

TENET GROUP LIMITED

Report and Financial Statements

30 September 2008

**Deloitte LLP
Leeds**

TUESDAY



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TENET GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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TENET GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

G S Clarkson

REGISTERED OFFICE

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LS18 5AZ

BANKERS

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Leeds
LS1 1PA

SOLICITORS

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

AUDITORS

Deloitte LLP
Chartered Accountants & Registered Auditors
Leeds
LS1 2AL

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 am pleased to be able to present this statement for my first full twelve months as Chairman of the Group.

Last year, after describing developments within Tenet Group, I went on to write "finally all this is 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". No-one could have foreseen the extent and severity of the economic storm that was then brewing. It is in such circumstances that the quality both of a company's service and of its management really makes a difference.

Therefore, it is good to be able to report that the business reacted quickly and positively to the immediate challenges of the last financial year, which are commented on in detail in the CEO Overview. At the same time, it has been equally satisfying to see the Group continuing to invest and build its service proposition. These developments should enhance the long-term prospects of the Group.

Against the background of an investment of over £1.7 million in Sinfonia, our new asset management company, and despite dealing with the short term issues of the trading environment, the Group has delivered a creditable pre-tax profit of £2.8 million (2007: £4.1 million) on revenues of £92.5 million (2007: £119.9 million). Although no doubt there will be further demands on the business over the next twelve months, I believe that Tenet will emerge fitter and stronger and so be in a good position to take advantage of the opportunities which will undoubtedly present themselves as the trading environment recovers.

We are also looking forward to the conclusion of the Retail Distribution Review being undertaken by the Financial Services Authority. This may well reshape fundamentally the landscape of our industry and require a long term commitment to take full advantage of the opportunities it may present – a long term commitment which Tenet is well placed to offer.

Finally, I would like to take this opportunity to thank every member of the Tenet team for the support for the business they have demonstrated during the past twelve months. These have been difficult times and without their commitment and enthusiasm the performance of the business could not have been maintained.

"UK plc" is not yet out of the woods. Nevertheless, I believe that Tenet is well 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

The Board commented in the previous Report & Financial Statements that it had concerns about the economic outlook and the events of the last twelve months, whilst unexpected in their scale and severity, were not entirely a surprise to the Group. Consequently, steps had been taken which enabled the business to address the issues which emerged throughout the financial year to 30th September 2008.

In general terms, a slowdown in a handful of countries could have been anticipated a year ago, and amongst these was the UK. However, looking forward a global slowdown is now certain with most major economies, including the UK, either already in, or anticipating, a recession. The real uncertainty lies in the depth and length of this slowdown but it is to be hoped that the actions taken by central governments to shore up the credit markets and provide a fiscal stimulus will restore sufficient confidence to avoid a severe slump in the global economy.

As a consequence, the Board believes that Tenet group companies are likely to be operating in markets which will continue to present challenges over the forthcoming twelve-month period. Furthermore, the Board believes that the Group is well positioned to deal with these challenges for a number of reasons. First, the business is well capitalised and carries substantial cash balances meaning that short-term shocks can be absorbed and that capital is available to take advantage of investment opportunities. Second, the historic businesses in the Group are profitable and, although the average sales of the Group's financial advisers deteriorated in the second half of the financial year to 30th September 2008, the number of financial advisers using the services of the Group continued to grow. This success has been a result of the substantial investment into sales and marketing resource noted in last year's Report and Financial Statements.

Last year, I also observed that much of the focus of Tenet group companies would consist of a process of constant review and refinement of their existing activities to provide better value for money for their customers and enhance sales growth prospects. I also indicated that these efforts would be supplemented with some key innovations. That we were prepared for a difficult market meant that the Group could continue to focus on the delivery of its strategic plan of incremental improvements to existing services and the launch of our asset management service; despite the difficult trading environment, I expect that we will maintain this level of focus over the next twelve months.

Critically, the performance of our staff and directors continues to be tremendous: it has been our people who have delivered a good result in difficult times and the Board would like to recognise the contribution they make to the Group's ongoing success.

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

The Last 12 Months

One of our key commercial initiatives for 2008 was *the successful launch of an investment company*, Sinfonia Asset Management Limited ("Sinfonia"). After a substantial exercise assessing the feasibility of an asset management service, a team was established in the autumn of 2007 devoted solely to the launch of this business. Last year, I reported that the launch of Sinfonia's OEIC had been anticipated in the first half of 2008; I am delighted to say that this was achieved in June 2008 with the first investments made through Sinfonia following shortly thereafter.

The aim of Sinfonia is to provide a service that matches clients' investment time horizons and attitudes to risk with an actively managed investment strategy using a range of fund managers. Sinfonia's service offering is well supported by BNP Paribas which provides the administration support and fund management services required by the business. Sinfonia's proposition not only assists IFAs in managing their business, but also offers a value added service to the consumer at a competitive price. The Board believes that this innovation will be seen as a trendsetter in the sector for improving the design of financial products to match the needs of the customer in a cost effective manner.

Our business development and brand teams continued their work on *making sure that Tenet's service offering remains relevant to financial advisers*. During the year, significant progress was made with the Clear Club, Tenet's wrap technology panel, and the back office systems that support the activities of the Group's Appointed Representatives. In order to address the concerns of retail investors, significant support was also devoted to ensuring that a good range of cash-based investment products was readily available.

CEO OVERVIEW (CONTINUED)

The Last 12 Months (continued)

Significant investment in the sales and marketing activities of group companies has continued during 2008. Each of the core businesses has reviewed its service offering and operational efficiencies in order to improve customer retention levels whilst minimising costs. Furthermore, the recruitment activities of these businesses has been refined and adviser numbers across the Group have improved. This has been a pleasing result given the economic backdrop to 2008 and would appear to be in contrast to the experience of many of our competitors in the same period.

The Group has continued to review acquisition opportunities actively in the financial year ended 30th September 2008. Growth by acquisition has been a major contributor to the development of the Group since it was formed and the Board is confident that Tenet has the necessary skills required to integrate acquired businesses and exploit the benefits of such opportunities. Furthermore, the Group has the cash resources required to pursue such a strategy. However, despite a number of exploratory discussions none were pursued to a conclusion as price expectations in the market remained at a level where it is difficult to achieve attractive returns on capital. The Board remains committed to pursuing acquisitions, but only where such opportunities are of benefit to shareholder value.

Finally, the Board has continued to monitor the professional indemnity insurance ("PII") market and during the summer of 2008, *the Group established its own captive insurance company*, Paragon Insurance Company Guernsey Limited, to provide Tenet companies with their base layer PII cover. Although the PII market has been reasonably soft over the last few years, the Board concluded that the premia being charged to the sector did not accurately reflect the insurance risks carried by underwriters. Furthermore, the Board believes that PII rates may harden over the next few years due to global capital shortages and PII claims relating to the housing market, most notably by lending institutions against surveyors. As a consequence, the Board perceived that the establishment of a captive insurer would offer the Group a new earnings stream whilst also offering its Appointed Representatives a better value-for-money insurance package in the medium term.

The Future

From the end of 2008 and into 2009, the Board expects that *Tenet will devote significant resources to responding to a changing regulatory landscape*. The Financial Services Authority has recently reported on its Retail Distribution Review and potential revisions to the Prudential Rules for Personal Investment Firms; the Group will work steadily to ensure that we can successfully address the outcome of these different initiatives. Furthermore, the industry will also reach certain milestones in the regulator's "Treating Customers Fairly" framework which the Group will continue to implement actively.

The directors will also continue to strive to ensure that *the business maximises its performance through what are likely to be difficult trading circumstances* in 2009, so that it will be well positioned to take advantage of the upturn when it comes. Thus, the emphasis within the Group will continue to be on cost efficiency, cashflow management and revenue generation but not at the expense of long-term prospects.

A major review to decide the strategic direction of the Group's technology offering will be completed by the end of 2008 which will set the scene for *further developments in the Group's IT infrastructure* in 2009. Tenet's back office systems have improved significantly over the last few years. Enhancements to the systems used by the Group's Appointed Representatives will be implemented to improve the support they can offer their clients as well as their own productivity. Work will also continue on the Group's disaster recovery capabilities and its processes involving customer data security as well as its financial reporting and HR support systems. These are expected to benefit the resilience of the business and improve productivity.

Finally, during the next twelve months we shall pro-actively look for attractive *acquisition opportunities*. Market conditions through to the end of 2009 are likely to be testing for many firms in our sector and this may offer unexpected opportunities. These will be pursued but we will continue to be vigilant when assessing potential transactions to ensure they are right for the Group.

TENET GROUP LIMITED

CEO OVERVIEW (CONTINUED)

Summary

2008 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 2009 which will reinforce that position.

SIMON HUDSON

GROUP CHIEF EXECUTIVE

FINANCIAL REPORT ON BUSINESS PERFORMANCE

INTRODUCTION

In the light of the decline in the UK housing and equity markets during 2008, the performance of the Group in the financial year to 30th September 2008 was pleasing. Although sales levels declined during the period under review, overhead costs were carefully controlled and work was undertaken to improve gross margins to ensure that trading profitability in our historic businesses was protected. Net assets improved to £33 million (2007: £31 million) whilst pre-tax profits of £2.839 million (2007: £4.076 million) represented a strong performance in a difficult market especially taking into account the costs of investing £1.745 million into new business activities during the financial year.

FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2008

Key features of the performance of the business for the year ended 30th September 2008 compared to the previous financial year are:

- Sales fell from £119.9 million to £92.5 million partly due to the “credit crunch” (see below), but most notably due to *the sale of the trade and assets of Tenet (2007) Limited (formerly Foster Denovo Limited)* in 2007. In the financial year to 30th September 2007, Tenet (2007) Limited (formerly Foster Denovo Limited) traded as an Appointed Representative of Interdependence Limited and contributed £19.5 million to Group sales (2008: £nil).
- The *average sales per financial adviser* within the three regulated networks held up well during the first half of the financial year to 30th September 2008, despite early concerns about the possible impact of the “credit crunch”. However, during the second half, the average sales per financial adviser fell sharply in each of the mortgage and investment networks as the housing market tightened and the equity markets became more volatile. Although this resulted in lower sales in the second half, the impact on the Group was mitigated by both a growth in adviser numbers and a significant reduction in the cost of sales of the three regulated networks because a large percentage of the networks’ gross commission income is paid to the Group’s Appointed Representatives.
- *The launch of Sinfonia*, at a cost of £1.729 million, was within expectations and its OEIC commenced trading in the first half of 2008, in accordance with the Group’s aspirations. Although the volatility of the equity markets means that breakeven on this business may take longer to achieve than initially anticipated, the Board remains confident that Sinfonia will offer Tenet and its customers significant advantage over the medium term to justify this expenditure.
- There was *a significant reduction in the losses of My Future Finance Limited* seen last year due to the remedial action taken during the year to 30th September 2007. Operating losses in the year to 30th September 2008 were £0.193 million (2007: £0.829 million). Work continues in this company to improve its performance and many of its services were re-priced early in 2008.
- *The formation of Paragon Insurance Company Guernsey Limited (“Paragon”) was completed at the end of September 2008*, requiring a capital commitment by the Group of £4 million. This capital will remain at risk so long as the captive insurance company continues to provide the Group with Professional Indemnity Insurance. The Group has taken extensive professional advice in the formation of this company and the premium charged to the rest of the Group is calculated on an arms length basis. Whilst no guarantees can be given that the business’ capital will not be utilised on insurance claims, it is believed that the premium it is charging is set at a commercial rate.
- *A steady growth in adviser numbers was achieved across the Group*, with the estimated number of advisers increasing to in excess of 5,500 across all brands. Within the three network businesses, despite the reduction in mortgage related activity forcing some mortgage brokers from the sector, the number of advisers grew steadily throughout 2008. The Board believes that this result is directly attributable to the growing success of the investment made into the Group’s sales and marketing resource over the last eighteen months. Continuing growth in adviser numbers is judged by the Board to be a key factor in maintaining satisfactory sales in a difficult economic climate.

FINANCIAL REPORT ON BUSINESS PERFORMANCE (CONTINUED)

FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2008 (CONTINUED)

In conclusion, the performance of the business in the year ended 30th September 2008 has confirmed the ongoing profitability of the core business activities of the Group despite difficult market conditions. Significant investment in overheads and capital has been devoted to new businesses activities, but in a controlled manner with both Sinfonia and Paragon launching to market within the timescales required by the Group.

PROSPECTS

Despite current market conditions and the impact these may have on profitability in the financial year to 30th September 2009, the directors believe that the business will remain profitable and are confident of the long term prospects of the Group. Developments at the Group which give rise to optimism for the directors include:

- Corporate infrastructure is now well resourced, most notably in sales and marketing. This investment is driving organic growth in adviser numbers, mainly through the acquisition of new clients but also through improved client retention rates. As the average sales per financial adviser return to more normal levels, sales should grow to levels not previously experienced by the Group.
- The launch of Paragon should improve the Group's earnings and should assist the Group in the recruitment and retention of new financial advisers, since the ownership of a captive insurer will enable the Group to be more flexible with its Professional Indemnity Insurance, whilst also maintaining a highly competitive premium rate.
- Sinfonia should bring an entirely new and profitable income stream to the Group over the medium term. Although costs will continue to be carefully controlled whilst this business matures, the directors anticipate continuing substantial expenditure will be incurred during the financial year to 30th September 2009. Thereafter, the cost of Sinfonia for the Group is expected to convert to profitability as it becomes established.
- Finally, although the directors expect there to be little impact upon the financial results to 30th September 2009, the remaining big issue in the long-term savings market remains the lack of adequate pension provision for many UK residents.

Accordingly, although the directors have concerns regarding the economic climate for 2009, it is believed that, in the long 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 2008

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

- **Capital Strength:** the net assets of the Group rose to £33.0 million during the financial year ended 30th September 2008 (2007: £31.0 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 IFA sector.
- **Liquidity:** the net current assets of the Group improved to £28.1 million (2007: £25.2 million), with cash balances net of debt improving to £23.7 million (2007: £23.6 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 have concluded that no such impairment is required in the financial year ended 30th September 2008.

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 2008

As noted above, the cashflow of the Group benefited from positive trading results with cash in the period increasing by £0.171 million. 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 2008

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

At 30th September 2008, the statutory accounts of each of the Group's three regulated networks (The M&E Network Limited, Interdependence Limited and Lifetime Insurance Mortgage Experts Limited) confirmed that each of them satisfied their relevant regulatory financial resources requirements.

The management accounts of the Group also confirm that each of The M&E Network Limited, Interdependence Limited and Lifetime Insurance Mortgage Experts Limited satisfied their relevant regulatory financial resources requirements at all times during the last twelve months.

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

PETER LANE

GROUP COMMERCIAL DIRECTOR

REVIEW OF CORPORATE GOVERNANCE AND RISK MANAGEMENT

CORPORATE GOVERNANCE

Throughout the period to 30th September 2008 the Group continued to develop its governance processes. Most notably, towards the end of the financial year new legislation, the Companies Act 2006, required each Group company to comply with new procedures with regard to the potential conflicts of interest of company directors. The Group previously enjoyed a robust policy on this matter which all staff, not just directors, were required to observe. Nonetheless, the new legislation gave a useful framework against which to benchmark our previous activities and I am pleased to report that the new requirements were comfortably accommodated within our existing regime.

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 Nomination Committee to be responsible for specific matters. Apart from the Nomination 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 Nomination Committee are established in advance of any specific work it undertakes.

The Audit Committee

The primary responsibility of the Audit Committee is to review 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. Furthermore, the Audit Committee makes recommendations to the Board regarding accounting policies, internal financial and regulatory compliance standards and the effectiveness of the external financial 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 composition of the Committee changed during the year and now includes G S Clarkson as chairman, representatives of the principal shareholders of the Group and two non-executive directors.

The Nomination Committee

The Nomination Committee comprises the non-executive directors and meets on an ad hoc basis to consider changes 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.

**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.

Other key aspects of the company's policy on managing Group risk are:

a) Internal audit

Although standard financial control and compliance procedures operate throughout the Group to ensure the integrity of these functions, 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, the Audit Committee occasionally commissions additional reporting with a view to ensuring that critical regulatory and financial systems and controls procedures are regularly reviewed.

b) Legal contracts

Prior to their completion, all legal documents are reviewed for appropriateness either by the company's lawyers or by the Group Commercial department. A database of all Tenet group company contracts is maintained and regularly reviewed.

c) Commercial and financial risks

The principal commercial and financial risks faced by the Group are shown in Note 3 and Note 27, which also include commentary on the management of these risks.

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.

TENET GROUP LIMITED

REVIEW OF CORPORATE GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

RISK MANAGEMENT (CONTINUED)

Health & safety

The Group has established a Health & Safety Committee the role of which is to ensure that the Group 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.

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 2008.

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 services to private individuals and provide support services and facilities to firms of financial advisers. Services provided by the Group include the following:

- Provision of financial advice;
- Compliance consulting;
- Industry guidance;
- Technical advice;
- Commissions processing facilities and business administration; and,
- Sponsorship of an asset management service for private individuals.

During the year under review, Paragon Insurance Company Guernsey Limited, a Group subsidiary, was formed and Sinfonia Asset Management Limited launched its OEIC. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The 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 20, in comparison to the prior financial period, the Group's annual sales have decreased by 23% primarily as a consequence of the sale of the business of Tenet (2007) Limited (formerly Foster Denovo Limited) and in part due to current economic conditions. Profit before tax has reduced by £1.237 million after the Group incurred costs of £1.745 million in relation to establishing its new business activities.

The balance sheet on page 21 shows that the Group's financial position at the year end is cash terms consistent with the prior year, whilst net assets have increased by £2.004 million to £32.968 million. Details of amounts owed to and by other Group companies are shown in Note 13 and Note 15. 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 includes details of key assumptions used in the preparation of the Group's financial statements. Note 3 details the principal risks and uncertainties facing the Group and the company. Note 4 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 26.

The Group's directors believe that further key performance indicators for the Group 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 20.

The directors do not recommend the payment of a dividend (2007: £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 Charter was prepared in 2008 that outlines the specific strategies and policies to apply in this area.

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

EMPLOYEES

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

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.

POLITICAL AND CHARITABLE CONTRIBUTIONS

It is the Group's policy not to make contributions for political purposes. Donations to UK charities amounted to £1,310 (2007: £966).

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.

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

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.

DIRECTORS

The directors who served during the year were as follows:

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

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

On 1 December 2008 the Company's auditors changed their name from Deloitte & Touche LLP to Deloitte LLP.

A resolution to re-appoint Deloitte 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
12 December 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 30th September 2008 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. The information given in the Directors' Report includes that specific information presented in the Financial Report on Business Performance, and the Review of Corporate Governance and Risk Management that is cross-referenced from Business Review & Principal Activities section of the Director's Report.

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 group 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 affairs as at 30th September 2008 and of the group's profit for the year then ended;
- the parent company's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30th September 2008;
- 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 30th September 2008 and of its profit for the year then ended.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Leeds, United Kingdom

12th December 2008

TENET GROUP LIMITED

CONSOLIDATED INCOME STATEMENT Year ended 30 September 2008

		Year ended 30 September 2008 £	Year ended 30 September 2007 £
	Note		
GROUP REVENUE	2	92,455,087	119,888,415
Cost of sales		(71,024,804)	(94,678,982)
Gross profit		21,430,283	25,209,433
Administrative expenses		(19,690,722)	(21,604,429)
GROUP OPERATING PROFIT		1,739,561	3,605,004
Impairment of intangible fixed assets	10	-	(480,811)
Interest receivable and similar income	6	1,146,225	987,901
Interest payable	7	(46,997)	(36,574)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	2,838,789	4,075,520
Tax expense	9	(834,317)	(1,218,074)
PROFIT ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY		<u>2,004,472</u>	<u>2,857,446</u>

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.

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 2008

	Note	30 September 2008 £	30 September 2007 £
NON-CURRENT ASSETS			
Intangible fixed assets	10	11,531,362	11,579,575
Property, plant and equipment	11	887,098	927,095
Investments	12	15,020	15,020
		<u>12,433,480</u>	<u>12,521,690</u>
CURRENT ASSETS			
Trade and other receivables	13	14,538,390	16,309,076
Cash and cash equivalents	14	23,739,077	23,568,552
		<u>38,277,467</u>	<u>39,877,628</u>
CURRENT LIABILITIES			
Trade and other payables	15	(10,210,152)	(14,697,548)
NET CURRENT ASSETS		<u>28,067,315</u>	<u>25,180,080</u>
NON-CURRENT LIABILITIES			
Provisions for liabilities	16	(7,533,234)	(6,738,681)
NET ASSETS		<u><u>32,967,561</u></u>	<u><u>30,963,089</u></u>
EQUITY			
Equity shareholders' funds			
Called-up share capital	17	24,731	24,731
Share premium account	18	37,914,168	37,914,168
Retained earnings	18	(4,971,338)	(6,975,810)
TOTAL EQUITY	19	<u><u>32,967,561</u></u>	<u><u>30,963,089</u></u>

These financial statements were approved by the Board of Directors on 12th December 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 2008

	Note	30 September 2008 £	30 September 2007 £
NON-CURRENT ASSETS			
Investments	12	40,772,199	39,972,200
		<u>40,772,199</u>	<u>39,972,200</u>
CURRENT ASSETS			
Trade and other receivables	13	5,391,116	2,907,470
Cash and cash equivalents	14	4,937,883	3,900,313
		<u>10,328,999</u>	<u>6,807,783</u>
CURRENT LIABILITIES			
Trade and other payables	15	(732,273)	(1,785,604)
NET CURRENT ASSETS		<u>9,596,726</u>	<u>5,022,179</u>
NET ASSETS		<u>50,368,925</u>	<u>44,994,379</u>
EQUITY			
Equity shareholders' funds			
Called-up share capital	17	24,731	24,731
Share premium account	18	37,914,168	37,914,168
Retained earnings	18	12,430,026	7,055,480
TOTAL EQUITY	19	<u>50,368,925</u>	<u>44,994,379</u>

These financial statements were approved by the Board of Directors on 12th December 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 CASHFLOW STATEMENT For the year ended 30 September 2008

		Year ended 30 September 2008 £	Year ended 30 September 2007 £
	Note		
Net cash (used in)/generated by operating activities	28	(471,747)	1,080,354
Net cash generated by investing activities	28	642,272	569,201
Net cash used in financing activities	28	-	(355,855)
Net increase in cash and cash equivalents		170,525	1,293,700
Cash and cash equivalents at beginning of financial year		23,568,552	22,274,852
Cash and cash equivalents at end of financial year		23,739,077	23,568,552

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 2008

		Year ended 30 September 2008 £	Year ended 30 September 2007 £
	Note		
Net cash (used in)/generated by operating activities	28	(4,285,100)	1,091,842
Net cash generated by investing activities	28	5,322,670	192,942
Net cash used in financing activities	28	-	(355,855)
Net increase in cash and cash equivalents		1,037,570	928,929
Cash and cash equivalents at beginning of financial year		3,900,313	2,971,384
Cash and cash equivalents at end of financial year		4,937,883	3,900,313

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 2008

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 14.

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:

<i>IAS 1</i>	<i>Amendments to IAS 1 – Presentation of Financial Statements, A Revised Presentation</i>
<i>IAS 23</i>	<i>Amendment to IAS 23 – Borrowing Costs</i>
<i>IAS 27</i>	<i>Amendments to IAS 27 – Consolidated and Separate Financial Statements</i>
<i>IFRIC 12</i>	<i>Service Concession Arrangements</i>
<i>IFRIC 13</i>	<i>Customer Loyalty Programme</i>
<i>IFRIC 14</i>	<i>IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>
<i>IFRIC 15</i>	<i>Agreements for the Construction of Real Estate</i>
<i>IFRIC 16</i>	<i>Hedges of a Net Investment in a Foreign Operation</i>
<i>IFRS 2</i>	<i>Amendment to IFRS 2 – Share Based Payments, Vesting Conditions and Cancellations</i>
<i>IFRS 3</i>	<i>Business Combinations, revised</i>
<i>IFRS 8</i>	<i>Operational Segments</i>

The Group has not elected to adopt these changes early in these financial statements. 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.

2 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as applicable to unlisted entities. The financial statements have also been prepared in accordance with IFRSs adopted by the European Union, and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

In the current year, the Group has adopted IFRS 7 *Financial Instruments: Disclosures* which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 *Presentation of Financial Statements*. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital (see Note 27).

The directors have taken advantage of Section 230 of the Companies Act 1985 and have not included an individual company income statement in these financial statements.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 September 2008. 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.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

2 ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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 as the Group does not hold any influence over the operating and financial policies of the investee entities. 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 the income statement 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 using the latest forecasts of future cashflows to which an appropriate discount factor is applied. When there is an indication that the unit may be impaired, the applicable cash generating units are tested more frequently. 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	5 years
Computer equipment & software	3 years
Fixtures & fittings	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.

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 the income statement 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

2 ACCOUNTING POLICIES (CONTINUED)

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 the income statement 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. This provision is estimated based on historic data.

My Future Finance Limited does not recharge commission amounts clawed back in respect of cancelled policies. Commission 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 16). Where the collection of such receivables is doubtful, each company makes an appropriate provision.

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 16). Where the collection of such receivables is doubtful, the company makes an appropriate provision.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2008

2 ACCOUNTING POLICIES (CONTINUED)

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 and Lifetime Insurance Mortgage Experts Limited, it is not possible to precisely determine at the date of the financial statements which policies have been accepted by the product providers or mortgages completed where commissions have not yet been received by these companies. In the prior financial period, this estimate was 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. Following refinements, this estimate in the current financial period is based upon historic data regarding the value of policies submitted to the product providers and deemed to be on risk, for which commission has been received over the preceding two-year period up to 30 September annually. The directors review the basis of this estimate to ensure the adequacy of these calculations. The refinement of this estimate has resulted in no material change to the financial statements of the Group.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

2 ACCOUNTING POLICIES (CONTINUED)

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.

Share-based payments

The Group operates an Enterprise Management Incentive Plan and is approved by Her Majesty's Revenue & Customs as well as an Unapproved Share Options Plan for the benefit of all eligible employees (see Note 17). 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 16) 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 and mortgage brokers. 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 16). As a consequence, to mitigate the risk of accepting commission on an indemnity basis, such Group companies monitor this activity and the ability of their Appointed Representatives/financial advisers to service clawback liabilities.

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

Company

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

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

4 CRITICAL ACCOUNTING ESTIMATES

IFRS requires critical accounting estimates to be identified. Within these financial statements 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 16;
- Provisions for claims payable – see Notes 2, 13 and 16; 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 2008 £	Year ended 30 September 2007 £
Emoluments	2,009,045	2,192,955
Contribution to money purchase pension schemes	206,621	164,184
	<u>2,215,666</u>	<u>2,357,139</u>
Emoluments of the highest paid director including pension contributions	<u>432,340</u>	<u>410,247</u>

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

	Year ended 30 September 2008 No.	Year ended 30 September 2007 No.
Money purchase pension schemes	<u>13</u>	<u>13</u>

	Year ended 30 September 2008 No.	Year ended 30 September 2007 No.
Average number of persons employed (including directors)		
Directors	13	13
Administration	253	340
	<u>266</u>	<u>353</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

Group (continued)

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Staff costs during the year (including directors)		
Wages and salaries	8,686,188	10,286,207
Social security costs	813,566	1,068,724
Other pension costs	573,880	535,064
	<u>10,073,634</u>	<u>11,889,995</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 financial statements 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 £1,096,649 (2007: £1,248,817). Additional emoluments paid to the directors of the company during the year were £nil (2007: £nil).

Such recharges for the remuneration of the directors in respect of the directors of the company during the year were £865,826 (2007: £848,365). Additional emoluments paid to the directors of the company during the year were £nil (2007: £nil).

The remuneration of the directors was as follows:

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Emoluments	790,003	798,717
Contribution to money purchase pension schemes	75,823	49,648
	<u>865,826</u>	<u>848,365</u>
Emoluments of the highest paid director including pension contributions	<u>432,340</u>	<u>410,247</u>

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

	Year ended 30 September 2008 No.	Year ended 30 September 2007 No.
Money purchase pension schemes	<u>2</u>	<u>2</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

Company (continued)

	Year ended 30 September 2008 No.	Year ended 30 September 2007 No.
Average number of persons employed		
Directors	<u>3</u>	<u>3</u>

No staff costs were incurred by the company during the financial year (2007: £nil).

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Other interest	1,396	1,880
Bank interest	<u>1,144,829</u>	<u>986,021</u>
	<u>1,146,225</u>	<u>987,901</u>

7 INTEREST PAYABLE

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Interest on bank loans and overdrafts	124	1,940
Other interest	<u>46,873</u>	<u>34,634</u>
	<u>46,997</u>	<u>36,574</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Depreciation and other amounts written off property, plant and equipment	543,950	647,822
Amortisation of intangible assets	48,213	72,794
Impairment of goodwill	-	480,811
Loss/(profit) on disposal of trade and assets	1	(220,554)
Operating lease charges		
- land & buildings	1,737,942	990,555
- other assets	515,077	378,579
Auditors' remuneration:		
- fees payable to the company's auditors for the audit of the company's annual accounts	15,999	12,836
- for the audit of the company's subsidiaries pursuant to legislation	116,552	112,650
Auditors' remuneration for other services to the Group:		
- other assurance services	56,142	-
Staff costs (Note 5)	10,073,634	11,889,995

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2008

9 TAX EXPENSE

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Analysis of charge in year at 28% (2007: 30%)		
Current tax at 28% (2007: 30%)	830,517	1,272,260
Adjustments in respect of prior periods	(80,824)	(2,217)
Total current tax	749,693	1,270,043
Deferred tax		
Current year	84,624	(59,234)
Adjustment in respect of prior years	-	7,265
Total deferred tax	84,624	(51,969)
Tax on profit on ordinary activities	834,317	1,218,074
Factors affecting tax on profit on ordinary activities in year		
Profit on ordinary activities before tax	2,838,789	4,075,520
Tax on profit on ordinary activities at UK standard rate of 28% (2007: 30%)	794,861	1,222,656
Effects of:		
Capital allowances in excess of depreciation	(932)	-
Expenses not deductible for tax purposes	101,791	101,108
Utilisation of tax losses	-	(166,932)
Profit on sale of business not taxed	-	35,392
Adjustment to tax charge in respect of prior periods	(53,562)	5,668
Effects of other rates/credits	26,106	20,182
Movement in short term timing differences	(33,947)	-
Tax on profit on ordinary activities for year	834,317	1,218,074

The Group has a recognised deferred tax asset at 28% of £262,301 (2007: £343,924), and a provision for deferred tax at 28% of £3,000 (2007: £nil). During 2007 the Government enacted a change in corporation tax reducing the rate from 30% to 28% with effect from April 2008.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

10 INTANGIBLE FIXED ASSETS

Group	Purchased intangibles £	Purchased goodwill £	Total intangibles £
Cost			
At 1 October 2007	381,557	17,885,071	18,266,628
Addition	-	-	-
At 30 September 2008	381,557	17,885,071	18,266,628
At 1 October 2006	1,036,557	18,273,264	19,309,821
Fair value adjustment	(655,000)	(388,193)	(1,043,193)
At 30 September 2007	381,557	17,885,071	18,266,628
Amortisation and impairment			
At 1 October 2007	75,825	6,611,228	6,687,053
Amortisation	48,213	-	48,213
At 30 September 2008	124,038	6,611,228	6,735,266
At 1 October 2006	303,031	6,130,417	6,433,448
Amortisation	72,794	-	72,794
Fair value adjustment	(300,000)	-	(300,000)
Impairment charge	-	480,811	480,811
At 30 September 2007	75,825	6,611,228	6,687,053
Net book value			
At 30 September 2008	257,519	11,273,843	11,531,362
At 30 September 2007	305,732	11,273,843	11,579,575

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 intangible assets element of the acquisition is comprised of the customer rights and records and amortisation is provided at rates calculated to write off the cost of each asset over its estimated useful economic life.

The amounts accounted for on the acquisition were determined provisionally at the date of the financial statements for the year ending 30 September 2006 and an assessment was conducted one year after these acquisitions which resulted in certain fair value adjustments accounted for in the financial statements for the year ending 30 September 2007. 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 financial statements of the Group were finalised.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2008

11 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £	Computer equipment £	Fixtures & fittings £	Total £
Cost				
At 1 October 2007	484,076	3,790,491	399,023	4,673,590
Additions	12,145	453,154	38,654	503,953
Disposals	-	-	-	-
At 30 September 2008	496,221	4,243,645	437,677	5,177,543
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
Depreciation				
At 1 October 2007	351,090	3,062,971	332,434	3,746,495
Charge for the year	23,156	493,712	27,082	543,950
Disposals	-	-	-	-
At 30 September 2008	374,246	3,556,683	359,516	4,290,445
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
Net book value				
At 30 September 2008	121,975	686,962	78,161	887,098
At 30 September 2007	132,986	727,520	66,589	927,095

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2008

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Fixtures, fittings and computer equipment £
Cost	
At 1 October 2007	-
Additions	-
	<hr/>
At 30 September 2008	-
	<hr/>
At 1 October 2006	52,525
Disposals to Group companies	(52,525)
	<hr/>
At 30 September 2007	-
	<hr/>
Depreciation	
At 1 October 2007	-
Charge for the year	-
	<hr/>
At 30 September 2008	-
	<hr/>
At 1 October 2006	52,525
Disposals to Group companies	(52,525)
	<hr/>
At 30 September 2007	-
	<hr/>
Net book value	
At 30 September 2008	-
	<hr/> <hr/>
At 30 September 2007	-
	<hr/> <hr/>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

12 FIXED ASSET INVESTMENTS

Group

	£
Cost	
At 1 October 2007	56,175
Additions	-
At 30 September 2008	<u>56,175</u>
Impairment	
At 1 October 2007	41,155
Charge in year	-
At 30 September 2008	<u>41,155</u>
Net book value	
At 30 September 2008	<u>15,020</u>
At 30 September 2007	<u>15,020</u>

Group fixed asset investments relate to the following companies. The investments have not been accounted for under the equity method as the directors do not consider that they are associated companies as the company does not hold any influence over the operating and financial policies of the investee entities.

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

Company

	£
Cost and net book value	
At 1 October 2007	39,972,200
Addition in respect of investment in Tenet Client Services Limited	800,000
Disposals	(1)
At 30 September 2008	<u>40,772,199</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

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%

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	England and Wales	Dormant
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	England and Wales	Administration services
My Future Finance Limited	England and Wales	Provision of financial advice
Sinfonia Asset Management Limited	England and Wales	Administration services
Paragon Insurance Company Guernsey Limited	Guernsey (C.I.)	Insurance company

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	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	Ordinary of £0.01 each	100,000,100
My Future Finance Limited	Ordinary of £1 each	500,000
Sinfonia Asset Management Limited	Ordinary of £0.0001 each	510,000,000
Paragon Insurance Company Guernsey Limited	Ordinary of £1 each (partly paid at £0.20 each)	4,000,000

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

12 FIXED ASSET INVESTMENTS (CONTINUED)

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 2008	30 September 2007	30 September 2008	30 September 2007
	£	£	£	£
Due within one year				
Trade receivables	10,042,403	11,503,202	-	-
Allowance for doubtful debt	(1,474,251)	(2,159,648)	-	-
Amounts owed by group companies	-	-	3,536,366	1,191,773
Other debtors	4,870,449	3,462,106	1,815,803	1,708,697
Prepayments and accrued income	774,438	3,159,492	27,163	7,000
Corporation tax	63,050	-	11,784	-
Deferred tax asset	262,301	343,924	-	-
	<u>14,538,390</u>	<u>16,309,076</u>	<u>5,391,116</u>	<u>2,907,470</u>

Included in trade receivables is £4,032,116 (2007: £4,140,622) that relates to amounts recoverable in relation to commission clawbacks (see Notes 2 and 16). Included in other debtors is £2,864,442 (2007: £1,792,791) that relates to amounts recoverable in relation to claims payable (see Notes 2 and 16).

Included within the Group's trade receivable balance are debtors with a carrying amount of £151,789 (2007: £265,146) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the directors believe that the amounts are still recoverable. The Group does not hold any collateral over these balances. The carrying value of these receivables past-due by less than three months is £73,560 (2007: £222,667), whilst £78,229 (2007: £42,479) of the receivables are past-due by more than three months.

Within the company's trade receivables balance there are no amounts which are past due at the reporting date (2007: £nil).

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

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	30 September 2008	30 September 2007
	£	£
Group		
Opening Balance	2,159,648	2,822,585
Amounts owed by debtors resulting in an increase in the provision	698,997	544,931
Amounts written off during the year	(1,167,470)	(851,208)
Amounts recovered during the year	(216,924)	(356,660)
Closing balance	<u>1,474,251</u>	<u>2,159,648</u>

The Group reviews all trade receivables for recoverability and makes a provision for the proportion of the debt which is judged to be irrecoverable.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

14 CASH AND CASH EQUIVALENTS

Included within cash at bank and in hand is £415,253 (2007: £853,224) held in individual bank accounts on behalf of customers of Tenet Support Services Limited, a subsidiary company.

15 TRADE AND OTHER PAYABLES

	Group		Company	
	30 September 2008	30 September 2007	30 September 2008	30 September 2007
	£	£	£	£
Trade payables	6,684,090	9,102,405	-	-
Amounts owed to group companies	-	-	2,796	1,112,434
Corporation tax	613,527	970,302	-	-
Other taxation and social security	34,329	573,087	2,428	-
Provision for deferred tax	3,000	-	-	-
Other creditors	981,007	1,277,285	213,758	145,267
Accruals and deferred income	1,894,199	2,774,469	513,291	527,903
	<u>10,210,152</u>	<u>14,697,548</u>	<u>732,273</u>	<u>1,785,604</u>

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

16 PROVISION FOR LIABILITIES

Group	Claims payable provision £	Commission clawback provision £	Total £
Group			
At 1 October 2007	1,967,518	4,771,163	6,738,681
Increase in the year	1,240,926	(446,373)	794,553
At 30 September 2008	<u>3,208,444</u>	<u>4,324,790</u>	<u>7,533,234</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.

Commission clawback provision

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 2008

17 SHARE CAPITAL

	30 September 2008 £	30 September 2007 £
Authorised		
Equity Shares		
367,852,700 (2007: 367,852,700) 'A' Ordinary shares of £0.0001	36,785	36,785
250,000,000 (2007: 250,000,000) 'B' Ordinary shares of £0.0001	25,000	25,000
	<u>61,785</u>	<u>61,785</u>
Allotted, called up and fully paid		
Equity Shares		
39,098,014 (2007: 39,098,014) 'A' Ordinary shares of £0.0001	3,910	3,910
208,215,000 (2007: 208,215,000) 'B' Ordinary shares of £0.0001	20,821	20,821
	<u>24,731</u>	<u>24,731</u>

'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 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 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 and Unapproved Share Option Scheme

On 25 November 2002, the directors adopted the 'Tenet Limited Enterprise Management Incentive Plan' and 'Unapproved Share Option Scheme'. 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 2008

18 RESERVES

Group

	Shares to be issued £	Share premium account – equity £	Retained earnings £
Balance at 1 October 2007	-	37,914,168	(6,975,810)
Profit for the financial year	-	-	2,004,472
Balance at 30 September 2008	-	37,914,168	(4,971,338)

Company

	Shares to be issued £	Share premium account – equity £	Retained earnings £
Balance at 1 October 2007	-	37,914,168	7,055,480
Profit for the financial year	-	-	5,374,546
Balance at 30 September 2008	-	37,914,168	12,430,026

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

19 STATEMENT OF CHANGES IN EQUITY

Group

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Profit for the financial year	2,004,472	2,857,446
Share capital subscribed	-	645
Net addition to equity shareholders' funds	2,004,472	2,858,091
Opening equity shareholders' funds	30,963,089	28,104,998
Closing equity shareholders' funds	32,967,561	30,963,089

Company

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Profit/(loss) for the financial year	5,374,546	(4,099,571)
Share capital subscribed	-	645
Net addition/(reduction) to equity shareholders' funds	5,374,546	(4,098,926)
Opening equity shareholders' funds	44,994,379	49,093,305
Closing equity shareholders' funds	50,368,925	44,994,379

Equity comprises share capital, share premium and retained earnings.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

20 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 2008		30 September 2007	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases that expire:				
Within one year	13,750	106,864	-	361,302
In the second to fifth years inclusive	-	408,213	-	284,162
Over five years	1,724,192	-	3,171,144	-
	<u>1,737,942</u>	<u>515,077</u>	<u>3,171,144</u>	<u>645,464</u>

Company

The company has no operating lease commitments.

21 ANALYSIS OF NET FUNDS

	At beginning of year £	Cashflow £	At end of year £
Cash at bank and in hand	23,568,552	170,525	23,739,077
Overdrafts	-	-	-
Balance at 30 September 2008	<u>23,568,552</u>	<u>170,525</u>	<u>23,739,077</u>

22 ULTIMATE CONTROLLING PARTY

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

23 HOLDING COMPANY INCOME STATEMENT

The consolidated income statement includes a profit/(loss) of £5,374,546 (2007: (£4,099,571)) 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 2008

24 CONTINGENT LIABILITIES

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.

25 TRANSACTIONS WITH RELATED PARTIES

Group

Details of transactions with key management personnel are included in Note 5. There were no other 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 2008 £	Year ended 30 September 2007 £
Net amounts owed by Group companies at start of financial year	79,339	7,255,458
Receipts from Group companies	(12,108,147)	(11,800,492)
Payments to Group companies	15,562,378	4,624,373
Net amounts owed by Group companies at end of financial year	<u>3,533,570</u>	<u>79,339</u>

Details of transactions with key management personnel are included in Note 5.

26 EVENTS AFTER THE BALANCE SHEET DATE

There have been no events after the balance sheet date that have had a material financial impact on the Group or the company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

27 FINANCIAL INSTRUMENTS

Capital Risk Management

The Group manages its capital to ensure that entities in the Group are well capitalised whilst maximising its return on capital.

The board reviews both the Group and each Group company's capital position on a monthly basis taking into account each company's regulatory and operational requirements. Based on this review, the Group balances its overall capital structure through the payment of dividends and the investment in, or loans made to, subsidiary group companies.

The Financial Services Authority ("FSA") directly regulates some Group companies and receives information in respect of the financial resources of these Group companies on a quarterly basis. The FSA also supervises the Group as a whole and receives information upon the Group's overall capital position. The management of the capital of the regulated companies is closely monitored to ensure compliance with the requirements of the capital and expenditure based tests of the FSA.

The Group's capital strategy remains unchanged from 2007.

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

The Group's financial instruments are categorised in the table below:

	Year Ended 30 September 2008 £	Year Ended 30 September 2007 £
Financial Assets		
Cash	23,739,077	23,568,552
Loans and receivables from trade customers	8,016,294	9,031,895
	<u>31,755,371</u>	<u>32,600,447</u>
Financial Liabilities		
Amounts owed to trade customers	7,665,097	10,379,690
	<u>7,665,097</u>	<u>10,379,690</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2008

27 FINANCIAL INSTRUMENTS (CONTINUED)

Significant Accounting Policies (continued)

The company's financial instruments are categorised in the table below:

	Year Ended 30 September 2008 £	Year Ended 30 September 2007 £
Financial Assets		
Cash	4,937,883	3,900,313
Loans and receivables from group companies	3,536,366	1,191,773
	<u>8,474,249</u>	<u>5,092,086</u>
Financial Liabilities		
Loans and amounts owed to group companies	2,796	1,112,434
Amounts owed to trade customers	213,758	145,267
	<u>216,554</u>	<u>1,257,701</u>

Credit Risk

Credit risk is the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion. The Group's credit risk is primarily attributable to its cash balances and trade receivables and other debtors from its Appointed Representatives/financial advisers. The Group's credit control function continually reviews outstanding client balances for recoverability and reports on these to management. These balances are then impaired where management's opinion is that the balance is not fully recoverable. Credit risk is mitigated by the fact that amounts owed by Appointed Representatives can be offset against amounts owed to the Appointed Representatives and company policy is to deal only with creditworthy counterparties. Trade receivables and other debtors from Appointed Representatives consist of a large number of customers and are spread across a diverse geographical area within the U.K. The company does not have any significant credit risk exposure to any single counterparty.

The credit risk on receivables due from product providers is limited due to the FSA requirements on these companies to maintain a sufficient level of capital to meet their current liabilities. These receivables are due from a large number of product providers and are payable to the company within one month of the obligation arising.

Credit risk on cash balances is managed through the lodgement of such balances through a number of financial institutions.

The balances due from trade customers are comprised of trade receivables and other debtors, less the amounts recoverable in relation to commission clawbacks and claims payable (see Notes 2 and 13). The Group holds no collateral over these balances.

The maximum Group exposure to credit risk at the reporting date was £31,755,371 (2007: £32,600,447). These balances are comprised of all financial assets.

The company's credit risk is entirely attributable to its cash balances and loan and receivables from other Group companies.

The maximum exposure of the company to credit risk at the reporting date was £8,474,249 (2007: £5,092,086). These balances are comprised of all financial assets.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2008

27 FINANCIAL INSTRUMENTS (CONTINUED)

Market Risk

Market risk is the risk that arises from adverse movements in equity, bond, interest rate, foreign exchange or other traded markets. The Group's exposure to market risk arises solely in relation to interest rate fluctuations on the returns from its capital which is not hedged and a small number of loans made to Appointed Representatives. Group treasury policy is to maximise credit interest whilst maintaining sufficient liquidity within each group company in order to meet operational and regulatory requirements.

The company's exposure to market risk arises solely in relation to interest rate fluctuations on the returns from its capital which is not hedged and interest bearing loans made to subsidiary companies.

The interest rate sensitivity analyses below are based upon reasonably possible changes in interest rate scenarios. At the reporting date a 1.00% increase or decrease in interest rates compared to actual rates would increase/(decrease) the annual net interest income by the following amounts:

	Year Ended 30 September 2008 £	Year Ended 30 September 2007 £
Group		
1.00% increase	230,071	236,100
1.00% decrease	(230,071)	(236,100)
Company		
1.00% increase	79,082	48,307
1.00% decrease	(79,082)	(48,307)

Liquidity Risk

Liquidity risk is the risk of not being able to meet liabilities as they fall due. Each Group company is capitalised at a level required to meet its business and regulatory needs or alternatively, where required, has borrowing facilities available from its parent company. Responsibility for liquidity risk management rests with the Group's board which receives information on the company's short term requirements on a weekly basis and medium to long term requirements on a monthly basis. Cashflow monitoring and forecasting form part of the reports regularly delivered to the Group's board. Liquidity risk on financial liabilities is mitigated by the fact that a significant proportion of the financial liabilities only become payable upon receipt of trade receivables. All financial liabilities are payable within three months of the obligation arising.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2008

28 ANALYSIS OF CASHFLOWS

Group

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Cash flows from operating activities		
Profit on ordinary activities after taxation	2,004,472	2,857,446
Adjustments for:		
Tax expense	834,317	1,218,074
Depreciation, amortisation and impairment charges	592,163	1,201,427
Increase in other provisions for liabilities & charges	794,553	1,839,585
Profit on redemption of "CII" & "CIII" loan notes	-	(218,500)
Loss/(profit) on disposal of trade and assets	1	(220,554)
Interest receivable	(1,146,225)	(987,901)
Interest expense	46,997	36,574
Operating cash flows before movements in working capital	3,126,278	5,726,151
Decrease/(increase) in trade & other receivables	1,752,113	(3,981,394)
(Decrease)/increase in trade & other payables	(4,133,622)	267,727
Cash generated by operations	744,769	2,012,484
Interest paid	(46,997)	(63,473)
Taxation paid	(1,169,519)	(868,657)
Net cash (used in)/generated by operating activities	(471,747)	1,080,354
Investing activities		
Interest received	1,146,225	987,901
Purchase of property, plant and equipment	(503,953)	(687,845)
Sale of trade & assets	-	269,145
Net cash generated by investing activities	642,272	569,201
Financing activities		
Issue of ordinary share capital	-	645
Redemption of "CII" & "CIII" loan notes	-	(356,500)
Net cash used in financing activities	-	(355,855)

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2008

28 ANALYSIS OF CASHFLOWS (CONTINUED)

Company

	Year ended 30 September 2008 £	Year ended 30 September 2007 £
Cash flows from operating activities		
Profit/(loss) on ordinary activities after taxation	5,374,546	(4,099,571)
Adjustments for:		
Loss on disposal of subsidiary	1	-
Tax credit	(11,784)	-
Profit on redemption of "CII" & "CIII" loan notes	-	(218,500)
Dividends received from subsidiary undertakings	(5,700,237)	-
Interest receivable	(422,433)	(192,942)
Interest expense	31	121
Operating cash flows before movements in working capital	(759,876)	(4,510,892)
(Increase)/decrease in trade & other receivables	(2,471,862)	4,589,729
(Decrease)/increase in trade & other payables	(1,053,331)	1,013,126
Cash (used in)/generated by operations	(4,285,069)	1,091,963
Interest paid	(31)	(121)
Net cash (used in)/generated by operating activities	(4,285,100)	1,091,842
Investing activities		
Interest received	422,433	192,942
Investment in subsidiary undertaking	(800,000)	-
Dividends received from subsidiary undertakings	5,700,237	-
Net cash generated by investing activities	5,322,670	192,942
Financing activities		
Issue of ordinary share capital	-	645
Redemption of "CII" & "CIII" loan notes	-	(356,500)
Net cash used in financing activities	-	(355,855)