

Registration number: 03909395

Tenet Group Limited
Annual Report and Consolidated Financial Statements
for the Year Ended 30 September 2016

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Tenet Group Limited

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Tenet Group Limited

Company Information

Directors

H M Ball
A M Beswick
C J Bradley
M J Greenwood
G E Harle
P Hilling
A B Meeks
M J O'Brien
D J Wild

Company secretary

R J Fletcher

Registered office

5 Lister Hill
Horsforth
Leeds
LS18 5AZ

Solicitors

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Bankers

Lloyds Bank PLC
116 Wellington Street
Leeds
LS1 4LT

Auditors

Deloitte LLP
Chartered Accountants & Statutory Auditor
1 City Square
Leeds
LS1 2AL

Tenet Group Limited

Strategic Report for the Year Ended 30 September 2016

Chief Executive's Statement

During a year of political surprises, uncertainty around MiFID II and changes within regulatory capital rules, I am pleased to report that our headline turnover increased by £17.4m to £154m (2015: £136m) and EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) increased by 2% to £1.5m (2015: £1.5m).

- Connect held strong with turnover of £111m and an increase in net profit of 52%.
- Lime, the Group's mortgage network, increased turnover by 33% to £40m and PBT by 42%.
- EBC increased its contracted pension employees by 25%.
- Sinfonia, for the third year running, has been awarded a 5 Diamonds rating by Defaqto.
- TenetSelect, the Group's Directly Authorised proposition, grew the number of firms serviced by 10%.
- Paragon, the Group's captive insurance company, continues to provide stable professional indemnity insurance and uniquely offers lifetime run-off cover to both ex-members and current members.
- Successful acquisition of Furness Financial Advisers Limited's clients.

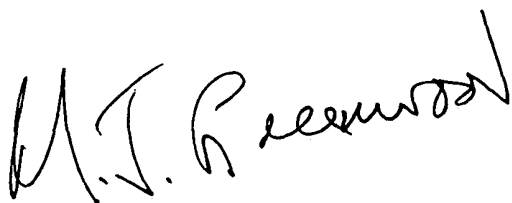
The Group continues to focus on its 'Striving for Ten' campaign, focusing on delivering great service to members, colleagues and clients. Following on from last year's two star accreditation for 'outstanding' service by Investor in Customers, we are delighted to announce that we have now achieved a three star 'exceptional' accreditation.

The Group invested £1.3m in fixed assets (2015: £1.7m), with £1m invested in Tenet Advantage (2015: £1m) and a new Remuneration module.

The Group is on target to have migrated all the network firms to Tenet Advantage by the end of 2017 and has invested in a new Tenet Advantage Remuneration module to replace the existing payments system. This will lead to improved operational processing and management information.

The balance sheet of the Group at 30 September 2016 continues to remain extremely robust with £22.7m of cash (2015: £22.3m), no external debt, (2015: £ nil) and £30.1m of net assets (2015: £29.5m).

Our improved performance for 2016 is a direct result of the hard work and commitment that all our colleagues across the Group have shown and I would like to thank them all on behalf of the Board for their contribution to our success.



MARTIN GREENWOOD
CHIEF EXECUTIVE

Tenet Group Limited

Strategic Report for the Year Ended 30 September 2016 (continued)

Review of the business

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;
- Fee 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 Group traded profitably during the year and exceeded the board's expectation. A long term plan has been reviewed and updated to improve shareholder value and to manage the business in accordance with its risk appetite over a five year period.

The board agreed strategic themes for the Group that have been communicated to all employees and linked to their objectives, these themes continue into 2017 and beyond as part of the Group's long term plan.

- Customer Centric Culture
- Grow the Business
- Operational Excellence
- Manage in accordance with our Risk Appetite
- Add Shareholder value

Tenet remains committed to being a supporter of Independent advice as well as servicing advisors who move to a restricted model.

Key developments in the year include:

- Awarded three star accreditation for 'exceptional' service by Investors in Customers
- Continued to champion advisers' best interests, lobbying MPs on long stop and the regulator on the necessary changes to the structure of the FSCS levy.
- Froze net charges of Professional Indemnity Insurance rates for the third year in a row.
- TenetLime welcomed its 400th member.
- Long term contract signed with Focus Solutions, to deliver Tenet Advantage remuneration module.
- Successful acquisition and integration of Furness Financial Advisers Limited clients within Aspire.
- The launch of the UK's first paraplanning apprenticeship.

As detailed in the income statement, the Group's annual revenue has increased by 13% to £153.7m (2015: £136.3m) and gross profit has increased by 3% to £21.2m (2015: £20.6m). Earnings before interest, tax, depreciation and amortisation increased by 2% to £1.51m (2015: £1.50m)

The balance sheet shows that the Group's financial position at the year end in cash terms has increased by £0.4m to £22.7m (2015: £22.3m) and the net assets have increased by £0.6m to £30.1m (2015: £29.5m).

A number of Group companies are regulated by the Financial Conduct Authority and commentary on the financial resources of these firms is included in this report.

Tenet Group Limited

Strategic Report for the Year Ended 30 September 2016 (continued)

The Group has generated net cash from operating activities of £1.8m (2015: £1.9m).

There were no significant events after the balance sheet date.

Principal risks and uncertainties

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 Conduct Authority ("FCA"). 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 FCA 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 FCA.

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. 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, TenetConnect Services Limited and TenetLime Limited. This calculation is prepared by professional advisers to the Group on an actuarial basis.

Paragon's activities are regulated which gives rise to a number of risks, including censure by the Guernsey Financial Services Commission ("GFSC"). Such risks may manifest themselves financially through fines imposed by GFSC for regulatory breaches. Paragon operates a strict compliance regime, including regular audits of its procedures and reporting requirements carried out by Paragon's manager, Marsh Management Services Guernsey Limited, to mitigate such risks and to conform to the requirements of the GFSC.

Group companies receive fees and commission from 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 all of such amounts to their Appointed Representatives or financial advisers as applicable. 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, Appointed Representatives and financial advisers, having fast response times not only in supplying products and services but also in handling all queries, and by maintaining strong relationships with their clients, Appointed Representatives and financial advisers.

Company

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

Financial resources of the regulated network businesses at 30 September 2016

A requirement of the Financial Services and Markets Act 2000 is that firms directly authorised by the Financial Conduct 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

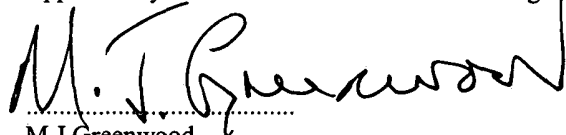
Strategic Report for the Year Ended 30 September 2016 (continued)

At 30 September 2016, the statutory accounts of each of the Group's three regulated networks (TenetConnect Services Limited, TenetConnect Limited and TenetLime Limited) confirmed that each of them satisfied their relevant regulatory financial resources requirements.

The management accounts of the Group also confirm that each of TenetConnect Services Limited, TenetConnect Limited and TenetLime Limited satisfied their relevant regulatory financial resources requirements at all times during the last twelve months.

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

Approved by the Board on 6 March 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M. J. Greenwood', written over a dotted line.

M J Greenwood
Director

Tenet Group Limited

Directors' Report for the Year Ended 30 September 2016

The directors present their report and the consolidated financial statements for the year ended 30 September 2016.

Directors' of the group

The directors, who held office during the year, were as follows:

H M Ball

A M Beswick

C J Bradley

G M Davidson (resigned 13 December 2016)

M J Greenwood

G E Harle

P Hilling

D Jarrett (resigned 27 May 2016)

A B Meeks

M J O'Brien

M Pheasey (resigned 16 November 2016)

D J Wild

Results and Proposed dividends

The results for the year are dealt with in the income statement.

It remains the policy of the Board of Directors to retain cash generated by the Group for the financing of new business incentives and to support the Group's on-going operations. Consequently, the directors do not recommend the payment of a dividend (2015:£nil).

Future Developments and post Balance Sheet Events

These are referred to in the Strategic Report.

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 Chairman, Chief Executive, the non-executive directors and executive directors. The Board normally meets every month. All directors receive sufficient relevant information on financial, business and corporate issues prior to meetings and are able to take independent professional advice in the furtherance of their duties, if necessary.

Tenet Group Limited

Directors' Report for the Year Ended 30 September 2016 (continued)

Board

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

The Board has established an Audit Committee, Risk Committee, Remuneration Committee, Nomination Committee, Regulatory Policy Committee, Advice Quality Forum and Authorisations Committee to be responsible for specific matters. Each of these committees operate within defined terms of reference. Apart from the Nomination Committee and Remuneration Committee, the minutes of these meetings are circulated to, and reviewed by, the full Board.

Audit Committee

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

The principal work undertaken by the Committee relates to the review of the audit of the annual financial reports and matters arising from the audit, with the external auditors in attendance. It is also responsible for agreeing the annual remuneration of the external auditors. Additionally, the Audit Committee develops and approves the internal audit strategy and receives reports from its internal auditors, 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 internal and external audit function.

Risk Committee

The Risk Committee examines and challenges the processes, systems and controls of the Group and aims to identify any risks that the Group might face or that could impact on Customer Outcomes. The Committee reviews the Group's Risk Register and receives additional information on relevant risk matters from line management and other sources on a regular basis. A non-executive director chairs the Committee.

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.

Authorisations Committee

The Authorisations Committee is responsible for the review and assessment of applications of firms or individual advisers, together with the monitoring of any performance issues identified with any firms or individual advisers within the Network. It is chaired by the Group Regulatory Director and its membership is comprised of senior Executives.

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.

Tenet Group Limited

Directors' Report for the Year Ended 30 September 2016 (continued)

Regulatory Policy Committee

The Regulatory Policy Committee is responsible for reviewing and approving policy development in the Group's regulated businesses. It is chaired by the Group Regulatory Director and its membership includes senior Executives. The Minutes of the Committee's monthly meetings form part of the management information provided to the Group's Directors.

Advice Quality Forum

The Advice Quality Forum operates as part of the Group's commitment to improving the standards of advice and related consumer outcomes. Chaired by the Group Regulatory Director, the Committee meets monthly and considers issues of business quality and consistency whilst, benchmarking advisory standards and adjudicating in areas where policy guidance is required. The Committee comprises senior Executives of the regulated businesses, including the Chief Executive.

Directors' remuneration

The remuneration packages of directors and other executives comprise a basic salary, performance related bonus, pension contributions and other benefits in kind. No director plays a part in any discussion about his or her own remuneration.

The Annual General Meeting of the Shareholders

The Board welcomes the attendance of shareholders at the Annual General Meeting and the opportunity to address any questions that they may have.

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.

Financial instruments

Price risk, credit risk, liquidity risk and cash flow 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 trade receivables and the provision of loans as part of the Group's ongoing support for its Appointed Representatives. The Group's credit control function continually reviews outstanding Appointed Representative's 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

Directors' Report for the Year Ended 30 September 2016 (continued)

Financial instruments (continued)

The credit risk on receivables due from product providers is limited due to the regulatory 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. The balances due from trade customers are comprised of trade receivables and other debtors (see Notes 2 and 10). The company holds no collateral over these balances.

Credit risk on cash balances is managed through the lodgement of such balances through a number of financial institutions. A significant proportion of the loans and receivables between group companies relate to cash balances transferred to another group company to place on treasury deposit, so as to obtain greater returns on such deposits. Credit risk on this balance is managed in this other group company in the same way as cash balances are in the company.

Market risk is the risk that arises from adverse movements in equity, bond, interest rate, foreign exchange or other traded markets. 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 a 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.

Liquidity risk is the risk of not being able to meet liabilities as they fall due. The company is capitalised at a level required to meet its business and regulatory needs. Responsibility for liquidity risk management rests with the company's board which receives information on the Group's short term requirements on a weekly basis and medium to long term requirements on a monthly basis. Cash flow monitoring and forecasting form part of the reports regularly delivered to the Group's board which are also reported to the parent company 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.

Political contributions

It is the Group's policy not to make contributions for political purposes.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings, the company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. In addition, employees receive an annual bonus related to the overall profitability of the group.

Tenet Group Limited

Directors' Report for the Year Ended 30 September 2016 (continued)

Going concern

Although the on-going economic conditions create uncertainty in respect of the level of demand for financial services products, the Group was profitable before tax in the financial year ended 30 September 2016 and has a strong balance sheet and cash position. The Group's forecasts and projections, including sensitivity analysis taking into account reasonably possible adverse changes in trading performance, show the Group should be able to operate within its own financial resources without the requirement for new funding. As a consequence, the directors believe that the Group continues to be amongst the best placed in its sector to manage its business risks successfully in the present challenging economic environment.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report on pages 2 to 10. The financial position of the Group, its cash flows and its liquidity position are described in the Strategic Report. In addition, Note 18 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.

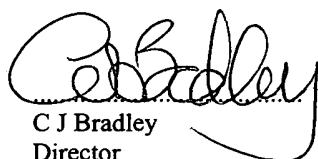
The Group has a significant level of financial resources, including £22.7m of cash at bank, net assets of £30.1m, with no bank debt or other financial liabilities with any restrictive or financial covenants. It has long established relationships with a large number of clients, advisers and product providers across a diverse geographical area within the UK, with no significant credit risk exposure to any single counterparty.

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

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 6 March 2017 and signed on its behalf by:



C J Bradley
Director

Tenet Group Limited

Statement of Directors' Responsibilities

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Tenet Group Limited

Independent Auditor's Report to the members of Tenet Group Limited

We have audited the financial statements of (name of company) for the year ended 30 September 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Changes in Cash Flows, and the related notes 1 to 20. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Tenet Group Limited

Independent Auditor's Report to the members of Tenet Group Limited (continued)

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Peter Birch FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP, Chartered Accountants and Statutory Auditor

1 City Square
Leeds
LS1 2AL

6 March 2017

Tenet Group Limited

Consolidated Income Statement for the Year Ended 30 September 2016

	Note	2016 £	2015 £
Revenue	2	153,734,288	136,345,780
Cost of sales		<u>(132,515,853)</u>	<u>(115,759,056)</u>
Gross profit		21,218,435	20,586,724
Administrative expenses		<u>(19,709,470)</u>	<u>(19,102,331)</u>
Profit before interest, tax, depreciation and amortisation		1,508,965	1,484,393
Depreciation, amortisation and impairment charges	3	<u>(1,156,079)</u>	<u>(1,254,022)</u>
Group Operating profit	3	<u>352,886</u>	<u>230,371</u>
Finance income		231,389	242,686
Finance costs		<u>(10)</u>	<u>(1,105)</u>
Net finance income	4	<u>231,379</u>	<u>241,581</u>
Profit before tax		584,265	471,952
Income tax receipt/(expense)	8	<u>-</u>	<u>-</u>
Profit for the year		<u>584,265</u>	<u>471,952</u>
Profit/(loss) attributable to:			
Owners of the company		627,393	506,005
Non-controlling interests		<u>(43,128)</u>	<u>(34,053)</u>
		<u>584,265</u>	<u>471,952</u>

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

The above results were derived from continuing operations.

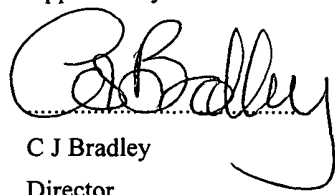
Tenet Group Limited

(Registration number: 03909395)

Consolidated Statement of Financial Position as at 30 September 2016

	Note	2016 £	2015 £
Assets			
Non-current assets			
Property, plant and equipment	9	3,583,858	3,210,848
Intangible assets	10	12,221,466	12,172,475
Investments	11	-	-
		<u>15,805,324</u>	<u>15,383,323</u>
Current assets			
Trade and other receivables	12	11,732,938	10,830,251
Cash and cash equivalents	13	22,725,391	22,271,677
		<u>34,458,329</u>	<u>33,101,928</u>
Total assets		<u>50,263,653</u>	<u>48,485,251</u>
Current liabilities			
Trade and other payables	14	(12,819,948)	(11,463,846)
Non-current liabilities			
Provisions for liabilities	15	(7,387,973)	(7,549,938)
Total liabilities		<u>(20,207,921)</u>	<u>(19,013,784)</u>
Net Assets		<u>30,055,732</u>	<u>29,471,467</u>
Equity			
Share capital	16	24,731	24,731
Share premium		37,914,168	37,914,168
Retained earnings		(7,734,795)	(8,362,188)
Equity attributable to owners of the company		<u>30,204,104</u>	<u>29,576,711</u>
Non-controlling interests		(148,372)	(105,244)
Total equity		<u>30,055,732</u>	<u>29,471,467</u>

Approved by the Board on 6 March 2017 and signed on its behalf by:


 C J Bradley
 Director

The notes on pages 21 to 44 form an integral part of these financial statements.

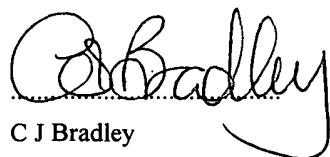
Tenet Group Limited

(Registration number: 03909395)

Company Statement of Financial Position as at 30 September 2016

	Note	2016 £	2015 £
Assets			
Non-current assets			
Investments in subsidiaries, joint ventures and associates	11	39,213,353	39,213,353
Current assets			
Trade and other receivables	12	2,198,887	2,035,862
Cash and cash equivalents	13	57,430	40,582
		<u>2,256,317</u>	<u>2,076,444</u>
Current liabilities			
Trade and other payables	14	<u>(3,169,879)</u>	<u>(2,021,876)</u>
Net Assets		<u>38,299,791</u>	<u>39,267,921</u>
Equity			
Called-up share capital	16	24,731	24,731
Share premium		37,914,168	37,914,168
Retained earnings		<u>360,892</u>	<u>1,329,022</u>
Total equity		<u>38,299,791</u>	<u>39,267,921</u>

Approved by the Board on 6 March 2017 and signed on its behalf by:



C J Bradley
Director

The notes on pages 21 to 44 form an integral part of these financial statements.

Tenet Group Limited

Consolidated Statement of Changes in Equity for the Year Ended 30 September 2016

	Share capital £	Share premium £	Retained earnings £	Total £	Non- controlling interests £	Total equity £
At 1 October 2015	24,731	37,914,168	(8,362,188)	29,576,711	(105,244)	29,471,467
Profit/(loss) for the year	-	-	627,393	627,393	(43,128)	584,265
Total comprehensive income	-	-	627,393	627,393	(43,128)	584,265
At 30 September 2016	24,731	37,914,168	(7,734,795)	30,204,104	(148,372)	30,055,732

	Share capital £	Share premium £	Retained earnings £	Total £	Non- controlling interests £	Total equity £
At 1 October 2014	24,731	37,914,168	(8,868,193)	29,070,706	(140,656)	28,930,050
Profit/(loss) for the year	-	-	506,005	506,005	(34,053)	471,952
Total comprehensive income	-	-	506,005	506,005	(34,053)	471,952
Adjustments in NCI	-	-	-	-	69,465	69,465
At 30 September 2015	24,731	37,914,168	(8,362,188)	29,576,711	(105,244)	29,471,467

The notes on pages 21 to 44 form an integral part of these financial statements.

Tenet Group Limited

Company Statement of Changes in Equity for the Year Ended 30 September 2016

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 October 2015	24,731	37,914,168	1,329,022	39,267,921
Loss for the year	-	-	(968,130)	(968,130)
Total comprehensive income	-	-	(968,130)	(968,130)
At 30 September 2016	24,731	37,914,168	360,892	38,299,791

	Share capital £	Share premium £	Retained earnings £	Total £
At 1 October 2014	24,731	37,914,168	2,312,994	40,251,893
Loss for the year	-	-	(983,972)	(983,972)
Total comprehensive income	-	-	(983,972)	(983,972)
At 30 September 2015	24,731	37,914,168	1,329,022	39,267,921

The notes on pages 21 to 44 form an integral part of these financial statements.

Tenet Group Limited

Consolidated Statement of Cash Flows for the Year Ended 30 September 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Profit for the year		584,265	471,952
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	3	1,156,079	1,251,142
Finance income	4	(231,389)	(242,686)
Finance costs	4	10	1,106
		<u>1,508,965</u>	<u>1,481,514</u>
Working capital adjustments			
(Increase)/decrease in trade and other receivables	12	(879,709)	1,647,800
Increase/(decrease) in trade and other payables	14	1,356,102	(383,522)
Decrease in provisions	15	(161,963)	(803,834)
Net cash flow from operating activities		<u>1,823,395</u>	<u>1,941,958</u>
Cash flows from investing activities			
Interest received	4	231,389	245,033
Acquisitions of property plant and equipment		(1,261,692)	(1,664,447)
Acquisition of intangible assets	10	(316,389)	-
Cash advances and loans made to other parties		(577,167)	(373,270)
Repayments of cash advances and loans		554,188	424,163
Investment in subsidiary company		-	(20,000)
Net cash flows from investing activities		<u>(1,369,671)</u>	<u>(1,388,521)</u>
Cash flows from financing activities			
Interest paid	4	(10)	(1,106)
Net increase in cash and cash equivalents		453,714	552,331
Cash and cash equivalents at 1 October		<u>22,271,677</u>	<u>21,719,346</u>
Cash and cash equivalents at 30 September		<u>22,725,391</u>	<u>22,271,677</u>

The notes on pages 21 to 44 form an integral part of these financial statements.

Tenet Group Limited

Company Statement of Cash Flows for the Year Ended 30 September 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Loss for the year		(968,130)	(983,972)
Adjustments to cash flows from non-cash items			
Finance income	4	(47,714)	(45,251)
Finance costs	4	13,173	-
Income tax expense	8	(1)	18,816
		(1,002,672)	(1,010,407)
Working capital adjustments			
Increase in trade and other receivables	12	(163,025)	(109,709)
Increase/(decrease) in trade and other payables	14	1,148,004	(108,952)
Net cash flow from operating activities		(17,693)	(1,229,068)
Cash flows from investing activities			
Interest received	4	47,714	45,251
Cash flows from financing activities			
Interest paid	4	(13,173)	-
Net increase/(decrease) in cash and cash equivalents		16,848	(1,183,817)
Cash and cash equivalents at 1 October		40,582	1,224,399
Cash and cash equivalents at 30 September		57,430	40,582

The notes on pages 21 to 44 form an integral part of these financial statements.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016

1 General information

The company is a private company limited by share capital incorporated and domiciled in England and Wales.

The address of its registered office is:

5 Lister Hill
Horsforth
Leeds
LS18 5AZ

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the EU:

IFRS 9 Financial instruments

IFRS 15 Revenue from Contracts with Customers

IFRS 11 (amendments) Accounting for Acquisitions of Interest in Joint Operations

IAS 1 (amendments) Disclosure Initiative

IAS 16 and IAS 38 (amendments) Clarification of Acceptable Methods of Depreciation and Amortisation

IAS 27 (amendments) Equity Method in Separate Financial Statements

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

IFRS 10, IFRS 12 and IAS 28 (amendments) Investment Entities: Applying the Consolidation Exemption

Annual Improvements to IFRSs: 2012-2014 Cycle Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS

19 Employee Benefits and IAS 34 Interim Financial Reporting

The directors do not expect the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

2 Accounting policies

Statement of compliance

The group financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

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.

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 2016. 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 owns an 80% stake in The Employee Benefits Corporation Limited. The company's financial position has been included in the consolidated financial statements as the Group holds a controlling share in the business. The non-controlling interest in this subsidiary is identified separately from the Group's equity. The interests of non-controlling shareholders are measured as a proportionate share of the fair value of the net assets acquired. The non-controlling interests' share of subsequent changes in equity will be recognised within the carrying value of the non-controlling interest.

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

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

Goodwill

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

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

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

Intangible assets

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

Investments

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

Property, plant and equipment

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

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Computer equipment & software	3 years
Leasehold improvements	5 - 10 years
Fixtures & fittings	5 years

Leases

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

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method where the effect is material. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition where the effect is material.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call 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.

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

Financial assets and liabilities

Classification

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 Company after deducting all of its liabilities.

Recognition and measurement

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

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 three 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.

All commission amounts previously paid by Group companies in respect of such cancelled policies are recharged in their entirety to the relevant Appointed Representative and/or financial adviser. Commission clawbacks are typically recharged to the relevant Appointed Representative by TenetConnect Services Limited, TenetConnect Limited and TenetLime Limited. Where the collection of such receivables is doubtful, each company makes an appropriate provision. Aspire Financial Management Limited will recharge commission amounts clawed back to the relevant adviser and depending upon the type of cancelled policy, TenetFinancial Solutions Limited may recharge commission amounts clawed back to the introducer of the business.

Claims payable

In the normal course of business some Group companies receive queries and complaints regarding the sale of financial products and/or financial advice. Where appropriate these are investigated in accordance with the relevant company's procedures. In some instances redress may be payable. Based upon the experience of the relevant company, an estimate of total redress 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. Where the collection of such receivables is doubtful, the company makes an appropriate provision. For some Group companies, the lead provider of Professional Indemnity Insurance is another Group company, Paragon Insurance Company Guernsey Limited. This business holds adequate cash reserves to meet claims which arise. These balances are ring-fenced from Group cash resources.

Run-off cover

The PII cover provided by Paragon, insures current members of the networks on a 'claims made' basis. Ex members of the network cease to be insured for claims arising which presents them with a significant financial burden of having to pay any redress. The Group introduced through Paragon a lifetime PII run off cover product which provides ex members of the network with continuing PII cover for a one off fee.

Since 2013, the Group has allocated a proportion of the members annual PII premium to run off. In effect, this has accrued a discount toward a future run off policy which the member could buy once they have left the network.

The accrued funds are held in a designated trust account by Paragon and are converted to premium when members leave the Group and purchase the run off cover. Where members leave the Group and do not purchase run off cover, the accrued funds are transferred to Paragon; should any claim arise against any ex member then the accrued funds would be offset against any claim and the ex-member would then be liable for the balance of any loss.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

Revenue recognition

All revenue relates to the principal activities described in the accompanying Strategic Report and arises in the United Kingdom.

Revenue is measured at the fair value of the consideration received or receivable and represents commissions and fees 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 and when considered certain.

Due to the nature of the business of several Group entities including, TenetConnect Limited, TenetConnect Services Limited, TenetLime Limited, TenetFinancial Solutions Limited, The Employee Benefits Corporation Limited and Aspire Financial Management 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. 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.

Defined contribution pension obligation

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.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

Tax

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.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Purchased goodwill	20 years straight line

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. 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.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

2 Accounting policies (continued)

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;
- Provisions for commission clawback - see Strategic Report and Notes 12 and 15;
- Provisions for claims payable - see Strategic Report and Notes 12 and 15; and,
- Carrying value of goodwill and intangibles - see Note 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.

3 Operating profit

Arrived at after charging

	2016 £	2015 £
Depreciation expense	888,682	946,397
Amortisation expense	267,397	304,725
Operating lease expense - property	310,310	267,225
Operating lease expense - other	245,402	270,134

4 Finance income and costs

	2016 £	2015 £
Finance income		
Interest income on bank deposits	205,902	220,768
Other interest received	25,487	21,918
Total finance income	231,389	242,686
Finance costs		
Interest payable and similar items	(10)	(1,105)
Net finance income	231,379	241,581

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

5 Staff costs - Group

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2016 No.	2015 No.
Administration	239	244
Directors	16	16
	255	260

The aggregate payroll costs (including directors' remuneration) were as follows:

	2016 £	2015 £
Wages and salaries	8,847,613	8,728,754
Social security costs	917,300	916,034
Pension costs, defined contribution scheme	531,281	558,869
	10,296,194	10,203,657

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. Staff costs recharged in the year to Tenet Group Limited are £845,557 (2015:£862,742).

Total remuneration of the directors in respect of the company during the year are shown in the table below. Additional emoluments paid to the directors of the company during the year were £nil (2015: £nil).

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2016 £	2015 £
Remuneration	1,256,284	880,823
Contributions paid to money purchase schemes	156,847	79,728
	1,413,131	960,551

An increase in the number of Tenet Group Limited directors in the year has resulted in a corresponding increase in directors' remuneration as disclosed above. Directors of Tenet Group Limited are 11 (2015:9).

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

6 Directors' remuneration (continued)

During the year the number of directors who were members of pension schemes was as follows:

	2016 No.	2015 No.
Accruing benefits under money purchase pension scheme	3	3

In respect of the highest paid director:

	2016 £	2015 £
Remuneration	329,994	323,189

7 Auditors' remuneration

	2016 £	2015 £
Audit of these financial statements	4,863	4,423

	2016 £	2015 £
Audit of the company's subsidiaries pursuant to legislation	125,638	121,077
Other assurance and corporation taxation services	39,070	41,100
	<u>164,708</u>	<u>162,177</u>

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

8 Income tax

Tax charged/(credited) in the income statement

	2016 £	2015 £
Current taxation		
UK corporation tax	-	-
UK corporation tax adjustment to prior periods	-	-
	-	-

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2015 - lower than the standard rate of corporation tax in the UK) of 20% (2015 - 20.5%).

The differences are reconciled below:

	2016 £	2015 £
Profit before tax	584,265	471,952
Corporation tax at standard rate	116,072	96,744
Increase/(decrease) in current tax from adjustment for prior periods	(159,194)	-
Increase/(decrease) from effect of capital allowances depreciation	133,783	-
Decrease/(increase) from effect of revenues exempt from taxation	(176,255)	(192,396)
Increase/(decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	157,788	231,455
Decrease/(increase) from tax losses for which no deferred tax asset was recognised	25,100	(105,026)
Increase/(decrease) from transfer pricing adjustments	(20,073)	-
Deferred tax expense (credit) relating to changes in tax rates or laws	(77,221)	(30,777)
Total tax charge/(credit)	-	-

Finance Act No2 2015, which was substantively enacted on 26 October 2015, includes further provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. As the enabling legislation has not been substantively enacted at the balance sheet date, these rates do not apply to the deferred tax position at 30 September 2016.

The Finance Act 2013 was substantively enacted on 2 July 2013 and provided for a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and by a further 1% to 20% from 1 April 2015. Accordingly both of these rate reductions have been reflected in the financial statements.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

8 Income tax (continued)

Deferred tax

Group

The Group has a recognised deferred tax asset at 19% of £367,370 (2015: £367,370). There is £786,679 of unprovided deferred taxation at 30 September 2016 (2015: £581,920).

9 Property, plant and equipment

Group

	Leasehold improvements £	Fixtures & fittings £	Assets under construction £	Computer equipment £	Total £
Cost or valuation					
At 1 October 2014	931,190	586,002	419,712	7,178,815	9,115,719
Additions	21,199	19,177	394,271	1,229,800	1,664,447
Transfer of completed assets	-	-	(119,070)	119,070	-
At 30 September 2015	952,389	605,179	694,913	8,527,685	10,780,166
At 1 October 2015	952,389	605,179	694,913	8,527,685	10,780,166
Additions	27,783	89,884	656,783	487,242	1,261,692
Transfer of completed assets	-	-	(264,608)	264,608	-
At 30 September 2016	980,172	695,063	1,087,088	9,279,535	12,041,858
Depreciation					
At 1 October 2014	393,118	430,698	-	5,799,105	6,622,921
Charge for year	72,224	53,211	-	820,962	946,397
At 30 September 2015	465,342	483,909	-	6,620,067	7,569,318
At 1 October 2015	465,342	483,909	-	6,620,067	7,569,318
Charge for the year	79,614	102,386	-	706,682	888,682
At 30 September 2016	544,956	586,295	-	7,326,749	8,458,000
Carrying amount					
At 30 September 2016	435,216	108,768	1,087,088	1,952,786	3,583,858
At 30 September 2015	487,047	121,270	694,913	1,907,618	3,210,848
At 1 October 2014	538,072	155,304	419,712	1,379,710	2,492,798

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

10 Intangible assets

Group

	Goodwill £	Acquisition Costs £	Other intangible assets £	Total £
Cost or valuation				
At 1 October 2014	18,618,522	688,166	1,260,324	20,567,012
At 30 September 2015	18,618,522	688,166	1,260,324	20,567,012
At 1 October 2015	18,618,522	688,166	1,260,323	20,567,011
Additions	-	-	316,389	316,389
At 30 September 2016	18,618,522	688,166	1,576,712	20,883,400
Amortisation				
At 1 October 2014	7,683,683	188,488	375,695	8,247,866
Amortisation charge	-	146,671	-	146,671
At 30 September 2015	7,683,683	335,159	375,695	8,394,537
At 1 October 2015	7,683,683	335,159	375,695	8,394,537
Amortisation charge	-	106,584	160,813	267,397
At 30 September 2016	7,683,683	441,743	536,508	8,661,934
Carrying amount				
At 30 September 2016	10,934,839	246,423	1,040,204	12,221,466
At 30 September 2015	10,934,839	353,007	884,629	12,172,475
At 1 October 2014	10,934,839	499,678	884,629	12,319,146

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

10 Intangible assets (continued)

During the year the Group acquired the goodwill and customer contracts of Furness Financial Advisers Limited - this is shown as an addition within other intangible assets. The Group paid £316,389 for the assets.

In 2014 the Group acquired an additional 9% of the share capital of The Employee Benefits Corporation Limited, increasing the holding to 79.8% in total. The Group paid £20,000 for the shares.

In 2013 the Group acquired the trade and certain assets and liabilities of Merchant House Financial Services Limited. The intangible asset element of the acquisition is comprised of customer rights and records and amortisation is calculated to write off the asset over its estimated useful economic life.

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

In 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.

11 Investments

Group subsidiaries

Details of the group subsidiaries as at 30 September 2016 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held	
			2016	2015
Aspire Financial Management Limited	Provision of financial advice	England and Wales	100%	100%
Paragon Insurance Company Guernsey Limited	Insurance company	Guernsey (C.I.)	100%	100%
Sinfonia Asset Management Limited	Administration services	England and Wales	100%	100%
Living In Retirement Limited	Dormant	England and Wales	100%	100%
TenetConnect Limited	FCA regulated network of IFAs	England and Wales	100%	100%
TenetConnect Services Limited	FCA regulated network of IFAs	England and Wales	100%	100%
TenetLime Limited	FCA regulated network of mortgage and general insurance brokers	England and Wales	100%	100%

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

11 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held	
			2016	2015
TenetFinancial Solutions Limited	Provision of financial advice	England and Wales	100%	100%
TenetSelect Limited	Professional and administration services	England and Wales	100%	100%
The Employee Benefits Corporation Limited	Provision of financial advice	England and Wales	79.8%	79.8%
Tenet Valuation Services Limited	Dormant	England and Wales	100%	100%
Tenet Business Solutions Limited	Marketing, employment and IT support to other Group companies	England and Wales	100%	100%
Tenet Client Services Limited	Holding company	England and Wales	100%	100%
Tenet Limited	Holding company	England and Wales	100%	100%

For the year ending 30 September 2016 the following subsidiaries were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Living In Retirement Limited previously known as Sinfonia Direct Limited

Tenet Valuation Services Limited previously known as TSS Accounts Limited

Tenet Client Services Limited

Tenet Limited

During the financial year, Tenet Group Limited provided a guarantee under section 479C of the Companies Act with respect the financial year ending 30 September 2016 to the abovementioned subsidiaries.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

11 Investments (continued)

Group associates

	2016 £	2015 £
Investments in associates	52,980	52,980
Investments in associates provision	(52,980)	(52,980)
	-	-

Summary of the company investments

	2016 £	2015 £
Investments in subsidiaries	39,213,353	39,213,353

12 Trade and other receivables

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Trade receivables	9,947,150	10,764,140	-	-
Provision for impairment of trade receivables	(1,720,928)	(2,032,775)	-	-
Net trade receivables	8,226,222	8,731,365	-	-
Receivables from related parties	-	-	2,048,887	1,885,688
Prepayments	2,058,603	1,558,281	-	-
Other receivables	1,080,743	173,235	150,000	150,174
Deferred tax asset	367,370	367,370	-	-
Total current trade and other receivables	11,732,938	10,830,251	2,198,887	2,035,862

Included in trade receivables is £2,704,104 (2015:£3,258,732) that relates to amounts recoverable in relation to claims payable and £771,389 (2015:£649,221) that relates to the provision of secured loans as part of the Group's ongoing support for its Appointed Representatives.

Included within the Group's trade receivable balance are debtors with a carrying amount of £51,090 (2015: £92,117) 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 carrying value of these receivables past-due by less than three months is £36,377 (2015: £51,689), whilst £14,713 (2015: £40,428) 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 (2015: £nil).

The fair value of those trade and other receivables classified as financial instrument loans and receivables are disclosed in the financial instruments note.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

12 Trade and other receivables (continued)

Movement in the allowance for doubtful debts	2016 £	2015 £
Opening Balance	2,032,775	2,799,461
Amounts owed by debtors resulting in movement in the provision	176,699	864,193
Amounts written off during the year	(122,485)	(395,283)
Amounts recovered during the year	(366,061)	(1,235,596)
Closing Balance	<u>1,720,928</u>	<u>2,032,775</u>

13 Cash and cash equivalents

	Group		Company
	2016 £	2015 £	2016 £
Cash at bank	22,725,391	22,271,677	57,430
Included within cash at bank and in hand is £9,035,639 (2015:£7,837,512) of short and medium-term fixed deposit investments.			40,582

14 Trade and other payables

	Group		Company
	2016 £	2015 £	2016 £
Trade payables	9,456,743	8,793,081	(1)
Accrued expenses	977,968	927,656	-
Amounts due to related parties	-	-	3,169,880
Social security and other taxes	169,965	203,256	-
Other payables	2,215,272	1,539,853	-
	<u>12,819,948</u>	<u>11,463,846</u>	<u>3,169,879</u>
			2,021,876

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

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

15 Provisions for liabilities

Group

	Commission clawback provision £	Claims payable provision £	Total £
At 1 October 2015	769,050	6,780,888	7,549,938
Utilisation of existing provisions	(953,807)	(1,862,801)	(2,816,608)
Release of existing provisions	(101,971)	(1,680,672)	(1,782,643)
Additional provisions	950,935	3,486,351	4,437,286
At 30 September 2016	664,207	6,723,766	7,387,973
Non-current liabilities	664,207	6,723,766	7,387,973

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 and the policy excess is usually recovered from the Appointed Representative and/or financial adviser responsible for the individual case. Where the Appointed Representative is another Group company, TenetFinancial Solutions Limited, Aspire Financial Management Limited or The Employee Benefits Corporation Limited, the provision is related to the policy excess which would be payable to the network. In the case of Aspire Financial Management Limited the cost is recharged to the relevant financial adviser.

In the normal course of business and in common with the rest of the industry, the Group receives queries and complaints regarding the sale of financial products and/or advice. One such complaint regarding the sale of a product not approved by the Group, through a firm the Group had not authorised to give advice has been received. No provision for this complaint has been made in these financial statements as the directors do not consider that there is any probable loss. In addition, were any action to be successful and compensation payable, the Directors are satisfied that any losses that are not recoverable from the Appointed Representative responsible for providing the original advice, would be met by the insurance that the Group has in place.

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 TenetFinancial Solutions Limited and The Employee Benefits Corporation Limited, who themselves are Appointed Representatives, 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. The directors expect this provision to be utilised over the next 4 years.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

16 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
'A' Ordinary Shares of £0.0001 each	15,215,669	1,522	15,215,669	1,522
'B' Ordinary Shares of £0.0001 each	232,097,345	23,210	232,097,345	23,210
	247,313,014	24,731	247,313,014	24,731

'A' Ordinary shares

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

'B' Ordinary Shares

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

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

Enterprise Management Incentive staff scheme and Unapproved Share Option Scheme

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

The first exercise date is, in accordance with Rule 4 of the scheme rules, the earliest of: a listing date; an asset sale; during the month of November in any year following the expiry of 3 years from the date of the grant; or otherwise at the discretion of the Remuneration Committee. At the year end there are 26 staff with share options expiring in February 2017 under the Enterprise Management Incentive and 19 staff with share options expiring in January 2019 under the Unapproved Share Option scheme.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

17 Obligations under leases and hire purchase contracts

Group

Operating leases

The total future value of minimum lease payments is as follows:

	2016	2015
	£	£
Within one year	319,104	529,156
In two to five years	916,179	1,039,299
In over five years	745,024	745,024
	<u>1,980,307</u>	<u>2,313,479</u>

Company

The company has no operating lease commitments.

18 Holding Company Income Statement

The consolidated income statement includes a loss of £965,496 (2015: loss of £983,972) 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.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

19 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 Conduct Authority ("FCA") directly regulates some Group companies and receives information in respect of the financial resources of these Group companies on a quarterly basis. The FCA 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 FCA.

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

Significant Accounting Policies

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

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.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

19 Financial Instruments (continued)

Credit Risk

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

The credit risk on receivables due from product providers is limited due to the FCA 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 (see Notes 2 and 12). The Group holds £150,000 of collateral over trade receivables (2015: £150,000).

The maximum Group exposure to credit risk at the reporting date was £29,280,856 (2015: £27,810,475). These balances are comprised of all financial assets.

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

The maximum exposure of the company to credit risk at the reporting date was £2,258,952 (2015: £2,076,444). These balances are comprised of all financial assets.

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 for the Year Ended 30 September 2016 (continued)

19 Financial Instruments (continued)

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

Financial Assets	2016 £	2015 £
Cash	22,725,391	22,271,677
Loans and receivables from trade customers	6,602,856	5,645,867
	<u>29,328,247</u>	<u>27,917,544</u>
 Financial Liabilities	 2016 £	 2015 £
Amounts owed to trade customers	11,672,757	10,333,989

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

Financial Assets	2016 £	2015 £
Cash	57,430	40,582
Loans and receivables from group companies	2,048,887	1,885,688
Loans and receivables from trade customers	150,000	150,174
	<u>2,256,317</u>	<u>2,076,444</u>

Financial Liabilities	2016 £	2015 £
Loans and amounts owed to group companies	3,169,880	2,021,876

The interest rate sensitivity analysis below are based on reasonably possible changes in interest rate scenarios.

At the reporting dated a 0.5% increase or decrease in interest rates compared to actual rates would increase/(decrease) the annual net interest receivable by the following amounts:

	2016 £	2015 £
Group		
0.5% increase	113,627	115,256
0.5% decrease	(113,627)	(115,256)
	<u>2016 £</u>	<u>2015 £</u>
Company		
0.5% increase	287	953
0.5% decrease	(287)	(953)

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2016 (continued)

20 Related party transactions

Summary of transactions with parent entities

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

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:

Income and receivables from related parties

	Subsidiary £
2016	
Receipts from Group Companies	<u>3,332,020</u>
2015	
Receipts from Group Companies	<u>5,876,208</u>

Expenditure with and payables to related parties

	Subsidiary £
2016	
Payments to Group Companies	<u>2,347,215</u>
2015	
Payments to Group Companies	<u>6,077,477</u>

21 Events after the balance sheet date

On 13th December 2016 director G Davidson resigned from the Tenet Group board - there have been no other material post balance sheet events.