Company Registration No. 3909395

TENET GROUP LIMITED

Report and Financial Statements

30 September 2009

Deloitte LLP
Leeds

TENET GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

G S Clarkson

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AUDITORS

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BUSINESS PHILOSOPHY

Our core values and objectives are

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

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

Our key stakeholders are

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

CHAIRMAN'S STATEMENT

My statement last year was written as the economic tempest reached its height Only in the second quarter of 2009 did the storm begin to abate Therefore, this set of results needs to be considered against this very adverse background

So I am pleased to report that Tenet had another profitable year with a pre-tax profit of £1 006 million against £2 839 million in the prior year Our balance sheet remained strong with net assets of £34 million and, no less importantly, the Group's cash balances improved to £28 4 million The extent of this achievement can best be shown by the fact that during the year a number of our major competitors were forced into administration

But mere survival is not good enough for Tenet and during the year some important steps were taken to position the Group for 2012 and beyond, by which time the new regulatory regime is expected to be in place Tenet's future is based on four foundation stones – a strong balance sheet, first class human resources, a well-respected business offering and reliable, scaleable IT systems We support both mortgage and investment advisers through a diverse range of business channels Our prudent approach to financial advice standards and our technical product research has enabled the Group and its financial advisers to avoid some of the pitfalls seen in the industry

Given these strengths, Tenet should now be set to thrive Further, during the year, the Financial Services Authority published its final consultation paper on its Retail Distribution Review and the long awaited revisions to the Prudential Rules were also finalised after extensive consultation The combined effect of these two exercises should give real impetus to the Group And, of course, Tenet's investment in new business activities, such as Sinfonia and Paragon, offers exciting growth prospects for the business

Looking forward, while we may have seen the worst of the economic recession, the future is far from clear Is it inflation or deflation that we have to plan for? Can we expect a general, if slow, recovery from this point or are we facing a double dip, W shaped economic future?

To continue to succeed in this uncertain environment the Board relies on the continuing efforts of the Company's staff, so I would like to take this opportunity to thank every member of the Tenet team for the support they have demonstrated during the past twelve months Not only have these been challenging economic times but, at the same time, regulatory change is transforming the industry Without the commitment and enthusiasm of all our staff, we could neither have maintained the performance of the business nor laid the foundations for future development

In times such as these, we have to remain alert to every shift in conditions Flexibility and swiftness of reaction will be at a premium We have to plan for the worst and hope for the best The past year has shown our ability to meet adversity so I am cautiously optimistic that we can meet future challenges as they arise I hope when I write again in twelve months time that some of the fog currently clouding the economic battlefield will have begun to clear so that we can continue to build the business with more confidence and certainty

LORD HODGSON OF ASTLEY ABBOTTS

CHAIRMAN

CEO OVERVIEW

Introduction

In the previous Report & Financial Statements, I commented that it was to be hoped that the actions taken by central governments in the autumn of 2008 to shore up the credit markets and provide a fiscal stimulus would restore sufficient confidence to avoid a severe slump in the global economy Although the subsequent period through to the end of Spring of 2009 was tough, it could have been much worse For the moment, most people seem to have recovered from the unpleasant shock of the economy actually going into recession and we have seen a tentative lift in confidence levels (and house prices)

However, it is still far from clear how events will unfold over the medium term and the Board remains cautious given the fragility of the current economic position the exchange rate remains vulnerable, interest rates are at an unsustainably low level, unemployment levels are increasing to levels many voters and workers will not have experienced before, and, finally, government finances are so weakened that reductions in government spending and increases in taxation will be with us soon regardless of the outcome of the next general election

The Board remains concerned that the bounce in confidence levels which has developed during 2009 simply reflects the current hiatus in the economy and that developments in 2010 may provide a painful reminder that the road to recovery will be a long one Against this potentially tough backdrop, the Tenet Group Board still believes that the financial advisory sector can flourish as clients endeavour to re-construct their savings portfolios and/or address a mountain of personal debt

Tenet offers a wealth of business and marketing support for financial advisers who want to address the challenges of the market proactively whilst also offering them certainty and a safe haven during these challenging times The business is well capitalised and carries substantial cash balances so that not only can short-term shocks be absorbed but also capital is available to take advantage of new opportunities

This availability of capital will be of critical importance to financial advisory businesses over the next few years, as they will be operating against a difficult economic backdrop at the same time that the Financial Services Authority demands a revolution in their business models Tenet Group has already begun its work in anticipation of the new regulatory framework envisaged by the Retail Distribution Review Our aim is to offer financial advisers the ability to play to their strengths in the new regime and to minimise the disruption its adoption will create

Critical to our past and future success is the performance of our staff and directors which continues to be tremendous It has been our people who have delivered a good result in difficult times and the Board would like to recognise the contribution they make to the Group's ongoing success

Developments over the Last 12 Months

The Group has been extremely active in ***addressing two major strands of regulatory change proposed by the Financial Services Authority***

- The first of these relates to ***changes in the Prudential Rules for Personal Investment Firms***, the aim of which is to improve the quality and quantity of capital resources held by firms directly authorised by the Financial Services Authority to give investment advice The proposed changes are expected to bring the amount of good quality capital required to be held by every Personal Investment Firm up to the same standard as that held by IFA networks, such as The M&E Network Limited and Interdependence Limited The Board believes that such changes would be beneficial to consumers and the industry at large, removing a bias towards smaller, less well resourced firms It is also to be hoped that as the capitalisation of firms improves, the cost to the industry of the Financial Services Compensation Scheme will reduce The nature of the consultation by the Financial Services Authority was extremely technical and Tenet was engaged heavily in the process, responding in full in early 2009

CEO OVERVIEW (CONTINUED)

Developments over the Last 12 Months (continued)

- The second strand of regulatory change was a more fundamental review of how financial advice is provided in the UK, ***the Retail Distribution Review*** The intention of the proposed changes is to ensure that investment advice in the future is given by better qualified, fee charging financial advisers This will require wholesale changes to the business models currently adopted by most Personal Investment Firms and the market disruption which will ensue could be significant Over the past twelve months, the Tenet Group has lobbied hard on behalf of its financial advisers to try to influence the outcome of the review to minimise disruption where it is not required and to push for a practical solution to the issues that the Financial Services Authority is endeavouring to address A full response was submitted to the consultation paper issued in 2009 and the work of the Group in the autumn of 2009 turned towards preparatory work for implementation of the likely necessary changes

Despite the temptation to stand still before the implementation of the Retail Distribution Review, the ***service offering of Tenet's historic businesses*** has continued to be refined The Board has taken the view that in the current economic climate, no business can afford to be complacent A few of the notable developments in the business are

- ***A full technology review*** has been undertaken to identify the best front end and customer relationship management systems to integrate with the Group's back office system, OfficeNet This review has recently concluded and is now moving to implementation The introduction of a fully integrated front end system will offer the group's financial advisers the opportunity to save costs, improve data capture and storage and automate some compliance procedures The Board believes that the Group's financial advisers will see this innovation as a welcome step forward whilst also proving attractive to those financial advisers who are considering joining Tenet
- The Group has been concerned about the impact of the "credit crunch" and, as a consequence, ***the Group has launched a number of financial support packages for the Appointed Representatives of its three networks*** These are tailored to the individual needs of the networks' firms and range from "Credit Crunch Loans", aimed at replacing bank overdrafts, through to bespoke financial support for member firms looking to raise finance for the acquisition of the client banks of other firms Given the inherent risks of such lending, particularly during a recession, the credit management of this activity is undertaken carefully
- The business continues to improve the strength and depth of its human resources and the past year has seen a number of key appointments in the senior management team In addition, ***the Group has continued its efforts with regard to staff development*** more generally, launching its Management Development Programme in late 2008 This programme is a major investment by the Group and is intended to develop and coach all staff who have any managerial responsibility within the Group It is an intensive programme run over a sustained period in conjunction with local colleges and is now into its second round of training

More recently established business activities within the Group continue to develop, too

- ***Sinfonia Asset Management has now traded for one full financial year*** and is becoming established within the market Technical issues with the service offering were addressed early after its launch and the past twelve months have seen the company's efforts primarily focused upon improved support for financial advisers using the system In view of the market conditions we have endured since Sinfonia began trading, its performance has been pleasing with funds under management reaching £35 million as at 30th September 2009
- Having been established in September 2008, the Group's captive professional indemnity insurer, Paragon, has completed its first year's trading, contributing a profit to the Group's performance This was achieved in difficult market conditions and at a time when the claims track record of the industry as a whole has deteriorated The formation of Paragon has been opportune as professional indemnity insurance markets have begun to harden substantially, meaning that for many firms the cost of such insurance has risen sharply whilst the value of cover has reduced ***In 2009, as a consequence of having invested in Paragon, Tenet was able to announce a reduced premium for its IFA network members whilst maintaining the overall quality of cover***

CEO OVERVIEW (CONTINUED)

Developments over the Last 12 Months (continued)

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

Prospects

The Financial Report on Business Performance gives some detail of the Group's results over the last twelve months In view of current market conditions, the Board believes that this has been a creditable performance Equally, the Board believes that the business is well positioned and that its prospects are sound

- ***The Competitive Environment*** – the current financial strength of the Tenet Group in terms of both its profitability and capitalisation gives significant comfort that not only will the business be able to ride out the recession, but perhaps even benefit from it as capacity comes out of the market The last twelve months has seen a number of high profile insolvencies, most notably Network Data Limited and The Money Portal Limited, and it is likely that more firms will exit the market before the upturn comes More positively, tough market conditions may also throw up attractive acquisition opportunities during the next twelve months These will be pursued but we will continue to be vigilant when assessing potential transactions to ensure that they are right for the Group

- ***The Regulatory Environment*** – the Group has devoted significant resources to recruiting new advisers and this has started to bear fruit However, it is expected that the new Prudential Rules and the implementation of the Retail Distribution Review will supplement this success over the next few years, as such rules are expected to favour well-resourced businesses Similarly, as the regulation of the mortgage market has started to mature, mortgage brokerages are increasingly seeking the support of large well run networks An increase in adviser numbers should improve turnover and increase profitability

- ***Internal organisation*** – the Group is now well resourced, with good IT systems, a high quality of human resource and considerable financial capacity These resources will continue to be used to develop the Group's service offering, over the next twelve months, particular emphasis will be placed upon preparing for the implementation of the Retail Distribution Review to minimise the disruption this might have on the Group and its Appointed Representatives A further key initiative, which looks forward to the trading environment a few years from now, is a major re-branding exercise of our historic businesses This is intended to make these service offerings more relevant to the needs of different classes of financial advisory firms Finally, the other key development expected during 2010, as noted above, will be a major upgrade of the business' front-end IT systems which should improve the recruitment of new advisers and the retention of existing advisers I expect to be able to comment in more detail on these initiatives in twelve months' time

CEO OVERVIEW (CONTINUED)

Prospects (continued)

- *New service offerings* – the Group continues to look for opportunities for generating additional income in response to market demands In this regard, Tenet is now actively developing two key initiatives to assist financial advisers in a meaningful way with retirement solutions The first of these relates to ***offering "run off cover" to financial advisers*** who wish to exit the industry, this type of insurance has historically been hard to procure, leaving individual advisers exposed to unwelcome personal liabilities in their retirement The second initiative relates to ***offering practice buy-outs to retiring financial advisers***, supporting either a management buy-out of their practice or a direct purchase by Tenet Group
- *Sinfonia Asset Management* – it is expected that the funds under management in the Sinfonia IFSL OEIC will grow significantly in the next twelve months and that the income generated by Sinfonia's business activities will start to offset the cost incurred in developing this venture Growth is to be expected partly as activity rates in the investment market recover to more normal levels, and also as Sinfonia gains traction amongst financial advisers The directors do not expect that Group resources devoted to Sinfonia will fall sharply over the forthcoming twelve months, but it is expected that Sinfonia will be moving towards a breakeven point by this time next year
- *The Economic Landscape* – the deterioration in the equity and housing markets in the six months or so following September 2008 had a notable impact on the activity rates of the Group's financial advisers and, therefore, the Group's turnover This trend appears to have halted and begun a tentative reversal Clearly, the economy and adviser activity rates will improve over the medium term and this will naturally benefit the Group's profitability However, as noted above, the Board does not expect such a recovery to be swift and has some concerns that any current improvements seen in economic performance may be short lived

Summary

2009 was a challenging year for Tenet, as the Group grappled with demanding economic conditions and engaged in the debate regarding significant regulatory change Our staff and directors have worked tirelessly and professionally to successfully deal with these demands and, as a consequence of their efforts, the Group has emerged from the last financial year stronger and fitter the Board thank them for their efforts

I also believe that the events of 2009 have made Tenet more confident of both its position in the industry as well as the long-term prospects of the sector So, although the directors remain concerned regarding the economic climate, it is with some confidence that we look forward to the opportunities and challenges of 2010

SIMON HUDSON

GROUP CHIEF EXECUTIVE

FINANCIAL REPORT ON BUSINESS PERFORMANCE

INTRODUCTION

In the light of general economic conditions endured during 2009 and the Group's continuing investment into Sinfonia Asset Management Ltd ("Sinfonia"), the performance of the Group in the financial year to 30th September 2009 was pleasing The Group reported a pre-tax profit of £1 006 million (2008 £2 839 million) in contrast to many of its competitors which remained or became loss making during this period

Sales levels and net interest income declined during the period under review, the former due to the condition of the housing and equity markets and the latter due to the significant reductions in the Bank of England's base rate to historically low levels In order to mitigate this, the Group devoted attention to improving its gross margins and carefully controlling its overhead costs As a consequence of this, gross margins rose to 24 1% (2008 23 2%) whilst overheads fell to £18 0 million from £19 7 million

Net assets improved to £34 0 million (2008 £33 0 million) with retained profits of £0 991 million (2008 £2 004 million) This performance is after taking into account the costs of investing in new business activities of £1 376 million (2008 £1 745 million)

FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2009

Key features of the performance of the business for the year ended 30th September 2009 compared to the previous financial year are

- Sales fell from £92 5 million to £76 3 million as the ***average sales per financial adviser*** within the three regulated networks continued to slide following the "credit crunch" This trend halted in the summer of 2009 and a tentative recovery in activity rates continues to be enjoyed, the benefit of which should be seen in the financial performance of the Group in the year to 30th September 2010 The impact on the Group of falling sales activity was mitigated by significant attention paid to improving gross profit margins, which rose to 24 1% (2008 23 2%) and reducing overhead costs in the network businesses, which fell to £18 0 million (2008 £19 7 million)
- A further feature of the financial year to 30th September 2009 was the steady outflow of financial advisers from the Appointed Representative firms of the three networks as these firms focused their efforts on improving the quality of their advisers To a large degree this was mitigated by the recruitment of new Appointed Representatives ***and a notable feature of the period under review was the stability in adviser numbers across the three networks*** Whilst the loss of advisers from existing Appointed Representatives is a short-term disappointment to the Group, it is more important in the long run for Tenet's networks that the financial performance of their Appointed Representatives remains resilient
- ***Premier bucked the trend of the prevailing economic climate with a growth in fee income of 7.5%*** This performance was attributable to the investment into sales and marketing across the Group over the last few years Combined with the benefit of a restructuring of this business' operations, the improvement in fee income resulted in Premier reporting operating profits in each month of the last quarter in the financial year and yielded a reduction in Premier's full year losses of almost £0 25 million
- ***Sinfonia completed its first full financial year of trading, attracting funds under management of almost £35 million by 30th September 2009.*** This performance is seen by the directors to be creditable in the context of the market conditions endured since the launch of Sinfonia in June 2008 Although the cost of supporting this investment continues to be material at £1 376 million (2008 £1 729 million), it remains within expectations It is likely that the cost of supporting Sinfonia will remain high in the financial year to 30th September 2010 but it is believed that Sinfonia's ongoing success in attracting new investments will see this business make rapid strides towards breakeven over the next twelve months The Board remains confident that Sinfonia will offer Tenet and its customers significant advantage over the medium term which justifies this expenditure

FINANCIAL REPORT ON BUSINESS PERFORMANCE (CONTINUED)

FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2009 (CONTINUED)

- ***Paragon Insurance Company Guernsey Limited ("Paragon") completed its first financial insurance policy year providing "base layer" cover to Tenet Group companies.*** The structure of the policy utilises an alternative risk transfer structure, the use of historic reserves enabled the Group to absorb the elevated level of claims experienced during 2009 without the cost of these claims impacting directly on Group performance Furthermore, Paragon was able to generate successfully a first year pre-tax profit, justifying the capital commitment of £4 million by the Group to this company This capital will remain at risk so long as the captive insurance company continues to provide the Group with Professional Indemnity Insurance The Group continues to take extensive professional advice in the running of this company and the premium charged to the rest of the Group is calculated on an arms length basis Whilst no guarantees can be given that the Group's capital will not be utilised on insurance claims, it is believed that the premium it is charging is set at a commercial rate

- The other notable feature of the financial performance of the Group in the period under review is ***the reduction in net interest income to £0 630 million (2008: £1.099 million)*** following the reduction in the Bank of England's base rate to a historic low of 0 5% Early in the year, the Group's Treasury management was re-organised to address the risks posed by the banking crisis in the autumn of 2008 so that the Group's bank deposits were spread across a number of institutions and this policy was developed further to mitigate the impact of falling interest rates to the maximum extent possible A number of investment vehicles other than bank deposits were evaluated to generate additional revenues for the Group, but in light of the financial resource requirements for the regulated businesses, these were deemed not suitable If interest rates continue at their existing low levels for the financial year to 30th September 2010, it is likely that net interest income will reduce further

In conclusion, the performance of the business in the year ended 30th September 2009 demonstrated that Tenet responded well to the demands placed on it by the recession and has underlined the ongoing strength of its business model The Group continues to have the financial stamina to devote significant investment in overheads and capital to new businesses activities, this enables the directors to take a long-term view of the industry and how the business can be best positioned as the economy emerges from recession and the financial advisory sector embraces regulatory change

THE CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2009

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

- ***Capital Strength:*** the net assets of the Group rose to £34 0 million during the financial year ended 30th September 2009 (2008 £33 0 million) The increase in the capital base of the business was attributable to the level of retained profits during the last financial year The directors believe that the Group's financial strength is amongst the best in the IFA sector

- ***Liquidity:*** the net current assets of the Group improved to £31 7 million (2008 £28 1 million), with cash balances net of debt improving to £28 4 million (2008 £23 7 million) Although balance sheet strength is a key ingredient to a successful business, the directors believe that in the financial advisory sector strength in liquidity is critical if the needs of retail consumers and financial advisers are to be properly addressed

- ***Goodwill:*** the Group continues to carry substantial acquired consolidated goodwill as a result of its acquisition strategy The directors continue to carefully monitor the value of such goodwill for impairment and have concluded that no such impairment is required in the financial year ended 30th September 2009

In summary, the directors believe that the balance sheet of the Group is well structured and capitalised to support the Group's strategy going forward

FINANCIAL REPORT ON BUSINESS PERFORMANCE (CONTINUED)

CONSOLIDATED CASH FLOW FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2009

The cashflow of the Group benefited from both positive trading results and the formation of Paragon, as historic cash reserves associated with the alternative risk transfer structure were transferred to the Group with the novation of the insurance policy from the previous insurance underwriters Cash in the period increased by £4 7 million of which £4 3 million related to the formation of Paragon The Group's cashflow remained satisfactory in the opinion of the directors

DIVIDEND POLICY

It remains the policy of the Board of Directors to retain cash and profit generated by the Group for the financing of new business initiatives and to support the Group's acquisition strategy As a consequence, it is intended that no dividend be declared

FINANCIAL RESOURCES OF THE REGULATED NETWORK BUSINESSES AT 30 SEPTEMBER 2009

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

At 30th September 2009, the statutory accounts of each of the Group's three regulated networks (The M&E Network Limited, Interdependence Limited and Lifetime Insurance Mortgage Experts Limited) confirmed that each of them satisfied their relevant regulatory financial resources requirements

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

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

PETER LANE

GROUP COMMERCIAL DIRECTOR

REVIEW OF CORPORATE GOVERNANCE AND RISK MANAGEMENT

CORPORATE GOVERNANCE

Throughout the period to 30th September 2009 the Group continued to develop its governance processes Most notably, a thorough review of the activities of the Audit Committee was undertaken along with a review of the management of the Group's risk management systems and controls Consequently, the remit of the Audit Committee was extended and a Risk Committee created with greater focus on risk mitigation and regulatory standards This new structure was adopted to ensure a consistent approach to the management and categorisation of risk across the Group

Key features of the way the Group governs itself are reported below

Directors

The Group is controlled through the company's Board of Directors which comprises the non-executive Chairman, the executive directors and two non-executive directors The Board normally meets every month All directors receive sufficient relevant information on financial, business and corporate issues prior to meetings and are able to take independent professional advice in the furtherance of their duties, if necessary

The Board

The Board is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure and significant financing matters It monitors exposure to key business risks and reviews the strategic direction of individual trading activities, annual budgets and progress towards achieving them, and employee issues including key executive appointments The Chief Executive is ultimately responsible for running all aspects of the Group's business and for implementing Group strategy

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

The Audit Committee

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

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

REVIEW OF CORPORATE GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

The Remuneration Committee

The Remuneration Committee reviews the Group's remuneration policy, the main purpose of which is to attract, retain and motivate high calibre individuals with a competitive remuneration package whilst limiting the Group's fixed employee costs The Committee consults other directors as necessary about its proposals and has access to professional advice from outside the company The Committee makes recommendations to the Board regarding remuneration policy, including annual salary reviews, bonus awards and other incentives for employees The Committee is chaired by a non-executive director and includes the other non-executive directors, no executive director is a member of the Committee

Directors' remuneration

The remuneration packages of directors and other executives comprise a basic salary, pension contributions and other benefits in kind The directors are also eligible to benefit from the staff share option scheme The executive directors benefit from performance related bonus awards No director plays a part in any discussion about his or her own remuneration

The Corporate Governance Committee

The Corporate Governance Committee has oversight of the Group's affairs, with particular reference to the aspects of the Combined Code which are relevant to the Group In addition, the Committee is responsible for conflicts management procedures within the Group and makes recommendations to the Board as to the resolution of any conflicts of interest and the improvement of corporate governance standards within the Group The composition of the Committee includes G S Clarkson as Chairman, representatives of the principal shareholders of the Group and the non-executive directors

The Nomination Committee

The Nomination Committee comprises the non-executive directors and meets on an ad hoc basis to consider changes to the Board of Directors, if any

The Annual General Meeting of the Shareholders

The Board welcomes the attendance of shareholders at the Annual General Meeting and the opportunity to address any questions that they may have The Chairmen of the Audit, Corporate Governance and Remuneration Committees attend each Annual General Meeting and are available to take questions

REVIEW OF CORPORATE GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

RISK MANAGEMENT

The Board is responsible for the Group's systems of internal control and for reviewing their effectiveness whilst the recent revision to the mandate of the Audit Committee has devolved to that Committee responsibility for commissioning specific internal and external audit activities

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

Financial information

The Board reviews and approves a detailed annual budget covering all aspects of the Group The Group operates a comprehensive financial reporting system and management accounts are prepared for each subsidiary company and the Group on a monthly basis Material variances from budget are fully investigated The monthly management accounts and commentary compare actual results against budget and are reviewed by the Board, which determines appropriate action Cash flow forecasts are regularly prepared to ensure that the Group has adequate funds and resources for the foreseeable future

Subsidiary boards

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

Risk management

The Group has established a Risk Committee the role of which is to examine and challenge the processes, systems and controls of the Group and aims to identify operational and financial risk The Committee reviews the Group's Risk Register and receives additional information on relevant risk matters from line management and other sources on a regular basis A non-executive director, M J Greenwood, chairs the Committee and the minutes of the meetings of this Committee are circulated to, and reviewed by, the Board.

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

a) Internal audit

Although standard financial control and compliance procedures operate throughout the Group to ensure the integrity of these functions, the directors have reviewed the need for an internal audit function and believe that the Group is not of sufficient size or complexity to justify a dedicated internal audit function However, most Group activities are the subject of internal reviews which are considered by the Audit Committee which also commissions additional reporting with a view to ensuring that critical regulatory and financial systems and controls procedures are reviewed regularly

b) Legal contracts

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

c) Commercial and financial risks

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

REVIEW OF CORPORATE GOVERNANCE AND RISK MANAGEMENT (CONTINUED)

RISK MANAGEMENT (CONTINUED)

Regulatory management

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

Health & safety

The Group has established a Health & Safety Committee the role of which is to ensure that the Group meets its statutory obligations in relation to Health & Safety legislation and that employees are adequately trained in, and aware of, relevant requirements and also to promote employee welfare This Committee meets quarterly and the company encourages employees to participate in these meetings

Computer controls

The Group has established controls over the security of data held on computer systems and has in place disaster recovery procedures in respect of such data

GEOFFREY CLARKSON

DIRECTOR & COMPANY SECRETARY

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 2009

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 22, in comparison to the prior financial period, the Group's annual sales have decreased by 17% primarily as a consequence of prevailing economic conditions Profit before tax has reduced to £1 006 million after the Group incurred costs of £1 376 million in relation to supporting the start up phase of Sinfonia Asset Management Ltd

The balance sheet on page 23 shows that the Group's financial position at the year end in cash terms has increased by £4 674 million to £28 413 million (2008 £23 739 million), whilst net assets have increased by £0 991 million to £33 959 million (2008 £32 968 million) Details of amounts owed to and by other Group companies are shown in Note 13 and Note 15 A number of Group companies are regulated by the Financial Services Authority and commentary on financial resources requirements and compliance issues are referred to in the Financial Report on Business Performance and the Review of Corporate Governance and Risk Management

Non-financial indicators of the Group's performance in respect of the Environment, Employees and Payment of Suppliers are referred to below

Note 2 includes details of key assumptions used in the preparation of the Group's financial statements Note 3 details the principal risks and uncertainties facing the Group and the company Note 4 details major items of risk for which certain Group companies carry a provision, 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 ample 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 26

The Group's directors believe that further key performance indicators for the Group are not necessary or appropriate for an understanding of the development, performance or position of the business

RESULTS AND PROPOSED DIVIDENDS

The results for the year are dealt with in the income statement on page 22

The directors do not recommend the payment of a dividend (2008 £nil)

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, with more frequent informal reviews during each year For the majority of staff, the payment of bonuses is based upon the results of these appraisals, which also assists employees in measuring their achievement of corporate objectives For other staff, discretionary performance related bonus schemes are operated where the payment of bonuses is related to the achievement of specific business targets

The appraisal system facilitates the identification of training and development needs for all employees through the production of individual Personal Development Plans and is an integral part of the company's staff development policy across all Group companies

Employment Policies

The Group's policy on employee involvement is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Group's operations One to one meetings with management and regular team briefings ensure that effective consultation and employee participation is achieved

Employment policies are designed to provide equal opportunities irrespective of age, colour, ethnic or natural origin, nationality, sex, religion, and marital or disabled status Full consideration is given to applications for employment by and the continuing employment, training and career development of disabled people

Health and Safety

The Group recognises both its legal and moral responsibility for the health, safety and welfare at work of all employees The Group's responsibility also extends to other associated third parties (such as sub-contractors and the general public) for which it has a duty of care

As such, the Group promotes high standards of health and safety at all times in the conduct of its business The Group's policy is to meet all its legal obligations and it is the Group's policy to adopt safe working practices and operations, including the use of plant, machinery and equipment

Employees are given information, instruction, training and the supervision necessary for their health and safety All employees are aware of, and comply with, their individual and collective responsibilities and have a clear duty to take reasonable precautions to avoid injury to themselves, colleagues and members of the public All Group vehicles are maintained 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 £450 (2008 £1,310)

PAYMENT OF SUPPLIERS

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

DIRECTORS' INDEMNITIES

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

DIRECTORS

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

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

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, especially one operating in the financial services sector As such an extended going concern statement has been prepared for the first time in the current year

As highlighted in the Chairman's Statement and CEO Overview, although the current economic conditions create uncertainty in respect of the level of demand for financial services products the Group has a profitable business model and a strong balance sheet and cash position The Group's forecasts and projections, including sensitivity analysis taking into account reasonably possible adverse changes in trading performance, show that the Group should continue to trade profitably in future years despite the current uncertain economic outlook As a consequence, the directors believe that the Group is 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 Chairman's Statement, CEO Overview, Financial Report on Business Performance and Directors' Report on pages 3 to 18 The financial position of the Group, its cash flows and its liquidity position are described in the Financial Report on Business Performance In addition, Note 27 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 £28 4 million of cash at bank, net assets of £34 0 million, 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 U K, 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 AUDITORS

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

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

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

P W Lane
Director
23rd December 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TENET GROUP LIMITED

We have audited the financial statements of Tenet Group Limited for the year ended 30 September 2009 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, and the related notes 1 to 28 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 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 sections 495 and 496 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 auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 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 (APB'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

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2009 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and,
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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 Auditors

Leeds

United Kingdom

23rd December 2009

CONSOLIDATED INCOME STATEMENT
Year ended 30 September 2009

	Note	Year ended 30 September 2009 £	Year ended 30 September 2008 £
GROUP REVENUE	2	76,331,866	92,455,087
Cost of sales		(57,912,688)	(71,024,804)
Gross profit		18,419,178	21,430,283
Administrative expenses		(18,042,511)	(19,690,722)
GROUP OPERATING PROFIT		376,667	1,739,561
Interest receivable and similar income	6	651,262	1,146,225
Interest payable	7	(21,683)	(46,997)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	1,006,246	2,838,789
Tax expense	9	(15,010)	(834,317)
PROFIT ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY		991,236	2,004,472

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

All amounts relate to continuing operations

The accompanying notes form an integral part of these financial statements

TENET GROUP LIMITED

CONSOLIDATED BALANCE SHEET
At 30 September 2009

	Note	30 September 2009 £	30 September 2008 £
NON-CURRENT ASSETS			
Intangible fixed assets	10	11,483,150	11,531,362
Property, plant and equipment	11	718,150	887,098
Investments	12	15,020	15,020
		12,216,320	12,433,480
CURRENT ASSETS			
Trade and other receivables	13	12,604,482	14,538,390
Cash and cash equivalents	14	28,413,467	23,739,077
		41,017,949	38,277,467
CURRENT LIABILITIES			
Trade and other payables	15	(9,268,027)	(10,210,152)
NET CURRENT ASSETS		31,749,922	28,067,315
NON-CURRENT LIABILITIES			
Provisions for liabilities	16	(10,007,445)	(7,533,234)
NET ASSETS		33,958,797	32,967,561
EQUITY			
Equity shareholders' funds			
Called-up share capital	17	24,731	24,731
Share premium account	18	37,914,168	37,914,168
Retained earnings	18	(3,980,102)	(4,971,338)
TOTAL EQUITY	19	33,958,797	32,967,561

These financial statements were approved by the Board of Directors on 23rd December 2009

Signed on behalf of the Board of Directors

P W Lane

Director

Company Registration Number 3909395

The accompanying notes form an integral part of these financial statements

COMPANY BALANCE SHEET
At 30 September 2009

	Note	30 September 2009 £	30 September 2008 £
NON-CURRENT ASSETS			
Investments	12	40,772,199	40,772,199
		40,772,199	40,772,199
CURRENT ASSETS			
Trade and other receivables	13	6,385,156	5,391,116
Cash and cash equivalents	14	11,866,708	4,937,883
		18,251,864	10,328,999
CURRENT LIABILITIES			
Trade and other payables	15	(5,217,894)	(732,273)
NET CURRENT ASSETS		13,033,970	9,596,726
NET ASSETS		53,806,169	50,368,925
EQUITY			
Equity shareholders' funds			
Called-up share capital	17	24,731	24,731
Share premium account	18	37,914,168	37,914,168
Retained earnings	18	15,867,270	12,430,026
TOTAL EQUITY	19	53,806,169	50,368,925

These financial statements were approved by the Board of Directors on 23rd December 2009

Signed on behalf of the Board of Directors

P W Lane
Director

Company Registration Number 3909395

The accompanying notes form an integral part of these financial statements

CONSOLIDATED CASHFLOW STATEMENT
For the year ended 30 September 2009

	Note	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Net cash generated by/(used in)operating activities	28	379,055	(471,747)
Net cash (used in)/generated by investing activities	28	(56,012)	642,272
Net cash generated by financing activities	28	4,351,347	-
Net increase in cash and cash equivalents		4,674,390	170,525
Cash and cash equivalents at beginning of financial year		23,739,077	23,568,552
Cash and cash equivalents at end of financial year		28,413,467	23,739,077

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

COMPANY CASH FLOW STATEMENT
For the year ended 30 September 2009

	Note	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Net cash generated by/(used in) operating activities	28	1,410,996	(4,285,100)
Net cash generated by investing activities	28	5,517,829	5,322,670
Net increase in cash and cash equivalents		6,928,825	1,037,570
Cash and cash equivalents at beginning of financial year		4,937,883	3,900,313
Cash and cash equivalents at end of financial year		11,866,708	4,937,883

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

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 15

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

IAS 1	*Amendments to IAS 1 – Presentation of Financial Statements, A Revised Presentation*
IAS 16	*Amendment to IAS 16 – Property, Plant and Equipment*
IAS 19	*Amendment to IAS 19 – Employee Benefits*
IAS 27	*Amendments to IAS 27 – Consolidated and Separate Financial Statements*
IAS 36	*Amendment to IAS 36 – Impairment of Assets*
IAS 38	*Amendments to IAS 38 – Intangible Assets*
IAS 39	*Amendments to IAS 39 – Financial Instrument Recognition & Measurement*
IFRIC 14	*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
IFRS 2	*Amendment to IFRS 2 – Share Based Payments, Vesting Conditions and Cancellations*
IFRS 3	*Business Combinations, revised*
IFRS 7	*Amendments to IFRS 7 – Financial Instrument Disclosures*
IFRS 8	*Operating Segments*

The Group has not elected to adopt these changes early in these financial statements The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for

- additional disclosures in respect of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives when IAS 36 comes into effect for the annual period commencing 1 October 2009, and,
- the treatment of acquisition of subsidiaries when IFRS 3 (revised 2008) comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning 1 October 2009

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

Results for the comparative year have been prepared on the same basis as the 2009 results

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

2 ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 September 2009 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

Basis of consolidation (continued)

A subsidiary company holds a 20% stake in Ayrshire Financial Services Limited and a 19 5% stake in Indigo Squared Limited The results of these companies have not been included in the consolidated results of the Group as the directors do not consider that they are associated companies as the Group does not hold any influence over the operating and financial policies of the investee entities The investments have been included as fixed asset investments in the consolidated financial statements of Tenet Group Limited

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

Goodwill

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

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

Goodwill arising on acquisition before the date of transition to IFRSs has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date

Intangible assets

Intangible assets are stated at cost net of amortisation Amortisation is provided at rates calculated to write off the costs of each asset over its estimated useful economic life

Investments

Investments are included at cost less amounts written off for permanent impairment

Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation with the exception of work in progress on computer equipment which reflects expenditure on assets not yet brought into use and therefore not yet subject to depreciation Depreciation is provided at rates calculated to write off the cost, less the estimated residual value of each asset, on a straight-line basis over its estimated useful life as follows

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

Leases

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

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-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

Financial liabilities and equity

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

Bank borrowings

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

Trade payables

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

Equity instruments

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

Provisions

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

The two most significant provisions are

Commission clawback

A number of Group companies make a provision in respect of commissions received on "indemnity" terms whereby commission amounts are repayable if policies are cancelled subsequent to their sale This provision is estimated based on historic data

My Future Finance Limited does not recharge commission amounts clawed back in respect of cancelled policies Commission clawbacks are typically recharged in their entirety to the relevant Appointed Representative by The M&E Network Limited and Lifetime Insurance Mortgage Experts Limited All commission amounts previously paid by other Group companies in respect of such cancelled policies are recharged in their entirety to the relevant Appointed Representative and/or financial adviser (see Notes 13 and 16) Where the collection of such receivables is doubtful, each company makes an appropriate provision

2 ACCOUNTING POLICIES (CONTINUED)

Provisions (continued)

Claims payable

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

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

Revenue

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

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

Initial commissions are accounted for when policies are accepted by the product providers, or mortgages complete, whilst renewal commissions are accounted for when received Related amounts of commission due to the Group's agents (Appointed Representatives and/or financial advisers) are included in cost of sales and trade creditors Fee income is recognised based on when the service is provided

Due to the nature of the business of The M&E Network Limited, Interdependence Limited, My Future Finance Limited and Lifetime Insurance Mortgage Experts Limited, it is not possible to precisely determine at the date of the financial statements which policies have been accepted by the product providers or mortgages completed where commissions have not yet been received by these companies 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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

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

Contributions for computer development

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

Share–based payments

The Group operates an Enterprise Management Incentive Plan 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, 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 for claims in any one year, and the total value of cover for all years of insurance up to a maximum of £12 million If any of these limits are breached then the excess falls to the Group, which has additional insurance contracts with third parties to cover such losses Paragon receives premiums each year from Tenet Group Limited which are based primarily upon an assessment of the long-term average losses in respect of claims arising from the sale of financial products arranged by the Appointed Representatives of The M&E Network Limited and Interdependence 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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

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

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Group

The aggregate remuneration of all individuals who have served as a director of any Group company (including Tenet Group Limited) during the financial year was as follows

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Emoluments	2,211,104	2,009,045
Contribution to money purchase pension schemes	222,170	206,621
	2,433,274	2,215,666
Emoluments of the highest paid director including pension contributions	450,723	432,340

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

	Year ended 30 September 2009 No.	Year ended 30 September 2008 No.
Money purchase pension schemes	13	13

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

Group (continued)

	Year ended 30 September 2009 No.	Year ended 30 September 2008 No.
Average number of persons employed (including directors)		
Directors	13	13
Administration	238	253
	251	266

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Staff costs during the year (including directors)		
Wages and salaries	9,131,235	8,686,188
Social security costs	782,180	813,566
Other pension costs	646,893	573,880
	10,560,308	10,073,634

Company

All staff utilised by the company in the delivery of its services are employed by Tenet Group Limited Tenet Business Solutions Limited is responsible for the payment of the remuneration of all Tenet Group Limited employees, including the directors of the company and its subsidiaries, and it receives recompense from the company and its subsidiaries in respect of this service through management recharges which are allocated on a time incurred basis The amounts recharged to other Group companies in respect of directors are included in the financial statements of each Group company The amounts and numbers of employees disclosed below relate to amounts recharged by Tenet Business Solutions Limited

Such recharges for the remuneration of the directors in respect of the company and its subsidiaries during the year were £1,154,793 (2008 £1,096,649) Additional emoluments paid to the directors of the company during the year were £nil (2008 £nil)

Such recharges for the remuneration of the directors in respect of the directors of the company during the year were £920,610 (2008 £865,826). Additional emoluments paid to the directors of the company during the year were £nil (2008 £nil)

The remuneration of the directors was as follows

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Emoluments	842,100	790,003
Contribution to money purchase pension schemes	78,510	75,823
	920,610	865,826
Emoluments of the highest paid director including pension contributions	450,723	432,340

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

Company (continued)

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

	Year ended 30 September 2009 No.	Year ended 30 September 2008 No.
Money purchase pension schemes	2	2

	Year ended 30 September 2009 No.	Year ended 30 September 2008 No
Average number of persons employed		
Directors	3	3

No other staff costs were incurred by the company during the financial year (2008 £nil)

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Other interest	28,762	1,396
Bank interest	622,500	1,144,829
	651,262	1,146,225

7 INTEREST PAYABLE

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Interest on bank loans and overdrafts	555	124
Other interest	21,128	46,873
	21,683	46,997

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Depreciation and other amounts written off property, plant and equipment	495,242	543,950
Amortisation of intangible assets	48,212	48,213
Loss on disposal of trade and assets	-	1
Loss on disposal of plant and equipment	374	-
Operating lease charges		
- land & buildings	264,592	268,726
- other assets	518,233	421,740
Auditors' remuneration		
- fees payable to the company's auditors for the audit of the company's annual accounts	3,764	15,999
- for the audit of the company's subsidiaries pursuant to legislation	122,662	116,552
Auditors' remuneration for other services to the Group		
- other assurance services	-	56,142
Staff costs (Note 5)	10,560,309	10,073,634

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

9 TAX EXPENSE

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Analysis of charge in year at 28%		
Current tax at 28%	150,143	830,517
Adjustments in respect of prior periods	(269,954)	(80,824)
Total current tax	(119,811)	749,693
Deferred tax		
Current year	-	84,624
Origination and reversal of temporary differences	143,035	-
Adjustment in respect of prior years	(8,214)	-
Total deferred tax	134,821	84,624
Tax on profit on ordinary activities	15,010	834,317

Factors affecting tax on profit on ordinary activities in year		
Profit on ordinary activities before tax	1,006,246	2,838,789
Tax on profit on ordinary activities at UK standard rate of 28%	281,749	794,861
Effects of		
Capital allowances in excess of depreciation	-	(932)
Expenses not deductible for tax purposes	24,572	101,791
Adjustment to tax charge in respect of prior periods	(278,168)	(53,562)
Utilisation of losses brought forward	(87,795)	-
Losses carried forward	72,791	-
Effects of other rates/credits	(10,241)	26,106
Non-qualifying depreciation	13,561	-
Movement in unrecognised deferred tax	(1,459)	-
Movement in short term timing differences	-	(33,947)
Tax on profit on ordinary activities for year	15,010	834,317

The Group has a recognised deferred tax asset at 28% of £248,485 (2008 £262,301), and a provision for deferred tax at 28% of £124,005 (2008 £3,000)

The deferred tax asset of £248,485 is comprised of accelerated capital allowances of £244,335 and complaints provision of £4,150 (2008 accelerated capital allowances of £257,301 and complaints provision of £5,000)

The provision for deferred tax of £124,005 is comprised of £119,841 in respect of CFC profits and £4,164 of accelerated capital allowances (2008 accelerated capital allowances of £3,000)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

10 INTANGIBLE FIXED ASSETS

Group	Purchased intangibles £	Purchased goodwill £	Total intangibles £
Cost			
At 1 October 2008	381,557	17,885,071	18,266,628
Addition	-	-	-
At 30 September 2009	381,577	17,885,071	18,266,628
At 1 October 2007	381,557	17,885,071	18,266,628
Addition	-	-	-
At 30 September 2008	381,557	17,885,071	18,266,628
Amortisation and impairment			
At 1 October 2008	124,038	6,611,228	6,735,266
Amortisation	48,212	-	48,212
At 30 September 2009	172,250	6,611,228	6,783,478
At 1 October 2007	75,825	6,611,228	6,687,053
Amortisation	48,213	-	48,213
At 30 September 2008	124,038	6,611,228	6,735,266
Net book value			
At 30 September 2009	209,307	11,273,843	11,483,150
At 30 September 2008	257,519	11,273,843	11,531,362

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 2009

11 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £	Computer equipment £	Fixtures & fittings £	Total £
Cost				
At 1 October 2008	496,221	4,243 645	437,677	5,177,543
Additions	3,979	303,353	19,636	326,968
Disposals	-	(1,277)	-	(1,277)
At 30 September 2009	500,200	4,545,721	457,313	5,503,234
At 1 October 2007	484,076	3,790,491	399,023	4,673,590
Additions	12,145	453,154	38,654	503,953
At 30 September 2008	496,221	4,243,645	437,677	5,177,543
Depreciation				
At 1 October 2008	374,246	3,556,683	359,516	4,290,445
Charge for the year	44,682	424,514	26,046	495,242
On disposals	-	(603)	-	(603)
At 30 September 2009	418,928	3,980,594	385,562	4,785,084
At 1 October 2007	351,090	3,062,971	332,434	3,746,495
Charge for the year	23,156	493,712	27,082	543,950
At 30 September 2008	374,246	3,556,683	359,516	4,290,445
Net book value				
At 30 September 2009	81,272	565,127	71,751	718,150
At 30 September 2008	121,975	686,962	78,161	887,098

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

12 FIXED ASSET INVESTMENTS

Group

	£
Cost	
At 1 October 2008	56,175
Additions	-
At 30 September 2009	56,175
Impairment	
At 1 October 2008	41,155
Charge in year	-
At 30 September 2009	41,155
Net book value	
At 30 September 2009	15,020
At 30 September 2008	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 2008	40,772,199
Additions	-
Disposals	-
At 30 September 2009	40,772,199
At 1 October 2007	39,972,200
Addition in respect of investment in Tenet Client Services Limited	800,000
Disposals	(1)
At 30 September 2008	40,772,199

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

12 FIXED ASSET INVESTMENTS (CONTINUED)

The companies in which the company's direct interest at the year end is more than 20% are as follows

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

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

Name	Class	Number held
Tenet Business Solutions Limited	Ordinary of £1 each	2,712,416
Tenet Client Services Limited	Ordinary of £1 each	1,000,001
Tenet Limited	Ordinary of £1 each	21,250,156

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

Name	Country of incorporation	Principal activity
Interdependence Limited	England and Wales	FSA regulated network of IFAs
Tenet (2007) Limited	England and Wales	Dormant
Lifetime Insurance Mortgage Experts Limited	England and Wales	FSA regulated network of mortgage and general insurance brokers
The M&E Network Limited	England and Wales	FSA regulated network of IFAs
Tenet Support Services Limited	England and Wales	Professional and administration services
TSS Accounts Limited	England and Wales	Administration services
My Future Finance Limited	England and Wales	Provision of financial advice
Sinfonia Asset Management Limited	England and Wales	Administration services
Paragon Insurance Company Guernsey Limited	Guernsey (C I)	Insurance company

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

Name	Class	Number held
Interdependence Limited	Ordinary of £1 each	792,416
Tenet (2007) Limited	Ordinary of £1 each	200,002
Lifetime Insurance Mortgage Experts Limited	Ordinary of £1 each	325,000
The M&E Network Limited	Ordinary of £1 each	2,351,000
Tenet Support Services Limited	Ordinary of £1 each	761,000
TSS Accounts Limited	Ordinary of £0 01 each	100,000,100
My Future Finance Limited	Ordinary of £1 each	500,000
Sinfonia Asset Management Limited	Ordinary of £0 0001 each	510,000,000
Paragon Insurance Company Guernsey Limited	Ordinary of £1 each (partly paid at £0 20 each)	4,000,000

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

12 FIXED ASSET INVESTMENTS (CONTINUED)

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

Name	Country of incorporation	Principal activity	Holding
Ayrshire Financial Services Limited	England and Wales	Provision of financial advice	20%
Indigo Squared Limited	England and Wales	Software consultancy	19 5%

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	30 September 2009 £	30 September 2008 £	30 September 2009 £	30 September 2008 £
Due within one year				
Trade receivables	12,486,056	12,939,828	-	-
Allowance for doubtful debt	(1,155,735)	(1,474,251)	-	-
Amounts owed by group companies	-	-	5,671,044	3,536,366
Other debtors	93,768	1,973,024	712,790	1,815,803
Prepayments and accrued income	714,751	774,438	1,322	27,163
Taxation and social securities	2,576	-	-	-
Corporation tax	214,581	63,050	-	11,784
Deferred tax asset	248,485	262,301	-	-
	12,604,482	14,538,390	6,385,156	5,391,116

Included in trade receivables is £3,884,064 (2008 £4,032,116) that relates to amounts recoverable in relation to commission clawbacks (see Notes 2, 3 and 16) and £3,044,229 (2008 £2,864,442) that relates to amounts recoverable in relation to claims payable (see Notes 2, 3 and 16)

Included within the Group's trade receivable balance are debtors with a carrying amount of £143,206 (2008 £151,789) 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 £22,252 (2008 £73,560), whilst £120,954 (2008 £78,229) 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 (2008 £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 2009 £	Year ended 30 September 2008 £
Group		
Opening Balance	1,474,251	2,159,648
Amounts owed by debtors resulting in an increase in the provision	450,731	698,997
Amounts written off during the year	(372,685)	(1,167,470)
Amounts recovered during the year	(396,562)	(216,924)
Closing balance	1,155,735	1,474,251

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

14 CASH AND CASH EQUIVALENTS

Included within cash at bank and in hand is £482,573 (2008 £415,253) held in individual bank accounts on behalf of customers of Tenet Support Services Limited, a subsidiary company

15 TRADE AND OTHER PAYABLES

	Group		Company	
	30 September 2009 £	30 September 2008 £	30 September 2009 £	30 September 2008 £
Trade payables	5,648,755	6,684,090	-	-
Amounts owed to group companies	-	-	4,420,387	2,796
Corporation tax	116,887	613,527	-	-
Other taxation and social security	454,149	34,329	1,383	2,428
Provision for deferred tax	124,005	3,000	74,200	-
Other creditors	1,130,419	981,007	557,643	213,758
Accruals and deferred income	1,793,812	1,894,199	164,281	513,291
	9,268,027	10,210,152	5,217,894	732,273

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

16 PROVISION FOR LIABILITIES

Group	Claims payable provision £	Commission clawback provision £	Total £
Group			
At 1 October 2008	3,208,444	4,324,790	7,533,234
Provision utilised in the year	(179,826)	(2,132,282)	(2,312,108)
Provision released in the year	(1,073,197)	(570,913)	(1,644,110)
New provision added in the year	3,427,745	3,002,684	6,430,429
At 30 September 2009	5,383,166	4,624,279	10,007,445

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 My Future Finance Limited, the policy excess is usually recovered from the Appointed Representative and/or financial adviser responsible for the individual case The directors expect this provision to be utilised over the next 5 years

Commission clawback provision

The provision for commission clawback in certain Group companies relates to commission receipts subsequently repaid should policies be cancelled after their sale Except in relation to My Future Finance Limited, Group companies recharge some or all of such amounts as applicable to the Appointed Representatives or financial advisers as applicable responsible for the individual case (see Notes 2, 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 2009

17 SHARE CAPITAL

	30 September 2009 £	30 September 2008 £
Authorised		
Equity Shares		
367,852,700 (2008 367,852,700) 'A' Ordinary shares of £0 0001	36,785	36,785
250,000 000 (2008 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		
39,098,014 (2008 39,098,014) 'A' Ordinary shares of £0 0001	3,910	3,910
208,215,000 (2008 208,215,000) 'B' Ordinary shares of £0 0001	20,821	20,821
	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 2009

18 RESERVES

Group

	Share premium account £	Retained earnings £
Balance at 1 October 2008	37,914,168	(4,971,338)
Profit for the financial year	-	991,236
Balance at 30 September 2009	37,914,168	(3,980,102)

Company

	Share premium account £	Retained earnings £
Balance at 1 October 2008	37,914,168	12,430,026
Profit for the financial year	-	3,246,444
Balance at 30 September 2009	37,914,168	15,676,470

19 STATEMENT OF CHANGES IN EQUITY

Group

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Profit for the financial year	991,236	2,004,472
Net addition to equity shareholders' funds	991,236	2,004,472
Opening equity shareholders' funds	32,967,561	30,963,089
Closing equity shareholders' funds	33,958,797	32,967,561

Company

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Profit for the financial year	3,437,244	5,374,546
Net addition to equity shareholders' funds	3,437,244	5,374,546
Opening equity shareholders' funds	50,368,925	44,994,379
Closing equity shareholders' funds	53,806,169	50,368,925

Equity comprises share capital, share premium and retained earnings

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

20 FINANCIAL COMMITMENTS

Operating lease commitments

Group

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

	30 September 2009		30 September 2008	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases that expire				
Within one year	-	57,541	13,750	106,864
In the second to fifth years inclusive	823,835	801,054	-	408,213
Over five years	789,713	-	1,724,192	-
	1,613,548	858,595	1,737,942	515,077

Company

The company has no operating lease commitments

21 ANALYSIS OF NET FUNDS

	At beginning of year	Cashflow	At end of year
	£	£	£
Cash at bank and in hand	23,739,077	4,674,390	28,413,467
Overdrafts	-	-	-
	23,739,077	4,674,390	28,413,467

22 ULTIMATE CONTROLLING PARTY

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

23 HOLDING COMPANY INCOME STATEMENT

The consolidated income statement includes a profit of £3,437,244 (2008 £5,374,546) 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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

24 CONTINGENT LIABILITIES

Company

Bank guarantee

Barclays Bank PLC holds a fixed and floating charge over the assets of the company both present and future The company, along with certain other 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 2009 the total amount recoverable by Barclays Bank PLC was £nil (2008 £nil)

25 TRANSACTIONS WITH RELATED PARTIES

Group

Details of transactions with key management personnel are included in Note 5 There were no other related party transactions during the financial year

Company

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

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Net amounts owed by Group Companies at start of financial year	3,533,570	79,339
Receipts from Group Companies	(20,047,745)	(12,108,147)
Payments to Group Companies	17,764,832	15,562,378
Net amounts owed by Group Companies at end of financial year	1,250,657	3,533,570

26 EVENTS AFTER THE BALANCE SHEET DATE

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

27 FINANCIAL INSTRUMENTS

Capital Risk Management

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

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

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

The Group's capital strategy remains unchanged from the previous year

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 2009 £	30 September 2008 £
Financial Assets		
Cash	28,413,467	23,739,077
Loans and receivables from trade customers	5,651,531	8,016,294
	34,064,998	31,755,371
Financial Liabilities		
Amounts owed to trade customers	6,341,778	7,665,097
	6,341,778	7,665,097

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

27 FINANCIAL INSTRUMENTS (CONTINUED)

Significant Accounting Policies (continued)

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

	30 September 2009 £	30 September 2008 £
Financial Assets		
Cash	11,866,708	4,937,883
Loans and receivables from group companies	5,671,044	3,536,366
Loans and receivables from trade customers	10,393	-
	17,548,145	8,474,249
Financial Liabilities		
Loans and amounts owed to group companies	4,420,387	2,796
Amounts owed to trade customers	120,246	213,758
	4,540,633	216,554

Credit Risk

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

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

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

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

The maximum Group exposure to credit risk at the reporting date was £34,064,998 (2008 £31,755,371) 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

The maximum exposure of the company to credit risk at the reporting date was £17,548,145 (2008 £8,474,249). These balances are comprised of all financial assets

27 FINANCIAL INSTRUMENTS (CONTINUED)

Market Risk

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

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

The interest rate sensitivity analyses below are based upon reasonably possible changes in interest rate scenarios At the reporting date a 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 2009 £	30 September 2008 £
Group		
0 50% increase	144,761	115,036
0 50% decrease	(144,761)	(115,036)
Company		
0 50% increase	53,836	39,541
0 50% decrease	(53,836)	(39,541)

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 2009

28 ANALYSIS OF CASHFLOWS

Group

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Cash flows from operating activities		
Profit on ordinary activities after taxation	991,236	2,004,472
Adjustments for		
Tax expense	15,010	834,317
Depreciation, amortisation and impairment charges	543,454	592,163
Increase in other provisions for liabilities	2,474,211	794,553
Loss on disposal of trade and assets	-	1
Loss on disposal of plant and equipment	374	-
Interest receivable	(651,262)	(1,146,225)
Interest expense	21,683	46,997
Operating cash flows before movements in working capital	3,394,706	3,126,278
Decrease in trade and other receivables	1,745,007	1,752,113
Decrease in trade and other payables	(4,222,616)	(4,133,622)
Cash generated by operations	917,097	744,769
Interest paid	(528,359)	(46,997)
Taxation paid	(9,683)	(1,169,519)
Net cash generated by/(used in) operating activities	379,055	(471,747)

Investing activities		
Interest received	642,726	1,146,225
Cash advances and loans made to other parties	(520,195)	-
Repayments of cash advances and loans	148,125	-
Purchase of property, plant and equipment	(326,968)	(503,953)
Proceeds on sale of plant and equipment	300	-
Net cash (used in)/generated by investing activities	(56,012)	642,272

Financing activities		
Funds transferred following novation of insurance contract	4,351,347	-
Net cash generated by financing activities	4,351,347	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2009

28 ANALYSIS OF CASHFLOWS (CONTINUED)

Company

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Cash flows from operating activities		
Profit on ordinary activities after taxation	3,437,244	5,374,546
Adjustments for		
Loss on disposal of subsidiary	-	1
Tax expense/(credit)	85,984	(11,784)
Dividends received from subsidiary undertakings	(5,261,573)	(5,700,237)
Interest receivable	(259,969)	(422,433)
Interest expense	-	31
Operating cash flows before movements in working capital	(1,998,314)	(759,876)
Increase in trade and other receivables	(1,002,111)	(2,471,862)
Increase/(decrease) in trade and other payables	4,411,421	(1,053,331)
Cash generated by/(used in) operations	1,410,996	(4,285,069)
Interest paid	-	(31)
Net cash generated by/(used in) operating activities	1,410,996	(4,285,100)

	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Investing activities		
Interest received	256,256	422,433
Investment in subsidiary undertaking	-	(800,000)
Dividends received from subsidiary undertakings	5,261,573	5,700,237
Net cash generated by investing activities	5,517,829	5,322,670