

TENET GROUP LIMITED

Report and Financial Statements

30 September 2007

Deloitte & Touche LLP
Leeds

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TENET GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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TENET GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Lord Hodgson of Astley Abbotts
S H Hudson
P W Lane
G S Clarkson
M J Greenwood
R H W Robson

SECRETARY

G S Clarkson

REGISTERED OFFICE

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AUDITORS

Deloitte & Touche LLP
Chartered Accountants & Registered Auditors
Leeds

TENET GROUP LIMITED

BUSINESS PHILOSOPHY

Our core values and objectives are

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

We aim to deal with all third parties with integrity and recognise their value to Tenet

Our key stakeholders are

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

TENET GROUP LIMITED

CHAIRMAN'S STATEMENT

I was honoured to have been asked to take the Chair of Tenet Group. However, I only took up my post on 5th September 2007 in the last month of the financial year. Accordingly, this Chairman's statement covers a year most of which was prior to my appointment and 'not on my watch'. In the circumstances, therefore, it would not be right of me to fail to thank Martin Greenwood who acted as interim Chairman.

My first impression of Tenet is of a group that has worked hard to put all the basic building blocks in place – both operational and regulatory. Elsewhere in this report there are more detailed descriptions of the effort being made to improve the Group's offering and strengthen its regulatory position. This emphasis on professionalism was pivotal in my decision to join the Board.

My second impression is that Tenet, while continuing to seek ways to refine and improve its basic proposition, is not afraid to innovate. Not all innovations are successful, but we have great hopes for Sinfonia Asset Management Limited which is to be launched in the Spring of 2008, and which should offer a unique service to IFAs enabling them to better serve and respond to their clients' needs.

Overall, there was a creditable operating performance in the year – sales growth of over 9% was achieved, net assets increased by over 10% and pre-tax profits exceeded £4 million. The details of this are given in the Financial Report on Business Performance.

So, what are the challenges? First of these is the changing regulatory picture. The Retail Distribution Review will conclude its consultation period shortly and we must expect to begin to see the outcome in the last part of this financial year. The second of the challenges is for Tenet to build on the foundation stones so carefully laid over the past few years – to build and strengthen the existing network and other services while successfully launching the new asset management service.

Finally, this is all happening against an increasingly stormy economic backdrop. How the recent uncertainties will play out is impossible to predict but unpleasant surprises there surely will be.

In such times, the firms that are successful will be those that put professionalism at the heart of their culture, provide a valued service to their clients, are financially well resourced and properly managed. It is the role of your Board to ensure that Tenet is one of those firms.

It is not, of course, just the Board that will make this happen – it is every member of the Tenet team. I would therefore like to take this opportunity to thank them for their commitment and enthusiasm.

This is an exciting time for Tenet. I believe the Group is excellently positioned to take advantage of future developments. I look forward to reporting to you on our progress in twelve months' time.

LORD HODGSON OF ASTLEY ABBOTTS

CHAIRMAN

CEO OVERVIEW

In my overview of the Group's activities in the last Report and Accounts, I announced that a strategic review was being undertaken and that 2007 was likely to see the launch of a number of new initiatives. The output of this review was extremely pleasing, with the Board re-confirming our medium term strategy and giving fresh impetus to achieve our goals.

A key conclusion of the strategic review was that although Tenet will continue to consider major innovations the Board believes that most of the building blocks the Group requires are now in place. Much of the focus of Tenet group companies will now consist of a process of constant review and refinement of their existing activities to provide better value for money for their customers and enhanced sales growth.

Some of the key recent and expected changes in the Group are detailed below.

The Last 12 Months

The Group undertook a major review of the operations base of its major brands in 2007 through an "*Operational Transformation Programme*". The two main aims of this programme were to increase the service standards of the Group whilst also increasing efficiency. This programme concluded in September 2007 and it has had a profound impact, engendering a cultural shift within the business and improving customer satisfaction levels. In some ways, the work of the programme will never be completed as it has institutionalised a dynamic, repetitive cycle and a culture of continuous improvement within the Group which is to be welcomed.

The regulated businesses within the Group have continued to put significant efforts in to the "*Treating Customers Fairly*" ("TCF") initiative of the Financial Services Authority. This initiative has matured since its launch and has been broadly welcomed by most in the industry. The advisers of Tenet Group have enjoyed substantial support and guidance in this area over the last 12 months, through workshops, seminars, formal guidance and the launch of the TCF toolkit. Further work in this area is ongoing as the Group develops its management information systems for measuring and monitoring the success of our advisers in this area. Along with the Retail Distribution Review, the TCF initiative will be one of the main contributors to the continuing professionalisation of the IFA community and Tenet will do all it can to ensure that its own reputation is above reproach.

The terms for *the sale of the Foster Denovo business were concluded in January 2007* although the completion of the sale was deferred until the summer of 2007. The sale of this business has freed up substantial resources within the Group enabling our staff to focus on improving the performance of other group companies. Amongst these, we expect our business to consumer activities will continue to be conducted through My Future Finance Limited ("MFF"), although MFF has withdrawn from its plans to originate third party leads from the internet after initial efforts proved to be too costly.

The Group has made *significant investment in to the sales and marketing activities of group companies*. In the first instance, the new Sales & Marketing Director of the Tenet Limited sub-group concentrated much effort on refreshing the service offerings of the Group's key brands. Subsequently, his efforts have been focused on re-designing and investing in the adviser recruitment efforts of these businesses. Good results have been observed in this area already and the Board expects to see this enhanced recruitment performance consolidated in 2008. Furthermore, another director and a new team of executives were appointed over the summer of 2007 whose sole responsibility is for business development in our regulated companies.

CEO OVERVIEW (CONTINUED)

As usual, *IT development* has featured high on our agenda in a number of areas. Work on the Group's regulatory risk management software is now complete, although constant upgrades of this system will be required as the regulatory environment evolves. This system has allowed us to manage our costs efficiently within the regulatory team whilst also assisting in our management of risk. Of equal significance, OfficeNet, the main back office system used by Tenet group companies, benefited from two major upgrades during 2007. The first upgrade integrated the processing of the regulated companies' entire book of business across mortgage, general insurance, life and pension products. The second upgrade systemised many of the procedural changes introduced by the Operational Transformation Programme, whilst also introducing web-based browser functionality in order that Appointed Representatives can directly use the Group's back office system.

The Future

Not unusually for a Group such as ours, *probable changes in the regulatory environment* will absorb much of our time and attention during 2008. Not only will the Group actively engage in the consultation process with the Financial Services Authority in relation to their discussion papers on Retail Distribution and the Prudential Rules for Personal Investment Firms, but Tenet group companies will be required to respond to the final outcome of these consultation processes. It is almost inconceivable that no regulatory change will result from these discussion papers and the Group will work steadily to ensure that we can successfully address the outcome, whatever it might be. At the same time, during 2007 the implications for the Group of MiFID became clear and we will examine the opportunities that this may present the Group during 2008.

Our key commercial initiative for 2008 is *the successful launch of an investment company*, Sinfonia Asset Management Limited ("Sinfonia"). From early in 2007, the Group devoted an increasing amount of effort in planning the launch of Sinfonia, culminating with the establishment of a team devoted solely to this in the autumn of 2007. The launch of this business is currently anticipated in the first half of 2008. The aim of Sinfonia is to provide a service that matches clients' investment time horizon and attitude to risk with an actively managed investment strategy using a range of fund managers.

Sinfonia has used the distribution power of the Tenet Group to negotiate with investment service providers who have been selected on a best of breed basis. Sinfonia's proposition is expected to not only assist IFAs in managing their business, but also offer a value added service to the consumer at a competitive price. The Board believes that this innovation is at the forefront of a trend in the sector for improving the design of financial products to match the needs of the customer in a cost effective manner.

Early in 2007, the Group's regulated businesses, *working in partnership with the Financial Services Skills Council*, started to assist the Council in establishing its Academy in the North of England. This work is likely to become more time consuming throughout 2008 and is judged to be extremely important to the industry at large. Tenet will be devoting resource to the initiative which aims to attract and train advisers new to the industry, thereby ensuring that the lifeblood of the sector is refreshed.

As in prior years, during the next twelve months we shall continue to look for attractive *acquisition opportunities*. 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.

Finally, as noted above, *the new business development team* will be working extensively on a number of initiatives that we expect to generate profitable new revenue streams for the Group. Most notable amongst these are the continuing work on the Clear Club, the Group's wrap technology panel. Efforts are also being put into creating a new AR model which the Board expects will be attractive to larger IFA firms. I expect to be able to report further on this next year.

TENET GROUP LIMITED

CEO OVERVIEW (CONTINUED)

Summary

2007 was an important year for Tenet, as the Board re-confirmed the company's strategic position and the Group consolidated its financial performance. Our staff and directors have worked tirelessly and professionally to ensure this success and the Board thank them for their efforts.

The directors believe that Tenet remains well positioned in its sector and that further development of the Group will be secured during 2008 which will reinforce that position.

SIMON HUDSON

GROUP CHIEF EXECUTIVE

FINANCIAL REPORT ON BUSINESS PERFORMANCE

INTRODUCTION

The financial performance of the Group demonstrated resilience in the financial year to 30th September 2007, with pre-tax profits increasing by £1.68 million to £4.08 million and net assets exceeding £30 million for the first time. This was due to an extremely strong sales lead performance by Tenet's network businesses and was after taking into account the costs of investing in the sales and marketing function of the Group.

INDUSTRY BACKGROUND

In the last Report and Accounts, the Board indicated that it believed the economic outlook for the Group would be benign in 2007, although it was cautious about the US economy, the US house price "bubble" and the possible implications for the UK stock market. The company's results for the financial year ended 30th September 2007 have supported that view, with average adviser productivity continuing to rise strongly in both investment and mortgage business.

However, major concerns did eventually emerge during August and September 2007 regarding liquidity in the global banking market and, looking forward, these do not appear to have receded. It is far from clear that the repercussions of the US sub-prime lending collapse have yet been felt in full while issues surrounding the global supply of energy remain a potential threat to economic stability. For the time being, the equity markets have held firm but over the course of 2008 the possibility of a fundamental correction in these markets cannot be ruled out. To the extent that problems do emerge with the investment markets, the Board believes that these will be mitigated to a degree by the recent successful recruitment of new advisers to its investment adviser businesses.

The housing market is of increasing significance for the Group as activity rates in mortgage and general insurance business continue to grow through its mortgage network, LIME, and its mortgage broker services business, Premier. Unlike the equity markets to date, the Board believes that some downturn in the housing market is probable, with signs of house prices softening already at the end of 2007. Significant reductions in the Bank of England's Base Rate are widely forecast for 2008, but it is unclear whether such moves will relieve pressure on house prices and, as a consequence, activity rates are likely to slow during 2008. There may be a consequential impact upon the Group, but it is believed that the effect would be mitigated for the most part by the level of re-mortgage lending arranged by LIME and Premier clients and also by the successful recruitment of new advisers to these businesses during 2007.

Another significant feature of the period since 30th September 2006 has been the continuing financial difficulties of some financial advisory firms. In particular, some major corporate transactions are widely believed to have been driven by issues of solvency. Furthermore, the number of mortgage broker networks operating in the sector has shrunk rapidly as many failed to achieve critical mass. Unless unexpected growth is experienced during 2008, the Board believes that although many of the weakest firms may now have exited the sector, pressure will remain high on a number of firms, particularly mortgage brokers. This could be of benefit to the Group, as such a climate may give rise to good opportunistic acquisition prospects.

In summary, although the Board has been pleased with market activity rates in the period since 30th September 2006, further substantial growth in Tenet's markets is not anticipated during 2008. Nevertheless, it is expected that current productivity rates of the Group's financial advisers should be maintained during the financial year to 30th September 2008. The Board continues to be of the opinion that the poor financial condition of many firms in the sector will see further failures or re-organisations amongst the Group's competitors, leaving Tenet Group as one of a few sizeable firms in the sector with a credible financial position. As a result, the Board remains confident of the Group's medium term prospects, but cautious as to the influence that market demand may exert over the next twelve months.

FINANCIAL REPORT ON BUSINESS PERFORMANCE (CONTINUED)

FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2007

The Group's growth continued during the year to 30th September 2007, with sales and gross profit exceeding those seen in the year to 30th September 2006 by 9% and 6% respectively. Excluding the results of Foster Denovo, the underlying performance of the Group has been stronger still, with sales and gross profit increasing by around 30% and 20% respectively. I am pleased to report that the Group has translated its improved sales and gross profit into improved pre-tax profitability, with profits growing by £1.68 million to £4.08 million despite a significant increase in some costs during the year.

Key features of the performance of the business for the year ended 30th September 2007 compared to the previous financial year are:

- ***The performance of the IFA networks has been creditable***, benefiting from a full year's trading following the acquisition of certain business assets and contracts from Berkeley Berry Birch plc group companies in March 2006 and also some significant work undertaken during the year to improve the commission retention rates achieved by the networks. The increase in contribution to operating profits from these businesses was almost £3.2 million during the financial year ended 30th September 2007, albeit £1.1 million of this improvement related to re-organisation costs borne by Interdependence Limited in 2006 following the acquisition referred to above.
- ***The sales performance of LIME*** during the year was excellent with revenue growth of 45% compared with the prior financial year. A continuing improvement in the number and quality of advisers using the services of this business has also been observed. However, margins have been under pressure and overhead investment into LIME has been substantial to support its growth. Although these factors have combined to reduce LIME's operating profit by £0.21 million, it is expected that margins will now firm up and that due to recent successes in recruiting new advisers that further sales and profit growth will be achieved during the financial year to 30th September 2008.
- ***Mounting losses at My Future Finance Limited ("MFF")*** caused the Board to re-examine its strategy in relation to originating third party leads from the internet. As a consequence, the Group has closed its Boldon based operation and consolidated its B2C activities in Leeds through "Enable". Enable is MFF's trading style for servicing leads generated from the Group's network businesses. Although MFF recorded an operating loss of £0.83 million in the period to 30th September 2007, the Board is confident that it will achieve break-even during the year to 30th September 2008.
- ***The business of Foster Denovo Limited was sold*** to a management buy-out during the year and control of this business was lost in January 2007 when the binding terms for its sale were concluded. As a consequence, its results are reported in the Group's consolidated financial statements only up to 31st January 2007. At that point, this business had generated £8.49 million in sales and an operating loss of £0.16 million.
- During the year, ***the Group's performance benefited from the refinement of the basis of some accounting estimates***. These items contributed a net amount of £0.55 million to reported profits which will not be repeated in the following financial year.
- Also during the year, the Group reviewed ***the value of goodwill arising from the acquisition of the Premier business*** and concluded that its value had been impaired. As a consequence, the Group's accounts include a charge of £0.48 million in respect of the impairment of goodwill which is not expected to be repeated in the following financial year.
- ***Investment in to additional sales & marketing resources has been substantial***, at over £0.5 million with the increase in this investment back end loaded in the year. The process of investment in to sales and marketing started in the financial year ended 30th September 2006 and accelerated during the last financial year. Early indicators show that the efforts of the Group have been successful to date and strong sales growth is expected from this activity in the financial year to 30th September 2008, although costs will increase further in the first instance.

FINANCIAL REPORT ON BUSINESS PERFORMANCE (CONTINUED)

- Finally, *the Group has established a new company to launch its retail investment proposition*, Sinfonia Asset Management Limited (“Sinfonia”) Expenses incurred in the year to 30th September 2007 reflect various consultancy costs, amounting to £0.18 million, which were incurred in preparing a full feasibility study for the business plan. Subsequently, a full team has been employed to deliver a successful launch of this business and it is likely that it will incur substantial start up costs in the financial year to 30th September 2008.

In conclusion, the performance of the business in the year ended 30th September 2007 has confirmed the ongoing profitability of the historic business activities of the Group, despite significant investment in new overheads. The directors are confident that this performance of the core businesses will continue 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:

- Significant investment into corporate infrastructure, most notably in 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. Current indications are that this strategy has been successful and the benefits of improving adviser numbers should be seen in the year to 30th September 2008.
- The re-organisation of MFF’s activities. This will save the Group a substantial amount of money in the year to 30th September 2008. Although the long-term potential upside offered by MFF’s Boldon operation is no longer available to the Group, MFF is now expected to become a profitable business.
- The establishment of Sinfonia. This should bring an entirely new and profitable income stream to the Group over the medium term. Whilst start up costs will be carefully controlled, the directors anticipate substantial expenditure will be incurred in establishing this venture. However, the Board is confident that Sinfonia will offer Tenet and its customers significant advantage over the medium term to justify this expenditure.

Finally, although the directors expect there to be little impact upon the financial results to 30th September 2008, the remaining big issue in the long-term savings market remains the lack of adequate pension provision for many UK residents. Accordingly, the directors continue to believe that the short term prospects for the business are fundamentally sound, and that longer term the Group is well placed in a market where the fundamentals are good and demand is likely to continue to grow substantially.

THE CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2007

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

- **Capital Strength.** the net assets of the Group rose to £31.0 million during the financial year ended 30th September 2007 (2006: £28.1 million). The increase in the capital base of the business was attributable 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.
- **Liquidity:** the net current assets of the Group improved to £25.2 million (2006: £19.5 million), with cash balances net of debt improving to £23.6 million (2006: £21.7 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 and in the financial year ended 30th September 2007 the carrying value of the Premier business was impaired by £0.48 million.

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.

FINANCIAL REPORT ON BUSINESS PERFORMANCE (CONTINUED)

CONSOLIDATED CASH FLOW FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2007

As noted above, the cashflow of the Group benefited from positive trading results with cash in the period increasing by £1 294 million. Key items in the cashflow included £0 27 million cash generated from the sale of the business of Foster Denovo offset by the "C" Series Loan Notes which were repaid early but at a discount. As a consequence of the redemption of the Loan Notes, the balance sheet is now free of debt. The last notable item in the cashflow relates to a movement in prepayments with regard to fees charged by the Financial Services Authority which has reversed since the year end. The Group's cashflow remained satisfactory to the directors.

DIVIDEND POLICY

It remains the policy of the Board of Directors to retain cash and profit generated by the Group for the financing of new business initiatives and to support the Group's acquisition strategy.

FINANCIAL RESOURCES OF THE REGULATED NETWORK BUSINESSES AT 30 SEPTEMBER 2007

A requirement of the Financial Services and Markets Act 2000 is that firms directly authorised by the Financial Services Authority to give financial advice in respect of regulated financial products should have minimum levels of financial resources. There are strict rules governing the calculation of these.

At 30th September 2007, the statutory accounts of each of the Group's three regulated networks (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.

The directors are confident that these 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

Throughout the period to 30th September 2007 the Group devoted significant effort to further strengthen its corporate governance structures. Not only have all group companies reviewed their reporting frameworks and management structures, but the board reporting of subsidiary companies has become more formalised. Furthermore, the process to appoint a new Group Chairman has given rise to the opportunity to re-organise the manner in which sub-committees of the Board of Tenet Group Limited operate including the establishment of a Nominations Committee.

These developments have undoubtedly benefited the quality of the operational management of the Group and the Board remains committed to continuing in its efforts to improve governance standards throughout the business and achieving the standards which have been set.

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 non-executive Chairman, the executive directors and two non-executive directors. The Board normally meets every month. All directors receive sufficient relevant information on financial, business and corporate issues prior to meetings and are able to take independent professional advice in the 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, the Remuneration Committee and a Nominations Committee to be responsible for specific matters. Apart from the Nominations Committee, these committees operate within defined terms of reference and minutes of their meetings are circulated to, and reviewed by, the full Board. The terms of reference for the Nominations Committee are established in advance of any specific work it undertakes.

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 other non-executive directors, no executive director is a member of the committee.

**REVIEW OF CORPORATE GOVERNANCE AND RISK MANAGEMENT
(CONTINUED)**

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 other non-executive directors, no executive director is a member of the committee.

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. 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 Nominations Committee

The Nominations Committee was formed in the period to 30th September 2007 to be responsible for the process of the appointment of the company's Chairman and make recommendations to the Board as to the terms of his appointment. This committee comprises the non-executive directors and meets at least once a year to review the performance of the Chairman. Other meetings are held on an ad hoc basis to consider matters arising from this review and to consider nominations to the Board of Directors, if any.

The Annual General Meeting of the Shareholders

The Board welcomes the attendance of 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 £966 (2006 £2,930).

**REVIEW OF CORPORATE GOVERNANCE AND RISK MANAGEMENT
(CONTINUED)**

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.

Subsidiary boards

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

Risk management

The Group has established a Compliance and Risk Management Committee the role of which 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, M J Greenwood, chairs the Committee and the minutes of the meetings of this Committee are circulated to, and reviewed by, the Board.

Legal contracts

In the period to 30th September 2007, the Group has also formalised the process by which legal contracts are entered into by the Group. Prior to their completion, all legal documents are formally reviewed for appropriateness by either the company's lawyers or by the Group Commercial Manager. A database of all Tenet group company contracts is maintained and regularly reviewed.

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 the role of which 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.

**REVIEW OF CORPORATE GOVERNANCE AND RISK MANAGEMENT
(CONTINUED)**

Internal audit

Although standard financial control procedures operate throughout the Group to ensure the integrity of the Group's financial statements, the directors have reviewed the need for an internal audit function and believe that the Group is not of sufficient size or complexity to require a dedicated internal function. However, in the period to 30th September 2007 the Audit Committee commissioned additional reporting with a view to ensuring that critical regulatory and financial systems and controls procedures were regularly reviewed. The Audit Committee believes that the conclusions of the reports presented to date have been satisfactory.

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 2007

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company is that of a holding company of a group of companies that provide financial advice to private individuals and provide 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, other than 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 was recharged to subsidiary companies.

As shown in the income statement on page 21, in comparison to the prior financial period, the Group's annual sales have increased by over 9% and profit before tax has improved by £1.68 million.

The balance sheet on page 22 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 Note 13 on page 40 and Note 15 on page 41. 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 Payment of Suppliers are referred to below.

Note 2 on page 25 includes details of key assumptions used in the preparation of the company's financial statements. Note 3 on page 29 details the principal risks and uncertainties facing the Group and the company. Note 4 on page 30 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 Professional Indemnity insurers and/or their agents as applicable, and the potential for bad and doubtful debts is reflected in the balance sheet.

There were no significant events after the balance sheet date as detailed in Note 27 on page 47.

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 (2006: £nil).

ENVIRONMENT

The Group encourages energy efficiency and avoidance of waste, including recycling of materials and reduction of use of paper through office automation. In addition, an Environmental Policy will be prepared in the next year that outlines the specific strategies, policies, processes, actions and targets to ensure the Group is achieving its obligations in this regard.

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

EMPLOYEES

Details of the number of employees and related costs can be found in Note 5 on page 30

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 Group's three regulated networks who are paid weekly in arrears.

DIRECTORS' INDEMNITIES

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

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	3,000	-	645
'B' Ordinary	-	-	-

During the year, the company transferred the following shares to "B" Ordinary Shares

Class	Number	Nominal Value	Consideration
		£	£
'A' Ordinary	1,215,000	121	-

DIRECTORS

The directors who served during the year were as follows

Lord Hodgson of Astley Abbots (appointed 5 September 2007)

S H Hudson

P W Lane

G S Clarkson

M J Greenwood

R H W Robson

K A Carby (resigned 25 July 2007)

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

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
7th January 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

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 IFRSs. However, 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 IFRSs are 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
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2007 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, and the related notes 1 to 28. 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 2007 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 (continued)

Separate opinion in relation to IFRSs

As explained in Note 2 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 2007 and of its profit for the year then ended

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Leeds, United Kingdom

7th January 2008

TENET GROUP LIMITED

CONSOLIDATED INCOME STATEMENT

Year ended 30 September 2007

		Year ended 30 September 2007 £	As restated Year ended 30 September 2006 £
	Note		
GROUP REVENUE	2	119,888,415	109,907,450
Cost of sales		(94,678,982)	(86,209,996)
Gross profit		25,209,433	23,697,454
<i>Administrative expenses before re-organisation costs resulting from acquisitions</i>			
		(21,604,429)	(20,927,915)
OPERATING PROFIT BEFORE RE-ORGANISATION COSTS RESULTING FROM ACQUISITIONS		3,605,004	2,769,539
<i>Re-organisation costs resulting from acquisitions</i>		-	(1,097,866)
Total administrative expenses		(21,604,429)	(22,025,781)
GROUP OPERATING PROFIT		3,605,004	1,671,673
Impairment of intangible fixed assets	10	(480,811)	-
Interest receivable and similar income	6	987,901	728,203
Finance costs	7	(36,574)	(7,644)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	4,075,520	2,392,232
Income tax expense	9	(1,218,074)	(275,747)
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR		2,857,446	2,116,485

There was no recognised income and expenditure in the current or preceding year other than the profit for the year as shown above and consequently no consolidated statement of recognised income and expenditure has been presented

The Income Statement for the financial year ended 30 September 2006 has been restated as disclosed in Note 2

All amounts relate to continuing operations

The accompanying notes form an integral part of these financial statements

TENET GROUP LIMITED

CONSOLIDATED BALANCE SHEET

At 30 September 2007

	Note	30 September 2007 £	30 September 2006 £
NON-CURRENT ASSETS			
Intangible fixed assets	10	11,579,575	12,876,373
Property, plant and equipment	11	927,095	1,198,980
Investments	12	15,020	15,020
		<u>12,521,690</u>	<u>14,090,373</u>
CURRENT ASSETS			
Trade and other receivables	13	16,309,076	15,608,982
Cash and cash equivalents	14	23,568,552	22,301,974
		<u>39,877,628</u>	<u>37,910,956</u>
TOTAL ASSETS		<u>52,399,318</u>	<u>52,001,329</u>
CURRENT LIABILITIES			
Trade and other payables	15	(14,697,548)	(18,422,235)
NET CURRENT ASSETS		<u>25,180,080</u>	<u>19,488,721</u>
NON-CURRENT LIABILITIES			
Loan notes	16	-	(575,000)
Provisions for liabilities and charges	17	(6,738,681)	(4,899,096)
		<u>(6,738,681)</u>	<u>(5,474,096)</u>
TOTAL LIABILITIES		<u>(21,436,229)</u>	<u>(23,896,331)</u>
NET ASSETS		<u>30,963,089</u>	<u>28,104,998</u>
EQUITY			
Equity shareholders' funds			
Called-up share capital	18	24,731	24,731
Share premium account	19	37,914,168	37,913,523
Retained earnings	19	(6,975,810)	(9,833,256)
TOTAL EQUITY	20	<u>30,963,089</u>	<u>28,104,998</u>

These financial statements were approved by the Board of Directors on 7th January 2008

Signed on behalf of the Board of Directors



P W Lane

Director

The accompanying notes form an integral part of these financial statements

TENET GROUP LIMITED

COMPANY BALANCE SHEET

At 30 September 2007

	Note	30 September 2007 £	30 September 2006 £
NON-CURRENT ASSETS			
Property, plant and equipment	11	-	-
Investments	12	39,972,200	39,972,201
		<u>39,972,200</u>	<u>39,972,201</u>
CURRENT ASSETS			
Trade and other receivables	13	2,907,470	7,497,199
Cash and cash equivalents	14	3,900,313	2,971,384
		<u>6,807,783</u>	<u>10,468,583</u>
TOTAL ASSETS		<u>46,779,983</u>	<u>50,440,784</u>
CURRENT LIABILITIES			
Trade and other payables	15	(1,785,604)	(772,479)
NET CURRENT ASSETS		<u>5,022,179</u>	<u>9,696,104</u>
NON-CURRENT LIABILITIES			
Loan notes	16	-	(575,000)
TOTAL LIABILITIES		<u>(1,785,604)</u>	<u>(1,347,479)</u>
NET ASSETS		<u>44,994,379</u>	<u>49,093,305</u>
EQUITY			
Equity shareholders' funds			
Called-up share capital	18	24,731	24,731
Share premium account	19	37,914,168	37,913,523
Retained earnings	19	7,055,480	11,155,051
TOTAL EQUITY	20	<u>44,994,379</u>	<u>49,093,305</u>

These financial statements were approved by the Board of Directors on 7th January 2008

Signed on behalf of the Board of Directors



P W Lane
Director

The accompanying notes form an integral part of these financial statements

TENET GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2007

		Year ended 30 September 2007	Year ended 30 September 2006
	Note	£	£
Net cash generated by operating activities	28	1,080,354	2,461,053
Net cash generated by investing activities	28	569,201	844,729
Net cash (used in)/generated by financing activities	28	(355,855)	2,016,949
Net increase in cash and cash equivalents		1,293,700	5,322,731
Cash and cash equivalents at beginning of financial year		22,274,852	16,952,121
Cash and cash equivalents at end of financial year		23,568,552	22,274,852

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less

COMPANY CASH FLOW STATEMENT

For the year ended 30 September 2007

		Year ended 30 September 2007	Year ended 30 September 2006
	Note	£	£
Net cash generated by/(used in) operating activities	28	1,091,842	(7,809,040)
Net cash generated by investing activities	28	192,942	204,732
Net cash (used in)/generated by financing activities	28	(355,855)	2,016,949
Net increase/(decrease) in cash and cash equivalents		928,929	(5,587,359)
Cash and cash equivalents at beginning of financial year		2,971,384	8,558,743
Cash and cash equivalents at end of financial year		3,900,313	2,971,384

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less