

Company Registration No. 3909395

TENET GROUP LIMITED

Report and Financial Statements

30 September 2010

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TENET GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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TENET GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Lord Hodgson of Astley Abbotts
S H Hudson
G S Clarkson
P W Lane
M J Greenwood
N Moss
S A Badley
D J Wild
I S Black

SECRETARY

G S Clarkson

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BANKERS

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SOLICITORS

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Bridgewater Place
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AUDITORS

Deloitte LLP
Chartered Accountants & Statutory Auditors
Leeds
LS1 2AL

TENET GROUP LIMITED

CHAIRMAN'S STATEMENT

Tenet continued to battle headwinds during the financial year under review – headwinds resulting from both adverse general economic conditions as well as operating losses in those of our businesses which are still in their “development” phase

As a result I have to report figures which are disappointing – particularly given the strenuous efforts put in during the year by all members of the Tenet “team” Though total revenue increased by 3.7% to £79.1 million, well publicised difficulties in the mortgage market for LIME, further development costs at Sinfonia, our investment management platform, and the claims record at Paragon, our captive insurer, resulted in an operating loss of £1.6 million (2009 profit £0.4 million)

This was exacerbated by continuing low interest rates which caused a drop of over 30% in the return from our cash balances. As a result, at the pre-tax level, there was a loss of almost £1.2 million compared to a profit of over £1.0 million in the prior year. Finally the Board has felt it necessary to write down the entire goodwill valuation attributed to Premier Partnerships by £0.74 million.

It is encouraging that, despite this difficult environment, the Group's cash balances remain strong and have fallen by only 2% to £27.8 million.

It is in times like these it is more than ever important not to lose sight of the strategic vision so I am glad to be able to report that our plans to take advantage of the opportunities afforded by the Retail Distribution Review remain on track. During the year we undertook a major reorganising and rebranding exercise to position us for the world post 2012. We are now engaged in a similar review of our client facing IT and other services with the objective of being “best in class” in our ability to respond to the manifold needs of our many and varied clients.

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 once again to thank every member of the Tenet team for the support they have demonstrated during the past twelve months. Without their commitment and enthusiasm, we could neither have maintained the performance of the business nor laid the foundations for future development.

During the year our four institutional shareholders made an offer to acquire all the shares held by the management and staff. Following this the institutions decided each to appoint their own director. As a result we welcome Simon Badley, Iain Black, Nathan Moss and Don Wild to the Board.

Another, and sadder consequence, was that Rupert Robson resigned from the Board in October. Rupert had been the representative of the institutional shareholders for five years. We shall miss his wise, and at times trenchant, counsel.

Also, Peter Lane has decided to leave the Group to pursue other opportunities so this will be the last set of our accounts to bear his imprimatur. Peter has been a valued member of the management team for nine years combining forensic skill and commercial judgement in happy combination. We wish him every success in the future.

We are now engaged in a major review to set our strategic goals for the next 3-5 years. We do so against a testing background. As I write the Irish economy is being further restructured and the markets are trying to guess the identity of the next domino. What this means for a country like the United Kingdom, which is outside the Euro zone, but closely linked to it is hard to predict. But if our major trading partners remain in such turmoil it is hard to see the overall effect being positive.

However as was said, I think by Andrew Carnegie, the reverse of every problem is an opportunity. Crises like the one we are experiencing remind people of the importance of careful saving and planning for the future. Tenet has a comprehensive product offering, linked to excellent service and support to meet this need. Quality will prevail so while there may be bumps in the road short term we view our medium term future with confidence.

LORD HODGSON OF ASTLEY ABBOTTS

CHAIRMAN

CEO OVERVIEW AND REPORT ON BUSINESS PERFORMANCE

Introduction

In the previous Report & Financial Statements, I reported that whilst the Board was concerned about the economic outlook it still believed that the financial advisory sector could continue to flourish as clients re-constructed their savings portfolios and/or addressed a mountain of personal debt. At this point in time, this analysis seems to have been vindicated by events of the past year and remain an appropriate prognosis for near future at least for the economy and the financial advisory sector.

First, with regard to the economy it is to be hoped that we are past the trough of the economic cycle, even if there are difficulties yet to be encountered. There has been an economic bounce, some foreign economies are beginning to increase their demand for goods and services and, in general terms, consumers, investors and businessmen are no longer panicked about the economic outlook. There are reasons to believe that things will get tough again as interest rates and taxes rise and government spending is cut, but the certainty that these will happen is helping people to plan for the future, which is one of the first key steps to economic recovery.

Turning next to the prognosis for the financial advisory sector, the Board has concluded that this is generally good. The consumer has saved more in equity products since September 2008 than in each of the five years up to the credit crunch and there is little sign of retreat in this behaviour. The apparent gyrations of the mortgage market have been well reported over the last few years and, whilst the flow of mortgage funds is still tight relative to the last decade, it is undoubted that mortgage business has been steadily improving since the Credit Crunch in relation to house moves. The Board considers that these trends favour Tenet and that more general economic activity over the next few years is unlikely to change this.

The economic climate has presented particular challenges to some of Tenet's businesses which are believed to be transitory in nature. These are quite diverse, but the most notable are that the volatility of the stock market has led to an elevated level in the average value of Professional Indemnity Insurance ("PII") claims and that Sinfonia, whilst having gained a lot of momentum has not yet attracted sufficient funds under management to breakeven as retail investors seem to have favoured longer established asset managers. Finally, whilst the mortgage market for house moves has been recovering, the market for re-mortgage business has remained in the doldrums and depressed activity rates in a sub-sector which is important to us.

Financial advisers have never been faced with so many opportunities as well as challenges, Tenet offers a wealth of business and marketing support for those who want to address the market proactively. It also offers certainty and a safe haven: 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 remains of critical importance to any business in the sector. Not only has the regulator increased its requirements on personal investment firms to hold more capital, but all firms will need to be resilient as the new regulatory regime comes in to effect in 2013. There are few firms whose cashflow will not be affected by the process of introducing fee charging or losing productivity with advisers' time being spent on obtaining qualifications. Furthermore, for sizeable firms, such as Tenet, there will be significant infrastructure changes to implement and only the strongest firms will be able to support such investment.

Developments over the Last 12 Months

The Group has devoted much of its energy over the last 12 months to planning for the regulatory regime which will be in place in 2013. To maximise on the opportunities which this offers a number of major projects have been undertaken.

- One could be forgiven for thinking that the impact of the Retail Distribution Review would be limited to the Group's IFA networks, but Tenet has taken the opportunity to start aligning all of its business units around the post-RDR world. *A major re-branding exercise has been undertaken* to ensure that group companies present a fresh face ready for the new world. Aligned to this, there has been a root and branch review of the services offered to our clients, the way they are delivered to market and our own fee charging structure. This work is continuing and the first stage of this review is expected to conclude early in 2011. This process is believed to present a very positive step in the evolution of the Group.

CEO OVERVIEW AND REPORT ON BUSINESS PERFORMANCE (CONTINUED)

Developments over the Last 12 Months (continued)

- Aligned to this, I reported last year that a full technology review had been undertaken and that during 2010 the Group would be moving to implement a best-in-class front end system as well as a customer relationship management system. I am pleased to report that the first stage of *our customer relationship management system was successfully developed and commissioned* and we expect to see significant benefits flowing from this to enhance our clients' experience of dealing with the Group. The commissioning of our new front office solution has gone more slowly, in part due to uncertainty over the final shape of the new regulatory regime, but we are confident that it will be in place shortly. Once in place, *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.

Aside from projects directly linked to the Retail Distribution Review, the Group has been busy on other initiatives

- *Sinfonia completed the first major upgrade of its service offering* since its launch in June 2008. Although this business was well prepared when it was launched, we have welcomed the opportunity to respond to feedback from its users by adding new functionality to the proposition. The business had successfully attracted almost £63 million funds under management by 30th September 2010 despite the extremely difficult operating conditions noted above.
- *The Group has expanded its senior management resources*, including the appointment of Managing Directors of both its investment and non-investment based businesses. For the first time since launch, our mortgage business, Lime, now has a senior executive devoted to its ongoing development. The Board sees such steps as important building blocks of the future success of the Group.
- *In the summer of 2010, the Group launched "run off" cover facilities* through its captive insurance company to IFA firms which are no longer network member firms. The Group was able to do this due to its strong capital base and this initiative offers Tenet the opportunity to generate ongoing income streams from firms who would otherwise no longer deal with the Group. It is to be hoped that during 2010/11 Paragon's activities will be expanded further so that Tenet's non-network IFA firms can also be offered competitive PII.
- *The Group has been proactive in providing financial support to its network Appointed Representatives*, both in its mortgage and investment businesses. A variety of funding packages are now available to such firms, from straightforward short-term cashflow loans through to extended business development finance for firms with ambitious growth plans. This initiative has been extremely popular and by 30th September 2010 loans of £1.2 million had been authorised with a further £0.4 million under consideration. Not only does this funding programme help our Appointed Representatives but Tenet also benefits through enhanced interest income, developing long term relationships with firms and encouraging organic growth of its client bank.
- Finally, *the Group has continued to review acquisition opportunities actively*. Since my last report a significant amount of time has been devoted to acquisitions including formal due diligence on some opportunities. Whilst the Board is confident that Tenet has the necessary skills required to integrate acquired businesses and exploit the benefits of such opportunities, it is disappointing to report that we have been unable to identify any suitable transactions. Not only has the current trading environment presented challenges when appraising acquisition opportunities, but the uncertainty created by regulatory change in 2013 has complicated matters further. Nonetheless, the Board remains committed to pursuing acquisitions, but only where such opportunities lead to increases in shareholder value.



CEO OVERVIEW AND REPORT ON BUSINESS PERFORMANCE (CONTINUED)

Financial Performance in the twelve months to 30th September 2010

Economic conditions over the twelve months to 30th September 2010 presented a number of challenges, as noted above, but despite these the Group remained profitable before tax, depreciation and amortisation expenses. The Tenet Limited sub-group (which represents our oldest businesses) performed particularly well, returning an operating profit of £1 858 million (2009 £2 354 million).

The Group's ongoing investment in Sinfonia, which recorded operating losses of £1 306 million in the year (2009 £1 376 million), impairment charges of £0 740 million and movements in reserves relating to the Group's captive insurance company of £0 601 million weighed heavily on the Group's performance but were comfortably absorbed by the Group's net asset base. The overall result of a pre-tax loss for the Group of £1 172 million (2009 £1 006 million pre-tax profit) was somewhat disappointing but the Board has been determined to ensure that adverse trading conditions do not compromise the high standards the Group has set with regard to its compliance regime and investment for the future success of the business.

Although sales levels across the Group are comparable with those of the prior year, gross profit margins have eroded due to a change in the Group's sales mix, as the group companies which generate highest margins have contributed less to total turnover in the year to 30th September 2010. Net interest income declined during the period under review due to ongoing reductions in LIBOR to historically low levels. Significant effort was put into the control of overhead costs during the year with a view to enabling new resources to be brought in to the Group but financed through cost savings, as a consequence, despite substantial new resources being introduced to the Group overhead costs excluding amortisation have risen but only in line with inflation.

The financial performance and prospects of individual business units and other key features of Group performance for the year ended 30th September 2010 can be summarised as follows:

- **The IFA networks** – as a consequence of market uncertainty, arising from future regulation and the recession, adviser numbers within the IFA networks declined by 52 throughout the financial year to 30th September 2010. Nonetheless, sales grew, rising from £64.1 million to £65.0 million as the average sales per financial adviser rose comfortably to mitigate falling adviser numbers throughout the year. Despite the ongoing uncertainty attached to the forthcoming change in the regulatory regime, the Board are confident of the prospects for these businesses. An improving economic climate is expected to improve sales and the number of advisers is anticipated to increase as demand for IFA network services increases, with the increased capital resource requirements for personal investment firms which are being introduced by the Financial Services Authority.
- **The mortgage network** – although the problems facing the mortgage market have been thoroughly reported by the media, our own mortgage business enjoyed substantial sales growth with turnover increasing from £8.3 million to £10.5 million. During the year, this business enjoyed high levels of recruitment of new brokers which enabled the firm to release less productive Appointed Representatives meaning that adviser numbers across the year improved by 22. The success in recruiting better quality firms was driven by the quality of the Group's compliance regime and the financial security which Tenet offers. However, this performance was tempered by the costs associated with recruiting such a large number of brokers and an increase in the incidence of commission clawbacks on life policies sold when a mortgage is arranged. Although the operating losses of the mortgage network increased to £0.59 million (2009 £0.43 million operating loss), it is believed that this business' performance will now improve as the market has stabilised.

CEO OVERVIEW AND REPORT ON BUSINESS PERFORMANCE (CONTINUED)

Financial Performance in the twelve months to 30th September 2010 (continued)

- **The business providing services to directly authorised firms** - despite the previous success of this business, which is active with both investment advisers and mortgage brokers, the financial year to 30th September 2010 presented a number of challenges. The recession in 2009 not only made our clients more cost conscious, but a number became insolvent or merged with other firms and the full impact of this was not felt until 2010. As a consequence, fee income levels came under pressure and the number of clients using the Group's services in this area declined. A number of initiatives were undertaken to improve income generation and identify overhead savings but, despite this, operating profits of £0.215 million in the prior year became operating losses of £0.206 million in the financial year ended 30th September 2010. It is believed that market conditions for this business have now improved and that this, combined with the remedial action which has been taken, will see performance in this business improve once more.
- **Our asset management business** - the costs and income of this business were largely as anticipated and its loss of £1.306 million (2009: £1.376 million) was within expectations. Whilst the business was also successful in increasing the funds under management of IFSL Sinfonia OEIC by £34.0 million net of seed funding repaid during the year to £62.6 million, further expansion of this business had been anticipated. As a consequence, the terms of trade and cost base of this business have been changed so that profitability can be secured with lower funds under management. The Board remains confident that Sinfonia will offer Tenet and its customers significant advantage over the medium term to justify the Group's ongoing commitment to this expenditure.
- **Our captive insurer** - this business traded in line with expectations and reported a pre tax profit of £0.380 million (2009: £0.295 million). However, the value of claims reserved and settled exceeded expectations as a consequence of stock market volatility which drives up the cost of individual claims. This manifested itself in the Group's accounts as an additional cost within Tenet Group Limited of £0.601 million. Although the level of movement in provisions for Paragon's liabilities was unwelcome, it not only included movements in respect of claims already made but it also reflected the Board's conservatism in its expectations for economic prospects and the level of stock market volatility over the next two to three years. The Board has taken a number of actions to reduce the insurance risks of Paragon and as a consequence the Board are confident of its prospects looking forward.
- **Impairment of assets** - with the prolonged nature of the challenges facing some group companies now becoming more certain and evident, the Board has undertaken a full review of the assumptions regarding market conditions in the calculations underpinning the value in use of all group business assets. This has resulted in a decision to fully impair the consolidated goodwill relating to the acquisition of Premier Partnerships at a cost of £0.740 million.
- **Net interest income** - the other notable feature of the financial performance of the Group in the period under review is the reduction in net interest income to £0.418 million (2009: £0.630 million). This has followed the continuing trend for LIBOR to reduce in 2009/10. The Group's bank deposits are spread across a number of institutions to minimise the Group's exposure to any one financial institution and to maximise interest income when possible. Looking forward, there are good reasons to believe that interest rates will begin to rise during 2011 thereby improving this revenue stream for Tenet.

In conclusion, the performance of the business in the year ended 30th September 2010 demonstrated that Tenet's historic businesses continued to respond well to the demands placed on them by a difficult trading environment. However, significant costs associated with PII claims and the impairment of goodwill have had a material impact on reported performance. Nonetheless, the Group continues to have the financial stamina to devote substantial investment in overheads and capital to developing its business without compromising on its standards, 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.

CEO OVERVIEW AND REPORT ON BUSINESS PERFORMANCE (CONTINUED)

The Consolidated Balance Sheet At 30 September 2010

The directors believe that the balance sheet of the Group remains well structured and capitalised to support the Group's strategy going forward. The net assets of the Group remained strong at £33.0 million (2009: £34.0 million) and the balance sheet remained liquid with cash balances net of debt of £27.8 million (2009: £28.4 million). The directors believe that the Group's financial strength is amongst the best in the IFA sector and allows the Group a level of latitude in determining its direction and preserving its standards which some competitors cannot afford.

Consolidated Cash Flow For The Financial Year Ended 30 September 2010

The cashflow of the Group generally reflected the trading results of the business although losses attributable to the impairment of goodwill have no impact on cashflow. As a consequence of operating losses, cash in the period reduced by £0.6 million. The Group's cashflow remained satisfactory in the opinion of the directors in light of the cash balances net of debt available within the Group, noted above, and due to the directors' opinions as to the prospects for the Group.

Summary

2010 was a challenging year for Tenet as the impact of the 2009 recession manifested itself in a number of different ways across the sectors in which our group companies are active. In this context, preserving profitability before tax, depreciation and amortisation expenses was seen by the directors to represent a creditable performance.

Regulatory change has continued to place significant demands on the business during this period and our staff have worked tirelessly and professionally to successfully deal with these demands. As a consequence of their efforts, the Group remains one of the pre-eminent and most financially secure distributors of retail financial products in the UK and the Board thank them for their efforts. The directors are confident of the business's prospects and look forward to responding to developments in the market during 2011.

SIMON HUDSON

GROUP CHIEF EXECUTIVE

TENET GROUP LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 2010

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 19, in comparison to the prior financial period, the Group's annual sales have increased by 3.7%. The Group remained profitable before tax, depreciation and amortisation expenses whilst recording a loss before tax of £1.172 million after incurring costs of £2.647 million in three key areas. These comprised £1.306 million in relation to supporting continuing losses in Sinfonia Asset Management Ltd, £0.601 million in movements in reserves relating to the Group's captive insurance company, and, impairment charges of £0.740 million

The balance sheet on page 20 shows that the Group's financial position at the year end in cash terms has reduced by £0.601 million to £27.812 million (2009 £28.413 million), whilst net assets have decreased by £0.987 million to £32.971 million (2009 £33.958 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 the financial resources of these firms is included in this report along with commentary on compliance issues

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

Note 2 includes details of key assumptions used in the preparation of the Group's financial statements. Note 3 details the principal risks and uncertainties facing the Group and the company. Note 4 details major items of risk for which certain Group companies carry a provision, most notably compensation payable in respect of financial advice and the clawback of commissions on policies which are cancelled subsequent to their sale. Associated with each of these liabilities is the right of Group companies to recover such amounts from Professional Indemnity insurers and/or their agents as applicable, and the potential for bad and doubtful debts is reflected in the balance sheet. For some Group companies, the lead provider of Professional Indemnity Insurance is another group company, Paragon Insurance Company Guernsey Limited. This business holds 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 24

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

Financial Resources Of The Regulated Network Businesses At 30 September 2010

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

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

At 30th September 2010, the statutory accounts of each of the Group's three regulated networks (TenetConnect Services Limited (formerly The M&E Network Limited), TenetConnect Limited (formerly Interdependence Limited) and TenetLime Limited (formerly 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 TenetConnect Services Limited, TenetConnect Limited and TenetLime Limited satisfied their relevant regulatory financial resources requirements at all times during the last twelve months

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

RESULTS AND PROPOSED DIVIDENDS

The results for the year are dealt with in the income statement on page 19

It remains the policy of the Board of Directors to retain cash generated by the Group for the financing of new business initiatives and to support the Group's acquisition strategy. As a consequence, the directors do not recommend the payment of a dividend (2009 £nil)

CORPORATE GOVERNANCE

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

Directors

The Group is controlled through the company's Board of Directors which comprises the non-executive Chairman, the executive directors and five 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.

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DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE (CONTINUED)

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 comprises only non-executive directors, no executive director is a member of the committee.

The principal work undertaken by the Committee relates to the review of the audit of the annual financial reports and matters arising from the audit, with the external auditors in attendance. It is also responsible for agreeing the annual remuneration of the external auditors. Additionally, the Audit Committee commissions and oversees other ad hoc reports from a number of specialist firms and, in this respect, the Committee responds to recommendations made by the Risk Committee as well as internal reviews and reports provided by the Group's external auditors. Based upon its findings, the Audit Committee makes recommendations to the Board regarding accounting policies, internal financial and regulatory compliance standards and the effectiveness of the external financial audit function.

The Remuneration Committee

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

Directors' remuneration

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

The Corporate Governance Committee

The Corporate Governance Committee has oversight of the Group's affairs, with particular reference to the aspects of the 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 non-executive directors.

The Nomination Committee

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

The Annual General Meeting of the Shareholders

The Company has elected to dispense with an Annual General Meeting of the Shareholders under the provisions of the Companies Act 2006.

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

RISK MANAGEMENT

The Board is responsible for the Group's systems of internal control and for reviewing their effectiveness whilst the 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 Finance Director of the group company entering into the agreement. A database of all Tenet group company contracts is maintained and regularly reviewed.

c) Commercial and financial risks

The principal commercial and financial risks faced by the Group are shown in Note 3 and Note 25, which also include commentary on the management of these risks.

Regulatory management

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

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

RISK MANAGEMENT (CONTINUED)

Health & safety

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

Computer controls

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

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.

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

EMPLOYEES (CONTINUED)

Health and Safety

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

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

Employees are given information, instruction, training and the supervision necessary for their health and safety. All employees are aware of, and comply with, their individual and collective responsibilities and have a clear duty to take reasonable precautions to avoid injury to themselves, colleagues and members of the public. All Group vehicles are maintained to a safe and high standard.

Issues relating to health and safety are discussed at individual trading company and Tenet Group Limited Board meetings. Risk assessments are carried out on an annual basis, or as required.

POLITICAL AND CHARITABLE CONTRIBUTIONS

It is the Group's policy not to make contributions for political purposes. Donations to UK charities amounted to £1,398 (2009 £450).

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 (resigned 5th October 2010)

M J Chadwick (appointed 6th July 2010 and resigned 5th October 2010)

N Moss (appointed 5th October 2010)

S A Badley (appointed 6th July 2010)

D J Wild (appointed 5th August 2010)

I S Black (appointed 5th August 2010)

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

GOING CONCERN

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

As highlighted in the Chairman's Statement and CEO Overview and Report On Business Performance, although the current economic conditions create uncertainty in respect of the level of demand for financial services products and the level of compensation payable in respect of claims for mis-selling, the Group was profitable before tax, depreciation and amortisation expenses in the financial year ended 30th September 2010 and has a strong balance sheet and cash position. Despite the retained losses recorded in the financial year, the Group's forecasts and projections, including sensitivity analysis taking into account reasonably possible adverse changes in trading performance, show the Group should be able to operate within its own financial resources without the requirement for new funding. The directors consider that the unusual costs in the financial year ended 30th September 2010 relating to impairment of goodwill and the level of claims payable will not reoccur. 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 and Report On Business Performance and the Directors' Report on pages 3 to 15. The financial position of the Group, its cash flows and its liquidity position are described in the CEO Overview and Report On Business Performance and the Directors' Report. In addition, Note 25 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 £27.8 million of cash at bank, net assets of £33.0 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.

TENET GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

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

Deloitte have expressed their willingness to continue in office as auditors

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



P W Lane
Director
10th December 2010

TENET GROUP LIMITED

DIRECTORS' RESPONSIBILITY STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TENET GROUP LIMITED

We have audited the financial statements of Tenet Group Limited for the year ended 30 September 2010 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 2010 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- 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.

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

10th December 2010

TENET GROUP LIMITED

CONSOLIDATED INCOME STATEMENT

Year ended 30 September 2010

	Note	Year ended 30 September 2010 £	Year ended 30 September 2009 £
GROUP REVENUE	2	79,062,157	76,331,866
Cost of sales		(61,868,869)	(57,912,688)
Gross profit		17,193,288	18,419,178
Administrative expenses		(18,783,995)	(18,042,511)
GROUP OPERATING (LOSS)/PROFIT		(1,590,707)	376,667
Interest receivable and similar income	6	440,524	651,262
Interest payable	7	(21,782)	(21,683)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	(1,171,965)	1,006,246
Tax credit/(expense)	9	184,218	(15,010)
(LOSS)/PROFIT ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE PARENT COMPANY		<u>(987,747)</u>	<u>991,236</u>

There was no recognised income and expenditure in the current or preceding year other than the loss 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 2010

	Note	30 September 2010 £	30 September 2009 £
NON-CURRENT ASSETS			
Intangible fixed assets	10	10,695,223	11,483,150
Property, plant and equipment	11	1,002,089	718,150
Investments	12	15,020	15,020
		<u>11,712,332</u>	<u>12,216,320</u>
CURRENT ASSETS			
Trade and other receivables	13	13,575,503	12,604,482
Investments	27	260,850	-
Cash and cash equivalents	14	27,812,050	28,413,467
		<u>41,648,403</u>	<u>41,017,949</u>
CURRENT LIABILITIES			
Trade and other payables	15	(9,390,385)	(9,268,027)
NET CURRENT ASSETS		<u>32,258,018</u>	<u>31,749,922</u>
NON-CURRENT LIABILITIES			
Provisions for liabilities	16	(10,999,300)	(10,007,445)
NET ASSETS		<u>32,971,050</u>	<u>33,958,797</u>
EQUITY			
Equity shareholders' funds			
Called-up share capital	17	24,731	24,731
Share premium account		37,914,168	37,914,168
Retained earnings		(4,967,849)	(3,980,102)
TOTAL EQUITY		<u>32,971,050</u>	<u>33,958,797</u>

These financial statements were approved by the Board of Directors on 10th December 2010

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

TENET GROUP LIMITED

COMPANY BALANCE SHEET At 30 September 2010

	Note	30 September 2010 £	30 September 2009 £
NON-CURRENT ASSETS			
Investments	12	39,213,353	40,772,199
		<u>39,213,353</u>	<u>40,772,199</u>
CURRENT ASSETS			
Trade and other receivables	13	9,037,694	6,385,156
Cash and cash equivalents	14	7,556,500	11,866,708
		<u>16,594,194</u>	<u>18,251,864</u>
CURRENT LIABILITIES			
Trade and other payables	15	(1,782,378)	(5,217,894)
NET CURRENT ASSETS		<u>14,811,816</u>	<u>13,033,970</u>
NET ASSETS		<u>54,025,169</u>	<u>53,806,169</u>
EQUITY			
Equity shareholders' funds			
Called-up share capital	17	24,731	24,731
Share premium account		37,914,168	37,914,168
Retained earnings		16,086,270	15,867,270
TOTAL EQUITY		<u>54,025,169</u>	<u>53,806,169</u>

These financial statements were approved by the Board of Directors on 10th December 2010

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

TENET GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to equity shareholders of the company

	Share Capital £	Share Premium Account £	Retained Earnings £	Total Equity £
Balance at 1 October 2009	24,731	37,914,168	(3,980,102)	33,958,797
Loss for the financial year	-	-	(987,747)	(987,747)
Balance at 30 September 2010	<u>24,731</u>	<u>37,914,168</u>	<u>(4,967,849)</u>	<u>32,971,050</u>
Balance at 1 October 2008	24,731	37,914,168	(4,971,338)	32,967,561
Profit for the financial year	-	-	991,236	991,236
Balance at 30 September 2009	<u>24,731</u>	<u>37,914,168</u>	<u>(3,980,102)</u>	<u>33,958,797</u>

COMPANY STATEMENT OF CHANGES IN EQUITY

Equity attributable to equity shareholders of the company

	Share Capital £	Share Premium Account £	Retained Earnings £	Total Equity £
Balance at 1 October 2009	24,731	37,914,168	15,867,270	53,806,169
Profit for the financial year	-	-	219,000	219,000
Balance at 30 September 2010	<u>24,731</u>	<u>37,914,168</u>	<u>16,086,270</u>	<u>54,025,169</u>
Balance at 1 October 2008	24,731	37,914,168	12,430,026	50,368,925
Profit for the financial year	-	-	3,437,244	3,437,244
Balance at 30 September 2009	<u>24,731</u>	<u>37,914,168</u>	<u>15,867,270</u>	<u>53,806,169</u>

TENET GROUP LIMITED

CONSOLIDATED CASHFLOW STATEMENT

For the year ended 30 September 2010

		Year ended 30 September 2010 £	Year ended 30 September 2009 £
	Note		
Net cash generated by operating activities	26	341,300	379,055
Net cash used in investing activities	26	(942,717)	(56,012)
Net cash generated by financing activities	26	-	4,351,347
Net (decrease)/increase in cash and cash equivalents		(601,417)	4,674,390
Cash and cash equivalents at beginning of financial year		28,413,467	23,739,077
Cash and cash equivalents at end of financial year		27,812,050	28,413,467

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 2010

		Year ended 30 September 2010 £	Year ended 30 September 2009 £
	Note		
Net cash (used in)/generated by operating activities	26	(7,842,217)	1,410,996
Net cash generated by investing activities	26	3,532,009	5,517,829
Net (decrease)/increase in cash and cash equivalents		(4,310,208)	6,928,825
Cash and cash equivalents at beginning of financial year		11,866,708	4,937,883
Cash and cash equivalents at end of financial year		7,556,500	11,866,708

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

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

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 8.

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:

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRS 9 Financial Instruments

IAS 24 Related Party Disclosure

Improvements to IFRS's 2010 (May 2010)

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

2 ACCOUNTING POLICIES

Basis of preparation

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

Results for the comparative year have been prepared on the same basis as the 2010 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 September 2010. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, or the loss of the power to control.

A subsidiary company holds a 20% stake in Ayrshire Financial Services Limited and a 19.5% stake in Indigo Squared Limited. The results of these companies have not been included in the consolidated results of the Group as the directors do not consider that they are associated companies 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.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

2 ACCOUNTING POLICIES (CONTINUED)

Goodwill (continued)

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

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

Leases

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

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.



TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

2 ACCOUNTING POLICIES (CONTINUED)

Bank borrowings

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

Trade payables

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

Equity instruments

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

Provisions

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

The two most significant provisions are

Commission clawback

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

Depending upon the type of cancelled policy, Tenet Retirement Solutions Limited may partially recharge commission amounts clawed back from the relevant introducer of business. Commission clawbacks are typically recharged in their entirety to the relevant Appointed Representative by Tenet Connect Services Limited and Tenet Lime Limited. All commission amounts previously paid by other Group companies in respect of such cancelled policies are recharged in their entirety to the relevant Appointed Representative and/or financial adviser (see Notes 13 and 16). Where the collection of such receivables is doubtful, each company makes an appropriate provision.

Claims payable

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

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).

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

2 ACCOUNTING POLICIES (CONTINUED)

Revenue

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

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

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

Due to the nature of the business of TenetConnect Limited, TenetConnect Services Limited, TenetLime Limited and TenetRetirement Solutions Limited, it is not possible to precisely determine at the date of the financial statements which policies have been accepted by the product providers or mortgages completed where commissions have not yet been received by these companies. This estimate is instead based upon historic data regarding the value of policies submitted to the product providers and deemed to be on risk, for which commission has been received over the preceding two-year period up to 30 September annually. The directors review the basis of this estimate to ensure the adequacy of these calculations.

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

Taxation

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

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

2 ACCOUNTING POLICIES (CONTINUED)

Pension costs

The Group operates a defined contribution pension scheme. The amounts charged to the income statement are the contributions payable in the year. Differences arising between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share-based payments

The Group operates an Enterprise Management Incentive Plan which is approved by Her Majesty's Revenue & Customs as well as an Unapproved Share Options Plan for the benefit of all eligible employees (see Note 17). The value of the options at the date of issue is intrinsically low as the options are not assignable and Tenet Group Limited is not a listed company. As a consequence, the impact on the profitability of the company and its net assets is immaterial and the cost of share-based payments is therefore disregarded in the preparation of the financial statements.

3 PRINCIPAL RISKS AND UNCERTAINTIES

Group

Group companies are active in the sale of regulated financial products and advise customers as to their appropriateness. As a consequence, elements of the Group's activities are regulated which gives rise to a number of risks, including censure by the Financial Services Authority ("FSA"). Such risks may manifest themselves financially through compensation payable regarding the sale of financial products (see Notes 2, 13 and 16) and fines imposed by the FSA for regulatory breaches. Such Group companies operate a strict compliance regime, including regular audits of their Appointed Representatives or financial advisers as applicable, to mitigate such risks and have arranged professional indemnity insurance (see below) which conforms to the requirements of the FSA.

For some Group companies, the lead provider of professional indemnity insurance is Paragon Insurance Company Guernsey Limited ("Paragon"), a Group company. The risks associated with providing this insurance are in respect of uncertainties as to whether an insured event will occur, when it will occur or how much Paragon will need to pay if it occurs. Furthermore, the structure of the insurance policy is an Alternative Risk Transfer structure which provides insurance cover over a period of more than one year. Paragon has substantial cash reserves which are ring-fenced from general Group cash resources in order to meet claims which may arise. To mitigate the risks it faces, for each year in which insurance is provided Paragon, under the terms of its policy, restricts its insurance cover to a maximum of £3 million of aggregate liability and £1 million for any single claim, and the total value of cover for all years of insurance is restricted. For the insurance contract and financial year ended 30th September 2010 this maximum liability was £12 million and for the subsequent year it has been increased to £13 million. If any of these limits are breached then the excess falls to the Group, which has additional insurance contracts with third parties to cover such losses. Paragon receives premiums each year from Tenet Group Limited which are based primarily upon an assessment of the long-term average losses in respect of claims arising from the sale of financial products arranged by the Appointed Representatives of TenetConnect Limited and TenetConnect Services Limited. This calculation is prepared by professional advisers to the Group on an actuarial basis.

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.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

3 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Company

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

4 CRITICAL ACCOUNTING ESTIMATES

IFRSs require critical accounting estimates to be identified. Within these financial statements the following fall under this category:

- Revenue recognition including calculation of commissions owed by debtors – see Note 2,
- Provisions for commission clawback – see Notes 2, 3, 13 and 16,
- Provisions for claims payable – see Notes 2, 3, 13 and 16, and,
- Acquisition accounting – see Notes 2, 3 and 10.

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

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 2010 £	Year ended 30 September 2009 £
Emoluments	1,999,261	2,211,104
Contribution to money purchase pension schemes	239,483	222,170
	<u>2,238,744</u>	<u>2,433,274</u>

Emoluments of the highest paid director including pension contributions	<u>316,377</u>	<u>450,723</u>
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The number of directors who were members of pension schemes was as follows:

	Year ended 30 September 2010 No.	Year ended 30 September 2009 No.
Money purchase pension schemes	<u>16</u>	<u>13</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

Group (continued)

	Year ended 30 September 2010 No.	Year ended 30 September 2009 No.
Average number of persons employed (including directors)		
Directors	15	13
Administration	233	238
	<u>248</u>	<u>251</u>
	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Staff costs during the year (including directors)		
Wages and salaries	8,768,567	9,131,235
Social security costs	745,467	782,180
Other pension costs	587,715	646,893
	<u>10,101,749</u>	<u>10,560,308</u>

Company

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

Such recharges for the remuneration of the directors in respect of the company and its subsidiaries during the year were £818,023 (2009 £1,154,793). Additional emoluments paid to the directors of the company during the year were £nil (2009 £nil).

Such recharges for the remuneration of the directors in respect of the directors of the company during the year were £597,129 (2009 £920,610). Additional emoluments paid to the directors of the company during the year were £nil (2009 £nil).

The remuneration of the directors was as follows

	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Emoluments	517,352	842,100
Contribution to money purchase pension schemes	79,777	78,510
	<u>597,129</u>	<u>920,610</u>
Emoluments of the highest paid director including pension contributions	<u>316,377</u>	<u>450,723</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

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 2010 No.	Year ended 30 September 2009 No.
Money purchase pension schemes	<u>3</u>	<u>2</u>

	Year ended 30 September 2010 No.	Year ended 30 September 2009 No.
Average number of persons employed		
Directors	<u>3</u>	<u>3</u>

No other staff costs were incurred by the company during the financial year (2009 £nil)

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Other interest	62,342	28,762
Gains from current asset investments	10,850	-
Bank interest	<u>367,332</u>	<u>622,500</u>
	<u>440,524</u>	<u>651,262</u>

7 INTEREST PAYABLE

	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Interest on bank loans and overdrafts	7	555
Other interest	<u>21,775</u>	<u>21,128</u>
	<u>21,782</u>	<u>21,683</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

8 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit on ordinary activities before taxation is stated after charging

	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Depreciation and other amounts written off property, plant and equipment	426,472	495,242
Amortisation of intangible assets	48,212	48,212
Impairment of goodwill	739,715	-
Loss on disposal of plant and equipment	279	374
Operating lease charges		
- land & buildings	278,468	264,592
- other assets	547,716	518,233
Auditors' remuneration		
- fees payable to the company's auditors for the audit of the company's annual accounts	5,123	3,764
- for the audit of the company's subsidiaries pursuant to legislation	128,422	122,662
- other assurance services	30,259	-
Auditors' remuneration for other services to the Group	-	-
- other assurance services	-	-
Staff costs (Note 5)	<u>10,101,749</u>	<u>10,560,308</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

9 TAX EXPENSE

	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Analysis of charge in year at 28%		
Current tax at 28%	(46,359)	150,143
Adjustments in respect of prior periods	(66,941)	(269,954)
Total current tax	(113,300)	(119,811)
Deferred tax		
Effect of change in tax rate	7,235	-
Origination and reversal of temporary differences	(21,827)	143,035
Adjustment in respect of prior years	(56,326)	(8,214)
Total deferred tax	(70,918)	134,821
Tax on (loss)/profit on ordinary activities	(184,218)	15,010
Factors affecting tax on (loss)/profit on ordinary activities in year		
(Loss)/profit on ordinary activities before tax	(1,171,965)	1,006,246
Tax on (loss)/profit on ordinary activities at UK standard rate of 28%	(328,150)	281,749
Effects of		
Fixed asset impairment	207,120	-
Expenses not deductible for tax purposes	28,891	24,572
Adjustment to tax charge in respect of prior periods	(123,269)	(278,168)
Utilisation of losses brought forward	-	(87,795)
Losses carried forward	17,086	72,791
Effects of other rates/credits	13,639	(10,241)
Non-qualifying depreciation	-	13,561
Movement in unrecognised deferred tax	465	(1,459)
Movement in short term timing differences	-	-
Tax on (loss)/profit on ordinary activities for year	(184,218)	15,010

The Group has a recognised deferred tax asset at 28% of £195,397 (2009 £248,485), and a provision for deferred tax at 28% of £nil (2009 £124,005)

The deferred tax asset of £195,397 is comprised primarily of accelerated capital allowances (2009 accelerated capital allowances of £248,485)

The provision for deferred tax of £nil is comprised of £nil in respect of CFC profits and £nil of accelerated capital allowances (2009 CFC profits of £119,841 and accelerated capital allowances of £4,164)

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

9 TAX EXPENSE (CONTNUED)

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

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

10 INTANGIBLE FIXED ASSETS

Group	Purchased intangibles £	Purchased goodwill £	Total intangibles £
Cost			
At 1 October 2009	381,557	17,885,071	18,266,628
Addition	-	-	-
At 30 September 2010	381,557	17,885,071	18,266,628
At 1 October 2008	381,557	17,885,071	18,266,628
Addition	-	-	-
At 30 September 2009	381,557	17,885,071	18,266,628
Amortisation and impairment			
At 1 October 2009	172,250	6,611,228	6,783,478
Amortisation	48,212	-	48,212
Impairment	-	739,715	739,715
At 30 September 2010	220,462	7,350,943	7,571,405
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
Net book value			
At 30 September 2010	161,095	10,534,128	10,695,223
At 30 September 2009	209,307	11,273,843	11,483,150

The impairment charge recognised in the year relates to the goodwill associated with the acquisition of Premier Partnerships. The calculation used cash flow projections based on management approved budgets and projections which reflect management's current experience and future expectations of the markets in which the Premier Partnerships business operates. The risk adjusted discount rate used was 22%. See note 2 for further details.

On 6 March 2006, the Group acquired the trade and certain assets and liabilities of Berkeley Independent Advisers Limited and Berry Birch & Noble Financial Planning Limited. The intangible assets element of the acquisition is comprised of the customer rights and records, and amortisation is provided at rates calculated to write off the cost of each asset over its estimated useful economic life.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

11 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £	Computer equipment £	Fixtures & fittings £	Assets under Construction £	Total £
Cost					
At 1 October 2009	500,200	4,545,721	457,313	-	5,503,234
Additions	3,667	330,897	12,914	363,212	710,690
Disposals	(37,136)	(1,039,354)	(130,171)	-	(1,206,661)
At 30 September 2010	466,731	3,837,264	340,056	363,212	5,007,263
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
Depreciation					
At 1 October 2009	418,928	3,980,594	385,562	-	4,785,084
Charge for the year	28,566	372,992	24,914	-	426,472
On disposals	(37,136)	(1,039,354)	(129,892)	-	(1,206,382)
At 30 September 2010	410,358	3,314,232	280,584	-	4,005,174
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
Net book value					
At 30 September 2010	56,373	523,032	59,472	363,212	1,002,089
At 30 September 2009	81,272	565,127	71,571	-	718,150

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

12 FIXED ASSET INVESTMENTS

Group

	£
Cost	
At 1 October 2009	56,175
Additions	-
At 30 September 2010	<u>56,175</u>
Impairment	
At 1 October 2009	41,155
Charge in year	-
At 30 September 2010	<u>41,155</u>
Net book value	
At 30 September 2010	<u>15,020</u>
At 30 September 2009	<u>15,020</u>

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

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

Company

	£
Cost and net book value	
At 1 October 2009	40,772,199
Additions	-
Impairment	(1,558,846)
At 30 September 2010	<u>39,213,353</u>
At 1 October 2008	40,772,199
Additions	-
Impairment	-
At 30 September 2009	<u>40,772,199</u>

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

12 FIXED ASSET INVESTMENTS (CONTINUED)

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

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

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

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

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

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

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

12 FIXED ASSET INVESTMENTS (CONTINUED)

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

Name	Class	Number held
Paragon Insurance Company Guernsey Limited	Ordinary of £1 each (partly paid at £0.20 each)	4,000,000
Sinfonia Asset Management Limited	Ordinary of £0.0001 each	510,000,000
Tenet (2007) Limited	Ordinary of £1 each	200,002
TenetConnect Limited (formerly Interdependence Limited)	Ordinary of £1 each	792,416
TenetConnect Services Limited (formerly The M&E Network Limited)	Ordinary of £1 each	2,351,000
TenetLime Limited (formerly Lifetime Insurance Mortgage Experts Limited)	Ordinary of £1 each	1,000,000
TenetRetirement Solutions Limited (formerly My Future Finance Limited)	Ordinary of £1 each	650,000
TenetSelect Limited (formerly Tenet Support Services Limited)	Ordinary of £1 each	961,000
TSS Accounts Limited	Ordinary of £0.01 each	100,000,100

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

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

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

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

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2010

13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
	£	£	£	£
Due within one year				
Trade receivables	14,019,224	12,486,056	-	-
Allowance for doubtful debt	(1,877,955)	(1,155,735)	-	-
Amounts owed by group companies	-	-	8,713,156	5,671,044
Other debtors	344,986	93,768	323,069	712,790
Prepayments and accrued income	847,492	714,751	1,469	1,322
Taxation and social securities	-	2,576	-	-
Corporation tax	46,359	214,581	-	-
Deferred tax asset	195,397	248,485	-	-
	<u>13,575,503</u>	<u>12,604,482</u>	<u>9,037,694</u>	<u>6,385,156</u>

Included in trade receivables is £3,977,251 (2009 £3,884,064) that relates to amounts recoverable in relation to commission clawbacks (see Notes 2, 3 and 16) and £4,094,645 (2009 £3,044,229) 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 £389,338 (2009 £143,206) 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 £262,980 (2009 £22,252), whilst £126,358 (2009 £120,954) 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 (2009 £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 2010	Year ended 30 September 2009
	£	£
Group		
Opening balance	1,155,735	1,474,251
Amounts owed by debtors resulting in an increase in the provision	1,304,965	450,731
Amounts written off during the year	(174,418)	(372,685)
Amounts recovered during the year	(408,327)	(396,562)
Closing balance	<u>1,877,955</u>	<u>1,155,735</u>

14 CASH AND CASH EQUIVALENTS

Included within cash at bank and in hand is £309,265 (2009 £482,573) held in individual bank accounts on behalf of customers of TenetSelect Limited, a subsidiary company.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

15 TRADE AND OTHER PAYABLES

	Group		Company	
	30 September 2010	30 September 2009	30 September 2010	30 September 2009
	£	£	£	£
Trade payables	4,716,175	5,648,755	-	-
Amounts owed to group companies	-	-	1,419,313	4,420,387
Corporation tax	-	116,887	-	-
Other taxation and social security	116,969	454,149	2,451	1,383
Provision for deferred tax	-	124,005	-	74,200
Other creditors	2,725,726	1,130,419	187,364	557,643
Accruals and deferred income	1,831,515	1,793,812	173,250	164,281
	<u>9,390,385</u>	<u>9,268,027</u>	<u>1,782,378</u>	<u>5,217,894</u>

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

16 PROVISION FOR LIABILITIES

Group	Claims payable provision £	Commission clawback provision £	Total £
Group			
At 1 October 2009	5,383,166	4,624,279	10,007,445
Provision utilised in the year	(456,882)	(1,426,817)	(1,883,699)
Provision released in the year	(1,230,697)	(1,106,246)	(2,336,943)
New provision added in the year	2,727,563	2,484,934	5,212,497
At 30 September 2010	<u>6,423,150</u>	<u>4,576,150</u>	<u>10,999,300</u>

Claims payable provision

The claims payable provision is in respect of amounts that may be payable to the customers of certain Group companies following a review of the sales process of the individual cases involved. These amounts, if payable, will be paid by Paragon Insurance Company Guernsey Limited from existing cash resources or will be recovered from third party Professional Indemnity Insurers (as applicable) less a policy excess (see Notes 2, 3 and 13) and, except in relation to TenetRetirement Solutions Limited, the policy excess is usually recovered from the Appointed Representative and/or financial adviser responsible for the individual case. The directors expect this provision to be utilised over the next 5 years.

Commission clawback provision

The provision for commission clawback in certain Group companies relates to commission receipts subsequently repaid should policies be cancelled after their sale. Except in relation to TenetRetirement Solutions Limited, Group companies recharge some or all of such amounts as applicable to the Appointed Representatives or financial advisers as applicable responsible for the individual case (see Notes 2, 3 and 13). The directors expect this provision to be utilised over the next 4 years.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

17 SHARE CAPITAL

	30 September 2010 £	30 September 2009 £
Authorised		
Equity Shares		
367,852,700 (2009 367,852,700) 'A' Ordinary shares of £0 0001	36,785	36,785
250,000,000 (2009 250,000,000) 'B' Ordinary shares of £0 0001	25,000	25,000
	<u>61,785</u>	<u>61,785</u>
Allotted, called up and fully paid		
Equity Shares		
39,098,014 (2009 39,098,014) 'A' Ordinary shares of £0 0001	3,910	3,910
208,215,000 (2009 208,215,000) 'B' Ordinary shares of £0 0001	20,821	20,821
	<u>24,731</u>	<u>24,731</u>

'A' Ordinary shares

The 'A' Ordinary shares are entitled to receive a dividend or a return of capital pari passu according to the number of shares held as if they constituted one class of shares with the 'B' Ordinary shares. The 'A' Ordinary shareholders are entitled to receive notice of and attend and speak at any general meeting of the company and have one vote per share held.

'B' Ordinary shares

The 'B' Ordinary shares are entitled to receive a dividend or a return of capital pari passu according to the number of shares held as if they constituted one class of share with the 'A' Ordinary shares. The 'B' Ordinary shareholders are entitled to receive notice of and attend and speak at any general meeting of the company and have one vote per share held.

An Investor Majority (comprising at least 60% by nominal value of the 'B' Ordinary shareholders) has additional rights regarding the transfer of shares and other shareholder matters as provided for in the company's Articles of Association.

Enterprise Management Incentive staff scheme and Unapproved Share Option Scheme

On 25 November 2002, the directors adopted the 'Tenet Limited Enterprise Management Incentive Plan' and 'Unapproved Share Option Scheme'. Under the plan, employees of Tenet Group Limited and its subsidiaries are eligible for options to purchase shares in the company to be granted to them. The directors determine the timing and price of the options and any conditions employees are required to fulfil to qualify.

The first exercise date is, in accordance with Rule 4 of the scheme rules, the earliest of a listing date, an asset sale, during the month of November in any year following the expiry of 3 years from the date of the grant, or otherwise at the discretion of the Remuneration Committee.

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

18 FINANCIAL COMMITMENTS

Operating lease commitments

Group

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

	30 September 2010		30 September 2009	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases that expire				
Within one year	-	131,324	-	57,541
In the second to fifth years inclusive	648,180	540,623	823,835	801,054
Over five years	1,101,624	-	789,713	-
	<u>1,749,804</u>	<u>671,947</u>	<u>1,613,548</u>	<u>858,595</u>

Company

The company has no operating lease commitments

19 ANALYSIS OF NET FUNDS

	At beginning of year £	Cashflow £	At end of year £
Cash at bank and in hand	28,413,467	(601,417)	27,812,050
Overdrafts	-	-	-
	<u>28,413,467</u>	<u>(601,407)</u>	<u>27,812,050</u>

20 ULTIMATE CONTROLLING PARTY

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

21 HOLDING COMPANY INCOME STATEMENT

The consolidated income statement includes a profit of £219,000 (2009 £3,437,244) 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

22 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 2010 the total amount recoverable by Barclays Bank PLC was £nil (2009 £nil)

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

23 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 2010 £	Year ended 30 September 2009 £
Net amounts owed by Group Companies at start of financial year	1,250,657	3,533,570
Receipts from Group Companies	21,539,121	(20,047,745)
Payments to Group Companies	(15,495,935)	17,764,832
Net amounts owed by Group Companies at end of financial year	<u>7,293,843</u>	<u>1,250,657</u>

24 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.

25 FINANCIAL INSTRUMENTS

Capital Risk Management

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

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

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

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

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

25 FINANCIAL INSTRUMENTS (CONTINUED)

Significant Accounting Policies

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

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

	30 September 2010 £	30 September 2009 £
Financial Assets		
Cash	27,812,050	28,413,467
Loans and receivables from trade customers	6,316,383	5,651,531
	<u>34,128,433</u>	<u>34,064,998</u>
Financial Liabilities		
Amounts owed to trade customers	5,354,652	6,341,778
	<u>5,354,652</u>	<u>6,341,778</u>

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

	30 September 2010 £	30 September 2009 £
Financial Assets		
Cash	7,556,500	11,866,708
Loans and receivables from group companies	8,713,156	5,671,044
Loans and receivables from trade customers	8,070	10,393
	<u>16,277,726</u>	<u>17,548,145</u>
Financial Liabilities		
Loans and amounts owed to group companies	1,419,313	4,420,387
Amounts owed to trade customers	96,364	120,246
	<u>1,515,677</u>	<u>4,540,633</u>

Credit Risk

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

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

25 FINANCIAL INSTRUMENTS (CONTINUED)

Credit Risk (continued)

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

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

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

The maximum Group exposure to credit risk at the reporting date was £34,128,433 (2009 £34,064,998). 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 £16,277,726 (2009 £17,548,145). These balances are comprised of all financial assets.

Market Risk

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

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

The interest rate sensitivity analyses below are based upon reasonably possible changes in interest rate scenarios. At the reporting date a 0.50% increase or decrease in interest rates compared to actual rates would increase/(decrease) the annual net interest receivable by the following amounts:

	30 September 2010 £	30 September 2009 £
Group		
0.50% increase	144,380	144,761
0.50% decrease	(144,380)	(144,761)
Company		
0.50% increase	66,132	53,836
0.50% decrease	(66,132)	(53,836)

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

25 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity Risk

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

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

26 ANALYSIS OF CASHFLOWS

Group

	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Cash flows from operating activities		
(Loss)/profit on ordinary activities after taxation	(987,747)	991,236
Adjustments for		
Tax (credit)/expense	(184,218)	15,010
Depreciation, amortisation and impairment charges	1,214,399	543,454
Increase in other provisions for liabilities	991,854	2,474,211
Loss on disposal of plant and equipment	279	374
Profit on current asset investment	(10,850)	-
Interest receivable	(429,674)	(651,262)
Interest expense	21,782	21,683
Operating cash flows before movements in working capital	615,825	3,394,706
(Increase)/decrease in trade and other receivables	(22,958)	1,745,007
Decrease in trade and other payables	(348,289)	(4,222,616)
Cash generated by operations	244,578	917,097
Interest paid	(13,018)	(528,359)
Taxation paid	109,740	(9,683)
Net cash generated by operating activities	341,300	379,055
Investing activities		
Interest received	431,216	642,726
Cash advances and loans made to other parties	(761,241)	(520,195)
Repayments of cash advances and loans	347,998	148,125
Purchase of property, plant and equipment	(710,690)	(326,968)
Purchase of current investment	(250,000)	-
Proceeds on sale of plant and equipment	-	300
Net cash used in investing activities	(942,717)	(56,012)
Financing activities		
Funds transferred following novation of insurance contract	-	4,351,347
Net cash generated by financing activities	-	4,351,347

TENET GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2010

26 ANALYSIS OF CASHFLOWS (CONTINUED)

Company

	Year ended 30 September 2010 £	Year ended 30 September 2009 £
Cash flows from operating activities		
Profit on ordinary activities after taxation	219,000	3,437,244
Adjustments for		
Tax (credit)/expense	(74,200)	85,984
Impairment charges	1,558,846	-
Dividends received from subsidiary undertakings	(3,298,888)	(5,261,573)
Interest receivable	(231,610)	(259,969)
Operating cash flows before movements in working capital	(1,826,852)	(1,998,314)
Increase in trade and other receivables	(2,654,049)	(1,002,111)
(Decrease)/increase in trade and other payables	(3,361,316)	4,411,421
Net cash (used in)/generated by operating activities	(7,842,217)	1,410,996
Investing activities		
Interest received	233,121	256,256
Dividends received from subsidiary undertakings	3,298,888	5,261,573
Net cash generated by investing activities	3,532,009	5,517,829

27 INVESTMENTS

The investments are seed funds invested in the IFSL/Sinfonia OEIC to create a new share class. The investments are repayable on demand. There were no such investments in place at 30th September 2009.