

Company Registration No. 3909395

TENET GROUP LIMITED

Report and Financial Statements

30 September 2011



TENET GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

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TENET GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Lord Hodgson of Astley Abbotts
A M Beswick
G S Clarkson
M J Greenwood
G S Sampson
R D Smith
D J Wild

SECRETARY

G S Clarkson

REGISTERED OFFICE

5 Lister Hill
Horsforth
Leeds
LS18 5AZ

BANKERS

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

SOLICITORS

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

AUDITOR

Deloitte LLP
Chartered Accountants & Statutory Auditor
Leeds
LS1 2AL

TENET GROUP LIMITED

JOINT CHAIRMAN & CEO STATEMENT

The generally adverse economic conditions that the Group faced in the preceding year have continued during the twelve months under review - conditions that continue to pose particular challenges across the investment, mortgage and protection sectors within which the Group operates. In addition, the Group has had to deal with the specific challenges caused by the approaching implementation of the Retail Distribution Review ('RDR')

Despite this, the Group has made notable progress during the year

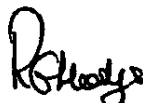
- the Group's largest brand, Connect (our investment network) has enjoyed a good level of organic growth - growth that is continuing into the current financial year,
- the Group's Select (Directly Authorised proposition) and LIME (mortgage network) brands have benefitted from further development, and are now in a position to capitalise on the opportunities in their respective market segments,
- Sinfonia, the Group's asset management business, has further increased funds under management - which should result in a positive contribution being earned for the Group during the current financial year,
- The Group's captive insurance company, Paragon, continues to provide a stable professional indemnity insurance offering to the Group's members during times when the external insurance markets are experiencing considerable volatility,
- the majority of the Group's financial advisers who are required to obtain the QCF level 4 qualification ('Qualification') have either already achieved such status, or are making significant progress towards it - with less than 10% of the Group's current advisers indicating they will not be aiming to obtain the Qualification. As a result we believe that the Group is in a strong position in this regard, and
- the Group has continued to develop and deliver its RDR proposition through the development of the Tenet Advantage system and by the on-going training and support provided to its members in relation to adviser-charging and member business models

This progress has translated into an improved financial performance - Group Revenue increased by 9.2% to £86.4m, a corresponding Gross Profit increase of £1.2m to £18.4m, and the Group generating profits before interest, tax, depreciation, amortisation and non-recurring expenses of £1.27m

Non-recurring expenses of £1.6m were incurred during the year as a result of a cost reduction programme, which focussed on the need for the Group to continue to manage its business against the challenges noted above. The Group's balance sheet remains strong with some £26.7m of cash reserves and £32.7m of net assets as at 30 September 2011, and has no external debt

During the year there were a number of changes to the Board. Amongst the executive directors, Peter Lane left in December 2010 after 8 years invaluable service to the Group. In his place we were pleased to welcome Graeham Sampson who joined as Finance Director in April and is already making a significant contribution to the Group. In August Simon Hudson resigned having played a seminal role in the development of the Group over many years - he will be greatly missed. The Group is currently concluding the search for Simon's successor, and during the interim period the Group has benefitted from the experienced guidance of Martin Greenwood as Interim CEO. There were also a number of changes amongst our non-executive directors. Nathan Moss, Simon Badley and Iain Black all resigned and have been replaced by Andy Beswick and Robin Smith. We look forward to their support of our future developments.

Finally, our heartfelt thanks are extended to every member of the Tenet team. The team has continued to support and develop the business while at the same time helping to address the challenges it faces. Without their endeavours the Group would not be so well placed to take advantage of the opportunities available to the Group which undoubtedly lie ahead.



LORD HODGSON OF ASTLEY ABBOTTS
CHAIRMAN



MARTIN GREENWOOD
CEO

TENET GROUP LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 2011

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,
- Provision of professional indemnity insurance, and
- Sponsorship of an asset management service for private individuals

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 14, in comparison to the prior financial period, the Group's annual sales have increased by 9.2% to £86.4m (2010: £79.1m), with a corresponding increase in gross profit of 7.0% to £18.4m (2010: £17.2m). The Group generated profits before interest, tax, depreciation, amortisation and non-recurring expenses of £1.27m (2010: £0.1m) and a loss before tax of £0.3m (2010: £1.2m)

The balance sheet on page 15 shows that the Group's financial position at the year end in cash terms has reduced by £1.1m to £26.7m (2010: £27.8m), whilst net assets have decreased by £0.3m to £32.7m (2010: £33.0m). 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 the financial resources of these firms is included in this report along with commentary on compliance issues

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, most notably 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. For some Group companies, the lead provider of Professional Indemnity Insurance is another group company, Paragon Insurance Company Guernsey Limited. This business holds sufficient cash reserves to meet claims which arise. Its cash balances are ring-fenced from general Group cash resources

There were no significant events after the balance sheet date as detailed in Note 23

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

Financial Resources of the Regulated Network Businesses At 30 September 2011

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

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

At 30 September 2011, the statutory accounts of each of the Group's three regulated networks (TenetConnect Services Limited, TenetConnect Limited and TenetLime Limited) confirmed that each of them satisfied their relevant regulatory financial resources requirements

The management accounts of the Group also confirm that each of TenetConnect Services Limited, TenetConnect Limited and TenetLime 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.

RESULTS AND PROPOSED DIVIDENDS

The results for the year are dealt with in the income statement on page 14

It remains the policy of the Board of Directors to retain cash generated by the Group for the financing of new business initiatives and to support the Group's on-going operations. As a consequence, the directors do not recommend the payment of a dividend (2010: £nil)

CORPORATE GOVERNANCE

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 non-executive directors and 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.

Martin Greenwood was appointed as Interim CEO on 15th August 2011, and will retain this role whilst the current recruitment process for a permanent CEO concludes.

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.

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

The Audit Committee

The responsibility of the Audit Committee is to commission and review internal processes and external audit work. The Committee is chaired by a non-executive director and comprises only non-executive directors, no executive director is a member of the committee

During the period that Martin Greenwood holds the Interim CEO position the Audit Committee chairmanship has passed to Lord Hodgson of Astley Abbotts

The principal work undertaken by the Committee relates to the review of the audit of the 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. Additionally, the Audit Committee commissions and oversees other ad hoc reports from a number of specialist firms and, in this respect, the Committee responds to recommendations made by the Risk Committee as well as internal reviews and reports provided by the Group's external auditors. Based upon its findings, 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 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 comprises only 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, with particular reference to the aspects of the UK Corporate Governance Code that are relevant to the Group. In addition, the Committee is responsible for conflicts management procedures within the Group and makes recommendations to the Board as to the resolution of any conflicts of interest and the improvement of corporate governance standards within the Group. The composition of the Committee includes both executive directors, non-executive directors and representatives of the principal shareholders of the Group

The Nomination Committee

The Nomination Committee comprises 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

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

RISK MANAGEMENT

The Board is responsible for the Group's systems of internal control and for reviewing their effectiveness, whilst the responsibility for commissioning specific internal and external audit activities has been delegated to the Audit Committee.

Risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, 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

Economic environment

The Board regularly considers the wider economic environment facing the business, and how such environments may specifically impact the business. Such reviews, where necessary, result in the Board making the appropriate changes to both the Group's strategic direction and operational activities to ensure the on-going viability of the Group.

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 meetings of which the detailed operation of that business is reviewed.

Risk management

The Group has established a Risk 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 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 justify a dedicated internal audit function. However, most Group activities are the subject of internal reviews which are considered by the Audit Committee which also commissions additional reporting with a view to ensuring that critical regulatory and financial systems and controls procedures are reviewed regularly.

b) Legal contracts

Prior to their completion, all legal documents are reviewed for appropriateness either by the company's lawyers or by the Finance Director of the group company entering into the agreement. 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 24, which also include commentary on the management of these risks.

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

RISK MANAGEMENT (CONTINUED)

Regulatory management

The Group's Regulatory Director has responsibility for ensuring that clear guidance is provided in relation to the requirements of the Financial Services Authority in so far as they affect the Group's regulated activities. Systems and controls are in place that are intended to monitor adherence to this guidance by Group staff and the Appointed Representatives of the Group's network businesses

Retail Distribution Review

The sector that the Group operates within is currently going through a significant transitional phase following the requirements of the Retail Distribution Review ('RDR') and its implementation come December 2012. In response to such RDR challenges the Group has implemented a business plan to manage the transition required, a business plan that is reviewed, and amended where required, on a regular basis

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

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

ENVIRONMENT

The Group encourages energy efficiency and the avoidance of waste, including recycling of materials and reduction of use of paper through office automation. The Group has an Environmental Charter that outlines the specific strategies and policies to apply in this area.

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. 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

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

EMPLOYEES (CONTINUED)

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 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 £796 (2010 £1,398).

PAYMENT OF SUPPLIERS

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

DIRECTORS' INDEMNITIES

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

DIRECTORS

The directors who served during the year and subsequently were as follows

Lord Hodgson of Astley Abbotts

S A Badley – resigned 9 August 2011

A M Beswick – appointed 9 August 2011

I S Black – resigned 18 October 2011

G S Clarkson

M J Greenwood

S H Hudson – resigned 12 August 2011

P W Lane – resigned 11 December 2010

N Moss – resigned 20 September 2011

G S Sampson – appointed 5 April 2011

R D Smith – appointed 20 September 2011

D J Wild

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN

The Financial Reporting Council issued a guidance note in November 2008 requiring all companies to provide fuller disclosures regarding directors' assessment of going concern. The Group strongly agrees with the need for this clarity in an entity's Report & Financial Statements. Therefore, as in the prior year, an extended going concern statement has been prepared in respect of the company.

As highlighted in the Joint Chairman & CEO Statement, although the on-going economic conditions create uncertainty in respect of the level of demand for financial services products and the level of compensation payable in respect of claims for mis-selling, the Group was profitable before interest, tax, depreciation, amortisation and non-recurring expenses in the financial year ended 30 September 2011 and has a strong balance sheet and cash position. Despite the retained losses recorded in the financial year the Group's forecasts and projections, including sensitivity analysis taking into account reasonably possible adverse changes in trading performance, show the Group should be able to operate within its own financial resources without the requirement for new funding. The directors consider that the non-recurring costs in the financial year ended 30 September 2011 relating to restructuring costs will not reoccur. As a consequence, the directors believe that the Group continues to be amongst the best placed in its sector to manage its business risks successfully in the present challenging economic environment.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Joint Chairman & CEO Statement and the Directors' Report on pages 3 to 10. The financial position of the Group, its cash flows and its liquidity position are described in the Joint Chairman & CEO Statement and the Directors' Report. In addition, Note 24 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk, market risk and liquidity risk.

The Group has a significant level of financial resources, including £26.7m of cash at bank, net assets of £32.7m, with no bank debt or other financial liabilities with any restrictive or financial covenants. It has long established relationships with a large number of clients, advisers and product providers across a diverse geographical area within the UK, with no significant credit risk exposure to any single counterparty.

As stated in Note 2, taking these factors into account, and after making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue trading successfully and fully comply with its regulatory requirements for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

DISCLOSURE OF INFORMATION TO AUDITORS

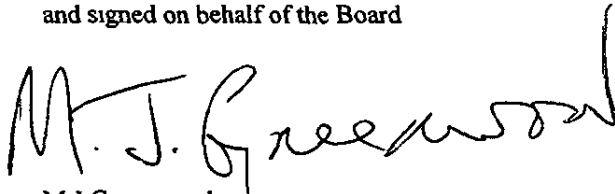
In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) 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 418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors

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

A handwritten signature in black ink, appearing to read 'M. J. Greenwood', written in a cursive style.

M J Greenwood
Director
20th December 2011

TENET GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors

- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 financial statements of Tenet Group Limited for the year ended 30 September 2011 which comprise Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements, and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2011 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TENET GROUP LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion.

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Stephen Williams

Senior Statutory Auditor

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Leeds

United Kingdom

20th December 2011

TENET GROUP LIMITED

CONSOLIDATED INCOME STATEMENT

Year ended 30 September 2011

		Year ended 30 September 2011 £	Year ended 30 September 2010 (as restated note 2) £
	Note		
GROUP REVENUE	2	86,365,615	79,062,157
Cost of sales		(67,943,499)	(61,868,869)
GROSS PROFIT		18,422,116	17,193,288
Administrative expenses		(17,155,094)	(17,279,521)
PROFIT BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION AND NON- RECURRING COSTS			
		1,267,022	(86,233)
Restructuring costs	8	(1,559,954)	-
Impairment charge	8	-	(739,715)
Depreciation and amortisation	10, 11	(499,851)	(764,759)
Group Operating Loss		(792,783)	(1,590,707)
Interest receivable and similar income	6	501,981	440,524
Interest payable	7	(7)	(21,782)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(290,809)	(1,171,965)
Tax credit	9	66,323	184,218
LOSS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY		(224,486)	(987,747)

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

All amounts relate to continuing operations

The accompanying notes form an integral part of these financial statements

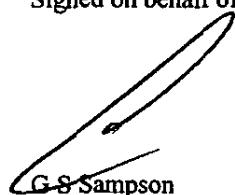
TENET GROUP LIMITED

CONSOLIDATED BALANCE SHEET At 30 September 2011

	Note	30 September 2011 £	30 September 2010 £
NON-CURRENT ASSETS			
Intangible fixed assets	10	10,658,792	10,695,223
Property, plant and equipment	11	1,692,910	1,002,089
Investments	12	15,020	15,020
		<u>12,366,722</u>	<u>11,712,332</u>
CURRENT ASSETS			
Trade and other receivables	13	14,624,288	13,575,503
Investments	27	-	260,850
Cash and cash equivalents	14	26,659,792	27,812,050
		<u>41,284,080</u>	<u>41,648,403</u>
CURRENT LIABILITIES			
Trade and other payables	15	(8,791,221)	(9,390,385)
NET CURRENT ASSETS			
		<u>32,492,859</u>	<u>32,258,018</u>
NON-CURRENT LIABILITIES			
Provisions for liabilities	16	(12,113,017)	(10,999,300)
NET ASSETS			
		<u>32,746,564</u>	<u>32,971,050</u>
EQUITY			
Equity shareholders' funds			
Called-up share capital	17	24,731	24,731
Share premium account		37,914,168	37,914,168
Retained earnings		(5,192,335)	(4,967,849)
TOTAL EQUITY			
		<u>32,746,564</u>	<u>32,971,050</u>

These financial statements were approved by the Board of Directors on 20th December 2011.

Signed on behalf of the Board of Directors



Director

Company Registration Number 3909395

The accompanying notes form an integral part of these financial statements

TENET GROUP LIMITED

COMPANY BALANCE SHEET At 30 September 2011

	Note	30 September 2011 £	30 September 2010 £
NON-CURRENT ASSETS			
Investments	12	39,213,353	39,213,353
		<u>39,213,353</u>	<u>39,213,353</u>
CURRENT ASSETS			
Trade and other receivables	13	7,285,412	9,037,694
Cash and cash equivalents	14	6,508,589	7,556,500
		<u>13,794,001</u>	<u>16,594,194</u>
CURRENT LIABILITIES			
Trade and other payables	15	(274,173)	(1,782,378)
NET CURRENT ASSETS			
		<u>13,519,828</u>	<u>14,811,816</u>
NET ASSETS			
		<u>52,733,181</u>	<u>54,025,169</u>
EQUITY			
Equity shareholders' funds			
Called-up share capital	17	24,731	24,731
Share premium account		37,914,168	37,914,168
Retained earnings		14,794,282	16,086,270
TOTAL EQUITY			
		<u>52,733,181</u>	<u>54,025,169</u>

These financial statements were approved by the Board of Directors on 20th December 2011.

Signed on behalf of the Board of Directors

G S Sampson
Director

Company Registration Number 3909395

The accompanying notes form an integral part of these financial statements.

TENET GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to equity shareholders of the company

	Share Capital £	Share Premium Account £	Retained Earnings £	Total Equity £
Balance at 1 October 2010	24,731	37,914,168	(4,967,849)	32,971,050
Loss for the financial year	-	-	(224,486)	(224,486)
Balance at 30 September 2011	<u>24,731</u>	<u>37,914,168</u>	<u>(5,192,335)</u>	<u>32,746,564</u>
Balance at 1 October 2009	24,731	37,914,168	(3,980,102)	33,958,797
Loss for the financial year	-	-	(987,747)	(987,747)
Balance at 30 September 2010	<u>24,731</u>	<u>37,914,168</u>	<u>(4,967,849)</u>	<u>32,971,050</u>

COMPANY STATEMENT OF CHANGES IN EQUITY

Equity attributable to equity shareholders of the company

	Share Capital £	Share Premium Account £	Retained Earnings £	Total Equity £
Balance at 1 October 2010	24,731	37,914,168	16,086,270	54,025,169
Loss for the financial year	-	-	(1,291,988)	(1,291,988)
Balance at 30 September 2011	<u>24,731</u>	<u>37,914,168</u>	<u>14,794,282</u>	<u>52,733,181</u>
Balance at 1 October 2009	24,731	37,914,168	15,867,270	53,806,169
Profit for the financial year	-	-	219,000	219,000
Balance at 30 September 2010	<u>24,731</u>	<u>37,914,168</u>	<u>16,086,270</u>	<u>54,025,169</u>

TENET GROUP LIMITED

CONSOLIDATED CASHFLOW STATEMENT For the year ended 30 September 2011

		Year ended 30 September 2011 £	Year ended 30 September 2010 £
	Note		
Net cash generated by operating activities	26	189,526	341,300
Net cash used in investing activities	26	(1,341,784)	(942,717)
Net cash generated by financing activities	26	-	-
Net decrease in cash and cash equivalents		(1,152,258)	(601,417)
Cash and cash equivalents at beginning of financial year		27,812,050	28,413,467
Cash and cash equivalents at end of financial year		26,659,792	27,812,050

Cash and cash equivalents comprise cash in hand and demand deposits and other short and medium-term highly liquid investments that are readily convertible to a known amount of cash

COMPANY CASH FLOW STATEMENT For the year ended 30 September 2011

		Year ended 30 September 2011 £	Year ended 30 September 2010 £
	Note		
Net cash used in operating activities	26	(1,558,548)	(7,842,217)
Net cash generated by investing activities	26	510,637	3,532,009
Net decrease in cash and cash equivalents		(1,047,911)	(4,310,208)
Cash and cash equivalents at beginning of financial year		7,556,500	11,866,708
Cash and cash equivalents at end of financial year		6,508,589	7,556,500

Cash and cash equivalents comprise cash in hand and demand deposits and other short and medium-term highly liquid investments that are readily convertible to a known amount of cash

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

1 GENERAL INFORMATION

Tenet Group Limited is a company incorporated in England and Wales under the Companies Act 2006. 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 3.

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</i>
<i>IAS 12</i>	<i>Amendments to IAS 12 – Income Taxes</i>
<i>IAS 19</i>	<i>Revision of IAS 19 – Employee Benefits</i>
<i>IAS 24</i>	<i>Revision of IAS 24 – Related Party Disclosures</i>
<i>IAS 27</i>	<i>Revision of IAS 27 – Separate Financial Statements</i>
<i>IAS 28</i>	<i>Revision of IAS 28 – Investments in Associates and Joint Ventures</i>
<i>IFRIC 14</i>	<i>IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>
<i>IFRS 7</i>	<i>Amendments to IFRS 7 – Financial Instruments Disclosures</i>
<i>IFRS 9</i>	<i>Financial Instruments</i>
<i>IFRS 10</i>	<i>Consolidated Financial Statements</i>
<i>IFRS 11</i>	<i>Joint Arrangements</i>
<i>IFRS 12</i>	<i>Disclosure on Interest in Other Entities</i>
<i>IFRS 13</i>	<i>Fair Value Measurement</i>
<i>Improvements to IFRSs 2010</i>	

The company 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 company.

2 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") 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.

The presentation of the comparatives in the Consolidated Income Statement has been amended to separately disclose the restructuring costs, goodwill impairment charge and depreciation and amortisation. This change has been made to better reflect the nature and extent of the costs incurred by the Group.

The directors have taken advantage of Section 408 of the Companies Act 2006 and have not included an individual company income statement in these financial statements.

As stated in the Directors' Report and after making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue trading successfully and fully comply with its regulatory requirements for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and 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 2011. 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 2011

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, cash generating units to which goodwill has been allocated are tested annually using the latest forecasts of future cashflows to which an appropriate discount factor is applied. Cashflows are projected for a period of ten years, based upon budgets and detailed forecasts for the first two years, followed by a growth rate in subsequent years in line with the directors' expectation and experience of each cash generating unit. The base discount factor applied to the projected cashflows is 10% plus the Bank of England interest base rate, with a minimum of 12%. However, where the directors deem the risk to be greater than this base discount factor for a cash generating unit, then the rate is increased accordingly. 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 will reduce the carrying amount of any goodwill allocated to the unit until there is no further goodwill to impair.

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:

Computer equipment & software	3 years
Fixtures & fittings	5 years
Leasehold improvements	5 years

Leases

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

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

2 ACCOUNTING POLICIES (CONTINUED)

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method where the effect is material. Appropriate allowances for estimated irrecoverable amounts are recognised in 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and other short and medium-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.

Depending upon the type of cancelled policy, TenetRetirement Solutions Limited may partially recharge commission amounts clawed back from the relevant introducer of business. Commission clawbacks are typically recharged in their entirety to the relevant Appointed Representative by TenetConnect Services Limited and TenetLume 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.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

2 ACCOUNTING POLICIES (CONTINUED)

Provisions (continued)

Claims payable

In the normal course of business some Group companies receive queries and complaints regarding the sale of regulated financial products. Where appropriate these are investigated in accordance with the relevant company's procedures. In some instances compensation may be payable. Based upon the experience of the relevant company, an estimate of total compensation which may be payable is calculated. These amounts, if they become payable, will usually be recovered from either Professional Indemnity insurers and/or the Appointed Representative and/or financial advisers responsible for giving the advice about which the complaint was made (see Notes 13 and 16). Where the collection of such receivables is doubtful, the company makes an appropriate provision.

For some Group companies, the lead provider of Professional Indemnity Insurance is another Group company, Paragon Insurance Company Guernsey Limited. This business holds ample cash reserves to meet claims which arise. These balances are ring-fenced from Group cash resources (see Note 3).

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 TenetConnect Limited, TenetConnect Services Limited, TenetLime Limited and TenetRetirement Solutions 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. This estimate is instead 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.

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.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

2 ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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.

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.

Share-based payments

The Group operates an Enterprise Management Incentive Plan which 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 (see below) which conforms to the requirements of the FSA.

For some Group companies, the lead provider of professional indemnity insurance is Paragon Insurance Company Guernsey Limited ("Paragon"), a Group company. The risks associated with providing this insurance are in respect of uncertainties as to whether an insured event will occur, when it will occur or how much Paragon will need to pay if it occurs. Furthermore, the structure of the insurance policy is an Alternative Risk Transfer structure which provides insurance cover over a period of more than one year. Paragon has substantial cash reserves which are ring-fenced from general Group cash resources in order to meet claims which may arise. To mitigate the risks it faces, for each year in which insurance is provided Paragon, under the terms of its policy, restricts its insurance cover to a maximum of £3 million of aggregate liability and £1 million for any single claim, and the total value of cover for all years of insurance is restricted. For the insurance contract and financial year ended 30th September 2011 this maximum aggregate liability was £9.5 million and for the subsequent year it has been increased to £12.5 million. If any of these limits are breached then the excess falls to the Group, which has additional insurance contracts with third parties to cover such losses. Paragon receives premiums each year from Tenet Group Limited which are based primarily upon an assessment of the long-term average losses in respect of claims arising from the sale of financial products arranged by the Appointed Representatives of TenetConnect Limited and TenetConnect Services Limited. This calculation is prepared by professional advisers to the Group on an actuarial basis.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

3 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Group (continued)

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.

4 CRITICAL ACCOUNTING ESTIMATES

IFRSs require 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, 3, 13 and 16,
- Provisions for claims payable – see Notes 2, 3, 13 and 16; and,
- Acquisition accounting – see Notes 2, 3 and 10.

In relation to each of the first two items, whilst the estimates are critical, there is both a liability and recoverable such that the net exposure is mitigated and not significant. In respect of the provision for claims payable, Paragon has substantial cash reserves, which are ring-fenced from general Group cash, in order to meet claims as they arise.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

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 2011 £	Year ended 30 September 2010 £
Emoluments	2,074,254	2,057,428
Compensation for loss of office	311,248	-
Contribution to money purchase pension schemes	283,142	239,483
	<u>2,668,644</u>	<u>2,296,911</u>
Emoluments of the highest paid director		
Remuneration including pension contributions	245,035	316,377
Compensation for loss of office	311,248	-
	<u>556,283</u>	<u>316,377</u>

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

	Year ended 30 September 2011 No.	Year ended 30 September 2010 No.
Money purchase pension schemes	<u>15</u>	<u>16</u>

	Year ended 30 September 2011 No.	Year ended 30 September 2010 No.
Average number of persons employed (including directors)		
Directors	16	15
Administration	241	233
	<u>257</u>	<u>248</u>

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Staff costs during the year (including directors)		
Wages and salaries	8,940,015	8,768,567
Social security costs	878,002	745,467
Other pension costs	556,812	587,715
	<u>10,374,829</u>	<u>10,101,749</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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 £1,131,447 (2010: £818,023). Additional emoluments paid to the directors of the company during the year were £nil (2010: £nil).

Such recharges for the remuneration of the directors in respect of the directors of the company during the year are shown in the table below. Additional emoluments paid to the directors of the company during the year were £nil (2010: £nil).

The remuneration of the directors was as follows:

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Emoluments	545,633	575,519
Compensation for loss of office	311,248	-
Contribution to money purchase pension schemes	103,768	79,777
	<u>960,649</u>	<u>655,296</u>
Emoluments of the highest paid director		
Remuneration including pension contributions	245,035	316,377
Compensation for loss of office	311,248	-
	<u>556,283</u>	<u>316,377</u>

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

	Year ended 30 September 2011 No.	Year ended 30 September 2010 No.
Money purchase pension schemes	<u>2</u>	<u>3</u>

	Year ended 30 September 2011 No.	Year ended 30 September 2010 No.
Average number of persons employed		
Directors	<u>4</u>	<u>3</u>

No other staff costs were incurred by the company during the financial year (2010: £nil).

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Other interest	124,583	62,342
Gains from current asset investments	9,700	10,850
Bank interest	367,698	367,332
	<u>501,981</u>	<u>440,524</u>

7 INTEREST PAYABLE

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Interest on bank loans and overdrafts	7	7
Other interest	-	21,775
	<u>7</u>	<u>21,782</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

8 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Depreciation and other amounts written off property, plant and equipment	463,420	426,472
Amortisation of intangible assets	36,431	48,212
Impairment of goodwill	-	739,715
Loss on disposal of plant and equipment	80,567	279
Operating lease charges		
- land & buildings	349,288	278,468
- other assets	402,697	547,716
Auditors' remuneration		
- fees payable to the company's auditors for the audit of the company's annual accounts	5,280	5,123
- for the audit of the company's subsidiaries pursuant to legislation	134,221	128,422
Auditors' remuneration for other services to the Group		
- other assurance services	46,883	30,259
Staff costs (Note 5)	10,374,829	10,101,749
Restructuring costs	<u>1,559,954</u>	<u>-</u>

The restructuring costs incurred during the year relate to staff reorganisation costs and the creation of an onerous lease provision relating to the consolidation of operations

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

9 TAX CREDIT

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Analysis of charge in year at 27% (2010: 28%)		
Current tax at 27% (2010: 28%)	-	(46,359)
Adjustments in respect of prior periods	-	(66,941)
Total current tax	-	(113,300)
Deferred tax		
Effect of change in tax rate	-	7,235
Origination and reversal of temporary differences	(87,260)	(21,827)
Adjustment in respect of prior years	20,937	(56,326)
Total deferred tax	(66,323)	(70,918)
Tax on loss on ordinary activities	(66,323)	(184,218)
Factors affecting tax on loss on ordinary activities in year		
Loss on ordinary activities before tax	(290,809)	(1,171,965)
Tax on loss on ordinary activities at UK standard rate of 27% (2010: 28%)	(78,518)	(328,150)
Effects of		
Fixed asset impairment		207,120
Expenses not deductible for tax purposes	7,332	28,891
Adjustment to tax charge in respect of prior periods		(123,269)
Utilisation of losses brought forward		-
Losses carried forward		17,086
Effects of other rates/credits	14,873	13,639
Non-qualifying depreciation		-
Movement in unrecognised deferred tax	(14,814)	465
Adjustment to prior period	4,804	-
Tax on loss on ordinary activities for year	(66,323)	(184,218)

The Group has a recognised deferred tax asset at 25% of £261,720 (2010: £195,397). There is £78,954 of unprovided deferred taxation in the year (2010: £127,246).

The deferred tax asset of £261,720 is comprised primarily of accelerated capital allowances (2010: accelerated capital allowances of £195,397).

The provision for deferred tax of £nil is comprised of £nil in respect of CFC profits and £nil of accelerated capital allowances (2010: CFC profits of £nil and accelerated capital allowances of £nil).

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

9 TAX CREDIT (CONTINUED)

On 22 June 2010, the UK government announced proposals to reduce the main rate of corporation tax from 28% to 24% over 4 years with effect from 1 April 2011. Following these announcements, the reduction of the rate to 27% from 1 April 2011 was enacted by the Finance (no 2) Act 2010 which was given Royal Assent on 27 July 2010.

In addition, changes to capital allowances regime were proposed including a reduction in the rate of capital allowance on plant and machinery additions from 20% to 18% with effect from 1 April 2012.

10 INTANGIBLE FIXED ASSETS

Group	Purchased intangibles £	Purchased goodwill £	Total intangibles £
Cost			
At 1 October 2010	381,557	17,885,071	18,266,628
Addition	-	-	-
At 30 September 2011	381,557	17,885,071	18,266,628
At 1 October 2009	381,557	17,885,071	18,266,628
Addition	-	-	-
At 30 September 2010	381,557	17,885,071	18,266,628
Amortisation and impairment			
At 1 October 2010	220,462	7,350,943	7,571,405
Amortisation	36,431	-	36,431
Impairment	-	-	-
At 30 September 2011	256,893	7,350,943	7,607,836
At 1 October 2009	172,250	6,611,228	6,783,478
Amortisation	48,212	-	48,212
Impairment	-	739,715	739,715
At 30 September 2010	220,462	7,350,943	7,571,405
Net book value			
At 30 September 2011	124,664	10,534,128	10,658,792
At 30 September 2010	161,095	10,534,128	10,695,223

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.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

11 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £	Computer equipment £	Fixtures & fittings £	Assets under construction £	Total £
Cost					
At 1 October 2010	466,731	3,837,264	340,056	363,212	5,007,263
Additions	9,763	375,436	214,785	634,824	1,234,808
Disposals	(114,930)	(49,720)	(1,170)	-	(165,820)
Transfer of Completed Assets	-	74,440	-	(74,440)	-
At 30 September 2011	361,564	4,237,420	553,671	923,596	6,076,251
At 1 October 2009	500,200	4,545,721	457,313	-	5,503,234
Additions	3,667	330,897	12,914	363,212	710,690
Disposals	(37,136)	(1,039,354)	(130,171)	-	(1,206,661)
At 30 September 2010	466,731	3,837,264	340,056	363,212	5,007,263
Depreciation					
At 1 October 2010	410,358	3,314,232	280,584	-	4,005,174
Charge for the year	21,236	396,475	45,709	-	463,420
On disposals	(85,163)	-	(90)	-	(85,253)
At 30 September 2011	346,431	3,710,707	326,203	-	4,383,341
At 1 October 2009	418,928	3,980,594	385,562	-	4,785,084
Charge for the year	28,566	372,992	24,914	-	426,472
On disposals	(37,136)	(1,039,354)	(129,892)	-	(1,206,382)
At 30 September 2010	410,358	3,314,232	280,584	-	4,005,174
Net book value					
At 30 September 2011	15,133	526,713	227,468	923,596	1,692,910
At 30 September 2010	56,373	523,032	59,472	363,212	1,002,089

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

12 FIXED ASSET INVESTMENTS

Group

	£
Cost	
At 1 October 2010	56,175
Additions	-
	<hr/>
At 30 September 2011	56,175
	<hr/>
Impairment	
At 1 October 2010	41,155
Charge in year	-
	<hr/>
At 30 September 2011	41,155
	<hr/>
Net book value	
At 30 September 2011	15,020
	<hr/>
At 30 September 2010	15,020
	<hr/>

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 2010	39,213,353
Additions	-
Impairment	-
	<hr/>
At 30 September 2011	39,213,353
	<hr/>
At 1 October 2009	40,772,199
Additions	-
Impairment	(1,558,846)
	<hr/>
At 30 September 2010	39,213,353
	<hr/>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

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	1,000,001
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
Paragon Insurance Company Guernsey Limited	Guernsey (C I)	Insurance company
Sinfonia Asset Management Limited	England and Wales	Administration services
Sinfonia Direct Limited	England and Wales	Dormant
TenetConnect Limited	England and Wales	FSA regulated network of IFAs
TenetConnect Services Limited	England and Wales	FSA regulated network of IFAs
TenetLime Limited	England and Wales	FSA regulated network of mortgage and general insurance brokers
TenetRetirement Solutions Limited	England and Wales	Provision of financial advice
TenetSelect Limited	England and Wales	Professional and administration services
TSS Accounts Limited	England and Wales	Administration services

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TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

12 FIXED ASSET INVESTMENTS (CONTINUED)

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

Name	Class	Number held
Paragon Insurance Company Guernsey Limited	Ordinary of £1 each (partly paid at £0.20 each)	4,000,000
Sinfonia Asset Management Limited	Ordinary of £0.0001 each	510,000,000
Sinfonia Direct Limited	Ordinary of £1 each	200,002
TenetConnect Limited	Ordinary of £1 each	792,416
TenetConnect Services Limited	Ordinary of £1 each	2,351,000
TenetLime Limited	Ordinary of £1 each	1,000,000
TenetRetirement Solutions Limited	Ordinary of £1 each	650,000
TenetSelect Limited	Ordinary of £1 each	961,000
TSS Accounts Limited	Ordinary of £0.01 each	100,000,100

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%

Tenet Group Limited direct subsidiaries own less than or equal to 20% of the issued share capital indirect interests as follows

Name	Class	Number held
Ayrshire Financial Services Limited	Ordinary of £1 each	20
Indigo Squared Limited	B Ordinary of £1 each	24

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
	£	£	£	£
Due within one year				
Trade receivables	15,853,641	14,019,224	-	-
Allowance for doubtful debt	(2,306,582)	(1,877,955)	-	-
Amounts owed by group companies	-	-	7,226,856	8,713,156
Other debtors	78,019	344,986	57,056	323,069
Prepayments and accrued income	737,490	847,492	1,500	1,469
Corporation tax	-	46,359	-	-
Deferred tax asset	261,720	195,397	-	-
	<u>14,624,288</u>	<u>13,575,503</u>	<u>7,285,412</u>	<u>9,037,694</u>

Included in trade receivables is £4,217,932 (2010 £3,977,251) that relates to amounts recoverable in relation to commission clawbacks (see Notes 2, 3 and 16) and £4,473,511 (2010 £4,094,645) that relates to amounts recoverable in relation to claims payable (see Notes 2, 3 and 16) and £1,713,626 (2010 £873,654) that relates to the provision of secured loans as part of the Group's ongoing support for its appointed representatives

Included within the Group's trade receivable balance are debtors with a carrying amount of £258,528 (2010 £389,338) 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 £239,712 (2010 £262,980), whilst £18,816 (2010 £126,358) 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 (2010 £nil)

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

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

	Year ended 30 September 2011	Year ended 30 September 2010
	£	£
Group		
Opening balance	1,877,955	1,155,735
Amounts owed by debtors resulting in an increase in the provision	1,180,960	1,304,965
Amounts written off during the year	(276,222)	(174,418)
Amounts recovered during the year	(476,111)	(408,327)
Closing balance	<u>2,306,582</u>	<u>1,877,955</u>

14 CASH AND CASH EQUIVALENTS

Included within cash at bank and in hand is £7,000,000 (2010 £4,000,000) of short and medium-term fixed deposit investments and £311,541 (2010 £309,265) held in individual bank accounts on behalf of customers of TenetSelect Limited, a subsidiary company

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

15 TRADE AND OTHER PAYABLES

	Group		Company	
	30 September 2011	30 September 2010	30 September 2011	30 September 2010
	£	£	£	£
Trade payables	5,800,946	4,716,175	-	-
Amounts owed to group companies	-	-	4,300	1,419,313
Other taxation and social security	40,831	116,969	167	2,451
Other creditors	1,179,440	2,725,726	91,945	187,364
Accruals and deferred income	1,770,004	1,831,515	177,761	173,250
	<u>8,791,221</u>	<u>9,390,385</u>	<u>274,173</u>	<u>1,782,378</u>

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

16 PROVISION FOR LIABILITIES

Group	Restructuring Provision	Claims payable provision	Commission clawback provision	Total
	£	£	£	£
Group				
At 1 October 2010	-	6,423,150	4,576,150	10,999,300
Provision utilised in the year	(747,623)	(628,643)	(2,197,147)	(3,573,413)
Provision released in the year	-	(2,037,059)	-	(2,037,059)
New provision added in the year	1,559,954	2,882,903	2,281,332	6,724,189
At 30 September 2011	<u>812,331</u>	<u>6,640,351</u>	<u>4,660,335</u>	<u>12,113,017</u>

Restructuring provision

The provision for restructuring relates to staff reorganisation costs and an onerous lease provision relating to the consolidation of operations. The directors expect the provision to be utilised over the next 2 years.

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 be paid by Paragon Insurance Company Guernsey Limited from existing cash resources or will be recovered from third party Professional Indemnity Insurers (as applicable) less a policy excess (see Notes 2, 3 and 13) and, except in relation to Tenet Retirement Solutions Limited, the policy excess is usually recovered from the Appointed Representative and/or financial adviser responsible for the individual case. 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 Tenet Retirement Solutions 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, 3 and 13). 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 2011

17 SHARE CAPITAL

	30 September 2011 £	30 September 2010 £
Authorised		
Equity Shares		
367,852,700 (2010 367,852,700) 'A' Ordinary shares of £0 0001	36,785	36,785
250,000,000 (2010 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		
15,215,669 (2010 15,215,669) 'A' Ordinary shares of £0 0001	1,521	1,521
232,097,345 (2010 232,097,345) 'B' Ordinary shares of £0 0001	23,210	23,210
	<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 2011

18 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 2011		30 September 2010	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases that expire				
Within one year	1,488	225,670	-	131,324
In the second to fifth years inclusive	873,939	146,091	648,180	540,623
Over five years	-	-	1,101,624	-
	<u>875,427</u>	<u>371,761</u>	<u>1,749,804</u>	<u>671,947</u>

Company

The company has no operating lease commitments

19 ANALYSIS OF NET FUNDS

	At beginning of year £	Cashflow £	At end of year £
Cash at bank and in hand	27,812,050	(1,152,258)	26,659,792
Overdrafts	-	-	-
	<u>27,812,050</u>	<u>(1,152,258)</u>	<u>26,659,792</u>

20 HOLDING COMPANY INCOME STATEMENT

The consolidated income statement includes a loss of £1,291,988 (2010 profit of £219,000) which has been dealt with in the financial statements of the company. The company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements.

21 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 Group companies, has jointly guaranteed to the Group's bank in respect of the Group's bank borrowing. The guarantee is limited to the sum of all Group company overdraft facilities, plus interest, charges and costs incurred by Barclays Bank PLC in the recovery of such guaranteed amounts. At 30 September 2011 the total amount recoverable by Barclays Bank PLC was £nil (2010 £nil).

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

22 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 2011 £	Year ended 30 September 2010 £
Net amounts owed by Group Companies at start of financial year	7,293,843	1,250,657
Receipts from Group Companies	24,507,015	21,539,121
Payments to Group Companies	(24,578,302)	(15,495,935)
Net amounts owed by Group Companies at end of financial year	<u>7,222,556</u>	<u>7,293,843</u>

23 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

24 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 the previous year

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

24 FINANCIAL INSTRUMENTS (CONTINUED)

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.

	30 September 2011 £	30 September 2010 £
Financial Assets		
Cash	26,659,792	27,812,050
Loans and receivables from trade customers	7,183,565	6,316,383
	<u>33,843,357</u>	<u>34,128,433</u>
Financial Liabilities		
Amounts owed to trade customers	6,416,927	5,354,652
	<u>6,416,927</u>	<u>5,354,652</u>

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

	30 September 2011 £	30 September 2010 £
Financial Assets		
Cash	6,508,589	7,556,500
Loans and receivables from group companies	7,226,856	8,713,156
Loans and receivables from trade customers	57,056	8,070
	<u>13,792,501</u>	<u>16,277,726</u>
Financial Liabilities		
Loans and amounts owed to group companies	4,300	1,419,313
Amounts owed to trade customers	91,945	96,364
	<u>96,245</u>	<u>1,515,677</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.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

24 FINANCIAL INSTRUMENTS (CONTINUED)

Credit Risk (continued)

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 £87,434 of collateral over trade receivables (2010: £nil).

The maximum Group exposure to credit risk at the reporting date was £33,843,357 (2010: £34,128,433). These balances are comprised of all financial assets.

The company's credit risk is almost entirely attributable to its cash balances and loan and receivables from other Group companies and the provision of secured loans as part of the Group's ongoing support for its Appointed Representatives.

The maximum exposure of the company to credit risk at the reporting date was £13,792,501 (2010: £16,277,726). These balances are comprised of all financial assets.

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 0.50% increase or decrease in interest rates compared to actual rates would increase/(decrease) the annual net interest receivable by the following amounts:

	30 September 2011 £	30 September 2010 £
Group		
0.50% increase	138,255	144,380
0.50% decrease	(138,255)	(144,380)
Company		
0.50% increase	61,293	66,132
0.50% decrease	(61,293)	(66,132)

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

24 FINANCIAL INSTRUMENTS (CONTINUED)

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 2011

26 ANALYSIS OF CASHFLOWS

Group

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Cash flows from operating activities		
Loss on ordinary activities after taxation	(224,486)	(987,747)
Adjustments for		
Tax credit	(66,323)	(184,218)
Depreciation, amortisation and impairment charges	499,851	1,214,399
Increase in provisions for liabilities	1,113,717	991,854
Loss on disposal of plant and equipment	80,567	279
Profit on current asset investment	-	(10,850)
Interest receivable	(501,981)	(429,674)
Interest expense	7	21,782
Operating cash flows before movements in working capital	901,352	615,825
Decrease in trade and other receivables	(159,126)	(22,958)
Increase in trade and other payables	(599,052)	(348,289)
Cash generated by operations	143,174	244,578
Taxation received	46,359	109,740
Interest paid	(7)	(13,018)
Net cash generated by operating activities	189,526	341,300
Investing activities		
Interest received	437,343	431,216
Cash advances and loans made to other parties	(2,111,176)	(761,241)
Repayments of cash advances and loans	1,296,307	347,998
Purchase of property, plant and equipment	(1,234,808)	(710,690)
Purchase of current investment	270,550	(250,000)
Proceeds on sale of plant and equipment	-	-
Net cash used in investing activities	(1,341,784)	(942,717)
Financing activities		
Net cash generated by financing activities	-	-

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

26 ANALYSIS OF CASHFLOWS (CONTINUED)

Company

	Year ended 30 September 2011 £	Year ended 30 September 2010 £
Cash flows from operating activities		
(Loss) / Profit on ordinary activities after taxation	(1,291,988)	219,000
Adjustments for:		
Tax credit	-	(74,200)
Impairment charges	-	1,558,846
Dividends received from subsidiary undertakings	(298,366)	(3,298,888)
Interest receivable	(267,124)	(231,610)
Operating cash flows before movements in working capital	(1,857,478)	(1,826,852)
Decrease / (Increase) in trade and other receivables	1,807,135	(2,654,049)
Decrease in trade and other payables	(1,508,205)	(3,361,316)
Net cash used in operating activities	(1,558,548)	(7,842,217)
Investing activities		
Interest received	212,271	233,121
Dividends received from subsidiary undertakings	298,366	3,298,888
Net cash generated by investing activities	510,637	3,532,009

27 INVESTMENTS

The investments in prior year related to seed funds invested in the IFSL/Sinfonia OEIC to create a new share class. The investments are repayable on demand. There were no such investments in place at 30th September 2011.