

AMENDING

Company Registration No. 3909395

**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**

Network House  
Lister Hill  
Horsforth  
Leeds  
LS18 5AZ

#### **BANKERS**

Barclays Bank PLC  
Barclays Business Centre  
P O Box 100  
Leeds  
LS1 1PA

#### **SOLICITORS**

Eversheds LLP  
Bridgewater Place  
Water Lane  
Leeds  
LS11 5DR

#### **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 5<sup>th</sup> 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.

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## **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**



# TENET GROUP LIMITED

## FINANCIAL REPORT ON BUSINESS PERFORMANCE

### INTRODUCTION

The financial performance of the Group demonstrated resilience in the financial year to 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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.

## TENET GROUP LIMITED

### FINANCIAL REPORT ON BUSINESS PERFORMANCE (CONTINUED)

#### FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2007

The Group's growth continued during the year to 30<sup>th</sup> September 2007, with sales and gross profit exceeding those seen in the year to 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> September 2007, the Board is confident that it will achieve break-even during the year to 30<sup>th</sup> 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 31<sup>st</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> September 2008, although costs will increase further in the first instance.

## TENET GROUP LIMITED

### 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 30<sup>th</sup> 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 30<sup>th</sup> September 2008.

In conclusion, the performance of the business in the year ended 30<sup>th</sup> 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 30<sup>th</sup> September 2008.
- The re-organisation of MFF's activities. This will save the Group a substantial amount of money in the year to 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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.

## **TENET GROUP LIMITED**

### **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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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).

## **TENET GROUP LIMITED**

### **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 30<sup>th</sup> 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.

## **TENET GROUP LIMITED**

### **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 30<sup>th</sup> 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  
7<sup>th</sup> 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

7<sup>th</sup> January 2008

# TENET GROUP LIMITED

## CONSOLIDATED INCOME STATEMENT Year ended 30 September 2007

	Note	Year ended 30 September 2007 £	As restated Year ended 30 September 2006 £
<b>GROUP REVENUE</b>	2	119,888,415	109,907,450
Cost of sales		(94,678,982)	(86,209,996)
<b>Gross profit</b>		25,209,433	23,697,454
<i>Administrative expenses before re-organisation costs resulting from acquisitions</i>			
		(21,604,429)	(20,927,915)
<b>OPERATING PROFIT BEFORE RE-ORGANISATION COSTS RESULTING FROM ACQUISITIONS</b>		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)
<b>GROUP OPERATING PROFIT</b>		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)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		4,075,520	2,392,232
Income tax expense	9	(1,218,074)	(275,747)
<b>RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>		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 £
<b>NON-CURRENT ASSETS</b>			
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>
<b>CURRENT ASSETS</b>			
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>
<b>TOTAL ASSETS</b>		<u>52,399,318</u>	<u>52,001,329</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	(14,697,548)	(18,422,235)
<b>NET CURRENT ASSETS</b>		<u>25,180,080</u>	<u>19,488,721</u>
<b>NON-CURRENT LIABILITIES</b>			
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>
<b>TOTAL LIABILITIES</b>		<u>(21,436,229)</u>	<u>(23,896,331)</u>
<b>NET ASSETS</b>		<u>30,963,089</u>	<u>28,104,998</u>
<b>EQUITY</b>			
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)
<b>TOTAL EQUITY</b>	20	<u>30,963,089</u>	<u>28,104,998</u>

These financial statements were approved by the Board of Directors on 7<sup>th</sup> 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 £
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	-	-
Investments	12	39,972,200	39,972,201
		<u>39,972,200</u>	<u>39,972,201</u>
<b>CURRENT ASSETS</b>			
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>
<b>TOTAL ASSETS</b>		<u>46,779,983</u>	<u>50,440,784</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	(1,785,604)	(772,479)
<b>NET CURRENT ASSETS</b>		<u>5,022,179</u>	<u>9,696,104</u>
<b>NON-CURRENT LIABILITIES</b>			
Loan notes	16	-	(575,000)
<b>TOTAL LIABILITIES</b>		<u>(1,785,604)</u>	<u>(1,347,479)</u>
<b>NET ASSETS</b>		<u>44,994,379</u>	<u>49,093,305</u>
<b>EQUITY</b>			
<b>Equity shareholders' funds</b>			
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
<b>TOTAL EQUITY</b>	20	<u>44,994,379</u>	<u>49,093,305</u>

These financial statements were approved by the Board of Directors on 7<sup>th</sup> 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
<b>Net increase in cash and cash equivalents</b>		<b>1,293,700</b>	<b>5,322,731</b>
Cash and cash equivalents at beginning of financial year		22,274,852	16,952,121
<b>Cash and cash equivalents at end of financial year</b>		<b>23,568,552</b>	<b>22,274,852</b>

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
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>928,929</b>	<b>(5,587,359)</b>
Cash and cash equivalents at beginning of financial year		2,971,384	8,558,743
<b>Cash and cash equivalents at end of financial year</b>		<b>3,900,313</b>	<b>2,971,384</b>

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

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 1 GENERAL INFORMATION

Tenet Group Limited is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 15.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

*IFRS 7 Financial Instruments Disclosures*, and the related amendment to *IAS 1* on capital disclosures

*IFRIC 11 IFRS 2 – Group and Treasury Share Transactions*

*IFRIC 12 Service Concession Arrangements*

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

### 2 ACCOUNTING POLICIES

The directors have taken advantage of the exemption not to prepare an individual company income statement.

#### Basis of preparation

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

Results for the comparative year have been prepared on the same basis as the 2007 results.

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

#### Reclassification of Comparative amounts

Certain items in the comparative period income statement have been reclassified between revenue, cost of sales and operating expenses to better reflect their function. This has resulted in a decrease in revenue of £4,762,060, a decrease in cost of sales of £7,274,799 and a decrease in administrative expenses of £2,512,739. This has resulted in an increase in gross profit of £2,512,739. There has been no effect on operating profit.

#### Refinement of the basis of accounting estimates

Certain items have been reviewed which have given rise to accounting adjustments in the current financial year which relate to prior financial periods. The items are not considered to require a prior period adjustment as the amounts reflect refinements of the basis of accounting estimates only. However, the net effect of these refinements has resulted in an increase of £548,565 to current year profitability.

The items shown in the income statement for the financial year ended 30 September 2007 have changed as shown in the table below compared to the amounts which would have been reported if the income statement had been prepared using the same accounting estimates as those employed in the preparation of the income statement for the financial year ended 30 September 2006.

	£ Increase / (decrease)
Group Revenue	(45,717)
Cost of sales	(1,291,579)
Gross profit	1,245,862
Administrative expenses	697,297
Group operating profit	548,565

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 2 ACCOUNTING POLICIES (CONTINUED)

#### Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 September 2007. 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, or the loss of the power to control.

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.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill arising on acquisition before the date of transition to IFRSs 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 & software	3 years
Fixtures & fittings	4 to 5 years

#### Leases

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.

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 2 ACCOUNTING POLICIES (CONTINUED)

#### Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method where the effect is material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition where the effect is material.

#### Cash and cash equivalents

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

#### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit and loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method where the effect is material.

#### Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

#### Provisions

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

The two most significant provisions are

#### *Commission clawback*

A number of Group companies make a provision in respect of commissions received on "indemnity" terms whereby commission amounts are repayable if policies are cancelled subsequent to their sale. Previously, in respect of commissions received on indemnity terms on a rolling 12 month basis this equalled 2.5% for The M&E Network Limited, Interdependence Limited, My Future Finance Limited and Tenet (2007) Limited and 10% for Lifetime Mortgage Experts Limited. In the financial year ended 30<sup>th</sup> September 2007, sufficient historic data across the Group had been accumulated which allowed for more appropriate estimates of these provisions to be made.

My Future Finance Limited does not recharge commission amounts clawed back in respect of cancelled policies. Such clawbacks are typically 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 (see Notes 13 and 17). Where the collection of such receivables is doubtful, each company makes an appropriate provision.

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 2 ACCOUNTING POLICIES (CONTINUED)

#### *Claims payable*

In the normal course of business some Group companies receive queries and complaints regarding the sale of regulated financial products. Where appropriate these are investigated in accordance with the relevant company's procedures. In some instances compensation may be payable. Based upon the experience of the relevant company, an estimate of total compensation which may be payable is calculated. These amounts, if they become payable, will usually be recovered from either Professional Indemnity insurers and/or the Appointed Representative and/or financial advisers responsible for giving the advice about which the complaint was made (see Notes 13 and 17). Where the collection of such receivables is doubtful, the company makes an appropriate provision.

#### **Revenue**

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

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

Initial 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. Fee income is recognised based on when the service is provided.

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 Tenet (2007) Limited (formerly 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.

Interest income is accrued on a time basis, by reference to the amount outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### **Taxation**

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

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

## TENET GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

#### 2 ACCOUNTING POLICIES (CONTINUED)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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. Unless the effect of discounting is material, 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.

##### Contributions for computer development

Any third party contributions towards the development of internal computer systems are released over the estimated useful economic life of the asset to which they relate.

##### 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.

#### 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 2, 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 2, 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.

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 3 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

#### 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 2,
- Provisions for commission clawback – see Notes 2, 13 and 17,
- Provisions for claims payable – see Notes 2, 13 and 17; and
- Acquisition accounting – see Notes 2 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.

### 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 was as follows:

	Year ended 30 September 2007 £	Year ended 30 September 2006 £
Emoluments	2,192,955	2,345,904
Contribution to money purchase pension schemes	164,184	301,415
	<u>2,357,139</u>	<u>2,647,319</u>
Emoluments of the highest paid director including pension contributions	<u>410,247</u>	<u>442,707</u>

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

	Year ended 30 September 2007 No.	Year ended 30 September 2006 No.
Money purchase pension schemes	<u>13</u>	<u>19</u>



# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	Year ended 30 September 2007 No.	Year ended 30 September 2006 No.
Average number of persons employed (including directors)		
Sales and marketing	13	10
Administration	340	312
	<u>353</u>	<u>322</u>

	Year ended 30 September 2007 £	Year ended 30 September 2006 £
Staff costs during the year (including directors)		
Wages and salaries	10,286,207	8,279,103
Social security costs	1,068,724	894,000
Other pension costs	535,064	358,815
	<u>11,889,995</u>	<u>9,531,918</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 by Tenet Business Solutions Limited.

Such recharges for the remuneration of the directors in respect of the company and its subsidiaries during the year were £1,248,817 (2006 £1,543,791). Additional emoluments paid to the directors of the company during the year were £nil (2006 £nil).

Such recharges for the remuneration of the directors in respect of the directors of the company during the year were £848,365 (2006 £1,186,854). Additional emoluments paid to the directors of the company during the year were £nil (2006 £nil).

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

The remuneration of the directors was as follows

	Year ended 30 September 2007 £	Year ended 30 September 2006 £
Emoluments	798,717	976,888
Contribution to money purchase pension schemes	49,648	61,966
Compensation for loss of office / termination of employment	-	148,000
	<u>848,365</u>	<u>1,186,854</u>
Emoluments of the highest paid director including pension contributions	<u>410,247</u>	<u>442,707</u>

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

	Year ended 30 September 2007 No.	Year ended 30 September 2006 No.
Money purchase pension schemes	<u>2</u>	<u>3</u>

	Year ended 30 September 2007 No.	Year ended 30 September 2006 No.
Average number of persons employed		
Directors	<u>3</u>	<u>4</u>

No staff costs were incurred by the company during the financial year (2006 £nil)

### 6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 September 2007 £	Year ended 30 September 2006 £
Other interest	1,880	12,052
Bank interest	<u>986,021</u>	<u>716,151</u>
	<u>987,901</u>	<u>728,203</u>

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 7 FINANCE COSTS

	Year ended 30 September 2007 £	Year ended 30 September 2006 £
Interest on bank loans and overdrafts	1,940	516
Other interest	34,634	7,128
	<u>36,574</u>	<u>7,644</u>

### 8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting)

	Year ended 30 September 2007 £	Year ended 30 September 2006 £
Depreciation and other amounts written off property, plant and equipment	647,822	600,465
Amortisation of intangible assets	72,794	303,031
Impairment of goodwill	480,811	-
Impairment of fixed asset investments	-	-
Profit on disposal of trade and assets	(220,554)	-
Loss on disposal of property, plant and equipment	-	4,368
Operating lease charges		
- land & buildings	990,555	666,403
- other assets	378,579	326,335
Auditors' remuneration		
- for the audit of the company's annual accounts	12,836	22,265
Auditors' remuneration for other services to the Group		
- for the audit of the company's subsidiaries pursuant to legislation	112,650	130,000
- tax	-	25,262
- other assurance services	-	32,666
Staff costs (see note 5)	<u>11,889,995</u>	<u>9,531,918</u>

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 9 INCOME TAX EXPENSE

	Year ended 30 September 2007 £	Year ended 30 September 2006 £
<b>Analysis of charge in year at 30% (2006: 30%)</b>		
Current tax at 30% (2006: 30%)	1,272,260	567,702
Adjustments in respect of prior periods	(2,217)	-
<b>Total current tax</b>	<b>1,270,043</b>	<b>567,702</b>
<b>Deferred tax</b>		
Current year	(59,234)	(277,606)
Adjustment in respect of prior years	7,265	(14,349)
<b>Total deferred tax</b>	<b>(51,969)</b>	<b>(291,955)</b>
<b>Tax on profit on ordinary activities</b>	<b>1,218,074</b>	<b>275,747</b>
<b>Factors affecting tax on profit on ordinary activities in year</b>		
Profit on ordinary activities before tax	4,075,520	2,392,232
Tax on profit on ordinary activities at UK standard rate of 30% (2006: 30%)	1,222,656	717,670
Effects of		
Capital allowances in excess of depreciation	-	(88,218)
Income not taxable for tax purposes	-	(486,974)
Expenses not deductible for tax purposes	101,108	488,158
Utilisation of tax losses	(166,932)	(66,174)
Tax losses not recognised	-	-
Profit on sale of business not taxed	35,392	-
Adjustment to tax charge in respect of prior periods	5,668	(277,606)
Effects of other rates/credits	20,182	(8,649)
Movement in short term timing differences	-	(2,460)
<b>Tax on profit on ordinary activities for year</b>	<b>1,218,074</b>	<b>275,747</b>

The Group has a recognised deferred tax asset at 30% of £343,924 (2006: £291,955)

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 10 INTANGIBLE FIXED ASSETS

Group	Purchased intangibles £	Purchased goodwill £	Total intangibles £
<b>Cost</b>			
At 1 October 2006	1,036,557	18,273,264	19,309,821
Additions	-	-	-
Fair value adjustment	(355,000)	(388,193)	(743,193)
At 30 September 2007	681,557	17,885,071	18,566,628
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
<b>Amortisation and impairment</b>			
At 1 October 2006	303,031	6,130,417	6,433,448
Amortisation	72,794	-	72,794
Impairment charge	-	480,811	480,811
At 30 September 2007	375,825	6,611,228	6,987,053
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
<b>Net book value</b>			
At 30 September 2007	305,732	11,273,843	11,579,575
At 30 September 2006	733,526	12,142,847	12,876,373

#### "Hindsight" Fair Value Review

On 6 March 2006 the Group acquired the trade and certain assets and liabilities of Berkeley Independent Advisers Limited and Berry Birch & Noble Financial Planning Limited. The amounts accounted for on the acquisition were determined provisionally at the date of the last financial statements and an assessment was conducted one year after these acquisitions which resulted in certain fair value adjustments. These adjustments were based upon updated estimates of the value of the acquired assets, liabilities and consideration paid and payable. Such estimates used the benefit of hindsight with information which had become available since the last financial statements of the Group were finalised.

In respect of Berkeley Independent Advisers Limited, the fair value of the deferred consideration was reduced from £250,000 to £nil and the fair value of the acquired net assets was increased by £89,193. This resulted in the reduction of goodwill from £862,556 to £523,363.

In respect of Berry Birch & Noble Financial Planning Limited, the fair value of the deferred consideration was reduced from £254,000 to £nil and the fair value of the acquired net assets was reduced by £205,000. This resulted in the reduction of goodwill from £115,529 to £66,529.

#### Impairment of goodwill

During the year, the carrying value of the goodwill arising on the acquisition of the Premier Partnerships business was reviewed by the directors and impaired to reflect the value in use of this business unit.

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 11 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £	Computer equipment £	Fixtures & fittings £	Total £
<b>Cost</b>				
At 1 October 2006	455,459	3,826,777	484,026	4,766,262
Additions	138,999	495,389	53,457	687,845
Disposals	(110,382)	(531,675)	(138,460)	(780,517)
At 30 September 2007	484,076	3,790,491	399,023	4,673,590
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
<b>Depreciation</b>				
At 1 October 2006	346,221	2,861,934	359,127	3,567,282
Charge for the year	32,191	580,176	35,455	647,822
Disposals	(27,322)	(379,139)	(62,148)	(468,609)
At 30 September 2007	351,090	3,062,971	332,434	3,746,495
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
<b>Net book value</b>				
At 30 September 2007	132,986	727,520	66,589	927,095
At 30 September 2006	109,238	964,843	124,899	1,198,980

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Fixtures, fittings and computer equipment £
<b>Cost</b>	
At 1 October 2006	52,525
Additions	-
Disposals to Group companies	(52,525)
At 30 September 2007	-
At 1 October 2005 and 30 September 2006	52,525
<b>Depreciation</b>	
At 1 October 2006	52,525
Disposals to Group companies	(52,525)
At 30 September 2007	-
At 1 October 2005	50,005
Charge for the year	2,520
At 30 September 2006	52,525
<b>Net book value</b>	
At 30 September 2007	-
At 30 September 2006	-

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 12 FIXED ASSET INVESTMENTS

#### Group

	£
<b>Cost</b>	
At 1 October 2006	56,175
Additions	-
	<hr/>
At 30 September 2007	56,175
	<hr/>
<b>Impairment</b>	
At 1 October 2006	41,155
Charge in year	-
	<hr/>
At 30 September 2007	41,155
	<hr/>
<b>Net book value</b>	
At 30 September 2007	15,020
	<hr/>
At 30 September 2006	15,020
	<hr/>

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

	£
<b>Cost and net book value</b>	
At 1 October 2006	39,972,201
Additions	-
Disposals	(1)
Write down	-
	<hr/>
At 30 September 2007	39,972,200
	<hr/>



# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 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

Name	Country of incorporation	Principal activity	Holding
Tenet Business Solutions Limited	England and Wales	Marketing, employment and IT support to other Group companies	100%
Tenet Client Services Limited	England and Wales	Holding company	100%
Tenet Limited	England and Wales	Holding company	100%

During the financial year ended 30<sup>th</sup> September 2007 Tenet Trustee Limited, a company previously wholly owned by Tenet Group Limited, was dissolved

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

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

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

Name	Country of incorporation	Principal activity
Interdependence Limited	England and Wales	FSA regulated network of IFAs
Tenet (2007) Limited (formerly Foster Denovo 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
TSS Accounts Limited (formerly Premier Partnerships Limited)	England and Wales	Administration services
My Future Finance Limited	England and Wales	Sale of financial products
Sinfonia Asset Management Limited (formerly Horsforth Financial Services Limited)	England and Wales	Administration services

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 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

Name	Class	Number held
Interdependence Limited	Ordinary of £1 each	792,416
Tenet (2007) Limited (formerly Foster Denovo Limited)	Ordinary of £1 each	200,002
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
TSS Accounts Limited (formerly Premier Partnerships Limited)	Ordinary of £0.01 each	100,000,100
My Future Finance Limited	Ordinary of £1 each	500,000
Sinfonia Asset Management Limited (formerly Horsforth Financial Services Limited)	Ordinary of £0.0001 each	510,000,000

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

Name	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 2007	30 September 2006	30 September 2007	30 September 2006
	£	£	£	£
Due within one year				
Trade receivables	9,343,554	11,143,295	-	-
Amounts owed by group companies	-	-	1,191,773	7,282,467
Other debtors	3,462,106	2,698,380	1,708,697	196,830
Prepayments and accrued income	3,159,492	1,475,352	7,000	17,902
Deferred tax	343,924	291,955	-	-
	<u>16,309,076</u>	<u>15,608,982</u>	<u>2,907,470</u>	<u>7,497,199</u>

Included in trade receivables is £4,140,622 (2006 £2,559,274) that relates to amounts recoverable in relation to commission clawbacks (see Notes 2 and 17). Included in other debtors is £1,792,791 (2006 £733,898) that relates to amounts recoverable in relation to claims payable (see Notes 2 and 17).

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

### 14 CASH AND CASH EQUIVALENTS

Included within cash at bank and in hand is £853,224 (2006 £742,146) held in individual bank accounts on behalf of customers of Tenet Support Services Limited, a subsidiary company.

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 15 TRADE AND OTHER PAYABLES

	Group		Company	
	30 September 2007	30 September 2006	30 September 2007	30 September 2006
	£	£	£	£
Bank loan and overdrafts	-	27,122	-	-
Trade payables	9,102,405	13,284,817	-	28,095
Amounts owed to group companies	-	-	1,112,434	27,009
Corporation tax	970,302	567,704	-	-
Taxation and social security	573,087	461,276	-	-
Other creditors	1,277,285	1,143,797	145,267	-
Accruals and deferred income	2,774,469	2,937,519	527,903	717,375
	<u>14,697,548</u>	<u>18,422,235</u>	<u>1,785,604</u>	<u>772,479</u>

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

### 16 LOAN NOTES

	Group		Company	
	30 September 2007	30 September 2006	30 September 2007	30 September 2006
	£	£	£	£
"CII" loan notes	-	250,000	-	250,000
"CIII" loan notes	-	325,000	-	325,000
	<u>-</u>	<u>575,000</u>	<u>-</u>	<u>575,000</u>

Analysis of debt:

	Group		Company	
	30 September 2007	30 September 2006	30 September 2007	30 September 2006
	£	£	£	£
Debt can be analysed as falling due:				
Between one and two years	-	250,000	-	250,000
Between two and five years	-	-	-	-
In five years or more	-	325,000	-	325,000
	<u>-</u>	<u>575,000</u>	<u>-</u>	<u>575,000</u>

Amounts repayable in more than five years

	Group		Company	
	30 September 2007	30 September 2006	30 September 2007	30 September 2006
	£	£	£	£
"CIII" loan notes	-	325,000	-	325,000

The "CII" loan notes were redeemed on 13 February 2007 for £155,000. The "CIII" loan notes were redeemed on 13 February 2007 for £201,500. The difference between the carrying value of the loan notes and the redemption price paid has been recognised through the income statement.

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2007

### 17 PROVISION FOR LIABILITIES & CHARGES

	Claims payable provision £	Provision for commission clawback £	Total £
<b>Group</b>			
At 1 October 2006	1,054,833	3,844,263	4,899,096
Increase in the year	912,685	926,900	1,839,585
At 30 September 2007	<u>1,967,518</u>	<u>4,771,163</u>	<u>6,738,681</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 2 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, Group companies recharge some or all of such amounts as applicable to the Appointed Representatives or financial advisers as applicable responsible for the individual case (see Notes 2 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 2007

### 18 SHARE CAPITAL

	30 September 2007 £	30 September 2006 £
<b>Authorised</b>		
Equity Shares		
367,852,700 (2006 367,852,700) 'A' Ordinary shares of £0 0001	36,785	36,785
250,000,000 (2006 250,000,000) 'B' Ordinary shares of £0 0001	25,000	25,000
	<u>61,785</u>	<u>61,785</u>
<b>Allotted, called up and fully paid</b>		
Equity Shares		
39,098,014 (2006 40,310,014) 'A' Ordinary shares of £0 0001	3,910	4,031
208,215,000 (2006 207,000,000) 'B' Ordinary shares of £0 0001	20,821	20,700
	<u>24,731</u>	<u>24,731</u>
<b>Shares to be issued</b>		
Nil (2006 nil) 'A' Ordinary shares of £0 0001	-	-
	<u>24,731</u>	<u>24,731</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.

#### Enterprise Management Incentive 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 options 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 2007

### 19 RESERVES

#### Group

	Shares to be issued £	Share premium account – equity £	Retained earnings £
Balance at 1 October 2006	-	37,913,523	(9,833,256)
Shares issued in the financial year	-	645	-
Profit for the financial year	-	-	2,857,446
Balance at 30 September 2007	-	37,914,168	(6,975,810)

#### Company

	Shares to be issued £	Share premium account – equity £	Retained earnings £
Balance at 1 October 2006	-	37,913,523	11,155,051
Shares issued in the financial year	-	645	-
Loss for the financial year	-	-	(4,099,571)
Balance at 30 September 2007	-	37,914,168	7,055,480

# **TENET GROUP LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 September 2007**

### **20 STATEMENT OF CHANGES IN EQUITY**

#### **Group**

	<b>Year ended 30 September 2007 £</b>	<b>Year ended 30 September 2006 £</b>
Profit for the financial year	2,857,446	2,116,485
Share capital subscribed	645	2,016,949
Net addition to equity shareholders' funds	2,858,091	4,133,434
Opening equity shareholders' funds	28,104,998	23,971,564
Closing equity shareholders' funds	30,963,089	28,104,998

#### **Company**

	<b>Year ended 30 September 2007 £</b>	<b>Year ended 30 September 2006 £</b>
Loss for the financial year	(4,099,571)	(1,625,966)
Share capital subscribed	645	2,016,949
Net (reduction)/addition to equity shareholders' funds	(4,098,926)	390,983
Opening equity shareholders' funds	49,093,305	48,702,322
Closing equity shareholders' funds	44,994,379	49,093,305





# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 21 FINANCIAL COMMITMENTS

#### Operating lease commitments

##### Group

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

	30 September 2007		30 September 2006	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases that expire				
Within one year	-	361,302	298,914	277,706
In the second to fifth years inclusive	-	284,162	152,667	334,897
Over five years	3,171,144	-	2,730,367	-
	<u>3,171,144</u>	<u>645,464</u>	<u>3,181,948</u>	<u>612,603</u>

Subsequent to the financial year end an operating lease expiring after five years in respect of land and buildings with a total commitment of £1,498,196 was transferred to the purchaser of Tenet (2007) Limited's trade and assets

##### Company

The company has no operating lease commitments

### 22 ANALYSIS OF NET FUNDS

	At beginning of year £	Cash flow £	Non-cash movements £	At end of year £
Cash at bank and in hand	22,301,974	1,266,578	-	23,568,552
Overdrafts	(27,122)	27,122	-	-
	<u>22,274,852</u>	<u>1,293,700</u>	<u>-</u>	<u>23,568,552</u>
Debt due after more than one year	(575,000)	356,500	218,500	-
Total	<u>21,699,852</u>	<u>1,650,200</u>	<u>218,500</u>	<u>23,568,552</u>

### 23 ULTIMATE CONTROLLING PARTY

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

### 24 HOLDING COMPANY INCOME STATEMENT

The consolidated income statement includes a loss of £4,099,571 (2006 £1,625,966) 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 2007

### 25 CONTINGENT LIABILITIES

#### Group

None

#### Company

##### Bank guarantee

Barclays Bank PLC 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.

### 26 TRANSACTIONS WITH RELATED PARTIES

#### Group

There were no related party transactions during the financial year.

#### Company

There were no related party transactions during the year other than movements in balances between the company and its wholly owned subsidiaries ("Group companies") as follows

	Year ended 30 September 2007 £	Year ended 30 September 2006 £
Net amounts owed by Group companies at start of financial year	7,255,458	805,085
Receipts from Group companies	4,624,373	14,535,012
Payments to Group companies	(11,800,492)	(8,084,639)
Net amounts owed by Group companies at end of financial year	<u>79,339</u>	<u>7,255,458</u>

### 27 EVENTS AFTER THE BALANCE SHEET DATE

The directors do not anticipate that events after the balance sheet date will have a material financial impact on the Group or the company.

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 28 ANALYSIS OF CASHFLOWS

#### Group

	Year ended 30 September 2007 £	Year ended 30 September 2006 £
<b>Cash flows from operating activities</b>		
Retained profit on ordinary activities after taxation for the financial year	2,857,446	2,116,485
Adjustments for		
Income tax expense	1,218,074	275,747
Depreciation, amortisation and impairment charges	1,201,427	903,497
Increase/(decrease) in other provisions for liabilities & charges	1,839,585	(1,295,671)
Profit on redemption of "CII" & "CIII" loan notes	(218,500)	-
Profit on disposal of trade and assets	(220,554)	-
Interest receivable	(987,901)	(728,203)
Interest expense	36,574	7,644
Loss on disposal of property, plant & equipment	-	4,368
Operating cash flows before movements in working capital	5,726,151	1,283,867
Increase in trade & other receivables	(3,981,394)	(1,535,192)
Increase in trade & other payables	267,727	2,995,769
Cash generated by operations	2,012,484	2,744,444
Interest paid	(63,473)	(7,644)
Income taxes paid	(868,657)	(275,747)
<b>Net cash generated by operating activities</b>	<b>1,080,354</b>	<b>2,461,053</b>
<b>Investing activities</b>		
Interest received	987,901	728,203
Purchase of property, plant and equipment	(687,845)	(879,619)
Purchase of subsidiary undertaking	-	(1,003,855)
Net cash acquired with subsidiary undertaking	-	2,000,000
Sale of trade & assets	269,145	-
<b>Net cash generated by investing activities</b>	<b>569,201</b>	<b>844,729</b>
<b>Financing activities</b>		
Issue of ordinary share capital	645	2,016,949
Redemption of "CII" & "CIII" loan notes	(356,500)	-
<b>Net cash (used in)/generated by financing activities</b>	<b>(355,855)</b>	<b>2,016,949</b>

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2007

### 28 ANALYSIS OF CASHFLOWS (CONTINUED)

#### Company

	Year ended 30 September 2007 £	Year ended 30 September 2006 £
<b>Cash flows from operating activities</b>		
Retained loss on ordinary activities after taxation for the financial year	(4,099,571)	(1,625,966)
Adjustments for		
Depreciation, amortisation and impairment charges	-	2,520
Profit on redemption of "CII" & "CIII" loan notes	(218,500)	-
Interest receivable	(192,942)	(204,732)
Interest expense	121	101
Operating cash flows before movements in working capital	(4,510,982)	(1,828,077)
Decrease/(increase) in trade & other receivables	4,589,729	(2,851,065)
Increase/(decrease) in trade & other payables	1,013,126	(3,129,797)
Cash generated by/(used in) operations	1,091,963	(7,808,939)
Interest paid	(121)	(101)
Net cash generated by/(used in) operating activities	1,091,842	(7,809,040)
<b>Investing activities</b>		
Interest received	192,942	204,732
Net cash generated by investing activities	192,942	204,732
<b>Financing activities</b>		
Issue of ordinary share capital	645	2,016,949
Redemption of "CII" & "CIII" loan notes	(356,500)	-
Net cash (used in)/generated by financing activities	(355,855)	2,016,949