

Company Registration No. 3909395

**TENET GROUP LIMITED**

**Report and Financial Statements**

**30 September 2013**

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COMPANIES HOUSE

# **TENET GROUP LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2013**

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# **TENET GROUP LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

C Bradley  
M J Greenwood  
G Davidson  
D J Wild  
M J O'Brien  
A M Beswick  
A B Meeks  
P Hilling  
R D Smith

### **SECRETARY**

R J Fletcher

### **REGISTERED OFFICE**

5 Lister Hill  
Horsforth  
Leeds  
LS18 5AZ

### **BANKERS**

Lloyds Bank PLC  
2<sup>nd</sup> Floor  
116 Wellington Street  
Leeds  
LS1 4LT

### **SOLICITORS**

Eversheds LLP  
Bridgewater Place  
Water Lane  
Leeds  
LS11 5DR

### **AUDITOR**

Deloitte LLP  
Chartered Accountants & Statutory Auditor  
Leeds  
LS1 2AL

## TENET GROUP LIMITED

### CHIEF EXECUTIVE'S STATEMENT

The group dealt with the closing stages of Retail Distribution Review ('RDR') implementation during the year; this major regulatory change went live 31 December 2012.

The Group has made notable progress during the year:

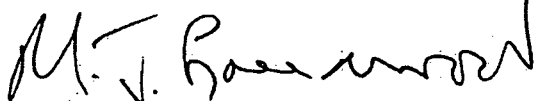
- the Group's largest brand, Connect (our investment network) has enjoyed a good level of organic growth; despite losing some retiring advisors who chose not to qualify for QCF level 4, Connect RI's grew by 5% in the year;
- the Group's Select (Directly Authorised proposition) and LIME (mortgage network) brands have benefitted from further development during 2013;
- Sinfonia, the Group's asset management business, has increased funds under management - which resulted in a positive contribution being earned for the Group during the financial year;
- the Group's captive insurance company, Paragon, continues to provide a stable professional indemnity insurance offering to the Group's members during times when the external insurance markets are experiencing considerable volatility; Paragon introduced run off cover for ex-members and from October 2013 a scheme for existing members to contribute towards the cost of the purchase of run off cover; and
- the Group has continued to develop and deliver its post RDR proposition through the development of the Tenet Advantage system and by the on-going training and support provided to its members in relation to adviser-charging and member business models.

This progress translated into a Group Revenue increase of 22% to £118.0m and Gross Profit increase of 7% to £19.2m as competitive pressures on margin remain in the industry. Administrative expenses increased 3% to £18.2m and depreciation 46% to £1.0m due to the cost of RDR training, improved research, compliance and the investment in Tenet Advantage system. Management believe these investments will benefit members in the future provision of a superior service to those offered by the Groups competitors. Group profit before interest, tax, depreciation and amortisation and non-recurring expenses grew 293% to £1.0m.

The Group's balance sheet as at 30 September 2013 remains strong with £23.6m cash at bank and £28.6m of net assets. In addition, the Group has no external debt. The strong balance sheet together with investment in people, practices and technology give Tenet a strong market position into 2014 post RDR.

There were a number of changes to the board in the year. Tenet welcomes to the board Caroline Bradley, Group Finance Director and Gillian Davidson Group Regulatory Director. We also welcomed Philip Hilling as Chairman of the Group Board and Barry Meeks as Independent Non-Executive Director. Geoffrey Clarkson and Rob Waller resigned and I would like to thank them for their service to the group.

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



MARTIN GREENWOOD  
CHIEF EXECUTIVE

# TENET GROUP LIMITED

## STRATEGIC REPORT

### REVIEW OF THE BUSINESS

The Group traded profitably during the year and exceeded the board's initial expectations. A long term plan has been agreed to improve shareholder value over a five year time horizon.

The board agreed strategic themes for the Group that have been communicated to all employees and linked to their objectives:

- Customer Centric Culture
- Defined Proposition
- Operational Excellence
- De-risk the Business
- Add Shareholder value

Tenet has committed to remain a supporter of Independent advice as well as servicing advisors who move to a restricted model

Key developments in the year include:

- RDR Readiness including seminars and literature;
- Centralised investment process (CIP) seminars for advisers;
- Acquisition of Tenet Employee Benefit Service to take advantage of auto enrolment opportunities;
- Stepped in with a rescue package to save Merchant House Financial Services (MHFS), who had announced administration. Tenet acquired certain business assets and transferred the company's advisers into its 'Aspire Financial Management Ltd' in-house Appointed Representative (AR);
- Continued to invest in Tenet Advantage advisor software solution;
- Gained 'Investor in Customers' accreditation;
- Launch of Tenet Graduate Scheme;
- Launch of Compliance approved social media framework;
- Online anti money laundering service;
- Link with online care referral service and launch of paraplanning service;
- Launch of PI Run Off insurance by Paragon to ex advisors, from October 2013 launch of scheme to existing advisors to contribute to run off premium. E-petition launched to press for long-stop to advice liabilities;
- For Lime members MMR seminars and new links with Metro Bank, West Bromwich, Enterprise, Hickley & Rugby and Kent Reliance; and
- For Select members Retail Mediation Activities Return (RMAR) software solution and capital adequacy calculator.

As shown in the income statement on page 14, in comparison to the prior financial period, the Group's annual sales have increased by 22% to £118.0m (2012: £96.3m), gross profit has increased 7% to £19.2m (2012: £18.0m). The Group generated profits before interest, tax, depreciation, amortisation and non-recurring expenses of £1.0m (2012: £0.25m) and a profit before tax of £0.3m (2012: loss of £4.5m).

The balance sheet on page 15 shows that the Group's financial position at the year end in cash terms has reduced by £0.8m to £23.6m (2012: £24.4m), whilst net assets have increased by £0.3m to £28.6m (2012: £28.3m). 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 Conduct Authority and commentary on the financial resources of these firms is included in this report along with commentary on compliance issues.

## TENET GROUP LIMITED

### STRATEGIC REPORT (CONTINUED)

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

There were no significant events after the balance sheet date as detailed in Note 22.

#### *Financial Resources of the Regulated Network Businesses At 30 September 2013*

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.

At 30 September 2013, 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.

### RISK MANAGEMENT

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

Risk management systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute assurance against material misstatement or loss. The key control mechanisms established by the Board to maintain a sound system of internal control in order to safeguard shareholders' investment and the Group's assets are:

#### *Economic environment*

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

#### *Financial information*

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

## **TENET GROUP LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

#### ***Risk management***

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

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

##### ***a) Internal audit***

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

##### ***b) Legal contracts***

Prior to their completion, all significant legal documents are reviewed for appropriateness either by the company's lawyers or by the Group Regulatory Director. The Group maintains and regularly reviews a database of company contracts.

##### ***c) Commercial and financial risks***

The principal commercial and financial risks faced by the Group are shown in Note 3 and Note 23, 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 Conduct Authority in so far as they affect the Group's regulated activities. Systems and controls are in place that are intended to monitor adherence to this guidance by Group staff and the Appointed Representatives of the Group's network businesses.

#### ***Computer controls***

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

### **HEALTH & SAFETY**

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

### **ENVIRONMENT**

The Group encourages energy efficiency and the avoidance of waste, including recycling of materials and reduction of use of paper through office automation.

### **EMPLOYEES**

Details of the number of employees and related costs can be found in Note 5.

#### ***Quality and integrity of personnel***

All employees are informed of Group operating procedures and training updates are performed at regular intervals. All new members of staff are required to attend an induction programme. All policies and procedures are available on the Group intranet and in hard copy format if required.

The Group also operates a staff appraisal scheme with a formal review for all employees conducted annually. The appraisal system facilitates the identification of training and development needs for all employees through the production of individual Personal Development Plans and is an integral part of the company's staff development policy across all Group companies.

## TENET GROUP LIMITED

### STRATEGIC REPORT (CONTINUED)

#### *Employment Policies*

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

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

#### *Health and Safety*

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

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

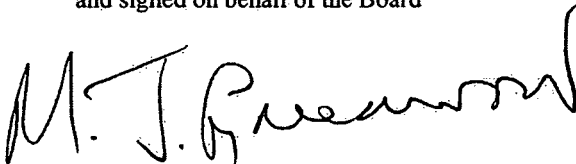
Employees are given information, instruction, training and the supervision necessary for their health and safety. All employees are aware of, and comply with, their individual and collective responsibilities and have a clear duty to take reasonable precautions to avoid injury to themselves, colleagues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

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

#### **POLITICAL CONTRIBUTIONS**

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

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



M J Greenwood  
Director  
13<sup>th</sup> January 2014



# TENET GROUP LIMITED

## DIRECTORS' REPORT

### RESULTS AND PROPOSED DIVIDENDS

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

It remains the policy of the Board of Directors to retain cash generated by the Group for the financing of new business initiatives and to support the Group's on-going operations. As a consequence, the directors do not recommend the payment of a dividend (2012: £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 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.

Phillip Hilling was appointed as Chairman 1 June 2013.

#### *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. Apart from the Nomination Committee and Remuneration 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.

#### *Audit Committee*

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

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

#### *Risk Committee*

The Risk Committee examines and challenges the processes, systems and controls of the Group and aims to identify operational and financial risk. The Committee reviews the Groups Risk Register and receives additional information on relevant risk matters from line management and other sources on a regular basis. A non-executive director chairs the Committee.

# **TENET GROUP LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### ***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 of the review and assessment of applications of firms or individual advisers, together with the monitoring of firms' performance issues identified with any firms or individual advisers within the Network. It is chaired by the Group Regulatory Director and is attended by 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.

### ***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 is attended by senior Executives. The Minutes of the Committee's monthly meetings form part of the management information provided to the Group's Directors.

### ***Advice Quality Forum***

The Advice Quality Forum was established during the year as part of the Group's commitment to improving the standards of advice and related consumer outcomes. Chaired by the Group 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.

# **TENET GROUP LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### **DIRECTORS**

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

M J Greenwood  
A M Beswick  
C Bradley – appointed 28 January 2013  
G S Clarkson - resigned 9 May 2013  
A B Meeks – appointed 31 January 2013  
G Davidson – appointed 30 April 2013  
R D Smith  
D J Wild  
M J O'Brien  
R T Waller – resigned 11 February 2013  
P Hilling – appointed 28 March 2013

### **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 Chief Executive Statement, although the on-going economic conditions create uncertainty in respect of the level of demand for financial services products and the level of compensation payable in respect of claims for mis-selling, the Group was profitable before interest, tax, depreciation, amortisation and non-recurring expenses in the financial year ended 30 September 2013 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 Chief Executive Statement 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 Chief Executive Statement and the Directors' Report. In addition, Note 23 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 £23.6m of cash at bank, net assets of £28.6m, with no bank debt or other financial liabilities with any restrictive or financial covenants. It has long established relationships with a large number of clients, advisers and product providers across a diverse geographical area within the UK, with no significant credit risk exposure to any single counterparty.

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

## **TENET GROUP LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

#### **DISCLOSURE OF INFORMATION TO AUDITOR**

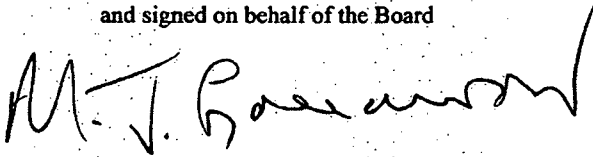
In the case of each of the persons who are directors of the company at the date when this report was approved:

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor.

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

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

M J Greenwood  
Director  
13<sup>th</sup> January 2014

## **TENET GROUP LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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

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

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENET GROUP LIMITED**

We have audited the financial statements of Tenet Group Limited for the year ended 30 September 2013 which comprise Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENET GROUP LIMITED (CONTINUED)**

### **Matters on which we are required to report by exception**

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

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



Stephen Williams

Senior Statutory Auditor

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Leeds

United Kingdom

13<sup>th</sup> January 2014

# TENET GROUP LIMITED

## CONSOLIDATED INCOME STATEMENT Year ended 30 September 2013

	Note	Year ended 30 September 2013 £	Year ended 30 September 2012 £
<b>GROUP REVENUE</b>	2	118,016,736	96,344,425
Cost of sales		(98,782,038)	(78,373,172)
<b>GROSS PROFIT</b>		19,234,698	17,971,253
Administrative expenses		(18,256,345)	(17,722,098)
<b>PROFIT BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION AND EXCEPTIONAL COSTS</b>		978,353	249,155
Exceptional costs	8	-	(4,517,436)
Depreciation, amortisation and impairment charges	10, 11	(1,053,440)	(704,884)
<b>Group Operating Loss</b>		(75,087)	(4,973,165)
Interest receivable and similar income	6	385,780	429,780
Interest payable	7	(9,510)	(76)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	8	301,183	(4,543,461)
Taxation credit	9	-	105,840
<b>PROFIT/(LOSS) FOR PERIOD</b>		301,183	(4,437,621)
Attributable To:			
<b>SHAREHOLDERS OF THE PARENT COMPANY</b>		321,226	(4,437,621)
<b>NON-CONTROLLING INTERESTS</b>		(20,043)	-
		301,183	(4,437,621)

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

All amounts relate to continuing operations.

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



# TENET GROUP LIMITED

## CONSOLIDATED BALANCE SHEET At 30 September 2013

	Note	30 September 2013 £	30 September 2012 (restated) £
<b>NON-CURRENT ASSETS</b>			
Intangible fixed assets	10	12,686,101	11,524,312
Property, plant and equipment	11	1,461,054	1,665,386
Investments	12	20	15,020
		<u>14,147,175</u>	<u>13,204,718</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	9,931,197	11,647,869
Cash and cash equivalents	14	23,602,604	24,434,828
		<u>33,533,801</u>	<u>32,082,697</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	(9,177,301)	(10,515,049)
<b>NET CURRENT ASSETS</b>			
		<u>24,356,500</u>	<u>25,567,648</u>
<b>NON-CURRENT LIABILITIES</b>			
Provisions for liabilities	16	(9,949,209)	(10,502,927)
<b>NET ASSETS</b>			
		<u>28,554,466</u>	<u>28,269,439</u>
<b>EQUITY</b>			
Share capital	17	24,731	24,731
Share premium account		37,914,168	37,914,168
Retained earnings		(9,308,730)	(9,629,956)
Equity attributable to owners of the Company		<u>28,630,169</u>	<u>28,308,943</u>
Non-controlling interests	25	(75,703)	(39,504)
<b>TOTAL EQUITY</b>			
		<u>28,554,466</u>	<u>28,269,439</u>

Certain items in the comparative balance sheet have been re-classified between trade and other receivables and provision for liabilities to better reflect the underlying liability of the Group from commission clawbacks, and the nature of the counterparty exposure. There was no impact on the underlying net assets or liabilities in the current and prior periods resulting from the restatement. See note 2 for details.

These financial statements were approved by the Board of Directors on 13<sup>th</sup> January 2014.  
Signed on behalf of the Board of Directors



C J Bradley

Director

Company Registration Number 3909395

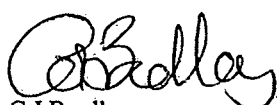
The accompanying notes form an integral part of these financial statements.

# TENET GROUP LIMITED

## COMPANY BALANCE SHEET At 30 September 2013

	Note	30 September 2013 £	30 September 2012 £
<b>NON-CURRENT ASSETS</b>			
Investments	12	39,213,353	39,213,353
		<u>39,213,353</u>	<u>39,213,353</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	1,659,217	2,362,770
Cash and cash equivalents	14	1,848,503	4,400,587
		<u>3,507,720</u>	<u>6,763,357</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	(1,067,571)	(1,926,719)
<b>NET CURRENT ASSETS</b>		<u>2,440,149</u>	<u>4,836,638</u>
<b>NET ASSETS</b>		<u>41,653,502</u>	<u>44,049,991</u>
<b>EQUITY</b>			
Equity shareholders' funds			
Called-up share capital	17	24,731	24,731
Share premium account		37,914,168	37,914,168
Retained earnings		3,714,603	6,111,092
<b>TOTAL EQUITY</b>		<u>41,653,502</u>	<u>44,049,991</u>

These financial statements were approved by the Board of Directors on 13<sup>th</sup> January 2014.  
Signed on behalf of the Board of Directors



C J Bradley  
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 £	Non- Controlling Interest £	Total Equity £
Balance at 1 October 2012	24,731	37,914,168	(9,629,956)	(39,504)	28,269,439
Profit/(Loss) for the financial year	-	-	321,226	(20,043)	301,183
Adjustments in non-controlling interest (NCI)	-	-	-	(16,156)	(16,156)
Balance at 30 September 2013	<u>24,731</u>	<u>37,914,168</u>	<u>(9,308,730)</u>	<u>(75,703)</u>	<u>28,554,466</u>
Balance at 1 October 2011	24,731	37,914,168	(5,192,335)	-	32,746,564
Loss for the financial year	-	-	(4,437,621)	-	(4,437,621)
Adjustments arising from change in NCI	-	-	-	(39,504)	(39,504)
Balance at 30 September 2012	<u>24,731</u>	<u>37,914,168</u>	<u>(9,629,956)</u>	<u>(39,504)</u>	<u>28,269,439</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 2012	24,731	37,914,168	6,111,092	44,049,991
Loss for the financial year	-	-	(1,009,287)	(1,009,287)
Intra group loan waiver	-	-	(1,387,202)	(1,387,202)
Balance at 30 September 2013	<u>24,731</u>	<u>37,914,168</u>	<u>3,714,603</u>	<u>41,653,502</u>
Balance at 1 October 2011	24,731	37,914,168	14,794,282	52,733,181
Loss for the financial year	-	-	(2,766,190)	(2,766,190)
Intra group loan waiver	-	-	(5,917,000)	(5,917,000)
Balance at 30 September 2012	<u>24,731</u>	<u>37,914,168</u>	<u>6,111,092</u>	<u>44,049,991</u>

# TENET GROUP LIMITED

## CONSOLIDATED CASH FLOW STATEMENT For the year ended 30 September 2013

		Year ended 30 September 2013 £	Year ended 30 September 2012 £
	Note		
Net used in operating activities	24	(1,041,209)	(1,414,145)
Net cash used in investing activities	24	230,863	(810,819)
Net cash used in financing activities	24	(21,878)	-
<b>Net decrease in cash and cash equivalents</b>		<b>(832,224)</b>	<b>(2,224,964)</b>
Cash and cash equivalents at beginning of financial year		24,434,828	26,659,792
<b>Cash and cash equivalents at end of financial year</b>		<b>23,602,604</b>	<b>24,434,828</b>

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

## COMPANY CASH FLOW STATEMENT For the year ended 30 September 2013

		Year ended 30 September 2013 £	Year ended 30 September 2012 £
	Note		
Net cash (used in)/ generated in operating activities	24	(1,243,341)	3,543,190
Net cash generated by investing activities	24	78,458	265,808
Net cash used in financing activities	24	(1,387,201)	(5,917,000)
<b>Net decrease in cash and cash equivalents</b>		<b>(2,552,084)</b>	<b>(2,108,002)</b>
Cash and cash equivalents at beginning of financial year		4,400,587	6,508,589
<b>Cash and cash equivalents at end of financial year</b>		<b>1,848,503</b>	<b>4,400,587</b>

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

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 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 Strategic Report on page 3.

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

<i>IAS 1</i>	<i>Amendments to IAS 1 – Presentation of Financial Statements</i>
<i>IAS 12</i>	<i>Amendments to IAS 12 – Income Taxes</i>
<i>IAS 19</i>	<i>Revision of IAS 19 – Employee Benefits</i>
<i>IAS 27</i>	<i>Revision of IAS 27 – Separate Financial Statements</i>
<i>IAS 28</i>	<i>Revision of IAS 28 – Investments in Associates and Joint Ventures</i>
<i>IAS 32</i>	<i>Amendments to IAS 32 – Financial Instruments: Presentation</i>
<i>IFRS 7</i>	<i>Amendments to IFRS 7 – Financial Instruments: Disclosures</i>
<i>IFRS 9</i>	<i>Financial Instruments</i>
<i>IFRS 10</i>	<i>Consolidated Financial Statements</i>
<i>IFRS 11</i>	<i>Joint Arrangements</i>
<i>IFRS 12</i>	<i>Disclosure on Interest in Other Entities</i>
<i>IFRS 13</i>	<i>Fair Value Measurement</i>

*Annual Improvements 2009 – 2011 Cycle (May 2012)*

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.

Certain items in the comparative balance sheet have been re-classified between trade and other receivables and provision for liabilities to better reflect the underlying liability of the Group from commission clawbacks, and the nature of the counterparty exposure. This has resulted in a reduction in trade and other receivables, provision for liabilities and a decrease in the cashflow movement for trade and other receivables and provisions for liabilities of £3,494,187 (2012: £4,243,140; 2011: £3,983,019). There has been no net effect on the income statement, net assets and the net movement in cash and cash equivalents of the Group in the current and prior periods. This change has been applied retrospectively.

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 2013. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, or the loss of the power to control.

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 2 ACCOUNTING POLICIES (CONTINUED)

#### Basis of consolidation (continued)

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

A subsidiary company holds a 20% stake in Ayrshire Financial Services Limited. The results of this company has not been included in the consolidated results of the Group as the directors do not consider that they are an associated company as the Group does not hold any influence over the operating and financial policies of the investee entity. The investment has been included as fixed asset investment in the consolidated financial statements of Tenet Group Limited.

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

#### Goodwill

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

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

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

#### Intangible assets

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

#### Investments

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

#### Property, plant and equipment

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

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

#### Leases

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

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 2 ACCOUNTING POLICIES (CONTINUED)

#### **Trade receivables**

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

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and demand deposits and other short and medium-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### **Financial liabilities and equity**

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

#### **Bank borrowings**

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

#### **Trade payables**

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

#### **Equity instruments**

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

#### **Provisions**

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

The two most significant provisions are:

#### *Commission clawback*

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

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

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 2 ACCOUNTING POLICIES (CONTINUED)

#### Provisions (continued)

##### *Claims payable*

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

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

#### Revenue

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

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

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

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

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

#### Taxation

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

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

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



# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 2 ACCOUNTING POLICIES (CONTINUED)

#### Taxation (continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Unless the effect of discounting is material, deferred tax is measured on a non-discounted basis.

#### Pension costs

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

#### Share-based payments

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

### 3 PRINCIPAL RISKS AND UNCERTAINTIES

#### Group

Group companies are active in the sale of regulated financial products and advise customers as to their appropriateness. As a consequence, elements of the Group's activities are regulated which gives rise to a number of risks, including censure by the Financial 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. 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 2013 this maximum aggregate liability was £12.5 million and remains unchanged for the subsequent year. If any of these limits are breached then the excess falls to the Group, which has additional insurance contracts with third parties to cover such losses. Paragon receives premiums each year from Tenet Group Limited which are based primarily upon an assessment of the long-term average losses in respect of claims arising from the sale of financial products

## TENET GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

#### 3 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

##### Group (continued)

arranged by the Appointed Representatives of TenetConnect Limited and TenetConnect Services Limited. This calculation is prepared by professional advisers to the Group on an actuarial basis.

Group companies receive commission for the sale of financial products from life companies and mortgage brokers. Some commission payments are received on an "indemnity" basis and may become repayable in the event that a policy is cancelled subsequent to its sale. Where such clawbacks of commission occur, such Group companies recharge some or all of such amounts (as applicable) to their Appointed Representatives or financial advisers as applicable (see Notes 2, 13 and 16). As a consequence, to mitigate the risk of accepting commission on an indemnity basis, such Group companies monitor this activity and the ability of their Appointed Representatives/financial advisers to service clawback liabilities.

Competitive pressure is a continuing risk for Group companies, which could result in them losing sales to their key competitors. Group companies manage this risk by providing added value services to their clients, Authorised Representatives and financial advisers, having fast response times not only in supplying products and services but also in handling all queries, and by maintaining strong relationships with their clients, Authorised Representatives and financial advisers.

##### Company

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

#### 4 CRITICAL ACCOUNTING ESTIMATES

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

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

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

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

#### Group

	Year ended 30 September 2013 No.	Year ended 30 September 2012 No.
<b>Average number of persons employed (including directors)</b>		
Directors	13	12
Administration	234	235
	<u>247</u>	<u>247</u>
	Year ended 30 September 2013 £	Year ended 30 September 2012 £
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	8,595,391	8,025,233
Social security costs	871,263	874,885
Other pension costs	450,634	518,541
	<u>9,917,288</u>	<u>9,418,659</u>

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

#### Company

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

Such recharges for the remuneration of the directors in respect of the directors of the company during the year are shown in the table below. Additional emoluments paid to the directors of the company during the year were £nil (2012: £nil).

The remuneration of the directors was as follows:

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Emoluments	559,887	704,588
Compensation for loss of office	807	-
Contribution to money purchase pension schemes	77,181	96,201
	<u>637,875</u>	<u>800,789</u>
Emoluments of the highest paid director:		
Remuneration including pension contributions	286,242	278,836
Compensation for loss of office	-	-
	<u>286,242</u>	<u>278,836</u>

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

	Year ended 30 September 2013 No.	Year ended 30 September 2012 No.
Money purchase pension schemes	<u>4</u>	<u>3</u>

	Year ended 30 September 2013 No.	Year ended 30 September 2012 No.
Average number of persons employed		
Directors	<u>4</u>	<u>4</u>

No other staff costs were incurred by the company during the financial year (2012: £nil).

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2013

### 6 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Other interest	119,517	73,201
Bank interest	266,263	356,579
	<u>385,780</u>	<u>429,780</u>

### 7 INTEREST PAYABLE

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Interest on bank loans and overdrafts	9,510	76
	<u>9,510</u>	<u>76</u>

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 8 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Depreciation and other amounts written off property, plant and equipment	865,440	676,868
Amortisation of intangible assets	176,194	28,016
Impairment of consolidated goodwill	11,805	-
Loss on disposal of plant and equipment	-	-
Operating lease charges		
- land & buildings	258,492	279,668
- other assets	340,722	346,310
Auditor's remuneration:		
- fees payable to the company's auditor for the audit of the company's annual accounts	4,804	7,000
- for the audit of the company's subsidiaries pursuant to legislation	119,696	113,000
Auditor's remuneration for other services to the Group:		
- other assurance services	19,994	23,000
- corporate finance services	33,900	41,000
Staff costs (Note 5)	9,917,288	9,418,659
Exceptional costs	-	4,517,436

In common with many in the industry, an exceptional provision was made at 30 September 2012 for the Arch Cru redress scheme. Under the scheme, firms wrote to clients who were recommended Arch Cru. The firm also made provision for settlement of compensation payments for the failure of KeyData.

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 9 TAXATION

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
<b>Analysis of credit in year at 23.5% (2012: 25%)</b>		
Current tax at 23.5% (2012: 25%)	-	-
Adjustments in respect of prior periods	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Effect of change in tax rate	54,804	-
Origination and reversal of temporary differences	15,540	(137,802)
Adjustment in respect of prior years	(70,344)	31,962
<b>Total deferred tax</b>	-	(105,840)
<b>Tax on profit/(loss) on ordinary activities</b>	-	(105,840)
<b>Factors affecting tax on profit/(loss) on ordinary activities in year</b>		
Profit/(Loss) on ordinary activities before tax	301,183	(4,543,461)
Tax on profit/(loss) on ordinary activities at UK standard rate of 23.5% (2012: 25%)	70,749	(1,135,865)
Effects of:		
Expenses not deductible for tax purposes	15,438	47,945
Losses carried forward	-	948,080
Effects of other rates/credits	41,808	31,960
Movement in unrecognised deferred tax	(47,708)	(23,243)
Adjustment to prior period	(80,287)	25,283
<b>Tax credit on profit/(loss) on ordinary activities for year</b>	-	(105,840)

Corporation tax is calculated at 23.5% (2012: 25%) of the estimated taxable profit for the year

The Group has a recognised deferred tax asset at 23% of £367,559 (2011: £367,560). There is £354,857 of unprovided deferred taxation in the year (2012: £626,074).

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 Year ended 30 September 2013

### 10 INTANGIBLE FIXED ASSETS

Group	Acquisition cost	Purchased intangibles £	Purchased goodwill £	Total intangibles £
<b>Cost</b>				
At 1 October 2012	649,000	381,557	18,129,607	19,160,164
Addition	39,166	878,767	420,050	1,337,983
At 30 September 2013	688,166	1,260,324	18,549,657	20,498,147
At 1 October 2011	-	381,557	17,885,071	18,266,628
Addition	649,000	-	244,536	893,536
At 30 September 2012	649,000	381,557	18,129,607	19,160,164
<b>Amortisation and impairment</b>				
At 1 October 2012	-	284,909	7,350,943	7,635,852
Amortisation	85,408	90,786	-	176,194
Impairment	-	-	-	-
At 30 September 2013	85,408	375,695	7,350,943	7,812,046
At 1 October 2011	-	256,893	7,350,943	7,607,836
Amortisation	-	28,016	-	28,016
Impairment	-	-	-	-
At 30 September 2012	-	284,909	7,350,943	7,635,852
<b>Net book value</b>				
At 30 September 2013	602,758	884,629	11,198,714	12,686,101
At 30 September 2012	649,000	96,648	10,778,664	11,524,312

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

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



# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 11 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold improvements £	Computer equipment £	Fixtures & fittings £	Assets under construction £	Total £
<b>Cost</b>					
At 1 October 2012	415,179	5,717,706	563,614	3,595	6,700,094
Additions	-	581,905	8,157	77,269	667,331
Acquisition	-	-	3,005	-	3,005
Disposals	-	-	(37,316)	-	(37,316)
Transfer of Completed Assets	-	43,638	-	(43,638)	-
At 30 September 2013	415,179	6,343,249	537,460	37,226	7,333,114
At 1 October 2011	361,564	4,237,420	553,671	923,596	6,076,251
Additions	53,615	300,986	7,908	285,563	648,072
Acquisition of Subsidiary	-	-	2,035	-	2,035
Disposals	-	(26,264)	-	-	(26,264)
Transfer of Completed Assets	-	1,205,564	-	(1,205,564)	-
At 30 September 2012	415,179	5,717,706	563,614	3,595	6,700,094
<b>Depreciation</b>					
At 1 October 2012	360,158	4,264,063	410,487	-	5,034,708
Charge for the year	14,654	796,710	54,077	-	865,441
Hindsight Adjustment Subsidiary	-	-	42	-	42
On disposals	-	-	(28,131)	-	(28,131)
At 30 September 2013	374,812	5,060,773	436,475	-	5,872,060
At 1 October 2011	346,431	3,710,707	326,203	-	4,383,341
Charge for the year	13,727	579,620	83,521	-	676,868
Acquisition of Subsidiary	-	-	763	-	763
On disposals	-	(26,264)	-	-	(26,264)
At 30 September 2012	360,158	4,264,063	410,487	-	5,034,708
<b>Net book value</b>					
At 30 September 2013	40,367	1,282,476	100,985	37,226	1,461,054
At 30 September 2012	55,021	1,453,643	153,127	3,595	1,665,386

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2013

### 12 FIXED ASSET INVESTMENTS

#### Group

	£
<b>Cost</b>	
At 1 October 2012	56,175
Additions	-
Disposals	(3,195)
<b>At 30 September 2013</b>	<b>52,980</b>
<b>Impairment</b>	
At 1 October 2012	41,155
Charge in year	11,805
<b>At 30 September 2013</b>	<b>52,960</b>
<b>Net book value</b>	
At 30 September 2013	20
At 30 September 2012	15,020

During the year the company disposed of its 19.5% holding in Indigo Squared Limited, a software consultancy business incorporated in England and Wales.

The company's fixed asset investment at the year end relates to the following company. 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%

#### Company

	£
<b>Cost and net book value</b>	
At 1 October 2012	39,213,353
Additions	-
Impairment	-
<b>At 30 September 2013</b>	<b>39,213,353</b>
At 1 October 2011	39,213,353
Additions	-
Impairment	-
<b>At 30 September 2012</b>	<b>39,213,353</b>

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 12 FIXED ASSET INVESTMENTS (CONTINUED)

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

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

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

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

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

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

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 12 FIXED ASSET INVESTMENTS (CONTINUED)

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

Name	Class	Number held
Aspire Financial Management Limited	Ordinary of £1 each	1
Paragon Insurance Company Guernsey Limited	Ordinary of £1 each (partly paid at £0.55 each)	4,000,000
Sinfonia Asset Management Limited	Ordinary of £0.0001 each	510,000,000
Sinfonia Direct Limited	Ordinary of £1 each	200,002
TenetConnect Limited	Ordinary of £1 each	1,542,416
TenetConnect Services Limited	Ordinary of £1 each	2,351,000
TenetLime Limited	Ordinary of £1 each	1,000,000
TenetFinancial Solutions Limited (formerly TenetRetirement Solutions Limited)	Ordinary of £1 each	650,000
TenetSelect Limited	Ordinary of £1 each	961,000
The Employee Benefits Corporation Limited	Redeemable of £1 each	1,700
TSS Accounts Limited	Ordinary of £0.01 each	100,000,100

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

Name	Country of incorporation	Principal activity	Holding
Ayrshire Financial Services Limited	England and Wales	Provision of financial advice	20%

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

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 13 TRADE AND OTHER RECEIVABLES

	Group		Company	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	£	(restated) £	£	£
<b>Due within one year</b>				
Trade receivables	12,280,616	14,457,170	-	-
Allowance for doubtful debt	(3,778,164)	(4,224,413)	-	-
Amounts owed by group companies	-	-	1,495,929	2,180,502
Other debtors	186,645	202,234	163,288	182,268
Prepayments and accrued income	874,540	845,318	-	-
Corporation tax	-	-	-	-
Deferred tax asset	367,559	367,560	-	-
	<u>9,931,196</u>	<u>11,647,869</u>	<u>1,659,217</u>	<u>2,362,770</u>

Included in trade receivables is £6,367,486 (2012: £6,956,822) that relates to amounts recoverable in relation to claims payable (see Notes 2, 3 and 16) and £1,036,866 (2012: £1,581,847) 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 £343,192 (2012: £240,076) 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 £124,672 (2012: £224,772), whilst £218,520 (2012: £15,456) 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 (2012: £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 2013	Year ended 30 September 2012
	£	(restated) £
<b>Group</b>		
Opening balance	4,224,413	2,104,335
Amounts owed by debtors resulting in movement in the provision	(81,265)	3,003,199
Amounts written off during the year	(85,997)	(555,341)
Amounts recovered during the year	(278,987)	(327,780)
Closing balance	<u>3,778,164</u>	<u>4,224,413</u>

### 14 CASH AND CASH EQUIVALENTS

Included within cash at bank and in hand is £7,500,814 (2012: £4,028,169) of short and medium-term fixed deposit investments and £nil (2012: £nil) 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 2013

### 15 TRADE AND OTHER PAYABLES

	Group		Company	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	£	£	£	£
Trade payables	6,413,421	4,948,748	-	-
Amounts owed to group companies	-	-	1,067,571	629,979
Other taxation and social security	101,629	69,444	-	-
Other creditors	1,651,391	2,996,055	-	96,376
Accruals and deferred income	1,010,860	2,500,802	-	1,200,364
	<u>9,177,301</u>	<u>10,515,049</u>	<u>1,067,571</u>	<u>1,926,719</u>

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

### 16 PROVISIONS FOR LIABILITIES

Group	Restructuring provision £	Claims payable provision £	Commission clawback provision (restated) £	Total £
<b>Group</b>				
At 1 October 2012	767,723	9,047,093	688,111	10,502,927
Utilised in the year	(132,924)	(1,675,646)	(433,760)	(2,242,330)
Released in the year	(634,799)	(2,934,266)	(26,628)	(3,595,693)
Added in the year	-	4,587,106	697,199	5,284,305
	<u>-</u>	<u>9,024,287</u>	<u>924,922</u>	<u>9,949,209</u>

#### Restructuring provision

The provision for restructuring related to staff reorganisation costs and an onerous lease provision relating to the consolidation of operations. At September 2013 the restructure is complete and no onerous leases exist.

#### 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 TenetFinancial Solutions Limited (formerly TenetRetirement Solutions Limited), the policy excess is usually recovered from the Appointed Representative and/or financial adviser responsible for the individual case. The provisions at September 2013 included the exceptional redress provision relating to Arch Cru. The directors expect this provision to be utilised over the next 5 years.

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 regulated financial products. 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 director's 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 AR's in the Group, 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 2013

### 17 SHARE CAPITAL

	30 September 2013 £	30 September 2012 £
<b>Authorised</b>		
Equity Shares		
367,852,700 (2012: 367,852,700) 'A' Ordinary shares of £0.0001	36,785	36,785
250,000,000 (2012: 250,000,000) 'B' Ordinary shares of £0.0001	25,000	25,000
	<u>61,785</u>	<u>61,785</u>
<b>Allotted, called up and fully paid</b>		
Equity Shares		
15,215,669 (2012: 15,215,669) 'A' Ordinary shares of £0.0001	1,521	1,521
232,097,345 (2013: 232,097,345) 'B' Ordinary shares of £0.0001	23,210	23,210
	<u>24,731</u>	<u>24,731</u>

#### 'A' Ordinary shares

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

#### 'B' Ordinary shares

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

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

#### Enterprise Management Incentive staff scheme and Unapproved Share Option Scheme

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

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

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2013

### 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 2013		30 September 2012	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases that expire:				
Within one year	236,980	270,808	3,613	178,818
In the second to fifth years inclusive	68,635	490,599	417,148	212,993
Over five years	-	-	387,576	-
	<u>305,615</u>	<u>761,407</u>	<u>808,337</u>	<u>391,811</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	24,434,828	(832,224)	23,602,604
	<u>24,434,828</u>	<u>(832,224)</u>	<u>23,602,604</u>

### 20 HOLDING COMPANY INCOME STATEMENT

The consolidated income statement includes a loss of £1,009,287 (2012: loss of £2,766,190) 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

Year ended 30 September 2013

#### 21 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 2013 £	Year ended 30 September 2012 £
Net amounts owed by Group Companies at start of financial year	1,550,523	7,222,556
Receipts from Group Companies	19,294,541	24,629,542
Payments to Group Companies	(20,416,705)	(30,301,575)
Net amounts owed by Group Companies at end of financial year	<u>428,359</u>	<u>1,550,523</u>

#### 22 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.

#### 23 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.

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 23 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 2013 £	30 September 2012 £
<b>Financial Assets</b>		
Cash	23,602,604	24,434,828
Loans and receivables from trade customers	4,817,127	7,702,803
	<u>28,419,731</u>	<u>32,137,411</u>
<b>Financial Liabilities</b>		
Amounts owed to trade customers	7,377,201	5,643,907
	<u>7,377,201</u>	<u>5,643,907</u>

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

	30 September 2013 £	30 September 2012 £
<b>Financial Assets</b>		
Cash	1,848,503	4,400,587
Loans and receivables from group companies	1,495,929	2,180,502
Loans and receivables from trade customers	163,288	182,268
	<u>3,507,720</u>	<u>6,763,357</u>
<b>Financial Liabilities</b>		
Loans and amounts owed to group companies	1,067,571	629,979
Amounts owed to trade customers	-	96,376
	<u>1,067,571</u>	<u>726,355</u>

Financial assets equate to fair value as at 30<sup>th</sup> September 2013.

#### 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 2013

### 23 FINANCIAL INSTRUMENTS (CONTINUED)

#### Credit Risk (continued)

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 13). The Group holds £150,000 of collateral over trade receivables (2012: £77,826).

The maximum Group exposure to credit risk at the reporting date was £28,419,731 (2012: £32,179,631). 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 £3,507,720 (2012: £6,763,357). 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 2013 £	30 September 2012 £
<b>Group</b>		
0.50% increase	123,480	130,008
0.50% decrease	(123,480)	(130,008)
<b>Company</b>		
0.50% increase	9,993	22,753
0.50% decrease	(9,993)	(22,753)

## **TENET GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 30 September 2013**

#### **23 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 2013

### 24 ANALYSIS OF CASHFLOWS

#### Group

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
<b>Cash flows from operating activities</b>		
Profit/(loss) on ordinary activities after taxation	301,183	(4,437,621)
Adjustments for:		
Tax credit	-	(105,840)
Depreciation, amortisation and impairment charges	1,053,440	704,884
Decrease in provisions for liabilities	(553,718)	(2,276,955)
Loss on disposal of plant and equipment	9,185	-
Interest receivable	(385,780)	(429,780)
Interest expense	9,510	76
Operating cash flows before movements in working capital	433,820	(6,545,236)
(Increase)/Decrease in trade and other receivables	(890,304)	3,164,126
(Decrease)/Increase in trade and other payables	(575,215)	1,967,042
Cash generated by/(used in) operations	(1,031,699)	(1,414,069)
Taxation paid	-	-
Interest paid	(9,510)	(76)
<b>Net cash generated/(used in) by operating activities</b>	<b>(1,041,209)</b>	<b>(1,414,145)</b>
<b>Investing activities</b>		
Interest received	389,183	451,752
Cash advances and loans made to other parties	(495,265)	(1,168,179)
Repayments of cash advances and loans	1,040,247	1,359,710
Purchase of property, plant and equipment	(667,331)	(648,072)
Purchase of goodwill	(39,166)	-
Intangible acquisition funding provided	-	(649,000)
Purchase of intangible fixed assets	-	-
Investment in subsidiary company	-	(157,030)
Proceeds on sale of property, plant and equipment	3,195	-
<b>Net cash used in investing activities</b>	<b>280,863</b>	<b>(810,819)</b>
<b>Financing activities</b>		
Repayment of acquired bank loan	(21,878)	-
<b>Net cash used in investing activities</b>	<b>(21,878)</b>	<b>-</b>

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2013

### 24 ANALYSIS OF CASHFLOWS (CONTINUED)

#### Company

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
<b>Cash flows from operating activities</b>		
Loss on ordinary activities after taxation	(1,009,287)	(2,766,190)
Adjustments for:		
Taxation	(312,342)	24,503
Dividends received from subsidiary undertakings	-	-
Interest receivable	(59,478)	(241,019)
Operating cash flows before movements in working capital	(1,381,107)	(2,982,706)
Decrease in trade and other receivables	709,075	4,897,853
(Decrease)/increase in trade and other payables	(571,309)	1,652,546
Cash (used in)/generated by operations	(1,243,341)	3,567,693
Taxation paid	-	(24,503)
<b>Net cash (used in)/ generated by operating activities</b>	<b>(1,243,341)</b>	<b>3,543,190</b>
<b>Investing activities</b>		
Interest received	78,458	265,808
Dividends received from subsidiary undertakings	-	-
<b>Net cash generated by investing activities</b>	<b>78,458</b>	<b>265,808</b>
<b>Financing activities</b>		
Intra Group Loan Write Off	(1,387,201)	(5,917,000)
<b>Net cash used in financing activities</b>	<b>(1,387,201)</b>	<b>(5,917,000)</b>

# TENET GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2013

### 25 ACQUISITIONS

On the 21<sup>st</sup> March 2013 the Group acquired certain assets and liabilities of Merchant House Financial Services Limited. Goodwill of £389,924 was recognised upon acquisition consisting largely of synergies and economies of scale. No cash was transferred for the assets acquired from Merchant House Financial Services Limited; the Group instead took ownership of certain liabilities.

On the 25th September 2012 the Group acquired 65% of the share capital of The Employee Benefits Corporation Limited ("EBC"), thus obtaining control. EBC reported on a 13 month financial period ending 30<sup>th</sup> September 2013. Included within EBC's financial statements is a loss of £142,091 which is not attributable to the Group.

The fair value consideration for the acquisitions are detailed below:

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Total identifiable assets	3,005	(40,485)
Total identifiable intangible assets	878,767	-
Adjustment for assets distributable to Non-Controlling Interests	-	13,831
Goodwill	389,924	196,654
Total Consideration	<u>1,271,696</u>	<u>170,000</u>

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Cash	-	170,000
Assumed liabilities	1,001,414	-
Contingent consideration	270,283	-
Total Consideration	<u>1,271,696</u>	<u>170,000</u>

The contingent consideration arrangement in the acquisition made in March 2013 requires the Group to pay the administrator of Merchant House Financial Services Limited an element of certain identifiable revenues received into the Group.

Details of assets acquired and liabilities assumed are detailed below:

	Year ended 30 September 2013 £	Year ended 30 September 2012 £
Property, plant and equipment	3,005	-
Identifiable intangible assets	878,767	-
Financial liabilities	(1,271,696)	-
Total identifiable assets	<u>(389,924)</u>	<u>-</u>

**Tenet Group Limited****To the members****Supplementary note to the 30 September 2013 financial statements**

This supplementary note revises, in certain respects, the original financial statements of the company approved on 13 January 2014 and is to be treated as forming part of those financial statements. The original financial statements did not comply with the Companies Act 2006 (the Act) as certain subsidiaries have taken the audit exemption allowed under s479A of the Act, but this was not disclosed in the original financial statements. In accordance with the Act, the financial statements have been revised as at the date of the original financial statements and not as at the date of this revision. Accordingly they do not deal with events between those dates.

The Act requires that where a supplementary note is issued, a revised auditor's report is issued and this is attached.

**Directors' responsibilities**

In addition to the directors' responsibilities described in the original financial statements, under section 454 of the Act the directors have authority to revise annual financial statements, the directors' report or directors' remuneration report if they do not comply with the Act. The revised financial statements or report must be amended in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and in accordance therewith do not take account of events which have taken place after the date on which the original financial statements were approved. The Regulations require that the revised financial statements show a true and fair view as if they were prepared and approved by the directors as at the date of the original financial statements.

**Statement of revision**

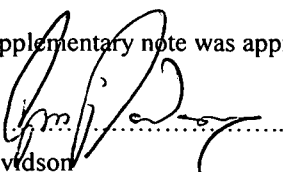
The effect of the revision is to include the following additional information within note 12 of the original financial statements:

"During the year, Tenet Group Limited provided a guarantee under section 479C of the Act with respect to the financial year ending 30 September 2013 to the following subsidiaries:

<b>Name</b>	<b>Company Number</b>
Sinfonia Direct Limited	03702615
TSS Accounts Limited	04351250
Tenet Client Services Limited	03307674
Tenet Limited	03865996

The abovementioned subsidiaries are included in the audited consolidated accounts of Tenet Group Limited, and each respective subsidiary is exempt from the requirements to audit its individual accounts in accordance with section 479A of the Companies Act 2006."

This supplementary note was approved by the board of directors on 29th May 2014 and signed on its behalf by:



Gill Davidson

Director

**REGISTERED OFFICE**

5 Lister Hill, Horsforth, Leeds  
LS18 5AZ



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENET GROUP LIMITED**

We have audited the revised financial statements of Tenet Group Limited for the year ended 30 September 2013 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements, and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

These revised financial statements replace the original financial statements approved by the directors on 13 January 2014 and consist of the attached supplementary note together with the original financial statements which were circulated to members on 20 January 2014. The revised financial statements have been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly do not take account of events which have taken place after the date on which the original financial statements were approved.

This report is made solely to the company's members, as a body, in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 2008. 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 under those regulations 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 revised 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 revised 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 revised financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the revised 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 revised financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the revised 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENET GROUP LIMITED (continued)**

The audit of revised financial statements includes the performance of procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

### **Opinion on financial statements**

In our opinion:

- the revised financial statements give a true and fair view, seen as at the date the original financial statements were approved, of the state of the group's and of the parent company's affairs as at 30 September 2013 and of the group's profit for the year then ended;
- the revised group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union seen as at the date the original financial statements were approved;
- the revised parent company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006 seen as at the date the original financial statements were approved; and
- the revised financial statements have been prepared in accordance with the provisions of the Companies Act 2006 as they have effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008.

### **Emphasis of matter – revision of Note 12**

In forming our opinion on the revised financial statements, which is not modified, we have considered the adequacy of the disclosures made in the supplementary note concerning the need to revise the original financial statements which did not comply with the Companies Act 2006 (the Act) as certain subsidiaries have taken the audit exemption allowed under s479A of the Act, but this was not disclosed in the original financial statements. The original financial statements were approved on 13 January 2014 and our previous report was signed on that date. We have not performed a subsequent events review for the period from the date of our previous report to the date of this report.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:


- the original financial statements for the year ended 30 September 2014 failed to comply with the requirements of the Companies Act 2006 in the respects identified by the directors in the statement contained in the supplementary note; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the revised financial statements are prepared is consistent with the revised financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TENET  
GROUP LIMITED (continued)**

**Matters on which we are required to report by exception**

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

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



Stephen Williams  
Senior Statutory Auditor  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds  
United Kingdom  
29 May 2014