

TENET GROUP LIMITED

Report and Financial Statements

30 September 2006



Deloitte & Touche LLP
Leeds

TENET GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

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TENET GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S H Hudson
M J Greenwood
G S Clarkson
P W Lane
K A Carby
R H W Robson

SECRETARY

G S Clarkson

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SOLICITORS

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AUDITORS

Deloitte & Touche LLP
Chartered Accountants & Registered Auditors
Leeds

BUSINESS PHILOSOPHY

Our core values and objectives are:

- To create growth in shareholder value
- To be the most successful business in our chosen markets
- 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

In the last Chairman's Statement, it was reported that the directors were cautiously optimistic about the business' prospects. The Statement highlighted the Board's belief that the foundations for success had been put in place and that market conditions appeared to be favouring all Tenet group companies. Therefore, I am extremely pleased to report on behalf of the Board that the Group has enjoyed its strongest performance ever, recording annualised sales growth of 51% and an increase in Profit before Tax to £2.4 million.

The Financial Services Authority, along with many firms and individuals within the financial services advisory sector, are striving to professionalise the provision of financial advice. This aspiration continues to be defeated by the weak capital position and lack of substance of many firms within the sector. Financial advisers and IFA firms serious about improving their own standards will have to be able to demonstrate their financial integrity to their customers or be absolutely satisfied with the financial probity of those they rely upon. Whilst the collapse of major firms in our sector, such as Millfield plc and Berkeley Berry Birch plc, demonstrates that such probity cannot be taken for granted, those who rely upon Tenet Group will observe this year a further substantial increase in the financial strength of the Group, with net assets now standing at £28.1 million.

The regulatory landscape continues to evolve as the thinking of the FSA moves on and the impact of MiFID is felt. Over the last few years, the financial advisory sector has experienced depolarisation in investment business, along with the regulation of mortgage and general insurance products. Changes over the next few years are likely to be yet more fundamental, impacting heavily upon the terms of adviser remuneration and, most notably, the possibility that the responsibility for financial advice may shift to product providers. This will force life companies and mortgage lenders to inspect the activities of their distribution channels more closely and terminate those that do not demonstrate robust and intelligent compliance standards. The Board believes that the Group is well placed to both influence and benefit from such changes.

The fact that Tenet Group can demonstrate high compliance standards and financial strength should provide reassurance to advisers associated with the Group and other stakeholders that their business will be supported both now and in the future. With this in mind, the Board remains firmly of the belief that Tenet group companies offer the best home in the market for financial advisory firms and their advisers, particularly for those who wish to retain independence of advice for the benefit of their customers.

The CEO Overview shows how the Group continues to deliberately build for the future and aims to improve its position, in an effort to ensure that Tenet group companies can control their environment rather than be a victim of it. Market challenges continue to persist, but these represent opportunities as well as threats. The Board believes that the Group's employees have the culture and ability to ensure that all such challenges will be successfully addressed as and when they arise. The contribution of all Group employees to the success of the company has been tremendous and the Board is grateful for their continuing efforts.

Looking to the future, having delivered an exceptional performance in the period to 30th September 2006 and having regard to current market circumstances, the Board remains quietly confident that further progress can be achieved in the period to 30th September 2007.

Finally, it falls to me to report the retirement of Barry Kayes, who had been Chairman of the Group for over ten years, and, sadly, the death of Sharon Bryant, who had been Group Operations Director and with the Group since its formation. It would be difficult to overstate either Barry's or Sharon's contribution to the Group's development and the Board would like to formally recognise this. The process is currently underway to appoint a new Chairman, which the Board hope to have concluded by the early part of 2007. The Board would also like to formally welcome Rupert Robson as a non-executive director: *Rupert comes to us with a background in investment banking where he specialised in the European financial services sector.*

Martin Greenwood

ACTING CHAIRMAN

CEO OVERVIEW

The development of Tenet group companies has continued apace in the last twelve months and has delivered major improvements to the trading performance of the whole Group. This has been particularly pleasing to me, as the Group has demonstrated its ability to act in a financially responsible manner whilst continuing to innovate. This is in contrast to some of our historic competitors which invested heavily, failed to deliver tangible benefits from this investment and became insolvent in the last twelve months.

Furthermore, and despite the good progress made during the last year, a strategic review is currently being undertaken and the output of this is likely to confirm some new initiatives for 2007. The Board believes that current market circumstances provide a number of opportunities for substantial growth in the business and its long-term profitability. These opportunities should enable the Group to offer entirely new ways of supporting financial advisers in their business and promoting their interests.

However, although the prospect of such innovation is attractive, our existing activities also offer exciting opportunities for development, and some of the key recent and expected changes in the Group are detailed below.

To Date

The Group has spent much time on developing its policies and operating programmes in relation to the *"Treating Customers Fairly"* initiative of the Financial Services Authority. The Board believes that this initiative should have a fundamental and beneficial impact upon the delivery of financial advice within the United Kingdom over the next decade. Tenet group companies are dedicated to ensuring that their customers continue to be treated fairly and the Group's Core Values have included the provision of "a professional and valued service to our customers" and an "aim to deal with all third parties with integrity and recognise their value to Tenet" for some years now.

The integration of the Berkeley businesses into the Group following their acquisition in March 2006 has been of major significance to the Group. The financial difficulties of Berkeley Berry Birch plc were well known in the market and through an enormous effort various elements of this business' subsidiaries, most notably that of its IFA network, were acquired. The response and speed of work from Tenet employees was excellent, enabling the deal to be completed in 10 days and a full integration of the business within 90 days of acquisition.

Tenet launched its wrap proposition, Clear, during 2006 and, despite the inevitable teething problems of deploying complex third party software products, I have been satisfied with the work undertaken to date. Financial advisers are generally keen to adopt the new way of working that wrap products encourage and I have no doubt that over time this technology will become widely utilised. To date, two wrap systems are included in our proposition and we expect to add one more in the near future.

The Group remains sceptical regarding generalist multi-ties, but as I stated last year the Group believes that they are of importance in certain niche markets. I am delighted to announce that, during 2006, *the Group's specialist multi-tie offerings were brought to market* and that a number of financial institutions have already adopted this model. In particular, the Group has offered an Appointed Representative multi-tie service, which is believed to be unique in the market and, as a result, has generated the most interest.

We have reviewed our strategic direction with regard to the provision of financial advice directly to the retail customer, and concluded that our efforts should be focused on business introduced to the Group by network members and from direct marketing. As a consequence, the Group has established a new company, My Future Finance Limited, which focuses on internet based lead generation and further investment is being made into the Group's pension transfer business. My Future Finance Limited is at an early stage of development but is expected to become profitable within the next twelve months. A further decision was made as a consequence of this review to accept an offer for the business of Foster Denovo Limited which should see its sale in 2007.

IT development has once again featured highly on our agenda in a number of areas. Reliance, Premier Partnerships Limited's proprietary front office system, has benefited from a complete overhaul and is now available in the market as a fully integrated sales management system for financial advisers. In addition, the first phase of the Group's regulatory risk management software is now complete, with the second phase of this development due in the first half of 2007. This system is not only improving efficiency, but also assists in our management of risk. Furthermore, the Group's entire IT platform has been upgraded to ensure that we have the capacity available to us to support further substantial growth.

CEO OVERVIEW (continued)

Finally, we have changed the way the business is managed over the last twelve months, with *a major re-organisation of our operating structures*. Most notably, this has seen the introduction of an executive operating board spanning all of the Group's service companies through Tenet Limited and the recruitment of a number of new key personnel. Further changes have included the introduction of dedicated brand managers for each operating company and a major step change in the resource dedicated to new business generation. The results of this are expected to manifest themselves during the financial year to 30th September 2007 and more fully in the subsequent financial year.

The Future

Critically, over the next twelve months, we expect to turn our focus in the development of technology towards *the development of integrated IT solutions for financial advisers*. Much of the Group's energy in relation to IT has been aimed at building solid infrastructure, both in hardware and back office systems. This work is largely complete and the next stage is to undertake work which will facilitate straight through processing and front office activities. This has already started with work undertaken on Reliance, as noted above, and the intention is to roll this out further to the IFA and mortgage networks.

The appointment of Mike McGaughrin as the Group Services Director of Tenet Limited is also giving us the opportunity to review the operations base of our major brands. Throughout 2007 these businesses will be working on an *"Operations Transformation Programme"* with the two main aims of increasing the service standards of the Group whilst also increasing efficiency. Such initiatives are rarely seen to be glamorous but they are nonetheless essential to maintaining a competitive market offering.

Associated with the Operations Transformation Programme, work will also be undertaken on *the service offering of the Group's major brands* in order to ensure their ongoing relevance in the market place. It is expected that this will not only include further development of the Appointed Representative multi-tie offering, but also increasing segmentation of the Group's customer base. This will enable more bespoke services to be provided rather than offering a one stop shop.

Once again, *acquisition opportunities* may well be pursued during the next twelve months. With the strength of the Group's balance sheet, growth by acquisition will continue to remain firmly on the agenda. The Group's track record in this regard has been sound over the years and we will continue to be vigilant when pursuing potential transactions to ensure they are right for the Group.

The Group will also be devoting further resource to the probable regulatory change which will be experienced as *the impact of MiFID* becomes clearer. To many within the financial advisory sector, this European directive may seem remote and irrelevant, but it is clear to Tenet that some fundamental changes may occur if FSA rules are adapted to conform with MiFID. Not least of such possible changes relate to commission disclosure rules and our compliance team will be heavily involved in both reviewing the scope of change and endeavouring to influence it.

Finally, as I noted in my introduction, *the directors are undertaking a strategic review*, the objective of which is to bring to market entirely new ways of supporting financial advisers in their business and promoting their interests. This is an ambitious aim, but I am confident that the culture, size and financial strength of Tenet means that we will continue to identify and deploy new services successfully. I will report on this further in the next Report and Accounts.

CEO OVERVIEW (continued)

Summary

Throughout 2006 Tenet continued to deliver on major projects to ensure its ongoing competitive position in the market place and, at the same time, its financial performance improved tremendously. Our staff and directors have worked tirelessly and professionally to ensure this success and the Board thank them for their efforts.

As a consequence of this hard work, the directors believe that Tenet is now positioned extremely well in its sector and that further development of the Group will be secured which will re-inforce that position.

SIMON HUDSON

GROUP CHIEF EXECUTIVE

FINANCIAL REPORT ON BUSINESS PERFORMANCE

INTRODUCTION

The financial performance of the Group demonstrated an extremely strong improvement in the financial year to 30th September 2006 compared to the 17 months to 30th September 2005, with pre-tax profits increasing by £7.8 million. Notable drivers of this success were the regulation of the mortgage and general insurance markets and the acquisition of parts of the business of Berkeley Berry Birch plc subsidiaries.

During the financial year to 30th September 2006, the Group also formally adopted International Accounting Standards which the directors believe to be an important statement about the nature and professionalism of the Group. This process has been challenging for a business which is acquisitive by nature, but completed to the satisfaction of the directors.

FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2006

Industry Background

The last Report and Accounts confirmed that sales of investment based products had increased during 2005 and this level of activity has been sustained during the last financial period. Continuing growth in the stock market appears to have been the main reason for this, despite short term losses in May and June 2006 when concerns over worldwide energy supplies and US inflation levels emerged. Stock market adjustments remain a threat to activity rates, particularly with continuing concerns over the US economy and its house price "bubble", but the Board feels that many of these concerns have now been factored in to the stock market's performance in the past year.

Activity rates in the sector also benefited from "A-day", the de-regulation of income tax controls surrounding pension contributions. Large increases in business levels in this area had been anticipated, but growth levels are believed to have exceeded the expectations of most people. Clearly, at some point, such activity will reduce back to more normal levels, but the directors feel that this may take a few years due to the profound change in tax allowances introduced by A-day.

The housing market is also of great importance, with the Group being actively involved in this sector through its mortgage network, LIME, and its mortgage broker services business, Premier. Following the lull in this sector in 2005 and the disruption of the introduction of regulation, business levels have been recovering steadily in the UK. Increases in the Base Rate by the Bank of England during the year have been in part due to continuing concerns over house price inflation and it is yet to be seen whether further rate rises will be required to dampen demand for housing stock. Although reduced activity in the housing market may affect the Group, it is believed that the effect would be mitigated for the most part by the level of re-mortgage and sub-prime lending arranged by LIME and Premier clients.

Probably of greatest significance in the sector in the last twelve months has been the continuing financial distress of a number of competitors of Tenet, as predicted in the last Report and Accounts. Most notably, Berkeley Berry Birch plc and Millfield plc each became insolvent, and the proposed sale of Sesame failed. However, many smaller firms also ceased to trade and it is clear that the costs of regulation are currently being felt most keenly in the mortgage broker market where many firms are only now coming to realise the financial impact of regulation. As a consequence, the Board expects the number of firms active in the financial services advisory sector to reduce further.

In summary, although the Board has been delighted with current market activity rates, there are some concerns as to how long these will be sustained. The Board continues to be of the opinion that the poor financial position of many players in the sector will see further failures or re-organisations amongst the Group's competitors, leaving Tenet Group as one of few sizeable firms in the sector with a credible financial position. As a consequence, the Board remains confident of the Group's prospects, but cautious as to the influence that market demand may exert over the next twelve months.

Performance for the 12 months to 30th September 2006

The Group's growth continued during the year to 30th September 2006, with annualised sales and gross profit exceeding those seen in the 17 month period to 30th September 2005. This indicates an underlying annual growth rate of 51% and 39% in sales and gross profit respectively. Although the acquisition of certain business assets and contracts from Berkeley Berry Birch plc subsidiaries contributed substantially to this growth, the performance of our historic businesses was also strong, and the same comparators excluding the benefit of these acquisitions is calculated to have been 36% and 23% in respect of sales and gross profit respectively.

FINANCIAL REPORT ON BUSINESS PERFORMANCE (continued)

Last year, the Financial Report on Business Performance noted a number of costs which distorted performance and made it difficult for the reader of the accounts to observe the underlying profitability of the Group, along with a number of developments which the directors anticipated, which together would see a substantial improvement in performance. I am pleased to report that this analysis has largely been validated by the results reported for the financial year to 30th September 2006, with profit before tax of £2.4 million being recorded by the Group.

Key features of the performance of the business for the year ended 30th September 2006 compared to the previous financial period are:

- *The acquisition of certain business assets and contracts from Berkeley Berry Birch plc subsidiaries* on 6th March 2006 contributed substantially to sales and gross profit growth during the year, calculated to be worth £11.9 million and £2.4 million respectively. The ongoing contribution to profitability of this acquisition is being carefully monitored, but is believed by the directors to be significant due to the economies of scale which have been achieved to date, with the addition of over 300 new advisers to Interdependence Limited and the LIME brand.
- The full benefit of *the acquisition of certain business assets and contracts from Berkeley Berry Birch plc subsidiaries* was not seen in profitability due to a fundamental re-organisation of the acquired cost base. This cost base included premises, back office systems and almost 100 employees who transferred to Interdependence Limited under TUPE. The acquired businesses were fully integrated into the Group's existing operations in Leeds and Andover at a cost of c £1.1 million. This cost will not recur in the future.
- *The performance of the LIME brand*, used by each of the three regulated networks, during the year has been excellent, with a continuing improvement in the number and quality of advisers using the services of this business. As a consequence of this and benign market conditions, this brand has contributed to a growth in profitability of £1.0 million following the Group's significant investment in this area. Much of this growth has been fuelled by mortgage business, and the directors currently expect growth in general insurance will provide further impetus to LIME's growth during the financial year to 30th September 2007.
- *The Group created a new B2C internet based business* under the name of My Future Finance Limited ("MFF"), which was launched February 2006. The prime focus of this business is the generation of sales opportunities from "e-enthusiastic" retail customers, with sales undertaken largely on a non-advised basis for the meantime. It is expected that MFF's business activities will expand as and when market demand for this service can be proved. Although MFF recorded a loss of almost £0.2 million in the period to 30th September 2006, current sales activity is encouraging and it is expected that the business will have reached break-even before the end of the financial year to 30th September 2007.
- The Group, most notably the regulated businesses, now enjoy substantial cash balances following the re-financing in 2005. Despite acquisition activity during the year, cash balances have strengthened and the Group now generates substantial *income of £0.72 million from bank interest* compared to net interest paid of £1 million in the 17 months to 30th September 2005.
- During the year to 30th September 2006, *Capital Planning UK Limited ceased to trade* following a review of its performance in the previous financial period. Most of the costs involved with this had been accounted for in the period to 30th September 2005 as the accounts of this company had been prepared on a "break up" basis at that time. The discontinuation of operations has saved the Group an estimated £1 million per annum. Subsequent to the 30th September 2006, Capital Planning UK Limited entered in to administration and its immediate holding company, Capital Planning Holdings Limited, entered into a solvent liquidation.
- Following the adoption of International Accounting Standards, *the accounting treatment for acquisitions has been updated*. As a consequence, although the value of acquired intangible assets continues to be depreciated over their useful economic life, the carrying value of acquired goodwill is no longer subject to amortisation, in contrast to the last Report and Accounts which carried a charge for amortisation of almost £1.1 million. Goodwill continues to be reviewed to ensure its value is not overstated in the accounts of the business and is impaired where necessary.

FINANCIAL REPORT ON BUSINESS PERFORMANCE (continued)

- *Investment into corporate resources has been substantial*, with average monthly operating costs increasing from £1.4 million to £1.5 million between the financial periods ending on 30th September 2005 and 2006 respectively. This overhead growth has been generated partly by the expansion of Foster Denovo Limited, but also by the Group's investment into sales and marketing in its business to business activities. As noted in the last Report and Accounts, the attention of the management team returned to historic core businesses and this investment into infrastructure was deemed to be necessary to secure significant volume growth in the current financial year and beyond.

In conclusion, the performance of the business in the year ended 30th September 2006 has confirmed the ongoing profitability of the historic business activities of the Group, but also shows substantial growth in new activities and the benefit of the re-financing of the Group's balance sheet in 2005. The directors are confident that this performance is durable and should improve further subject to the possible changes in market conditions noted above.

Prospects

The directors remain confident of the prospects of the Group and that profitability will improve in the future. Developments at the Group which give rise to optimism for the directors include:

- Most notably, a number of costs relating to the acquisition of certain business assets and contracts from Berkeley Berry Birch plc subsidiaries in the last financial period will not recur, and the Group will enjoy a full year's worth of income from these acquisitions in the financial year ended 30th September 2007.
- The launch of MFF has involved start up losses that are not expected to continue during the financial year to 30th September 2007. The management team of MFF are currently projecting that break-even on a monthly basis on this venture will be achieved within 12 months. Current sales activity is encouraging and has been developing well over the summer of 2006. Naturally, there is inherent uncertainty associated with any start up venture, but the Board is hopeful that this business will become a substantial contributor to profitability over the next 2-4 years.
- As noted above, there has been significant investment into corporate infrastructure, most notably around sales and marketing. This investment is intended to drive organic growth in the volume of sales, mainly through the acquisition of new clients but also through improved client retention rates. Acquisition activity during the last financial year has demonstrated the economies of scale that the Group can enjoy with relatively small incremental growth and the directors are optimistic that returns on this investment in corporate resource will be attractive.

Finally, although the directors expect there to be little impact upon the financial results to 30th September 2007, the remaining big issue in the long-term savings market remains the lack of adequate pension provision for many UK residents. The Turner report served to raise the awareness of consumers as to their need to save more, and the report could have significant, positive consequences for this market in the medium term. Legislation is likely to ensure that the financial services sector will have a major role to play in delivering pension provision and the Board continues to observe developments in this area. The directors continue to believe that the prospects for the business are fundamentally sound, given that the Group is active in a market where long term demand is likely to continue to grow substantially.

THE BALANCE SHEET AT 30 SEPTEMBER 2006

The key features of the balance sheet at the financial period end were:

- **Capital Strength:** the net assets of the Group rose to £28.1 million during the financial year ended 30th September 2006 (2005: £24.0 million). The increase in the capital base of the business was partly attributable to a final £2.0 million syndication of the capital raising exercise of 2005 which occurred in October 2005, but also due to the level of retained profits during the last financial year. The directors believe that the Group's financial strength is amongst the best in the financial advisory sector.

FINANCIAL REPORT ON BUSINESS PERFORMANCE (continued)

- **Liquidity:** despite acquisition activity during the year, the net current assets of the Group improved to £19.5 million (2005: £15.2 million), with cash balances net of debt improving to £21.7 million (2005: £16.4 million). Although balance sheet strength is a key ingredient to a successful business, the directors believe that in the financial advisory sector strength in liquidity is critical if the needs of retail consumers and financial advisers are to be properly addressed.
- **Goodwill:** the Group continues to carry substantial acquired goodwill as a result of its acquisition strategy. The directors continue to carefully monitor the value of such goodwill for impairment.

In summary, the directors believe that the balance sheet of the Group is well structured and capitalised to support the Group's strategy going forward.

CASH FLOW FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2006

As noted above, the cashflow of the Group benefited from positive trading results and a final capital raising of £2.0 million in October 2005. As a consequence, cash in the period increased by £5.3 million and there was no net movement in debt.

Although the acquisition of certain business assets and contracts from Berkeley Berry Birch plc subsidiaries introduced substantial liabilities to the balance sheet of the Group through Interdependence Limited, the impact of the transaction had only a limited impact upon the cash flow of the Group during the last financial year.

Aside from these items the Group's cashflow remained satisfactory to the directors, representing an improvement in trading cashflows compared to previous periods.

FINANCIAL RESOURCES OF THE REGULATED BUSINESSES AT 30 SEPTEMBER 2006

A requirement of the Financial Services and Markets Act 2000 is that firms directly authorised by the FSA to carry on regulated activities should have minimum levels of financial resources and there are strict rules governing the calculation of these.

Each of the Group's regulated businesses operate a policy which ensures that such capital requirements can be met at all times and not just at the test dates set by the FSA, including disallowing intra-group indebtedness with non-regulated companies as an eligible asset from such calculations for the sake of prudence. This prudence serves to provide the consumer with additional protection by "ring-fencing" the assets of the regulated firms.

At 30th September 2006, the statutory accounts of each of the Group's three regulated firms (The M&E Network Limited, Interdependence Limited and Lifetime Insurance Mortgage Experts Limited) confirmed that each of them satisfied their relevant regulatory financial resources requirements.

The management accounts of the Group also confirm that each of The M&E Network Limited, Interdependence Limited and Lifetime Insurance Mortgage Experts Limited satisfied their relevant regulatory financial resources requirements at all times during the last twelve months apart from Interdependence Limited in the period immediately following the acquisition of certain business assets and substantial liabilities from Berkeley Berry Birch plc subsidiaries. Sufficient new capital was introduced to Interdependence Limited subsequent to the completion of that acquisition to ensure that the firm could continue to meet its regulatory financial resource obligations.

The directors are confident that the regulated businesses will continue to meet their financial resource requirements for the forthcoming financial year.

PETER LANE

GROUP COMMERCIAL DIRECTOR

REVIEW OF CORPORATE GOVERNANCE AND RISK MANAGEMENT

CORPORATE GOVERNANCE

The Group has continued to develop its Corporate Governance framework following the corporate restructuring exercise of 2005. During the period to 30th September 2006, review work has been undertaken regarding the governance of subsidiary undertakings and board reporting standards. It has been extremely gratifying that the output of these reviews has largely confirmed the suitability and robustness of governance standards and that the Board has promptly considered recommendations of the Corporate Governance Committee as they have arisen.

Key features of the way the Group governs itself are reported below.

Directors

The Group is controlled through the company's Board of Directors which comprises the executive directors and two non-executive directors. One of the non-executive directors is currently deputising as Chairman whilst the Board undertakes the process of appointing a new non-executive Chairman. 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

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 Audit Committee, the Corporate Governance Committee and the Remuneration Committee to be responsible for specific matters. These operate within defined terms of reference and minutes of the meetings of these Committees are circulated to, and reviewed by, the full Board.

The Audit Committee

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 agreeing the annual remuneration of the external auditors. The Audit Committee makes recommendations to the Board regarding accounting policies, internal financial compliance standards and the effectiveness of the external audit function. The Committee is chaired by a non-executive director and includes the Chief Executive and the other non-executive director.

The Remuneration Committee

The Remuneration Committee reviews 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. 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 regarding remuneration policy, including annual salary reviews, bonus awards and other incentives for employees. The Committee is chaired by a non-executive director, and includes the Chief Executive and the other non-executive director.

REVIEW OF CORPORATE GOVERNANCE AND RISK MANAGEMENT (continued)

Directors' remuneration

The remuneration packages of directors and other executives comprise a basic salary, pension contributions and other benefits in kind. The directors are also eligible to benefit from the staff share option scheme. Some of the executive directors benefit from performance related bonus awards. No director plays a part in any discussion about his or her own remuneration.

The Corporate Governance Committee

The Corporate Governance Committee has oversight of the Group's affairs, particularly with reference to the aspects of the Combined Code which are relevant to the Group. In addition, the Corporate Governance Committee is responsible for conflicts management procedures within the Group and makes recommendations to the Board as to the resolution of such conflicts of interest and the improvement of corporate governance standards within the Group. The Committee is chaired by G S Clarkson and includes representatives of the principal shareholders of the Group, the non-executive directors and a wholly independent appointee.

The Annual General Meeting of the 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, Corporate Governance and Remuneration Committees attend each Annual General Meeting and are available to take questions.

Political and charitable contributions

It is the Group's policy not to make contributions for political purposes. Donations to UK charities amounted to £2,930 (2005: £1,420).

RISK MANAGEMENT

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 boards

All executive directors of the Group are members of the board of at least one trading subsidiary, at whose regular meetings the detailed operation of that business is reviewed.

REVIEW OF CORPORATE GOVERNANCE AND RISK MANAGEMENT (continued)

Risk management

The Group has established a Compliance and Risk Management Committee whose role is to examine and challenge the processes, systems and controls of the Group and aims to identify operational and financial risk. The Committee reviews the Group's Risk Register and receives additional information on relevant risk matters from line management and other sources on a regular basis. A non-executive director, Martin Greenwood, chairs the Committee and the minutes of the meetings of this Committee are circulated to, and reviewed by, the Board.

Regulatory management

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

Health & safety

The company has established a Health & Safety Committee whose role is to ensure that the company meets its statutory obligations in relation to Health & Safety legislation and that employees are adequately trained in, and aware of, relevant requirements and also to promote employee welfare. This Committee meets quarterly and the company encourages employees to participate in these meetings.

Computer controls

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

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.

GEOFFREY CLARKSON

DIRECTOR & COMPANY SECRETARY, TENET GROUP LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 2006.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company is that of a holding company of a group of companies that provides financial advice to private individuals and provides support services and facilities to firms of financial advisers. Services provided by the Group include the following:

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

There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year. The activities of the Group may change in the next financial year, as noted in the CEO Overview.

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 Group's annualised sales have increased by 51% over the prior financial period and profit before tax has improved by £7.8 million.

The balance sheet on page 22 of the financial statements shows that the Group's financial position at the year end is, in both net assets and cash terms, consistent with the prior year. Details of amounts owed to and by other Group companies are shown in Notes 13 and 15 on pages 41 and 42. A number of Group companies are regulated by the Financial Services Authority and commentary on financial resources requirements and compliance issues are referred to in the Financial Report on Business Performance and the Review of Corporate Governance and Risk Management.

Non-financial indicators of the Group's performance in respect of the Environment, Employees and Payments of Suppliers are referred to below.

Note 1 on pages 25 to 27 includes details of key assumptions used in the preparation of the company's financial statements. Note 3 details the principal risks and uncertainties facing the Group and the company and Note 4 on page 28 details major items of risk for which certain Group companies carry a provision, namely compensation payable in respect of financial advice and the clawback of commissions on policies which are cancelled subsequent to their sale. Associated with each of these liabilities is the right of Group companies to recover such amounts from their agents, and the potential for bad and doubtful debts is reflected in the balance sheet.

Details of significant events since the balance sheet date are contained in Note 29 to the financial statements on page 50.

The company's 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.

RESULTS AND PROPOSED DIVIDENDS

The results for the year are dealt with in the income statement on page 21.

The directors do not recommend the payment of a dividend (2005: £nil).

DIRECTORS' REPORT (continued)

ENVIRONMENT

The Group encourages energy efficiency and avoidance of waste, including recycling of materials and reduction of use of paper through office automation.

EMPLOYEES

Details of the number of employees and related costs can be found in Note 5 on page 29.

Quality and integrity of personnel

All employees are informed of Group operating procedures and training updates are performed at regular intervals. All new members of staff are required to attend an induction programme. All policies and procedures are available on the Group intranet and in hard copy format if required.

The Group also operates a staff appraisal scheme with a formal review for all employees conducted annually, with more frequent informal reviews during each year. For the majority of staff, the payment of bonuses is based upon the results of these appraisals, which also assists employees in measuring their achievement of corporate objectives. For other staff, discretionary performance related bonus schemes are operated where the payment of bonuses is related to the achievement of specific business targets.

The appraisal system facilitates the identification of training and development needs for all employees through the production of individual Personal Development Plans and is an integral part of the company's staff development policy across all Group companies.

Employment Policies

The Group's policy on employee involvement is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Group's operations. One to one meetings with management and regular team briefings ensure that effective consultation and employee participation is achieved.

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

Health and Safety

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

As such, the Group promotes high standards of health and safety at all times in the conduct of its business. 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 are aware of, and comply with, their individual and collective responsibilities and have a clear duty to take reasonable precautions to avoid injury to themselves, colleagues and members of the public. All Group vehicles are maintained and driven to a safe and high standard.

Issues relating to health and safety are discussed at individual trading company and Tenet Group Limited Board meetings. Risk assessments are carried out on an annual basis, or as required.

PAYMENT OF SUPPLIERS

Payment terms are agreed with each supplier and every endeavour is made to adhere to the agreed terms. The Group's largest group of suppliers are the Appointed Representatives of the three regulated Group companies who are paid weekly in arrears.

TENET GROUP LIMITED

DIRECTORS' REPORT (continued)

SHARE ISSUE

During the year, the company allotted the following equity shares fully paid for cash:

Class	Number	Nominal Value £	Consideration £
'A' Ordinary	113,000	11	16,949
'B' Ordinary	8,000,000	800	2,000,000

During the year, the company allotted the following equity shares fully paid in respect of the acquisition of Premier Connections Limited representing the entire deferred consideration payable:

Class	Number	Nominal Value £	Consideration £
'A' Ordinary	2,250,000	225	n/a

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

S H Hudson
B C Kayes (resigned 31 August 2006)
M J Greenwood
G S Clarkson
P W Lane
K A Carby
R H W Robson (appointed 8 November 2006)

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

Name	Company	Class of share	Interest at the start of year or date of appointment	Interest at end of year
S H Hudson	Tenet Group Limited	'A' Ordinary	15,700,000	15,700,000
G S Clarkson	Tenet Group Limited	'A' Ordinary	1,600,000	1,600,000
P W Lane	Tenet Group Limited	'A' Ordinary	666,668	666,668
B C Kayes	Tenet Group Limited	'A' Ordinary	1,200,000	1,200,000

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

Name	Company	Class of share	Interest at the start of year or date of appointment	Interest at end of year
K Carby	Tenet Group Limited	'A' Ordinary	-	5,000,000
M J Greenwood	Tenet Group Limited	'A' Ordinary	-	250,000

TENET GROUP LIMITED

DIRECTORS' REPORT (continued)

K A Carby was granted options to purchase 5,000,000 'A' Ordinary shares at £0.215 per share on 25 November 2005. M J Greenwood was granted options to purchase 250,000 'A' Ordinary shares at £0.215 per share on 25 November 2005.

The options were granted under the rules of the Tenet Group Limited Enterprise Management Incentive Plan. The first exercise date is, in accordance with Rule 4 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.

DISCLOSURE OF INFORMATION TO AUDITORS

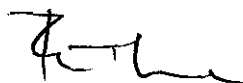
In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board



P W Lane
Director

20 December 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the company and the group in accordance with International Financial Reporting Standards (IFRSs). Company law requires the directors to prepare such financial statements in accordance with International Financial Reporting Standards, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the accounts on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TENET GROUP LIMITED

We have audited the group and individual company financial statements (the "financial statements") of Tenet Group Limited for the year ended 30 September 2006 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company'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, in accordance with IFRSs as adopted by the European Union, of the state of the group's and the parent company's affairs as at 30 September 2006 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TENET GROUP LIMITED

Separate opinion in relation to IFRSs

As explained in Note 1 to the group financial statements, the group in addition to complying with its legal obligations to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 30 September 2006 and of its profit for the year then ended.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds, United Kingdom

20 December 2006

TENET GROUP LIMITED

CONSOLIDATED INCOME STATEMENT

Year ended 30 September 2006

		Year ended 30 September 2006 £	17 months ended 30 September 2005 £
	Note		
GROUP REVENUE	2	114,669,510	110,642,153
Cost of sales		(93,484,795)	(88,217,237)
Gross profit		21,184,715	22,424,916
<i>Administrative expenses before re-organisation costs resulting from acquisitions</i>			
		(18,415,176)	(26,807,755)
OPERATING PROFIT/(LOSS) BEFORE RE-ORGANISATION COSTS RESULTING FROM ACQUISITIONS		2,769,539	(4,382,839)
<i>Re-organisation costs resulting from acquisitions</i>		(1,097,866)	-
Total administrative expenses		(19,513,042)	(26,807,755)
GROUP OPERATING PROFIT/(LOSS)		1,671,673	(4,382,839)
Impairment of fixed asset investments		-	(41,455)
Interest receivable and similar income	6	728,203	361,323
Finance costs	7	(7,644)	(1,348,560)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	8	2,392,232	(5,411,531)
Income tax expense	9	(275,747)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION BEING THE PROFIT/(LOSS) RETAINED FOR THE FINANCIAL YEAR/PERIOD		2,116,485	(5,411,531)

A statement of total income and expenditure has not been prepared as the total recognised income equates to the profit for the current year and the loss for the preceding period.

All amounts relate to continuing operations.

The accompanying notes on pages 25 to 50 are an integral part of this income statement.

The revenues and net profit of the businesses acquired during the year have not been separately disclosed. See Note 10.

TENET GROUP LIMITED

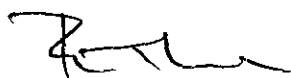
CONSOLIDATED BALANCE SHEET

At 30 September 2006

	Note	30 September 2006 £	30 September 2005 £
NON-CURRENT ASSETS			
Intangible fixed assets	10	12,876,373	11,139,762
Property, plant and equipment	11	1,198,980	918,045
Investments	12	15,020	15,020
		<u>14,090,373</u>	<u>12,072,827</u>
CURRENT ASSETS			
Trade and other receivables	13	15,608,982	10,275,528
Cash and cash equivalents	14	22,301,974	16,952,131
		<u>37,910,956</u>	<u>27,227,659</u>
TOTAL ASSETS		<u>52,001,329</u>	<u>39,300,486</u>
CURRENT LIABILITIES			
Trade and other payables	15	(18,422,235)	(12,002,347)
NET CURRENT ASSETS		<u>19,488,721</u>	<u>15,225,312</u>
NON-CURRENT LIABILITIES			
Loan notes	16	(575,000)	(575,000)
Provisions for liabilities and charges	17	(4,899,096)	(2,751,575)
		<u>(5,474,096)</u>	<u>(3,326,575)</u>
TOTAL LIABILITIES		<u>(23,896,331)</u>	<u>(15,328,922)</u>
NET ASSETS		<u>28,104,998</u>	<u>23,971,564</u>
EQUITY			
Equity shareholders' funds			
Called-up share capital	18	24,731	23,695
Shares to be issued	18	-	225
Share premium account	19	37,913,523	35,897,385
Retained earnings	19	(9,833,256)	(11,949,741)
TOTAL EQUITY	20	<u>28,104,998</u>	<u>23,971,564</u>

These financial statements were approved by the Board of Directors on 20 December 2006.

Signed on behalf of the Board of Directors



P W Lane

Director

The accompanying notes on pages 25 to 50 are an integral part of this balance sheet.

TENET GROUP LIMITED

COMPANY BALANCE SHEET At 30 September 2006

	Note	30 September 2006 £	30 September 2005 £
NON CURRENT ASSETS			
Investments	12	39,972,201	39,972,201
Property, plant and equipment	11	-	2,520
		<u>39,972,201</u>	<u>39,974,721</u>
CURRENT ASSETS			
Trade and other receivables	13	7,497,199	4,646,135
Cash and cash equivalents	14	2,971,384	8,558,743
		<u>10,468,583</u>	<u>13,204,878</u>
TOTAL ASSETS		<u>50,440,784</u>	<u>53,179,599</u>
CURRENT LIABILITIES			
Trade and other payables	15	(772,479)	(3,902,277)
NET CURRENT ASSETS		<u>9,696,104</u>	<u>9,302,601</u>
NON-CURRENT LIABILITIES			
Loan notes	16	(575,000)	(575,000)
TOTAL LIABILITIES		<u>(1,347,479)</u>	<u>(4,477,277)</u>
NET ASSETS		<u>49,093,305</u>	<u>48,702,322</u>
EQUITY			
Equity shareholders' funds			
Called-up share capital	18	24,731	23,695
Shares to be issued	18	-	225
Share premium account	19	37,913,523	35,897,385
Retained earnings	19	11,155,051	12,781,017
TOTAL EQUITY	20	<u>49,093,305</u>	<u>48,702,322</u>

These financial statements were approved by the Board of Directors 20 December 2006.

Signed on behalf of the Board of Directors



P W Lane
Director

The accompanying notes on pages 25 to 50 are an integral part of this balance sheet.

TENET GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT For the year ended 30 September 2006

		Year ended 30 September 2006 £	17 months ended 30 September 2005 £
	Note		
Net cash generated by/(used in) operating activities	22	2,468,697	(264,151)
Net cash generated by/(used in) investing activities	23	837,085	(1,863,407)
Net cash generated by financing activities	23	2,016,949	14,716,249
Net increase in cash and cash equivalents		5,322,731	12,588,691
Cash and cash equivalents at beginning of financial year/period		16,952,121	4,363,430
Cash and cash equivalents at end of financial year/period		22,274,852	16,952,121

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		Year ended 30 September 2006 £	17 months ended 30 September 2005 £
	Note		
Increase in cash in the year/period	24	5,322,731	12,588,691
Repayment of loan stock No. 2		-	15,351,220
Repayment of loan stock No. 3		-	2,077,066
Movement in net debt in the year/period		5,322,731	30,016,977
Net debt at start of the year/period	24	16,377,121	(13,639,856)
Net debt at end of the year/period	24	21,699,852	16,377,121

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

1. ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the first time, as applicable to unlisted entities.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS's are provided in Note 30. As a result of the transition to IFRS no transitional adjustments for the 17 month period ended 30 September 2005 were required, except that the goodwill amortisation in the comparative period was restated, and replaced by a corresponding impairment charge for the period.

At the date of authorisation of these financial statements, no Standards on Interpretations which were an issue were considered to have any impact on these financial statements. The directors had also taken advantage of the exemption not to prepare an individual company income statement.

Results for the comparative period are on the same basis as the 2006 results.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 September 2006. 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 income statement from the date of acquisition or up to the date of disposal.

A subsidiary company holds a 20% stake in Ayrshire Financial Services Limited and a 19.5% stake in Indigo Squared Limited. The results of these companies have not been included in the consolidated results of the Group as the directors do not consider that they are associated companies. The investments have been included as fixed asset investments in the consolidated financial statements of Tenet Group Limited.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration paid and associated costs over the fair value of the separable net assets acquired) arising on consolidation is capitalised and is subject to an annual impairment review. Any impairment identified is then written off.

Goodwill arising on acquisition before the date of transition to IFRS's has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date.

Intangible assets

Intangible assets are stated at cost net of amortisation. Amortisation is provided at rates calculated to write off the costs of each asset over its estimated useful economic life.

Investments

Investments are included at cost less amounts written off for permanent impairment.

Property, plant and equipment

Property, plant and equipment 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:

Leasehold improvements	4 to 5 years
Computer equipment	3 years
Fixtures & fittings	4 to 5 years

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

1. ACCOUNTING POLICIES (CONTINUED)

Leases

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 operating expenses as appropriate.

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

Revenue

Revenue comprises the value of commissions receivable, other amounts receivable from product providers, and sales of services, excluding VAT, in the normal course of business. All revenue arises in the United Kingdom. Initial commissions are accounted for when policies are accepted by the product providers, or mortgages complete, whilst renewal commissions are accounted for when received. Related amounts of commission due to the Group's agents (Appointed Representatives and/or financial advisers) are included in cost of sales and trade creditors.

Due to the nature of the business of The M&E Network Limited, Interdependence Limited, My Future Finance Limited, Lifetime Insurance Mortgage Experts Limited and Foster Denovo Limited, it is not possible to precisely determine at the date of the accounts which policies have been accepted by the product providers or mortgages completed where commissions have not yet been received by these companies. As a consequence, an estimate of the amounts owed by product providers is included in the financial statements. This estimate is based upon historic data regarding the amount of commission receipts in the period 1 October to 31 December which relate to the preceding period up to 30 September annually. The directors review the basis of this estimate each year to judge the adequacy of these calculations.

Income Tax

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 substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension costs

The Group operates a defined contribution pension scheme. The amounts charged to the income statement are 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.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

1. ACCOUNTING POLICIES (CONTINUED)

Commission clawback

The M&E Network Limited, Interdependence Limited, My Future Finance Limited, Lifetime Insurance Mortgage Experts Limited and Foster Denovo Limited each make a provision in respect of commissions received on "indemnity" terms, where amounts may become repayable should policies be cancelled subsequent to their sale. This is equal to 2.5% of all such commissions received on a rolling twelve-month basis by The M&E Network Limited, Interdependence Limited, My Future Finance Limited, and Foster Denovo Limited and 10% in the case of Lifetime Insurance Mortgage Experts Limited. A rate of 2.5% is in line with FSA reporting requirements. The directors regularly review the actual level of amounts repaid to judge the adequacy of these provisions.

My Future Finance Limited does not recharge commission amounts clawed back in respect of cancelled policies. Such clawbacks are recharged in their entirety to the relevant Appointed Representative by The M&E Network Limited and Lifetime Insurance Mortgage Experts Limited. All commission amounts previously paid by other Group companies in respect of such cancelled policies are recharged in their entirety to the relevant Appointed Representative and/or financial adviser. Where the collection of such debtor monies is doubtful, the company makes an appropriate provision (see Notes 13 and 17).

Claims payable

In the normal course of business each of The M&E Network Limited, Interdependence Limited, Lifetime Insurance Mortgage Experts Limited, My Future Finance Limited and Foster Denovo Limited receive queries and complaints regarding the sale of regulated financial products. Where appropriate these are investigated in accordance with each company's procedures. In some instances, compensation may be payable and the company concerned usually recovers such sums from either Professional Indemnity insurers and/or the financial adviser or Appointed Representative responsible for giving the advice about which the complaint was made.

Based upon the experience of the company and known complaints regarding the sale of regulated financial products, an estimate of total compensation payable is calculated. An appropriate provision in respect of this is made in the accounts of each relevant company with a corresponding debtor (if any) representing the amount recoverable from Professional Indemnity insurers and/or the Appointed Representative/financial adviser. Where the collection of such debtor monies is doubtful, an appropriate provision is made (see Notes 13 and 17).

Loan notes

In accordance with IAS 39, financial instruments: Recognition and Measurement the Loan Notes have been classified as financial liabilities and have been measured at amortised cost using the effective interest rate method.

Share-based payments

The Group operates an Enterprise Management Incentive Plan for the benefit of all eligible employees and is approved by Her Majesty's Revenue & Customs (see Note 18). The value of the options at the date of issue is intrinsically low as the options are not assignable and Tenet Group Limited is not a listed company. As a consequence, the impact on the profitability of the company and its net assets is immaterial and the cost of share-based payments is therefore disregarded in the preparation of the financial statements.

2. REVENUE

All revenue relates to the principal activity described in the accompanying Directors' Report and arises in the United Kingdom.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

3. PRINCIPAL RISKS AND UNCERTAINTIES

Group

Group companies are active in the sale of regulated financial products and advise customers as to their appropriateness. As a consequence, elements of the Group's activities are regulated which gives rise to a number of risks, including censure by the Financial Services Authority ("FSA"). Such risks may manifest themselves financially through compensation payable regarding the sale of financial products (see Notes 1, 13 and 17) and fines imposed by the FSA for regulatory breaches. Such Group companies operate a strict compliance regime, including regular audits of their Appointed Representatives or financial advisers as applicable, to mitigate such risks and have arranged professional indemnity insurance which conforms to the requirements of the FSA.

Group companies receive commission for the sale of financial products from life companies. 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, such Group companies recharge some or all of such amounts (as applicable) to their Appointed Representatives or financial advisers as applicable (see Notes 1, 13 and 17). As a consequence, to mitigate the risk of accepting commission on an indemnity basis, such Group companies monitor this activity and the ability of their Appointed Representatives/financial advisers to service clawback liabilities.

Competitive pressure is a continuing risk for Group companies, which could result in them losing sales to their key competitors. Group companies manage this risk by providing added value services to their clients, Authorised Representatives and financial advisers, having fast response times not only in supplying products and services but in handling all queries, and by maintaining strong relationships with their clients, Authorised Representatives and financial advisers.

Company

The company has pursued a strategy for growth, achieved partially through acquisition. Acquisitions carry inherent risks for the company. To mitigate these risks, due diligence appropriate to the size and type of business being acquired is undertaken, whilst having due regard for the nature of the transaction. Furthermore, acquisitions are only completed should legal documentation satisfactory to the company be agreed with the vendors of the acquired business.

4. CRITICAL ACCOUNTING ESTIMATES

IFRS requires critical accounting estimates to be identified. Within these accounts the following fall under this category:

- Revenue recognition including calculation of commissions owed by debtors – see Note 1;
- Provisions for commission clawback – see Notes 1, 13 and 17;
- Provisions for claims payable – see Notes 1, 13 and 17; and
- Acquisition accounting – see Notes 1 and 10.

In relation to each of the first three items, whilst the estimates are critical, there is both a liability and recoverable such that the net exposure is mitigated and not significant.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Group

The aggregate remuneration of all individuals who have served as a director of any Group company (including Tenet Group Limited) during the financial year/period was as follows:

	Year ended 30 September 2006 £	17 months ended 30 September 2005 £
Emoluments	2,345,904	3,479,652
Pension contributions	301,415	196,135
	<u>2,647,319</u>	<u>3,675,787</u>
Emoluments of the highest paid director including pension contributions	<u>442,707</u>	<u>794,847</u>

The highest paid director's emoluments were paid by Tenet Business Solutions Limited.

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

	Year ended 30 September 2006 No.	17 months ended 30 September 2005 No.
Money purchase pension schemes	<u>19</u>	<u>15</u>

	Year ended 30 September 2006 No.	17 months ended 30 September 2005 No.
Average number of persons employed (including directors)		
Sales and marketing	10	12
Administration	312	250
	<u>322</u>	<u>262</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2006

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	Year ended 30 September 2006 £	17 months ended 30 September 2005 £
Staff costs during the year (including directors)		
Wages and salaries	8,279,103	10,853,930
Social security costs	894,000	1,127,616
Other pension costs	358,815	365,550
	<u>9,531,918</u>	<u>12,347,096</u>

Company

All staff utilised by the company in the delivery of its services are employed by Tenet Group Limited. Tenet Business Solutions Limited is responsible for the payment of the remuneration of all Tenet Group Limited employees, including the directors of the company and its subsidiaries, and it receives recompense from the company and its subsidiaries in respect of this service through management recharges which are allocated on a time incurred basis. The amounts recharged to other Group companies in respect of directors are included in the accounts of each Group company.

The amounts and numbers of employees disclosed below relate to amounts recharged to the company by Tenet Business Solutions Limited in respect of the remuneration of directors and employees utilised by the company.

Such recharges in respect of the directors of the company during the year were £1,186,854 (2005: £1,303,126). Additional emoluments paid to the directors of the company during the year were £nil (2005: £nil).

Such recharges for the remuneration of the directors in respect of the company and its subsidiaries during the year were £1,543,791 (2005: £1,676,899). Additional emoluments paid to the directors of the company during the year were £nil (2005: £nil).

	Year ended 30 September 2006 £	17 months ended 30 September 2005 £
Emoluments	976,888	1,225,050
Pension contributions	61,966	78,076
Compensation for loss of office / termination of employment	148,000	-
	<u>1,186,854</u>	<u>1,303,126</u>
Emoluments of the highest paid director including pension contributions	<u>442,707</u>	<u>747,117</u>

The highest paid director's emoluments were paid by Tenet Business Solutions Limited.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

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

	Year ended 30 September 2006 No.	17 months ended 30 September 2005 No.
Money purchase pension schemes	<u>3</u>	<u>3</u>

	Year ended 30 September 2006 No.	17 months ended 30 September 2005 No.
Average number of persons employed		
Directors	<u>4</u>	<u>4</u>
	<u>4</u>	<u>4</u>

No staff costs were incurred by the company during the financial year (2005: £nil).

6. INTEREST RECEIVABLE AND SIMILAR INCOME

Group

	Year ended 30 September 2006 £	17 months ended 30 September 2005 £
Other interest	12,052	-
Bank interest	<u>716,151</u>	<u>361,323</u>
	<u>728,203</u>	<u>361,323</u>

7. FINANCE COSTS

Group

	Year ended 30 September 2006 £	17 months ended 30 September 2005 £
On bank loans and overdrafts	516	11,225
Loan stock	-	1,328,617
Other interest	<u>7,128</u>	<u>8,718</u>
	<u>7,644</u>	<u>1,348,560</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

8. PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/loss on ordinary activities before taxation is stated after charging:

	Year ended 30 September 2006 £	17 months ended 30 September 2005 Restated £
Depreciation and other amounts written off property, plant and equipment	600,465	915,941
Amortisation of intangible assets	303,031	-
Impairment of goodwill	-	2,182,727
Impairment of fixed asset investments	-	41,455
Loss on disposal of property, plant and equipment	4,368	490
Hire of other assets – operating leases	992,738	1,343,274
Auditors' remuneration		
- previous auditors audit services	-	40,401
- current auditors for the audit of the company's annual accounts	22,265	20,000
Auditors' remuneration for other services to the group		
- current auditors for the audit of the company's subsidiaries pursuant to legislation	130,000	140,000
- tax	25,262	29,933
- other assurance services	32,666	27,113
	<u>2,058,932</u>	<u>4,530,661</u>

The impairment charge to goodwill has been restated as detailed in Note 30 for the 17 month period ended 30 September 2005.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

9. INCOME TAX EXPENSE

	Year ended 30 September 2006 £	17 months ended 30 September 2005 £
Analysis of charge in year/period at 30% (2005: 30%)		
Current tax at 30% (2005: 30%)	567,702	-
Total current tax	567,702	-
Deferred tax		
Current year	(277,606)	-
Adjustment in respect of prior years	(14,349)	-
Total deferred tax	(291,955)	-
Tax on profit/loss on ordinary activities	<u>275,747</u>	<u>-</u>
Factors affecting current tax in year/period		
Profit/(loss) on ordinary activities before tax	2,392,232	(5,411,531)
Tax on profit/(loss) on ordinary activities at UK standard rate of 30% (2005 – 30%)	717,670	(1,623,459)
Effects of:		
Capital allowances in excess of depreciation	(88,218)	12,326
Income not taxable for tax purposes	(486,974)	(105,071)
Expenses not deductible for tax purposes	488,158	205,712
Utilisation of tax losses	(66,174)	-
Tax losses not recognised	-	867,061
Goodwill impairment	-	643,431
Adjustment to tax charge in respect of previous periods	(277,606)	-
Effects of other rates/credits	(8,649)	-
Movement in short term timing differences	(2,460)	-
Current tax for year/period	<u>275,747</u>	<u>-</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

10. INTANGIBLE FIXED ASSETS

Group	Purchased Intangibles £	Purchased Goodwill Restated £	Total Intangibles Restated £
Cost			
At 1 October 2005	-	17,270,179	17,270,179
Additions	1,036,557	1,003,085	2,039,642
At 30 September 2006	1,036,557	18,273,264	19,309,821
At 1 May 2004	-	16,391,200	16,391,200
Additions	-	1,308,979	1,308,979
Adjustments to contingent consideration	-	(430,000)	(430,000)
At 30 September 2005	-	17,270,179	17,270,179
Amortisation			
At 1 October 2005	-	6,130,417	6,130,417
Amortisation	303,031	-	303,031
At 30 September 2006	303,031	6,130,417	6,433,448
At 1 May 2004	-	3,947,690	3,947,690
Impairment	-	2,182,727	2,182,727
At 30 September 2005	-	6,130,417	6,130,417
Net book value			
At 30 September 2006	733,526	12,142,847	12,876,373
At 30 September 2005	-	11,139,762	11,139,762

Annual impairment tests have been carried out on the goodwill by comparing the carrying value to the fair value of the goodwill less costs to sell.

The impairment charge to goodwill has been restated as detailed in Note 30 for the 17 month period ended 30 September 2005.

Acquisition of business

On 6 March 2006 the company acquired the trade and certain assets and liabilities of each of Berkeley Independent Advisers Limited, Berry Birch & Noble Financial Planning Limited and Berkeley Birch Group Support Services Limited. The fair value of the total consideration was £1,864,869. The fair value of the net assets acquired (after the adjustments detailed in the table below) and intangible assets was £861,784. This resulted in goodwill of £1,003,085.

The contracts acquired by the Group from Berkeley Birch Group Support Services Limited resulted from the operation of TUPE in relation to employees for which no consideration was paid.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2006

10. INTANGIBLE FIXED ASSETS (CONTINUED)

Berkeley Independent Advisers Limited	Book Value	Fair Value adjustments	Fair Value
	£	£	£
Property, plant and equipment	8,901	(2,751)	6,150
Trade debtors	739,556	-	739,556
Other debtors	2,759,774	7,013	2,766,787
Cash	2,000,000	-	2,000,000
Trade creditors	(2,491,412)	-	(2,491,412)
Other creditors including tax and social security	-	(152,664)	(152,664)
Provisions for liabilities and charges	(2,743,190)	-	(2,743,190)
Intangible assets	-	381,557	381,557
Net assets acquired	273,629	(233,155)	506,784
Cash paid for acquisition			700,000
Directly attributable costs of acquisition			444,340
Total cash paid			1,144,340
Fair value of deferred consideration			250,000
Fair value of consideration			1,394,340
Goodwill			887,556
Berry Birch & Noble Financial Planning Limited			Book and Fair Value
			£
Provisions for liabilities and charges			(300,000)
Intangible assets			655,000
Net assets acquired			355,000
Cash paid for acquisition			200,000
Directly attributable costs of acquisition			16,529
Total cash paid			216,529
Fair value of deferred consideration			254,000
Fair value of consideration			470,529
Goodwill			115,529

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

10. INTANGIBLE FIXED ASSETS (CONTINUED)

Directly attributable acquisition costs included in the costs of acquisition are the direct legal and accounting costs incurred in developing the acquisition contracts and performing due diligence activities. The fair value adjustments arose in aligning the accounting policies of Berkeley Independent Advisers Limited to those of the Group.

Goodwill arose in each acquisition due to the emphasis placed on the value of synergies which would arise on the combination of the acquired businesses with those of Tenet Support Services Limited and Interdependence Limited.

Since the acquisition it has not been practicable to separately identify the costs of the acquired operations as the systems of the acquired businesses have been integrated with those of Tenet group companies. Therefore, it has not been possible to calculate the total net profit of the consolidated entity as if the acquisition had taken place on 1 October 2006.

Due to critical accounting estimates used in the assessment of the fair value of the assets and liabilities acquired during the year, the directors continue to monitor the fair value of such assets and liabilities (see Note 4). It is expected that the uncertainties surrounding the fair value of such assets and liabilities will be resolved by 5 March 2007.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

11. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £	Computer equipment £	Fixtures & fittings £	Total £
Cost				
At 1 October 2005	340,036	3,093,835	464,792	3,898,663
Additions	86,313	738,072	61,384	885,769
Re-categorisation of assets	29,110	-	(29,110)	-
Disposals	-	(5,130)	(13,040)	(18,170)
At 30 September 2006	455,459	3,826,777	484,026	4,766,262
At 1 May 2004	340,036	2,579,739	457,117	3,376,892
Additions	-	495,518	15,467	510,985
Acquisitions	-	18,578	-	18,578
Disposals	-	-	(7,792)	(7,792)
At 30 September 2005	340,036	3,093,835	464,792	3,898,663
Depreciation				
At 1 October 2005	317,057	2,337,123	326,438	2,980,618
Charge for the year	24,508	528,986	46,971	600,465
Re-categorisation of assets	4,656	-	(4,656)	-
Disposals	-	(4,175)	(9,626)	(13,801)
At 30 September 2006	346,221	2,861,934	359,127	3,567,282
At 1 May 2004	232,071	1,678,077	161,831	2,071,979
Charge for the period	84,986	659,046	171,909	915,941
Disposals	-	-	(7,302)	(7,302)
At 30 September 2005	317,057	2,337,123	326,438	2,980,618
Net book value				
At 30 September 2006	109,238	964,843	124,899	1,198,980
At 30 September 2005	22,979	756,712	138,354	918,045

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Fixtures, fittings and computer equipment £
Cost	
At 1 October 2005	52,525
Additions	-
Write off	-
At 30 September 2006	<u>52,525</u>
At 1 May 2004 and 30 September 2005	<u>52,525</u>
Depreciation	
At 1 October 2005	50,005
Charge for the year	2,520
At 30 September 2006	<u>52,525</u>
At 1 May 2004	35,127
Charge for the period	14,878
At 30 September 2005	<u>50,005</u>
Net book value	
At 30 September 2006	<u>-</u>
At 30 September 2005	<u>2,520</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

12. FIXED ASSET INVESTMENTS

Group	£
Cost	
At 1 October 2005	56,175
Additions	-
At 30 September 2006	56,175
Impairment	
At 1 October 2005	41,155
Charge in year	-
At 30 September 2006	41,155
Net book value	
At 30 September 2006	15,020
At 30 September 2005	15,020

Group fixed asset investments relate to the following companies. The investments have not been accounted for under the equity method as they are not treated as associated companies:

	Country of incorporation	Principal activity	Holding
Ayrshire Financial Services Limited	England and Wales	Provision of financial advice	20%
Indigo Squared Limited	England and Wales	Software consultancy	19.5%

Company	£
Cost and net book value	
At 1 October 2005	39,972,201
Additions	-
Disposals	-
Write down	-
At 30 September 2006	39,972,201

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

12. FIXED ASSET INVESTMENTS (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
Tenet Business Solutions Limited	England and Wales	Marketing, employment and IT support to other Group companies	100%
Tenet Trustee Limited	England and Wales	Trustee company	100%
Capital Planning Holdings Limited	England and Wales	Holding company	100%
Tenet Client Services Limited	England and Wales	Holding company	100%
Tenet Limited	England and Wales	Holding company	100%

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

	Class	Number held
Tenet Business Solutions Limited	Ordinary of £1 each	2,712,416
Tenet Trustee Limited	Ordinary of £1 each	1
Capital Planning Holdings Limited	Ordinary of £1 each	200
Tenet Client Services Limited	Ordinary of £1 each	200,001
Tenet Limited	Ordinary of £1 each	21,250,156

After the year end, Capital Planning Holdings Limited entered Members' Voluntary Liquidation, see Note 29.

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
Interdependence Limited	England and Wales	FSA regulated network of IFAs
Foster Denovo Limited	England and Wales	Provision of financial advice
Capital Planning UK Limited	England and Wales	Provision of financial advice
Lifetime Insurance Mortgage Experts Limited	England and Wales	FSA regulated network of mortgage and general insurance brokers
The M&E Network Limited	England and Wales	FSA regulated network of IFAs
Tenet Support Services Limited	England and Wales	Professional and administration services
Premier Partnerships Limited	England and Wales	Administration services
My Future Finance Limited	England and Wales	Sale of financial products

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

12. FIXED ASSET INVESTMENTS (CONTINUED)

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

	Class	Number held
Interdependence Limited	Ordinary of £1 each	792,416
Foster Denovo Limited	Ordinary of £1 each	200,002
Capital Planning UK Limited	Ordinary of £1 each	1,930,000
Lifetime Insurance Mortgage Experts Limited	Ordinary of £1 each	125,000
The M&E Network Limited	Ordinary of £1 each	2,351,000
Tenet Support Services Limited	Ordinary of £1 each	761,000
Premier Partnerships Limited	Ordinary of £0.01 each	100,000,100
My Future Finance Limited	Ordinary of £1 each	500,000

After the year end, Capital Planning UK Limited was placed into Administration by its directors, see Note 29.

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

	Country of incorporation	Principal activity	Holding
Ayrshire Financial Services Limited	England and Wales	Provision of financial advice	20%
Indigo Squared Limited	England and Wales	Software consultancy	19.5%

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	30 September 2006	30 September 2005	30 September 2006	30 September 2005
	£	£	£	£
Due within one year				
Trade receivables	11,143,295	6,870,154	-	9,447
Prepayments and accrued income	1,475,350	1,267,986	17,902	19,692
Deferred tax	291,957	-	-	-
Other debtors	2,698,380	2,137,388	196,830	-
Amounts owed by Group companies	-	-	7,282,467	4,616,996
	<u>15,608,982</u>	<u>10,275,528</u>	<u>7,497,199</u>	<u>4,646,135</u>

Included in trade receivables is £2,559,274 (2005: £894,119) that relates to amounts recoverable in relation to commission clawbacks (see Notes 1 and 17). Included in other debtors is £733,898 (2005: £1,006,492) that relates to amounts recoverable in relation to claims payable (see Notes 1 and 17).

14. CASH AND CASH EQUIVALENTS

Included within cash at bank and in hand is £742,146 (2005: £685,432) held in individual bank accounts on behalf of customers of Tenet Support Services Limited and Premier Partnerships Limited, subsidiary companies.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2006

15. TRADE AND OTHER PAYABLES

	Group		Company	
	30 September 2006	30 September 2005	30 September 2006	30 September 2005
	£	£	£	£
Bank loan and overdrafts	27,122	10	-	-
Trade payables	13,284,817	9,263,083	28,095	-
Amounts owed to Group companies	-	-	27,009	3,811,911
Corporation tax	567,704	-	-	-
Taxation and social security	461,276	313,308	-	-
Other creditors	1,143,797	277,508	-	-
Accruals and deferred income	2,937,519	2,148,438	717,375	90,366
	<u>18,422,235</u>	<u>12,002,347</u>	<u>772,479</u>	<u>3,902,277</u>

16. LOAN NOTES

	Group		Company	
	30 September 2006	30 September 2005	30 September 2006	30 September 2005
	£	£	£	£
"CII" loan notes	250,000	250,000	250,000	250,000
"CIII" loan notes	325,000	325,000	325,000	325,000
	<u>575,000</u>	<u>575,000</u>	<u>575,000</u>	<u>575,000</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

16. LOAN NOTES (CONTINUED)

Analysis of debt:

	Group		Company	
	30 September 2006	30 September 2005	30 September 2006	30 September 2005
	£	£	£	£
Debt can be analysed as falling due:				
Between one and two years	250,000	-	250,000	-
Between two and five years	-	250,000	-	250,000
In five years or more	325,000	325,000	325,000	325,000
	<u>575,000</u>	<u>575,000</u>	<u>575,000</u>	<u>575,000</u>

Amounts repayable in more than five years:

	Group		Company	
	30 September 2006	30 September 2005	30 September 2006	30 September 2005
	£	£	£	£
"CIII" loan notes	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>

Loan notes

£575,000 of loan notes were issued to Rowansec Limited in 2000. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

17. PROVISION FOR LIABILITIES & CHARGES

	Claims payable provision £	Provision for commission clawback £	Total £
Group			
At 1 October 2005	1,789,680	961,895	2,751,575
Utilised during the year	-	-	-
Increase/(decrease) in the year	(734,847)	2,882,368	2,147,521
At 30 September 2006	<u>1,054,833</u>	<u>3,844,263</u>	<u>4,899,096</u>

Claims payable provision

The claims payable provision is in respect of amounts that may be payable to the customers of certain Group companies 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 Notes 1 and 13) and, except in relation to My Future Finance Limited, the policy excess is usually recovered from the Appointed Representative and/or financial adviser responsible for the individual case. It is not possible to calculate accurately the amount of the opening provision utilised during the year and only net movements in the provision are reported. The directors expect this provision to be utilised over the next 5 years.

Provision for commission clawback

The provision for commission clawback in certain Group companies relates to commission receipts subsequently repaid should policies be cancelled after their sale. Except in relation to My Future Finance Limited, these amounts will usually be recovered from the Appointed Representative and/or financial adviser responsible for the individual case (see Notes 1 and 13). It is not possible to calculate accurately the amount of the opening provision utilised during the year and only net movements in the provision are reported. The directors expect this provision to be utilised over the next 4 years.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

18. CALLED-UP SHARE CAPITAL

	30 September 2006 £	30 September 2005 £
Authorised		
Equity Shares		
367,852,700 (2005: 367,852,700) 'A' Ordinary Shares of £0.0001	36,785	36,785
250,000,000 (2005: 250,000,000) 'B' Ordinary Shares of £0.0001	25,000	25,000
	<u>61,785</u>	<u>61,785</u>
Allotted, called up and fully paid		
Equity Shares		
40,310,014 (2005: 37,947,014) 'A' Ordinary Shares of £0.0001	4,031	3,795
207,000,000 (2005: 199,000,000) 'B' Ordinary Shares of £0.0001	20,700	19,900
	<u>24,731</u>	<u>23,695</u>
Shares to be issued		
Nil (2005: 2,250,000) 'A' Ordinary Shares of £0.0001	-	225
	<u>24,731</u>	<u>23,920</u>

See Note 19 for shares issued in the year.

'A' Ordinary Shares

The 'A' Ordinary Shares are entitled to receive a dividend or a return of capital pari passu according to the number of shares held as if they constituted one class of shares with the 'B' Ordinary Shares. 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 dividend or a return of capital pari passu according to the number of shares held as if they constituted one class of share with the 'A' Ordinary Shares. The 'B' 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.

An Investor Majority (comprising at least 60% by nominal value of the 'B' Ordinary Shareholders) has additional rights regarding the transfer of shares and other shareholder matters as provided for in the company's Articles of Association.

EMI staff scheme

On 25 November 2002 the directors adopted the 'Tenet Limited Enterprise Management Incentive Plan'. Under the plan employees of Tenet Group 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.

The first exercise date is, in accordance with Rule 4 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.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2006

19. RESERVES

Group	Shares to be issued £	Share premium account – equity £	Retained earnings £
Balance at 1 October 2005	225	35,897,385	(11,949,741)
Shares issued in the financial year	-	2,016,138	-
Profit for the financial year	-	-	2,116,485
Adjustment to contingent consideration	(225)	-	-
Balance at 30 September 2006	-	37,913,523	(9,833,256)

Company	Shares to be issued £	Share premium account – equity £	Retained earnings £
Balance at 1 October 2005	225	35,897,385	12,781,017
Shares issued in the financial year	-	2,016,138	-
Loss for the financial year	-	-	(1,625,966)
Adjustment to contingent consideration	(225)	-	-
Balance at 30 September 2006	-	37,913,523	11,155,051

On 12 October 2005 the company allotted 8,000,000 'B' Ordinary Shares of £0.0001 each, fully paid for cash, for a total consideration of £2,000,000.

On 21 November 2005 the company allotted 2,250,000 'A' Ordinary Shares of £0.0001 each, representing the entire deferred consideration payable in respect of the acquisition of Premier Connections Limited in the prior financial period.

On 7 December 2005 the company allotted 113,000 'A' Ordinary Shares of £0.0001 each, fully paid for cash, for a total consideration of £16,949.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

20. STATEMENT OF CHANGES IN EQUITY

Group	Year ended 30 September 2006 £	17 months ended 30 September 2005 £
Profit/(loss) for the financial year/period	2,116,485	(5,411,531)
Share capital subscribed	2,016,949	33,227,897
Share capital redeemed	-	(695,020)
Costs related to shares issued	-	(388,342)
Adjustment to contingent consideration	-	(430,000)
Shares to be issued in respect of acquisitions in the year/period	-	562,500
Net addition to equity shareholders' funds	4,133,434	26,865,504
Opening equity shareholders' funds/(deficit)	23,971,564	(2,893,940)
Closing equity shareholders' funds	28,104,998	23,971,564
Company	Year ended 30 September 2006 £	17 months ended 30 September 2005 £
(Loss)/profit for the financial year/period	(1,625,966)	15,326,348
Share capital subscribed	2,016,949	33,227,897
Share capital redeemed	-	(695,020)
Costs related to shares issued	-	(388,342)
Adjustment to contingent consideration	-	(430,000)
Shares to be issued in respect of acquisitions in the year/period	-	562,500
Net addition to equity shareholders' funds	390,983	47,603,383
Opening equity shareholders' funds	48,702,322	1,098,939
Closing equity shareholders' funds	49,093,305	48,702,322

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

21. FINANCIAL COMMITMENTS

Operating lease commitments

Group

At the end of the financial year the Group had annual commitments under non-cancellable operating leases as set out below:

	30 September 2006		30 September 2005	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases that expire:				
Within one year	315,714	277,706	264,546	215,723
In the second to fifth years inclusive	26,000	334,897	203,633	179,270
Over five years	345,700	-	122,000	-
	<u>687,414</u>	<u>612,603</u>	<u>590,179</u>	<u>394,993</u>

Company

The company has no operating lease commitments.

22. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO OPERATING CASH FLOWS

	Year ended 30 September 2006 £	17 months ended 30 September 2005 £
Operating profit/(loss)	1,671,673	(4,382,839)
Depreciation, amortisation and impairment charges	903,497	3,098,668
Loss on disposal of property, plant & equipment	4,368	490
(Increase)/decrease in trade & other receivables	(1,535,192)	2,811,926
Increase/(decrease) in trade & other payables	2,720,022	(2,496,413)
Increase/(decrease) in other provisions for liabilities & charges	(1,295,671)	704,017
Net cash generated by/(used in) operating activities	<u>2,468,697</u>	<u>(264,151)</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2006

23. ANALYSIS OF CASH FLOWS

	Year ended 30 September 2006 £	17 months ended 30 September 2005 £
Investing activities		
Interest received	728,203	361,323
Interest paid	(7,644)	(1,348,560)
Purchase of property, plant and equipment	(879,619)	(510,985)
Purchase of investment	-	(15,000)
Purchase of subsidiary undertaking	(1,003,855)	(449,838)
Net cash acquired with subsidiary undertaking	2,000,000	99,653
Net cash generated by/(used in) investing activities	837,085	(1,863,407)
Financing activities		
Issue of ordinary share capital	2,016,949	33,110,511
Redemption of preference shares	-	(695,020)
Costs related to the shares issued	-	(270,956)
Debt due after more than one year:		
Repayment of loan stock No 2	-	(15,351,220)
Repayment of loan stock No 3	-	(2,077,066)
Net cash generated by financing activities	2,016,949	14,716,249

24. ANALYSIS OF NET DEBT

	At beginning of year £	Cash flow £	At end of year £
Cash at bank and in hand	16,952,131	5,349,843	22,301,974
Overdrafts	(10)	(27,112)	(27,122)
	<u>16,952,121</u>	<u>5,322,731</u>	<u>22,274,852</u>
Debt due after more than one year	(575,000)	-	(575,000)
Total	<u>16,377,121</u>	<u>5,322,731</u>	<u>21,699,852</u>

25. CONTROLLING PARTY

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

26. HOLDING COMPANY INCOME STATEMENT

The consolidated income statement includes a loss of £1,625,966 (2005: profit of £15,326,348) which has been dealt with in the financial statements of the company. The company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own income statement in these financial statements.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2006

27. CONTINGENT LIABILITIES

Group

Litigation

At the year end, Capital Planning UK Limited ("CPUK"), a Group company, faced a legal challenge over the adequacy of Information Memoranda regarding investment products for which CPUK was Promoter. The directors are, however, of the opinion that CPUK has no liability in respect of this action and as a consequence no provision has been made in the accounts. Furthermore, the directors are of the view that it is not practicable to reliably estimate the financial impact of this claim, should this action be successfully pursued against CPUK, but the directors do not consider this to be a material matter for the Group. To date, CPUK has refuted the claim but its defence has noted that it has insufficient financial resources to defend the action, as ongoing financial support from its parent company is no longer available to it.

Company

Bank guarantee

Barclays Bank holds a fixed and floating charge over the assets of the company both present and future. The company, along with certain other Tenet group companies, has jointly guaranteed to the Group's bank an unlimited amount in respect of the Group's bank borrowing.

28. TRANSACTIONS WITH RELATED PARTIES

Group

There were no related party transactions during the financial year.

Company

There were no related party transactions during the period other than movements in balances between the company and its wholly owned subsidiaries as follows:

	Year ended 30 September 2006 £	17 months ended 30 September 2005 £
Net amounts owed by Group companies at start of financial year/period	805,085	2,069,018
Receipts from Group companies	14,535,012	58,746,824
Payments to Group companies	(8,084,639)	(60,010,757)
Net amounts owed by Group companies at end of financial year/period	<u>7,255,458</u>	<u>805,085</u>

29. POST BALANCE SHEET EVENTS

On 12 October 2006 Capital Planning UK Limited was placed into Administration.

On 13 October 2006 Capital Planning Holdings Limited entered into a Members' Voluntary Liquidation.

The directors do not anticipate that these events will have a material financial impact on the Group.

30. UK GAAP TO IFRS RECONCILIATION

An amount of £1,070,771 has been restated from goodwill amortisation on transition and replaced by a corresponding impairment to goodwill for the 17 month period ended 30 September 2005.

There are no other material differences hence no restatement has been made.