Company Registration No. 3909395

TENET GROUP LIMITED

Report and Financial Statements

30 September 2012

TENET GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

CONTENTS

TENET GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A M Beswick
G S Clarkson
M J Greenwood
R D Smith
D J Wild
M J O'Brien
R T Waller

SECRETARY

G S Clarkson

REGISTERED OFFICE

5 Lister Hill
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Leeds
LS18 5AZ

BANKERS

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

SOLICITORS

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

AUDITOR

Deloitte LLP
Chartered Accountants & Statutory Auditor
Leeds
LS1 2AL

EXECUTIVE CHAIRMAN'S STATEMENT

The difficult economic and regulatory 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 closing stages of Retail Distribution Review ('RDR') implementation, which went live 31 December 2012

Despite the above, 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,
- Approximately 90% of the Group's financial advisers who are required to obtain the QCF level 4 qualification will have achieved such status by the date required, 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

The group provides support to advisers through Tenet Connect and Tenet Lime In addition, support services are provided through Tenet Select Strong recruitment throughout the year included on boarding the LEBC Group Ltd as a new appointed representative and attracting in excess of 160 advisers following the demise of the Honister Group

This progress translated into a Group Revenue increase of 11 6% to £96 3m, however Gross Profit decreased by £0 7m to £18 0m reflecting competitive pressures on margin in the industry Administrative expenses increased 1 6% to £17 7m and depreciation 41% to £0 7m due to the cost of RDR training, improved research, compliance and the investment in Tenet Advantage system Management believe these investments will benefit members in the future provision of a superior service to those offered by the Groups competitors Group profit before interest, tax, depreciation, amortisation and non-recurring expenses fell by £1 0m to £0 25m

In common with many in the industry, an exceptional provision was made at 30 September 2012 for the Arch Cru redress scheme Under the scheme, firms must write to clients who were recommended Arch Cru It is anticipated that the majority of clients will opt to have their advice reviewed The firm also made provision for settlement of compensation payments for the failure of Key Data

The exceptional provision further includes an agreed settlement in December 2012 with the administrator of the failed IFA network group Berkeley Independent Advisers (BIA), this relates to the acquisition of their agency business in 2005

The Group's balance sheet as at 30 September 2012 remains strong with some £24 4m of cash reserves and £28 3m of net assets In addition the Group has no external debt The strong balance sheet together with investment in people, practices and technology give Tenet a strong market position into 2013 post RDR

EXECUTIVE CHAIRMAN'S STATEMENT (CONTINUED)

There were a number of changes to the board in the year Lord Robin Hodgson Chairman, Iain Black Non-Executive director and Graeham Sampson Group Finance director resigned, I would like to thank them for their service to the group Tenet welcomes to the board Group Brands director Mike O'Brien and Non-Executive director Rob Waller Further board appointments are in progress to fill the Group Finance director vacancy and strengthen Corporate Governance with Independent Non-Executive directors

Finally, our heartfelt thanks extend to every member of the Tenet team The team has continued to attract new clients and develop the business during the run up to RDR Without their commitment, the Group would not be as well placed to take advantage of the opportunities available to the Group that undoubtedly lie ahead

Martin Greenwood

MARTIN GREENWOOD
EXECUTIVE CHAIRMAN

The directors present their report and the audited financial statements for the year ended 30 September 2012

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 15, in comparison to the prior financial period, the Group's annual sales have increased by 11 6% to £96 3m (2011 £86 4m), gross profit has decreased 3 9% to £18 0m (2011 £18 7m) The Group generated profits before interest, tax, depreciation, amortisation and non-recurring expenses of £0 25m (2011 £1 27m) and a loss before tax of £4 97m (2011 £0 3m)

The balance sheet on page 16 shows that the Group's financial position at the year end in cash terms has reduced by £2 3m to £24 4m (2011 £26 7m), whilst net assets have decreased by £4 4m to £28 3m (2011 £32 7m) 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

Financial Resources of the Regulated Network Businesses At 30 September 2012

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

At 30 September 2012, 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 15

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 (2011 £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 Executive Chairman/Chief Executive, 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 joint Executive Chairman and Chief Executive on 18th April 2012

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 Board has established an Audit Committee, Risk Committee, Remuneration Committee, Nomination Committee, Regulatory Policy Committee and a File Quality Forum to be responsible for specific matters Apart from the Nomination Committee, these committees operate within defined terms of reference and minutes of their meetings are circulated to, and reviewed by, the full Board The terms of reference for the Nomination Committee are established in advance of any specific work it undertakes

The Audit Committee

The Committee is chaired by a non-executive director and comprises only non-executive directors, no executive director is a member of the committee

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

CORPORATE GOVERNANCE (CONTINUED)

The Risk Committee

The Risk Committee examines and challenges the processes, systems and controls of the Group and aims to identify operational and financial risk The Committee reviews the Groups 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

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 No director plays a part in any discussion about his or her own remuneration

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 Regulatory Policy Committee

The Regulatory Policy Committee is responsible for reviewing and approving policy development in the Group's regulated businesses It also has oversight of the quality of advice provided by the Group's advisers and can authorise disciplinary action against any regulated individual guilty of a breach of either the company's or the regulatory authority's requirements It is chaired by the Group Director, Regulation and Risk and is attended by senior Executives The Minutes of the Committee's monthly meetings form part of the management information provided to the Group's Directors

The File Quality Forum

The File Quality Forum was established during the year as part of the Group's commitment to improving the standards of advice and related consumer outcomes Chaired by the Group Director, Regulation and Risk, the Committee meets monthly and considers issues of business quality and consistency whilst benchmarking advisory standards and adjudicating in areas where policy guidance is required The Committee comprises senior Executive and Directors of the regulated businesses including the Executive Chairman

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

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

RISK MANAGEMENT (CONTINUED)

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

Risk management

The Group has established a Risk Committee to examine and challenge the processes, systems and controls of the Group and aims to identify operational and financial risk

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

a) Internal audit

Financial control and compliance procedures operate throughout the Group to ensure the integrity of functions The directors have reviewed the need for an internal audit function, they believe that the Group is not of sufficient size or complexity to justify a dedicated internal audit function The Audit Committee considers internal reviews of group activities and may commission additional reporting to review critical regulatory and financial systems and controls procedures

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 The Group maintains and regularly reviews a database of company contracts

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

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 transitionary phase following the requirements of the Retail Distribution Review ('RDR') and its implementation on 31December 2012 In response to the RDR 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

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 £1,210 (2011 £796)

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 – resigned 18 April 2012
A M Beswick
I S Black – resigned 18 October 2011
G S Clarkson
M J Greenwood
G S Sampson – resigned 24 September 2012
R D Smith
D J Wild
M J O'Brien – appointed 18 April 2012
R T Waller – appointed 28 September 2012

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 Executive Chairman 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 2012 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 2012 relating to Arch Cru and Key Data 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 Executive Chairman Statement and the Directors' Report on pages 2 to 9 The financial position of the Group, its cash flows and its liquidity position are described in the Executive Chairman 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 £24 4m of cash at bank, net assets of £28 3m, 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

DISCLOSURE OF INFORMATION TO AUDITOR

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 auditor is 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 auditor is 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 auditor

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

M. J. Greenwood

M J Greenwood
Director
23rd January 2013

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 AUDITOR'S REPORT TO THE MEMBERS OF TENET GROUP LIMITED

We have audited the financial statements of Tenet Group Limited for the year ended 30 September 2012 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 26 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 auditor

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 2012 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 AUDITOR'S 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

23rd January 2013

CONSOLIDATED INCOME STATEMENT
Year ended 30 September 2012

	Note	Year ended 30 September 2012 £	Year ended 30 September 2011 £
GROUP REVENUE	2	96,344,425	86,365,615
Cost of sales		(78,373,172)	(67,664,108)
GROSS PROFIT		17,971,253	18,701,507
Administrative expenses		(17,722,098)	(17,434,485)
PROFIT BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION AND EXCEPTIONAL COSTS		249,155	1,267,022
Exceptional costs	8	(4,517,436)	(1,559,954)
Depreciation and amortisation	10, 11	(704,884)	(499,851)
Group Operating Loss		(4,973,165)	(792,783)
Interest receivable and similar income	6	429,780	501,981
Interest payable	7	(76)	(7)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,543,461)	(290,809)
Taxation credit	9	105,840	66,323
LOSS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY		(4,437,621)	(224,486)

There was no recognised income and expenditure in the current or preceding years other than the loss 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 2012

	Note	30 September 2012 £	30 September 2011 £
NON-CURRENT ASSETS			
Intangible fixed assets	10	11,524,312	10,658,792
Property, plant and equipment	11	1,665,386	1,692,910
Investments	12	15,020	15,020
		13,204,718	12,366,722
CURRENT ASSETS			
Trade and other receivables	13	15,891,010	14,624,288
Cash and cash equivalents	14	24,434,828	26,659,792
		40,325,838	41,284,080
CURRENT LIABILITIES			
Trade and other payables	15	(10,515,049)	(8,791,221)
NET CURRENT ASSETS		29,810,789	32,492,859
NON-CURRENT LIABILITIES			
Provisions for liabilities	16	(14,746,068)	(12,113,017)
NET ASSETS		28,269,439	32,746,564
EQUITY			
Share capital	17	24,731	24,731
Share premium account		37,914,168	37,914,168
Retained earnings		(9,629,956)	(5,192,335)
Equity attributable to owners of the Company		28,308,943	32,746,564
Non-controlling interests	26	(39,504)	-
TOTAL EQUITY		28,269,439	32,746,564

These financial statements were approved by the Board of Directors on 23rd January 2013

Signed on behalf of the Board of Directors

M. J. Greenwood

M J Greenwood

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 2012

	Note	30 September 2012 £	30 September 2011 £
NON-CURRENT ASSETS			
Investments	12	39,213,353	39,213,353
		39,213,353	39,213,353
CURRENT ASSETS			
Trade and other receivables	13	2,362,770	7,285,412
Cash and cash equivalents	14	4,400,587	6,508,589
		6,763,357	13,794,001
CURRENT LIABILITIES			
Trade and other payables	15	(1,926,719)	(274,173)
NET CURRENT ASSETS		4,836,638	13,519,828
NET ASSETS		44,049,991	52,733,181
EQUITY			
Equity shareholders' funds			
Called-up share capital	17	24,731	24,731
Share premium account		37,914,168	37,914,168
Retained earnings		6,111,092	14,794,282
TOTAL EQUITY		44,049,991	52,733,181

These financial statements were approved by the Board of Directors on 23rd January 2013

Signed on behalf of the Board of Directors

M.J. Greenwood

M J Greenwood
Director

Company Registration Number 3909395

The accompanying notes form an integral part of these financial statements

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 2011	24,731	37,914,168	(5,192,335)	32,746,564
Loss for the financial year	-	-	(4,437,621)	(4,437,621)
Balance at 30 September 2012	24,731	37,914,168	(9,629,956)	28,308,943
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	24,731	37,914,168	(5,192,335)	32,746,564

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 2011	24,731	37,914,168	14,794,282	52,733,181
Loss for the financial year	-	-	(2,766,190)	(2,766,190)
Intra group loan waiver	-	-	(5,917,000)	(5,917,000)
Balance at 30 September 2012	24,731	37,914,168	6,111,092	44,049,991
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	24,731	37,914,168	14,794,282	52,733,181

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September 2012

	Note	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Net cash (used in)/generated by operating activities	25	(1,414,145)	189,526
Net cash used in investing activities	25	(810,819)	(1,341,784)
Net cash used in financing activities		-	-
Net decrease in cash and cash equivalents		(2,224,964)	(1,152,258)
Cash and cash equivalents at beginning of financial year		26,659,792	27,812,050
Cash and cash equivalents at end of financial year		24,434,828	26,659,792

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 2012

	Note	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Net cash generated by / (used in) in operating activities	25	3,543,190	(1,558,548)
Net cash generated by investing activities	25	265,808	510,637
Net cash used in financing activities	25	(5,917,000)	-
Net decrease in cash and cash equivalents		(2,108,002)	(1,047,911)
Cash and cash equivalents at beginning of financial year		6,508,589	7,556,500
Cash and cash equivalents at end of financial year		4,400,587	6,508,589

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

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 4

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

IAS 1 *Amendments to IAS 1 – Presentation of Financial Statements*

IAS 12 *Amendments to IAS 12 – Income Taxes*

IAS 19 *Revision of IAS 19 – Employee Benefits*

IAS 27 *Revision of IAS 27 – Separate Financial Statements*

IAS 28 *Revision of IAS 28 – Investments in Associates and Joint Ventures*

IAS 32 *Amendments to IAS 32 – Financial Instruments Presentation*

IFRS 7Amendments to IFRS 7 – Financial Instruments Disclosures

IFRS 9Financial Instruments

IFRS 10 *Consolidated Financial Statements*

IFRS 11 *Joint Arrangements*

IFRS 12 *Disclosure on Interest in Other Entities*

IFRS 13 *Fair Value Measurement*

Annual Improvements 2009 – 2011 Cycle

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 2012 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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

2 ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

During the year a subsidiary company acquired a 65% stake in The Employee Benefits Corporation Limited The company's financial position has been included in the consolidated accounts as the Group holds a controlling share in the business The non-controlling interest in this subsidiary is identified separately from the Group's equity The interests of non-controlling shareholders are measured as a proportionate share of the fair value of the net assets acquired The non-controlling interests' share of subsequent changes in equity will be recognised within the carrying value of the non-controlling interest

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% 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

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 to the relevant Appointed Representative by TenetConnect Services Limited, TenetConnect Limited and TenetLime 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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

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 adequate 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

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 2012 this maximum aggregate liability was £12 5 million and remains unchanged for the subsequent year 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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

3 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Group (continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Group

	Year ended 30 September 2012 No.	Year ended 30 September 2011 No.
Average number of persons employed (including directors)		
Directors	12	16
Administration	235	241
	247	257

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Staff costs during the year (including directors)		
Wages and salaries	8,025,233	8,940,015
Social security costs	874,885	878,002
Other pension costs	518,541	556,812
	9,418,659	10,374,829

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

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 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 (2011 £nil)

The remuneration of the directors was as follows

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Emoluments	704,588	545,633
Compensation for loss of office	-	311,248
Contribution to money purchase pension schemes	96,201	103,768
	800,789	960,649
Emoluments of the highest paid director		
Remuneration including pension contributions	278,836	245,035
Compensation for loss of office	-	311,248
	278,836	556,283

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

	Year ended 30 September 2012 No.	Year ended 30 September 2011 No.
Money purchase pension schemes	3	2

	Year ended 30 September 2012 No.	Year ended 30 September 2011 No.
Average number of persons employed		
Directors	4	4

No other staff costs were incurred by the company during the financial year (2011 £nil)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Other interest	73,201	124,583
Gains from current asset investments	-	9,700
Bank interest	356,579	367,698
	429,780	501,981

7 INTEREST PAYABLE

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Interest on bank loans and overdrafts	76	7
	76	7

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

8 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Depreciation and other amounts written off property, plant and Equipment	676,868	463,420
Amortisation of intangible assets	28,016	36,431
Loss on disposal of plant and equipment	-	80,567
Operating lease charges		
- land & buildings	279,668	349,288
- other assets	346,310	402,697
Auditor's remuneration		
- fees payable to the company's auditor for the audit of the company's annual accounts	7,000	5,280
- for the audit of the company's subsidiaries pursuant to legislation	113,000	134,221
Auditor's remuneration for other services to the Group		
- other assurance services	23,000	46,883
- corporate finance services	41,000	-
Staff costs (Note 5)	9,418,659	10,374,829
Exceptional costs	4,517,436	1,559,954

In common with many in the industry, an exceptional provision is made at 30 September 2012 for the Arch Cru redress scheme Under the scheme, firms must write to clients who were recommended Arch Cru It is anticipated that the majority of clients will opt to have their advice reviewed The firm also made provision for settlement of compensation payments for the failure of Key Data

The exceptional provision also includes an agreed settlement in December 2012 with the administrator of the failed IFA network group BIA which relates to the acquisition of the agency business of BIA in 2005 in addition further costs to those charged during 2011 which related to staff reorganisation costs and the creation of an onerous lease provision relating to the consolidation of operations were recognised

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

9 TAXATION

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Analysis of credit in year at 25% (2011· 27%)		
Current tax at 25% (2011 27%)	-	-
Adjustments in respect of prior periods	-	-
Total current tax	-	-
Deferred tax		
Effect of change in tax rate		-
Origination and reversal of temporary differences	(137,802)	(87,260)
Adjustment in respect of prior years	31,962	20,937
Total deferred tax	(105,840)	(66,323)
Tax on loss on ordinary activities	(105,840)	(66,323)
Factors affecting tax on loss on ordinary activities in year		
Loss on ordinary activities before tax	(4,543,461)	(290,809)
Tax on loss on ordinary activities at UK standard rate of 25% (2011 27%)	(1,135,865)	(78,518)
Effects of		
Fixed asset impairment	-	-
Expenses not deductible for tax purposes	47,945	7,332
Losses carried forward	948,080	-
Effects of other rates/credits	31,960	14,873
Movement in unrecognised deferred tax	(23,243)	(14,814)
Adjustment to prior period	25,283	4,804
Tax credit on loss on ordinary activities for year	(105,840)	(66,323)

Corporation tax is calculated at 25% (2011 27%) of the estimated taxable profit for the year

The Group has a recognised deferred tax asset at 23% of £367,560 (2011 £261,720) There is £1,014,445 of unprovided deferred taxation in the year (2011 £78,954)

In March 2012, the UK Government announced that the rate of corporation tax would be reduced to 24% with effect from 1 April 2012, and then to 23% with effect from 1 April 2013 These changes were enacted by Finance Act 2012 Accordingly, deferred tax balances have been revalued to the lower rate of 23% in these accounts

In December 2012, it was announced that the rate would reduce further to 21% with effect from 1 April 2014 As this reduction was not substantively enacted in legislation by the balance sheet date, the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

10 INTANGIBLE FIXED ASSETS

Group	Acquisition Cost	Purchased intangibles £	Purchased goodwill £	Total intangibles £
Cost				
At 1 October 2011	-	381,557	17,885,071	18,266,628
Addition	649,000	-	244,536	893,536
At 30 September 2012	649,000	381,557	18,129,607	19,160,164
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
Amortisation and impairment				
At 1 October 2011	-	256,893	7,350,943	7,607,836
Amortisation	-	-	28,016	28,016
Impairment	-	-	-	-
At 30 September 2012	-	256,893	7,378,959	7,635,852
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
Net book value				
At 30 September 2012	649,000	124,664	10,750,648	11,524,312
At 30 September 2011	-	124,664	10,534,128	10,658,792

In 2012 in order to facilitate the recruitment of a group of appointed representatives into the networks, the business provided funding to these firms The amortisation of this expenditure is calculated to write off the asset over its estimated useful economic life

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

11 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £	Computer equipment £	Fixtures & fittings £	Assets under construction £	Total £
Cost					
At 1 October 2011	361,564	4,237,420	553,671	923,596	6,076,251
Additions	53,615	300,986	7,908	285,563	648,072
Acquisition of Subsidiary	-	-	2,035	-	2,035
Disposals	-	(26,264)	-	-	(26,264)
Transfer of Completed Assets	-	1,205,564	-	(1,205,564)	-
At 30 September 2012	415,179	5,717,706	563,614	3,595	6,700,094
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
Depreciation					
At 1 October 2011	346,431	3,710,707	326,203	-	4,383,341
Charge for the year	13,727	579,620	83,521	-	676,868
Acquisition of Subsidiary	-	-	763	-	763
On disposals	-	(26,264)	-	-	(26,264)
At 30 September 2012	360,158	4,264,063	410,487	-	5,034,708
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
Net book value					
At 30 September 2012	55,021	1,453,643	153,127	3,595	1,665,386
At 30 September 2011	15,133	526,713	227,468	923,596	1,692,910

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

12 FIXED ASSET INVESTMENTS

Group

	£
Cost	
At 1 October 2011	56,175
Additions	-
At 30 September 2012	56,175
Impairment	
At 1 October 2011	41,155
Charge in year	-
At 30 September 2012	41,155
Net book value	
At 30 September 2012	15,020
At 30 September 2011	15,020

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 2011	39,213,353
Additions	-
Impairment	-
At 30 September 2012	39,213,353
At 1 October 2010	39,213,353
Additions	-
Impairment	-
At 30 September 2011	39,213,353

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

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 companies in which the company's indirect interest at the year end is more than 20% are as follows, these companies are wholly or majority owned by the subsidiary undertakings mentioned above

Name	Country of incorporation	Principal activity	Holding
Aspire Financial Management Limited	England and Wales	Provision of financial advice	100%
Paragon Insurance Company Guernsey Limited	Guernsey (C I)	Insurance company	100%
Sinfonia Asset Management Limited	England and Wales	Administration services	100%
Sinfonia Direct Limited	England and Wales	Dormant	100%
TenetConnect Limited	England and Wales	FSA regulated network of IFAs	100%
TenetConnect Services Limited	England and Wales	FSA regulated network of IFAs	100%
TenetLime Limited	England and Wales	FSA regulated network of mortgage and general insurance brokers	100%
TenetRetirement Solutions Limited	England and Wales	Provision of financial advice	100%
TenetSelect Limited	England and Wales	Professional and administration services	100%
The Employee Benefits Corporation Limited	England and Wales	Provision of financial advice	65%
TSS Accounts Limited	England and Wales	Administration services	100%

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

12 FIXED ASSET INVESTMENTS (CONTINUED)

Tenet Group Limited direct subsidiaries own the whole of the issued share capital in the indirect subsidiaries below, except The Employee Benefits Corporation Limited which is 65% owned

Name	Class	Number held
Aspire Financial Management Limited	Ordinary of £1 each	1
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	1,542,416
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
The Employee Benefits Corporation Limited	Redeemable of £1 each	1,700
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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
	£	£	£	£
Due within one year				
Trade receivables	18,904,696	15,853,641	-	-
Allowance for doubtful debt	(4,428,798)	(2,306,582)	-	-
Amounts owed by group companies	-	-	2,180,502	7,226,856
Other debtors	202,234	78,019	182,268	57,056
Prepayments and accrued income	845,318	737,490	-	1,500
Corporation tax	-	-	-	-
Deferred tax asset	367,560	261,720	-	-
	15,891,010	14,624,288	2,362,770	7,285,412

Included in trade receivables is £4,405,305 (2011 £4,217,932) that relates to amounts recoverable in relation to commission clawbacks (see Notes 2, 3 and 16) and £6,956,822 (2011 £4,473,511) that relates to amounts recoverable in relation to claims payable (see Notes 2, 3 and 16) and £1,581,847 (2011 £1,713,626) 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 £240,076 (2011 £258,528) 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 £224,772 (2011 £239,712), whilst £15,456 (2011 £18,816) 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 (2011 £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 2012	Year ended 30 September 2011
	£	£
Group		
Opening balance	2,306,582	1,877,955
Amounts owed by debtors resulting in an increase in the provision	2,917,926	1,180,960
Amounts written off during the year	(395,636)	(276,222)
Amounts recovered during the year	(400,074)	(476,111)
Closing balance	4,428,798	2,306,582

14 CASH AND CASH EQUIVALENTS

Included within cash at bank and in hand is £4,028,169 (2011 £7,000,000) of short and medium-term fixed deposit investments and £nil (2011 £311,541) held in individual bank accounts on behalf of customers of TenetSelect Limited, a subsidiary company

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

15 TRADE AND OTHER PAYABLES

	Group		Company	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
	£	£	£	£
Trade payables	4,948,748	5,800,946	-	-
Amounts owed to group companies	-	-	629,979	4,300
Other taxation and social security	69,444	40,831	-	167
Other creditors	2,996,055	1,179,440	96,376	91,945
Accruals and deferred income	2,500,802	1,770,004	1,200,364	177,761
	10,515,049	8,791,221	1,926,719	274,173

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

16 PROVISIONS FOR LIABILITIES

Group	Restructuring provision	Claims payable provision	Commission clawback provision	Total
	£	£	£	£
Group				
At 1 October 2011	812,331	6,640,351	4,660,335	12,113,017
Utilised in the year	(708,476)	(1,764,214)	(2,260,806)	(4,733,496)
Released in the year	-	(603,955)	(4,000)	(607,955)
Added in the year	663,868	4,831,289	2,479,345	7,974,502
	767,723	9,103,471	4,874,874	14,746,068

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 6 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 TenetRetirement Solutions Limited, the policy excess is usually recovered from the Appointed Representative and/or financial adviser responsible for the individual case The provision includes the exceptional redress provision relating to Arch Cru and Key Data 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 TenetRetirement 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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

17 SHARE CAPITAL

	30 September 2012 £	30 September 2011 £
Authorised		
Equity Shares		
367,852,700 (2011 367,852,700) 'A' Ordinary shares of £0 0001	36,875	36,785
250,000,000 (2011 250,000,000) 'B' Ordinary shares of £0 0001	25,000	25,000
	61,785	61,785
Allotted, called up and fully paid		
Equity Shares		
15,215,669 (2011 15,215,669) 'A' Ordinary shares of £0 0001	1,521	1,521
232,097,345 (2011 232,097,345) 'B' Ordinary shares of £0 0001	23,210	23,210
	24,731	24,731

'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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

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 2012		30 September 2011	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases that expire				
Within one year	3,613	178,818	1,488	225,670
In the second to fifth years inclusive	417,148	212,993	873,939	146,091
Over five years	387,576	-	-	-
	808,337	391,811	875,427	371,761

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	26,659,792	(2,224,964)	24,434,828
	26,659,792	(2,224,964)	24,434,828

20 HOLDING COMPANY INCOME STATEMENT

The consolidated income statement includes a loss of £2,766,190 (2011: loss of £1,291,988) 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 2012 the total amount recoverable by Barclays Bank PLC was £nil (2011 £nil)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

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 2012 £	Year ended 30 September 2011 £
Net amounts owed by Group Companies at start of financial year	7,222,556	7,293,843
Receipts from Group Companies	24,629,542	24,507,015
Payments to Group Companies	(30,301,575)	(24,578,302)
Net amounts owed by Group Companies at end of financial year	1,550,523	7,222,556

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

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 2012 £	30 September 2011 £
Financial Assets		
Cash	24,434,828	26,659,792
Loans and receivables from trade customers	7,744,803	7,183,565
	32,179,631	33,843,357
Financial Liabilities		
Amounts owed to trade customers	5,643,907	6,416,927
	5,643,907	6,416,927

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

	30 September 2012 £	30 September 2011 £
Financial Assets		
Cash	4,400,587	6,508,589
Loans and receivables from group companies	2,180,502	7,226,856
Loans and receivables from trade customers	182,268	57,056
	6,763,357	13,792,501
Financial Liabilities		
Loans and amounts owed to group companies	629,979	4,300
Amounts owed to trade customers	96,376	91,945
	726,355	96,245

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

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 £77,826 of collateral over trade receivables (2011. £87,434)

The maximum Group exposure to credit risk at the reporting date was £32,179,631 (2011 £33,843,357) 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 £6,763,357 (2011 £13,792,501) 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 2012 £	30 September 2011 £
Group		
0 50% increase	130,008	138,255
0 50% decrease	(130,008)	(138,255)
Company		
0 50% increase	22,753	61,293
0 50% decrease	(22,753)	(61,293)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

25 ANALYSIS OF CASHFLOWS

Group

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Cash flows from operating activities		
Loss on ordinary activities after taxation	(4,437,621)	(224,486)
Adjustments for		
Tax credit	(105,840)	(66,323)
Depreciation, amortisation and impairment charges	704,884	499,851
Increase in provisions for liabilities	1,966,183	1,113,717
Loss on disposal of plant and equipment	-	80,567
Interest receivable	(429,780)	(501,981)
Interest expense	76	7
Operating cash flows before movements in working capital	(2,302,098)	901,352
Decrease in trade and other receivables	(1,079,013)	(159,126)
Increase/(decrease) in trade and other payables	1,967,042	(599,052)
Cash (used in)/generated by operations	(1,414,069)	143,174
Taxation received	-	46,359
Interest paid	(76)	(7)
Net cash (used in)/generated by operating activities	(1,414,145)	189,526
Investing activities		
Interest received	451,752	437,343
Cash advances and loans made to other parties	(1,168,179)	(2,111,176)
Repayments of cash advances and loans	1,359,710	1,296,307
Purchase of property, plant and equipment	(648,072)	(1,234,808)
Purchase of Current Investment	-	270,550
Intangible acquisition funding provided	(649,000)	-
Investment in subsidiary company	(157,030)	-
Net cash used in investing activities	(810,819)	(1,341,784)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

25 ANALYSIS OF CASHFLOWS (CONTINUED)

Company

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Cash flows from operating activities		
Loss on ordinary activities after taxation	(2,766,190)	(1,291,988)
Adjustments for		
Tax expense	24,503	-
Dividends received from subsidiary undertakings	-	(298,366)
Interest receivable	(241,019)	(267,124)
Operating cash flows before movements in working capital	(2,982,706)	(1,857,478)
Decrease in trade and other receivables	4,897,853	1,807,135
Increase/(decrease) in trade and other payables	1,652,546	(1,508,205)
Cash generated by/(used in) operations	3,567,693	(1,558,548)
Taxation paid	(24,503)	-
Net cash generated by/(used in) operating activities	3,543,190	(1,558,548)
Investing activities		
Interest received	265,808	212,271
Dividends received from subsidiary undertakings	-	298,366
Net cash generated by investing activities	265,808	510,637
Financing activities		
Intra Group Loan Write Off	(5,917,000)	-
Net cash used in financing activities	(5,917,000)	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2012

26 ACQUISITION OF SUBSIDIARY

On the 25th September 2012 the Group acquired 60% of the share capital of The Employee Benefits Corporation Ltd "EBC", thus obtaining control The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below

	Year ended 30 September 2012 £	Year ended 30 September 2011 £
Total identifiable assets	(40,485)	-
Adjustment for assets distributable to Non-Controlling Interests	13,831	-
Goodwill	196,654	-
Total Consideration	170,000	-
Net cash outflow arising on acquisition		-
Cash Consideration	170,000	-
Less Cash and cash equivalent balances acquired	36,839	-
	206,839	-

As a result of the acquisition of EBC, a Non-Controlling Interest has been recognised at the balance sheet date