disposals	-	-	(1,500)	-	(1,500)
At end of period	320,560	1,623,883	19,742	1,146,729	3,110,914
Depreciation					
At beginning of period	106,979	998,381	6,192	-	1,111,552
Charge for the year	63,897	216,704	8,380	-	288,981
Disposals	-	-	(458)	-	(458)
At end of period	170,876	1,215,085	14,114	-	1,400,075
Net book value					
At 30 April 2003	149,684	408,798	5,628	1,146,729	1,710,839
At 30 April 2002	210,381	326,147	-	-	536,528

Notes (continued)

Company	Fixtures, Fittings and Computer Equipment £
Cost	
At beginning of year	52,525
Additions	-
Write off	-
	<hr/>
At end of year	52,525
	<hr/>
Depreciation	
At beginning of year	14,116
Charge for the year	10,505
	<hr/>
At end of year	24,621
	<hr/>
Net book value	
At 30 April 2003	27,904
	<hr/>
At 30 April 2002	38,409
	<hr/>

11 Fixed asset investments

Company	Shares in Group Undertakings £
Cost and net book value	
At the start of the period	18,868,589
Additions	1,746,481
Write down	(25,000)
	<hr/>
At end of period	20,590,070
	<hr/>

The write down is concerned with the expiry of a contingent condition in the purchase of IFA Professional Services Limited.

Notes (continued)

The companies in which the company's direct interest at the year end is more than 20% are as follows:

	Country of incorporation	Principal Activity	Holding
<i>Subsidiary Undertakings:</i>			
The M&E Network Limited	England and Wales	FSA regulated network of IFAs	100%
Tenet Business Solutions Limited	England and Wales	Holding Company	100%
IFA Professional Services Limited	England and Wales	Professional Services Company	100%
Tenet Trustees Limited	England and Wales	Trustee company	100%
Capital Planning Holdings Limited	England and Wales	Holding Company	100%

The companies in which the company's direct interest at the year end is less than or equal to 20% are as follows:

	Country of incorporation	Principal Activity	Holding
<i>Associated Undertaking:</i>			
Ayrshire Financial Services Limited	England and Wales	Provision of financial advice	20%

The company also has a 100% indirect interest in the following companies which are wholly owned by the subsidiary undertakings mentioned above:

	Country of incorporation	Principal Activity
<i>Undertakings:</i>		
M&E Network Services Limited	England and Wales	Administration services
M&E Direct Limited	England and Wales	Administration services
Interdependence Limited	England and Wales	FSA regulated network of IFAs
Interdependence Services Limited	England and Wales	Dormant company
Interdependence Consultancy Services Limited	England and Wales	Consulting services
Independent Mortgage Adviser Network Limited	England and Wales	Management of a mortgage adviser network
Adviser Connect Limited	England and Wales	Administration services
Capital Planning UK Limited	England and Wales	Provision of financial advice

On 23 July 2003 M&E Direct Limited's name was changed to Tenet Group Limited.

Notes (continued)

Tenet Limited owns the whole of the issued share capital of all direct subsidiaries, which are as follows:

	Class	Number Held
The M&E Network Limited	Ordinary of £1 each	2,351,000
Tenet Business Solutions Limited	Ordinary of £1 each	132,750
Tenet Business Solutions Limited	'A' Ordinary of £1 each	2,579,666
IFA Professional Services Limited	Ordinary of £1 each	761,000
Tenet Trustees Limited	Ordinary of £1 each	1
Capital Planning Holdings Limited	Ordinary of £1 each	200

Tenet Limited owns the whole of the issued share capital of all indirect subsidiaries, which are as follows:

	Class	Number Held
M&E Network Services Limited	Ordinary of £1 each	1
M&E Direct Limited	Ordinary of £1 each	27
Interdependence Limited	Ordinary of £1 each	132,750
Interdependence Limited	'A' Ordinary of £1 each	659,666
Interdependence Services Limited	Ordinary of £1 each	2
Interdependence Consultancy Services Limited	Ordinary of £1 each	117,100
Independent Mortgage Adviser Network Limited	Ordinary of £1 each	810,001
Adviser Connect Limited	Ordinary of £1 each	170,001
Capital Planning UK Limited	Ordinary of £1 each	1,430,000

On 3 June 2003 two new companies, Ever 2118 Limited and Ever 2119 Limited, were formed as direct subsidiaries of Tenet Group Limited (previously M&E Direct Limited).

Additions to fixed asset investments

The additions shown in the current period relate to the acquisition of the entire share capital of Capital Planning Holdings Limited on 23 December 2002 and 20% of the share capital of Ayrshire Financial Services Limited on 30 October 2002.

	£
Capital Planning Holdings Limited	1,505,000
Ayrshire Financial Services Limited	41,475
Legal costs in relation to the above	200,006
	<hr/>
	1,746,481
	<hr/>

Notes (continued)

On 23 December 2002 Tenet Limited acquired a new wholly owned subsidiary. Capital Planning Holdings Limited was acquired along with its directly owned subsidiary Capital Planning UK Limited.

The results of Capital Planning Holdings Limited and Capital Planning UK Limited have been included using the acquisition method of accounting.

The agreement for the purchase of shares in Capital Planning Holdings Limited provided for a consideration of £1,075,000 to be satisfied by the issue of 5,000,000 'A' Ordinary shares at £0.215. A further 2,000,000 'A' Ordinary shares may be issued contingent upon the performance of Capital Planning UK Limited:

- 1,000,000 'A' Ordinary shares are to be issued if the turnover of Capital Planning UK Limited exceeds £10,000,000 in any financial year up to and including 30 April 2006.
- a further 1,000,000 'A' Ordinary shares are to be issued if the turnover of Capital Planning UK Limited exceeds £12,000,000 in any financial year up to and including 30 April 2006.

The directors consider that the performance of Capital Planning UK Limited will require that all of the possible shares will be issued. The price per 'A' Ordinary share in the most recent transfer of Tenet Limited shares was £0.215 which the directors consider to be a reasonable value for the purpose of calculating the acquisition cost of Capital Planning Holdings Limited.

The fair values of the identifiable assets and liabilities of the new subsidiaries at the date of acquisition were as follows:

	Book value at acquisition £	Fair value adjustments £	Fair value £
Net assets acquired			
Fixed assets	69,101	(7,867)	61,234
Debtors	613,162	(69,295)	543,867
Creditors and provisions	(1,213,350)	(48,086)	(1,261,436)
Bank overdrafts	(51,964)	18,376	(33,588)
	<hr/>	<hr/>	<hr/>
	(583,051)	(106,872)	(689,923)
	<hr/>	<hr/>	<hr/>
Goodwill			2,394,929
			<hr/>
			1,705,006
			<hr/>
Satisfied by			
5,000,000 'A' Ordinary shares at £0.215			1,075,000
Contingent consideration of 2,000,000 'A' Ordinary shares at £0.215			430,000
Expenses of acquisition			200,006
			<hr/>
			1,705,006
			<hr/>

All fair value adjustments relate to the revaluation of assets and liabilities. There was a deferred tax asset arising at acquisition relating to losses which was not recognised in the book value of assets and for which no fair value adjustment was made.

Notes (continued)

Summarised consolidated profit and loss account for Capital Planning Holdings Limited

	Period Ended 22 December 2002 £	4 month period ended 31 March 2002 £
Turnover	3,538,065	317,785
Cost of sales	(2,288,822)	(193,206)
Gross profit	1,249,243	124,579
Operating expenses	(1,699,510)	(358,429)
Operating loss	(450,267)	(233,850)
Interest receivable and similar income	4,654	492
Interest payable and similar charges	-	(6,050)
Loss on ordinary activities before taxation	(445,613)	(239,408)
Tax credit on loss on ordinary activities	-	-
Retained loss for the period	(445,613)	(239,408)

There were no recognised gains or losses in either period other than the results for the periods as shown above and further no adjustments to the results to bring Capital Planning Holdings Limited or Capital Planning UK Limited into line with Group policies have been made on grounds of materiality.

12 Debtors

	Group 2003 £	2002 £	Company 2003 £	2002 £
Trade debtors (including amounts due after more than one year £85,392; 2002 £137,680)	7,826,332	6,294,813	-	60,478
Prepayments and accrued income (including amounts due after more than one year £966,667; 2002 £nil)	1,697,152	298,557	2,655	2,499
Other debtors	1,607,761	3,846,260	1,626	68,613
Amounts owed by Group companies	-	-	1,540,317	104,176
	11,131,245	10,439,630	1,544,598	235,766

Notes (continued)

13 Cash at bank and in hand

Included within cash at bank and in hand is £281,722 (2002: £204,583) held in individual bank accounts on behalf of clients.

14 Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Loan notes	-	550,000	-	550,000
Bank loans and overdrafts	3,215,208	6,764,233	3,213,694	6,650,090
Trade creditors	8,829,100	8,636,323	40,559	205,422
Amounts owed to Group undertakings	-	-	1,615,459	979,247
Taxation and social security	435,688	362,883	-	-
Corporation taxation	-	-	-	-
Other creditors	581,618	243,842	-	25,000
Accruals and deferred income	3,555,708	1,731,425	520,919	704,407
	<u>16,617,322</u>	<u>18,288,706</u>	<u>5,390,631</u>	<u>9,114,166</u>

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Loan stock - No 2	14,400,000	13,850,000	14,400,000	13,850,000
"CII" loan notes	250,000	250,000	250,000	250,000
"CIII" loan notes	325,000	325,000	325,000	325,000
Trade creditors	60,281	120,982	-	-
Other creditors	966,667	-	-	-
Network members reserve	1,020,921	1,157,235	-	-
	<u>17,022,869</u>	<u>15,703,217</u>	<u>14,975,000</u>	<u>14,425,000</u>

Notes (continued)

Analysis of debt:

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Debt can be analysed as falling due:				
In one year or less, or on demand	-	550,000	-	550,000
Between one and two years	1,100,000	1,100,000	1,100,000	1,100,000
Between two and five years	6,550,000	4,550,000	6,550,000	4,550,000
In five years or more	7,325,000	8,775,000	7,325,000	8,775,000
	<hr/> 14,975,000 <hr/>	<hr/> 14,975,000 <hr/>	<hr/> 14,975,000 <hr/>	<hr/> 14,975,000 <hr/>

Amounts repayable in more than five years:

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Loan stock - No 2	7,000,000	8,450,000	7,000,000	8,450,000
"CIIL" loan notes	325,000	325,000	325,000	325,000
	<hr/> 7,325,000 <hr/>	<hr/> 8,775,000 <hr/>	<hr/> 7,325,000 <hr/>	<hr/> 8,775,000 <hr/>

Loan stock

On 26 April 2002 £14,400,000 of loan stock No. 2 was issued which was used to redeem loan stock No. 1. This loan stock is an unsecured, non-guaranteed loan facility agreement. The interest rate applied is 2.75% over LIBOR and is split equally between cash paid and rolled up interest. The loan is subordinate to Barclays Bank committed revolving facilities.

The repayment dates and repayment instalments are as follows:

Repayment Instalment	Repayment Dates
£3,300,000	31 October 2005
£550,000	30 April 2006
£1,150,000	30 April 2007 and every six months thereafter up to and including 31 October 2008
The outstanding amount of the loan	30 April 2009

Notes (continued)

Since the end of the financial year the No 2 Loan stock has been rescheduled. The new repayment profile is:

	Loan stock No 2 Original repayment schedule	Loan stock No 2 Rescheduled	Loan stock No 3 Note 25
	£	£	£
Debt can be analysed as falling due:			
In one year or less, or on demand	-	-	-
Between one and two years	1,100,000	-	-
Between two and five years	6,550,000	9,050,000	-
In five years or more	6,750,000	5,350,000	2,000,000
	<hr/>	<hr/>	<hr/>
	14,400,000	14,400,000	2,000,000
	<hr/>	<hr/>	<hr/>

Loan notes

£575,000 of loan notes was issued to Rowansec Limited in 1999. The details of these are as follows:

Type	Nominal Value	Rights
"CII"	£250,000	Not interest bearing. Repayable only upon a subsequent sale before 30 April 2007 and with a sale value exceeding £25,000,000.
"CIII"	£325,000	Not interest bearing. Repayable only upon a subsequent sale on or before 30 December 2025.

Bank loan and overdraft

The business overdraft facility agreement with Barclays Bank states that it has a fixed charge over all book and other debts and a first floating charge over all other assets of the company (i.e. all companies in the Tenet Limited Group) both present and future, with the exception of Capital Planning Holdings Limited and Capital Planning UK Limited, and the cash in The M&E Network Limited network members reserve. In relation to The M&E Network Limited and Interdependence Limited the liability to Barclays Bank is limited to £1,000,000 between them.

Notes (continued)

As a further requirement, Tenet Limited has deposited with Barclays Bank Keyman Policies, which are the original life policies of certain of the Directors of Tenet Limited.

In addition, Tenet Limited, Norwich Union Life Investment Partnership, Friends Provident and all other parties to an Inter Creditor Deed have entered into a deed of amendment to the Inter Creditor Deed whereby Barclays Bank have priority over Norwich Union Life Investment Partnership and Friends Provident in respect of all monies owing to the Investors and to Norwich Union Life Investment Partnership and Friends Provident.

16 Provisions for liabilities and charges

Group	Pensions Review Provision £	Deferred Tax Provision £	Provision for Commission Clawback £	Total £
Group				
At beginning of year	2,301,783	2,020	92,100	2,395,903
Utilised in the year	(1,282,077)	-	-	(1,282,077)
(Decrease) / increase in provision	(811,821)	-	86,600	(725,221)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	207,885	2,020	178,700	388,605
	<hr/>	<hr/>	<hr/>	<hr/>

The deferred tax provision arose in respect of accelerated capital allowances in Tenet Limited.

The provision for commission clawback relates to commission receipts subsequently repaid to product providers on the cancellation of policies. It arises in Interdependence Limited, £66,200 (2002: £92,100) and Capital Planning UK Limited, £112,500 (2002: £8,000).

Pensions review process

By 30 April 2003 the pension review process was nearing its conclusion. The amount of the provision that remains is an amount the directors consider appropriate to cover any settlements that require finalisation.

Company	Deferred Tax Provision £
At beginning of period	2,020
Charge for the period	-
	<hr/>
At end of period	2,020
	<hr/>

The deferred tax provision arose in respect of accelerated capital allowances.

Notes (continued)

17 Called up share capital

	2003 £	2002 £
Authorised		
Equity Shares		
137,000,000 / 370,000 'A' Ordinary Shares of £0.0001 / £0.01 each	13,700	3,700
60,523,800 / 605,238 'B' Ordinary Shares of £0.0001 / £0.01 each	6,052	6,052
4,952,700 / 49,527 'C' Ordinary Shares of £0.0001 / £0.01 each	495	495
Non Equity Shares		
1,129,000 'A' Preference Shares of £0.01 each	11,290	11,290
	<u>31,537</u>	<u>21,537</u>
Allotted, called up and fully paid		
Equity Shares		
44,027,000 / 370,000 'A' Ordinary Shares of £0.0001 / £0.01 each	4,403	3,700
60,523,800 / 605,238 'B' Ordinary Shares of £0.0001 / £0.01 each	6,052	6,052
2,476,200 / 24,762 'C' Ordinary Shares of £0.0001 / £0.01 each	248	248
Non Equity shares		
1,121,000 'A' Preference Shares of £0.01 each	11,210	11,210
	<u>21,913</u>	<u>21,210</u>
Shares to be issued		
2,000,000 'A' Ordinary Shares of £0.0001	200	-
	<u>22,113</u>	<u>21,210</u>

	Shares issued	Nominal Value	Share premium	Cash consideration	Investment in Capital Planning Holdings Ltd.
		£	£	£	£
Shares issued in the year					
Capital Planning Holdings Ltd. investment	5,000,000	500	1,074,500	-	1,075,000
G S Clarkson warrant	2,000,000	200	-	200	-
Staff share option exercise	27,000	3	4,047	4,050	-
	<u>7,027,000</u>	<u>703</u>	<u>1,078,547</u>	<u>4,250</u>	<u>1,075,000</u>
Shares to be issued					
Capital Planning Holdings Ltd. investment	2,000,000	200	429,800	-	430,000
	<u>9,027,000</u>	<u>903</u>	<u>1,508,347</u>	<u>4,250</u>	<u>1,505,000</u>

Notes (continued)

On 29 October 2002 1,000,000 additional 'A' Ordinary shares were authorised. On the same day all classes of Equity Shares were subdivided in a ratio of 100:1.

'A' Ordinary Shares

The 'A' Ordinary Shares are entitled to receive a dividend subject to the payment of loan stock coupons, repayments, fixed dividend, participating dividend and 'A' preference dividend, given that the company sanctions the distribution of any excess.

The 'A' Ordinary Shareholders are entitled to receive notice of and attend and speak at any general meeting of the company and shall have one vote per share held.

'B' Ordinary Shares

The 'B' Ordinary Shares are entitled to receive a cumulative net cash dividend at the rate of £0.001p per annum in respect of each share in issue, which ranks in priority to all other dividends, together with a further dividend being the difference between a percentage of net profits less the aggregate dividend for the relevant financial year. The shareholders are entitled to receive notice of and attend and speak at any general meeting of the company and shall have one vote per share held. In the event of the following, the shareholders will be entitled to exercise three times the total number of votes conferred by all the shares of all the other classes for the time being in issue:

- (a) if any dividend payable has not been paid in full within seven days of the due date; or
- (b) the company is in breach of its financial covenants and has not been remedied; or
- (c) any loan stock coupon or repayments have not been paid in full within seven days of its due date.

'C' Ordinary Shares

The 'C' Ordinary Shares have the same rights as the 'B' ordinary shares with the exception of voting rights. The shareholders are entitled to receive notice and attend and speak at any general meeting, but shall not be entitled to vote at such general meeting.

'A' Preference Shares

The 'A' Preference Shares are entitled to receive a non cumulative annual dividend, subject to the payment of loan stock coupons, repayments, fixed dividend, participating dividend but otherwise in priority to the dividends on any other class of share, at a specified rate per annum.

The 'A' Preference Shares will be redeemed at par at a rate of 140,000 shares per annum, commencing 30 April 2004 and finishing on 30 April 2012, subject to payment of all loan stock coupon, repayments, fixed dividends, participating dividends and accrued 'A' Preference Dividends.

Priority and amounts receivable on a winding up

Upon a winding up, any surplus of assets over liabilities shall be applied to the various share categories as follows:

- Firstly, paying to each of the 'B' and 'C' Ordinary Shareholders all outstanding fixed and participating dividends.
- Secondly, paying to each of the 'B' and 'C' Ordinary Shareholders an amount equal to the par value of each share plus any premium paid on purchase.
- Thirdly, paying to each share plus any premium paid on purchase.

Thereafter, subject to the payment of all amounts payable to the holders of the 'A' Ordinary Shares, any remaining balance shall be distributed amongst the holders of the 'B' Ordinary Shares and the holders of the 'A' Ordinary Shares (as if they constituted one class of share) in proportion to the numbers of the 'B' Ordinary Shares and the 'A' Ordinary Shares held by them respectively.

Notes (continued)

EMI staff scheme

On 25 November 2002 the directors adopted the 'Tenet Limited Enterprise Management Incentive Plan'. Under the plan employees of Tenet Limited and its subsidiaries are eligible for options to purchase shares in the Company to be granted to them. The directors determine the timing and price of the option and any conditions employees are required to fulfil to qualify.

On 6 December 2002 the first tranche of options was granted to eligible employees at prices of £0.06, £0.15 and £0.215. On 31 March 2003 an employee exercised his right to purchase 27,000 'A' Ordinary shares with a nominal value of £0.0001 at £0.15 per share.

The first exercise date is, in accordance with Rule 5 of the scheme rules, the earliest of: a listing date, an asset sale, during the month of November in any year following the expiry of 3 years from the date of the grant, or otherwise at the discretion of the remuneration committee.

18 Reserves

Group	Share Premium account- Non Equity £	Share Premium account- Equity £	Profit and loss account £
At beginning of year	1,109,790	1,430,000	(1,997,229)
Retained loss for the year	-	-	(1,442,047)
Premium on issue of shares	-	1,078,547	-
Premium on shares to be issued	-	429,800	-
At end of year	1,109,790	2,938,347	(3,439,276)

Company	Profit and loss account £
At beginning of year	(1,347,017)
Retained loss for the year	(928,312)
At end of year	(2,275,329)

Notes (continued)

19 Reconciliation of movement in shareholders' funds

Group

	2003 £	2002 £
Loss for the financial year	(1,442,047)	(1,236,999)
Share capital subscribed	1,509,250	-
Net addition to/ (reduction in) shareholders funds	<u>67,203</u>	<u>(1,236,999)</u>
Opening shareholders' funds	563,771	1,800,770
Closing shareholders' funds	<u><u>630,974</u></u>	<u><u>563,771</u></u>

Company

	2003 £	2002 £
Loss for the financial year	(928,312)	(450,974)
Share capital subscribed	1,509,250	-
Net addition to/ (reduction in) shareholders funds	<u>580,938</u>	<u>(450,974)</u>
Opening shareholders' funds	1,213,983	1,664,957
Closing shareholders' funds	<u><u>1,794,921</u></u>	<u><u>1,213,983</u></u>

20 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2003	2003	2002	2002
	Land and Buildings £	Other £	Land and Buildings £	Other £
Group				
Operating leases which expire:				
Within one year	-	40,146	-	82,827
In the second to fifth years inclusive	79,600	126,499	66,060	118,758
Over five years	178,060	-	112,000	-
	<u><u>257,660</u></u>	<u><u>166,645</u></u>	<u><u>178,060</u></u>	<u><u>191,585</u></u>

The company has no operating lease commitments.

Notes (continued)

21 Reconciliation of operating loss to operating cash flows

	2003 £	2002 £
Operating loss	(475,230)	(652,598)
Depreciation, amortisation and impairment charges	1,044,361	956,651
Write off of fixed assets	-	425,551
(Profit) / loss on sale of fixed assets	-	3,135
(Increase) / decrease in debtors	(268,524)	12,305
Increase / (decrease) in creditors	1,521,986	(1,215,089)
Write down of cost of investment	-	196,908
Decrease in other provisions	(2,101,900)	-
	<hr/>	<hr/>
Net cash (outflow) from operating activities	(279,307)	(273,137)
	<hr/>	<hr/>

Cashflow relating to exceptional items

The operating cash outflows include the inflow of £450,000, which relates to compensation received in respect of a failed software project.

Major non-cash transactions

Part of the consideration for the purchase of subsidiary undertakings that occurred during the year comprised shares. Further details of the acquisition are set out below.

	£
Net assets acquired	
Fixed assets	61,234
Debtors	543,867
Creditors and provisions	(1,261,436)
Bank overdrafts	(33,588)
	<hr/>
	(689,923)
	<hr/>
Goodwill	2,394,929
	<hr/>
	1,705,006
	<hr/>
Satisfied by	
Shares allotted	1,075,000
Shares to be issued	430,000
Cash	200,006
	<hr/>
	1,705,006
	<hr/>

The subsidiary undertaking acquired during the year contributed £117,119 to the Group's net operating cash flows and utilised £16,196 for capital expenditure.

Notes (continued)

22 Analysis of cash flows

	2003 £	2003 £	2002 £	2002 £
Returns on investment and servicing of finance				
Interest received	159,012		81,156	
Interest paid	(495,538)		(1,196,033)	
		(336,526)		(1,114,877)
Capital expenditure				
Purchase of tangible fixed assets	(1,403,102)		(264,203)	
Sale of tangible fixed assets	-		18,585	
Purchase of investment	(41,475)		-	
		(1,444,577)		(245,618)
Acquisitions and disposals				
Purchase of subsidiary undertaking	(233,594)		-	
Net overdraft acquired with subsidiary undertaking	33,588		-	
		(200,006)		-
Financing				
Issue of ordinary share capital	4,250		-	
Debt due within one year:				
New loan stock No 2 issued	-		550,000	
Debt due after more than one year:				
New loan stock No 2 issued	-		13,850,000	
Repayment of loan stock No 1	-		(6,600,000)	
Repayment of loan	-		(1,545,000)	
Repayment of loan	-		(686,667)	
Capital element of finance lease rental payments	-		(22,119)	
		4,250		5,546,214

Notes (continued)

23 Analysis of net debt

	At beginning of year	Cash flow	Acquisition	Other non-cash changes	At end of year
	£	£	£	£	£
Cash in hand, at bank	13,488,934	(5,805,191)	(33,588)	-	7,650,155
Overdrafts	(6,764,233)	3,549,025	-	-	(3,215,208)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	6,724,701	(2,256,166)	(33,588)	-	4,434,947
Debt due after one year	(14,425,000)	-	-	(550,000)	(14,975,000)
Debt due within one year	(550,000)	-	-	550,000	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	(8,250,299)	(2,256,166)	(33,588)	-	(10,540,053)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

24 Related party disclosures

In the Directors' opinion there is no ultimate controlling party of Tenet Limited.

CP & F Limited is a company in which D Gates and R Rastall are both directors and shareholders. One of the Group companies, Capital Planning UK Limited, of which D Gates and R Rastall are also directors, has various shared costs with CP & F Limited, a non-Group company. These include costs associated with shared staff, lease costs related to the rental of shared offices and other similar expenditure. CP & F Limited went into administration after the year-end and as a consequence an amount owed from CP & F Limited to Capital Planning UK Limited of £23,246 was written off to the Profit and Loss Account of that company.

Capital Planning UK Limited has acted as sponsor to Bedford Row Film Partnerships LLP numbers 1-5 in the year. D Gates is a partner in all five of these limited liability partnerships. D Gates is also a director of Bedford Row Films Limited, the managing partner of all five Bedford Row Film Partnerships. The Group received £628,440 from its role as sponsor.

Capital Planning UK Limited further acted as sponsor to Gentech Partnership 1 LLP of which D Gates is managing partner. The company received £342,834 from its role as sponsor.

Capital Planning UK Limited met legal costs totalling £17,203 associated with the establishment of London Residential Builders Limited, an Enterprise Investment Company of which D Gates was a director. London Residential Builders Limited ceased to trade as it failed to attract the requisite number of investors.

D Gates received no remuneration from his capacity as Partner or Director in any of the above mentioned companies or partnerships.

During the year a loan made to D Gates of £350,000 was provided against as in the directors' opinion the amount may be irrecoverable.

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, 'Related Party Transactions', not to disclose any transactions with entities that are included in the consolidated financial statements of Tenet Limited.

Notes (continued)

25 Contingent liabilities

The position in respect of Value Added Taxation on mortgage procurement fees received by Independent Mortgage Adviser Network Limited, is unclear as at the date of these accounts. As in any situation of this nature, it is possible that additional liabilities may arise. It is not possible to quantify any contingent liability which may arise.

Many businesses in the financial services sector are currently reviewing the sale of a number of products where the risk of mis-selling is deemed to be high. The company has reviewed the business that it has undertaken in relation to these products, which are detailed as follows:

- a) Split capital trusts - in a number of instances split capital investment trusts ("splits") have either failed or performed poorly in the past 24 months. The UK's financial regulator, The Financial Services Authority is currently undertaking a review of the splits sector. There has also been speculation that legal action may be brought against a range of parties involved in the sector;
- b) Endowment mortgages - in common with other firms in the financial services sector the company has received a number of complaints in relation to the sale of endowment mortgages. Each complaint received is dealt with by the company on its own merits;
- c) 'Precipice' bonds - following recent events, the company is reviewing its potential exposure to the sale of precipice bonds. Each complaint received is dealt with by the company on its own merits.

Based on this review, the facts at the current time, and the present progress of the various regulatory reviews taking place the Board does not consider that any material provision is required in respect of these issues.

The FSA has commenced an investigation into the pension fund withdrawal business of Interdependence Limited, a Group company, following concerns raised by Interdependence about the activities of one of its members. The report from the investigation has not been received therefore it is not possible to be certain of the extent of associated costs.

26 Post balance sheet events

On 10 October 2003 the company issued £2m of loan stock to Norwich Union Life Investment Partnership. The interest rate on this additional loan stock is the same as that on the loan stock No. 2 described in note 15. It is repayable in full on the earlier of 30 April 2009 or the date on which the entire loan stock No. 2 is repaid.

On 23 July 2003 M&E Direct Limited's name was changed to Tenet Group Limited. On 3 June 2003 two new companies, Ever 2118 Limited and Ever 2119 Limited, were formed as direct subsidiaries of Tenet Group Limited. To date Ever 2118 Limited and Ever 2119 Limited have not traded.