

Registration number: 03909395

Tenet Group Limited
Annual Report and Consolidated Financial Statements
for the Year Ended 30 September 2018



Tenet Group Limited

Contents

Company Information	1
Strategic Report	2
Directors' Report	9
Statement of Directors' Responsibilities	14
Independent Auditor's Report to the members of Tenet Group Limited	15
Consolidated Income Statement	18
Consolidated Statement of Financial Position	19
Company Statement of Financial Position	20
Consolidated Statement of Changes in Equity	21
Company Statement of Changes in Equity	22
Consolidated Statement of Cash Flows	23
Company Statement of Cash Flows	24
Notes to the Financial Statements	25

Tenet Group Limited

Company Information

Directors

H M Ball
C J Bradley
K Craig
M J Greenwood
P Hilling
A B Meeks
J Ewing
C Dibbs

Company secretary

R J Fletcher

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LS18 5AZ

Solicitors

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LS1 1NS

Auditors

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1 City Square
Leeds
LS1 2AL

Tenet Group Limited

Strategic Report for the Year Ended 30 September 2018

Chief Executive's Statement

During a year defined by further regulatory change including MiFID II, General Data Protection Regulation preparation for the Senior Managers and Certification Regime (SM&CR), plus uncertainty over Brexit, our statutory turnover for the year was £167.8m (2017: £168.6m). I am pleased to report that EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) increased by over 13% to £2.5m (2017: £2.2m). The profit before tax for the year was £1.6m (2017: £0.4m loss before tax).

- TenetLime, the Group's mortgage network, increased turnover by 25.6% to £63m and increased net assets by £0.6m.
- TenetConnect, the Group's investment network reported another strong year, although turnover reduced by £12.4m to £101.6m, following the move of one major member out of the network to directly authorised status supported by TenetSelect. EBITDA before Exceptional items increased by £0.8m to £0.5m (2017: £0.3m negative EBITDA), which is mainly attributed to cost savings within Administration Expenses exceeding the reduction in Gross Profit.
- Sinfonia, for the fifth year running, has been awarded a 5 Diamonds rating by Defaqto and saw a 7% increase in turnover.
- Paragon, the Group's captive insurance Company, continues to provide stable professional indemnity insurance and uniquely offers lifetime run-off cover to both ex-members and current members.

Due to the increasing focus on the suitability of DB pension transfer advice, notably with the issues surrounding the British Steel Pension Scheme, the pressure to maintain competitive professional indemnity insurance (PII) in a shrinking market was particularly difficult. However, through our captive insurance arrangement and testament to our advice standards and claims history, we have been able to secure PII at very competitive rates, allowing us to reduce the percentage PII charge for investment business.

The Group's practice buyout scheme, whereby we are acquiring client banks of, or shares in, exiting investment firms has now delivered the purchase of four client banks and one share acquisition. This means we can take advisers from joining through to supporting them in retirement, safe in the knowledge that their clients remain under the Tenet brand. Over the past year, this included the successful acquisition of Elementum Limited and the client bank of one appointed representative.

Through our responses to regulatory consultations and engagement with trade and professional bodies, we aim to affect regulatory change positively for clients and the industry. This activity has contributed to the change in FSCS funding policy which now includes an apportionment to product providers, resulting in a lower levy on intermediary firms and also to the FCA's change of heart with respect to the Financial Services Register as part of the extension of the SM&CR regime, Senior Managers will be subject to the enhanced regime.

The balance sheet of the Group at 30 September 2018 continues to remain extremely robust with £26.1m of cash, which £24.2m was unrestricted cash, no external debt and £31.6m of net assets.

Tenet Group Limited

Strategic Report for the Year Ended 30 September 2018 (continued)

We are proud to be one of the few adviser groups who continue to make a success of the independent network model, whilst also being able to transition firms to directly authorised status. For the Group, it remains important that our advisers are able to choose the right model for their business and our core focus is to give them freedom of choice over their operating model and to keep the end client at the heart of everything we do.

We were also very pleased to be independently validated by winning a number of industry awards over the past year, including:

- Achieving a one star accreditation in the Sunday Times 2019 Best 100 Companies on our first year of entry;
- Best Network at the Money Marketing Awards 2018;
- Customer Excellence (Networks) winner at the 2017/18 L&G Business Quality Awards; and
- Ranked as the number one financial advice firm in the UK in FTAdviser's annual Top 100 Financial Advisers list 2018, based on an assessment of criteria including assets under management, the number of highly qualified individuals within the business, net retail fund sales and levels of client complaints.

Our improved underlying performance for 2018 is a direct result of the hard work and commitment that all our colleagues across the Group have shown and I would like to thank them all on behalf of the Board for their contribution to our success.



MARTIN GREENWOOD
CHIEF EXECUTIVE

6th February 2019

Tenet Group Limited

Strategic Report for the Year Ended 30 September 2018 (continued)

Overview of the business

The Directors of Tenet Group Ltd report a set of results which highlight the improving underlying performance of the Group. The Group has a solid platform on which to improve performance and implement its five year strategy. Set out below is an overview of the principal activities of the business, its objectives and the challenges it faces.

Key performance indicators

Directors evaluate the performance of the business using a number of measures.

Key metrics for the company were as follows:

	2018	2017
	£000	£000
Gross Profit	£22,959	£21,632
Operating profit / (loss)	£1,454	£(506)
Cash	£26,084	£24,195
Net assets	£31,578	£29,886
Headcount	265	282

During the year the Group increased the gross margin percentage 0.8% and increased cash and net assets.

Review of the business

The principal activity of the Company is that of a holding Company of a group of companies that provide financial services to private individuals and provide support services and facilities to firms of financial advisers. Services provided by the Group include the following:

- Provision of financial advice;
- Compliance consulting;
- Industry guidance;
- Technical advice;
- Fee processing facilities and business administration;
- Provision of professional indemnity insurance; and
- Sponsorship of an asset management service for private individuals.

The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

Tenet Group Limited

Strategic Report for the Year Ended 30 September 2018 (continued)

Objectives

The Group's mission is to help people achieve their financial goals and in doing so to keep our clients and advisers safe. We pride ourselves on providing our network members with the freedom of choice over the operating model that they use and that we put the end client at the heart of everything that we do. In addition we aim to trade profitably, increasing shareholder value and maintaining our financial strength. Central to Tenet's objectives are the following values:

- Customer focus;
- Open and honest;
- Innovate and change;
- Shared success; and
- Be commercial.

By living these values and making them a part of everything we do we will strive to treat our members, our customers, our Company, our shareholders and our colleagues fairly. Integral to our objectives and a fundamental enabler is the engagement and ongoing development of Tenet's employees in order to retain and motivate our most talented people.

Strategy

A long term plan has been reviewed and updated to improve shareholder value and to manage the business in accordance with its risk appetite over a five year period.

The board agreed strategic themes for the Group that have been communicated to all employees and linked to their objectives, these themes continue and will evolve into 2019 and beyond as part of the Group's long term plan. The strategic themes are:

- Attract and retain network members;
- Acquire member firms providing them with exit strategies;
- Continue to provide operational excellence in line with our risk appetite;
- Improve operational efficiency; and
- Pursue a high performance culture with a highly engaged work force.

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

Financial performance

The Group has continued to improve underlying performance in the year. The consolidated income statement on page 18 shows turnover reducing by 0.5% to £167.8m (2017: £168.6m) but gross profit has increased by 6% to £23.0m (2017: £21.6m) which demonstrates a pleasing improvement in productivity. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) increased by over 13% to £2.5m (2017: £2.2m). The profit before tax for the year was £1.6m (2017: £0.4m loss before tax).

Tenet Group Limited

Strategic Report for the Year Ended 30 September 2018 (continued)

Financial Position

The balance sheet on page 19 shows that the Group's financial position year on year in cash terms has increased by £1.9m to £26.1m (2017: £24.2m) and the net assets have increased by £1.7m to £31.6m (2017: £29.9m).

Details of amounts owed to and by other Group companies are shown in Note 15 and Note 17. 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.

The Group has generated net cash from operating activities of £4.1m (2017: £2.8m).

Significant events after the balance sheet date are detailed in Note 23.

Other developments and successes in the year

Key developments in the year include:

- Achieved 1 star accreditation in the Sunday Times 2019 Best 100 Companies on our first year of entry.
- Winner at 2018 L&G Business Quality Awards, in a category where quality metrics are analysed and best performance is recognised against our peer group.
- Best Network winner at the 2018 Money Marketing awards.
- Ranked first in the FT Adviser Top 100 Financial Advisers.
- The successful acquisition of Elementum Limited and the client bank of one Appointed Representative.

Principal risks and uncertainties

Group companies are active in the sale of regulated financial products and advise customers as to their appropriateness. As a consequence, elements of the Group's activities are regulated which gives rise to a number of risks, including censure by the Financial Conduct Authority ("FCA"). Such risks may manifest themselves financially through compensation payable regarding the sale of financial products (see Notes 2, 13 and 18) 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.

Tenet Group Limited

Strategic Report for the Year Ended 30 September 2018 (continued)

For some Group companies, the lead provider of professional indemnity insurance is Paragon Insurance Company Guernsey Limited ("Paragon"), a Group Company. The risks associated with providing this insurance are in respect of uncertainties as to whether an insured event will occur, when it will occur or how much Paragon will need to pay if it occurs. Furthermore, the structure of the insurance policy is an Alternative Risk Transfer structure which provides insurance cover over a period of more than one year. Paragon has substantial cash reserves which are ring-fenced from general Group cash resources in order to meet claims which may arise. Paragon receives premiums each year from Tenet Group Limited which are based primarily upon an assessment of the long-term average losses in respect of claims arising from the sale of financial products arranged by the Appointed Representatives of TenetConnect Limited, TenetConnect Services Limited and TenetLime Limited. This calculation is prepared by professional advisers to the Group on an actuarial basis.

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

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

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

Company

The Company has pursued a strategy for growth, achieved partially through acquisition. Acquisitions carry inherent risks for the Company. To mitigate these risks, due diligence appropriate to the size and type of business being acquired is undertaken, whilst having due regard for the nature of the transaction. Furthermore, acquisitions are only completed should legal documentation satisfactory to the Company be agreed with the vendors of any acquired business. The Group has sufficient funds to purchase acquisition by cash and the Group holds no more than 30% of its cash balance with any one counterparty.

Financial resources of the regulated network businesses at 30 September 2018

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 2018, 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.

Tenet Group Limited

Strategic Report for the Year Ended 30 September 2018 (continued)

Financial instruments

Price risk, credit risk, liquidity risk and cash flow risk

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

The credit risk on receivables due from product providers is limited due to the regulatory requirements on these companies to maintain a sufficient level of capital to meet their current liabilities. These receivables are due from a large number of product providers and are payable to the Company within one month of the obligation arising. The balances due from trade customers are comprised of trade receivables and other debtors (see Notes 2 and 15). The Company holds no collateral over these balances.

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

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

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

Approved by the Board on 6th February 2019 and signed on its behalf by:


M J Greenwood
Director

Tenet Group Limited

Directors' Report for the Year Ended 30 September 2018

The Directors present their report and the consolidated financial statements, together with the auditor's report for the year ended 30 September 2018.

Directors' of the group

The Directors, who held office during the year during the year and up to the date of signing these accounts, were as follows:

H M Ball
C J Bradley
K Craig
M J Greenwood
P Hilling
A B Meeks
J Ewing (appointed 20 December 2017)
C Dibbs (appointed 20 June 2018)
G Harle (resigned 16 October 2017)
M Beswick (resigned 24 May 2018)
J Tunbridge (appointed 28 November 2017 and resigned 22 March 2018)

Results and Proposed dividends

The results for the year are presented within the income statement.

It remains the policy of the Board of Directors to retain cash generated by the Group for the financing of new business initiatives and to support the Group's on-going operations. Consequently, the Directors do not recommend the payment of a dividend (2017: £nil).

Future Developments and post Balance Sheet Events

There has been no post balance sheet events. Future events are referred to in the Strategic Report. The Directors consider that Brexit will have little or no impact on the Group due to all revenues being derived from the UK.

Corporate Governance

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

Directors

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

Tenet Group Limited

Directors' Report for the Year Ended 30 September 2018 (continued)

Board

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

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

Audit Committee

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

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

Risk Committee

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

Remuneration Committee

The Remuneration Committee reviews the Group's remuneration policy, the main purpose of which is to attract, retain and motivate high calibre individuals with a competitive remuneration package whilst limiting the Group's fixed employee costs. The Committee consults other Directors as necessary about its proposals and has access to professional advice from outside the Company. The Committee makes recommendations to the Board regarding remuneration policy, including annual salary reviews, bonus awards and other incentives for employees. The Committee is chaired by a non-executive Director.

Authorisations Committee

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

Nomination Committee

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

Tenet Group Limited

Directors' Report for the Year Ended 30 September 2018 (continued)

Regulatory Policy Committee

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

Advice Quality Forum

The Advice Quality Forum operates as part of the Group's commitment to improving the standards of advice and related consumer outcomes. Chaired by the Group Regulatory and Risk 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.

Group Claims Committee

Group Claims Committee is a Paragon committee. The purpose of the Group Claims Committee is to review any large claims over £50,000 which may materially affect the captive insurer, and to identify any trends in claims arising.

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 for the Year Ended 30 September 2018 (continued)

Political contributions

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

Employment of disabled persons

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

Employee involvement

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through quarterly business updates, informal meetings, weekly email bulletins and manager and staff conferences. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests, and a weekly survey tool is used to measure employee engagement and receive anonymous feedback which management act upon wherever possible. In addition, employees receive an annual bonus related to the overall profitability of the group.

Tenet Group Limited

Directors' Report for the Year Ended 30 September 2018 (continued)

Going concern

Although the on-going economic conditions create uncertainty in respect of the level of demand for financial services products, the Group had traded positively in the financial year ended 30 September 2018 and has a strong balance sheet and cash position. The Group's forecasts and projections, including sensitivity analysis taking into account reasonably possible adverse changes in trading performance, show the Group should be able to operate within its own financial resources without the requirement for new funding. As a consequence, the Directors believe that the Group continues to be amongst the best placed in its sector to manage its business risks successfully in the present challenging economic environment.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report and the Directors' Report on pages 2 to 13. The financial position of the Group, its cash flows and its liquidity position are described in the Strategic Report. In addition, Note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk, market risk and liquidity risk.

The Group has a significant level of financial resources, including £24.2m unrestricted cash bank, net assets of £31.6m, 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.

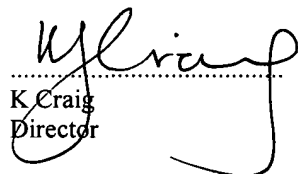
Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors

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

Approved by the Board on 6th February 2019 and signed on its behalf by:



K. Craig
Director

Tenet Group Limited

Statement of Directors' Responsibilities

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

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

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

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

Tenet Group Limited

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Tenet Group Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30th September 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statement of changes in equity;
- the company statements of changes in equity;
- the consolidated statement of cash flows;
- the company statement of cash flows;
- the statement of accounting policies; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Tenet Group Limited

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Tenet Group Limited

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.



Peter Birch FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
6 February 2019

Tenet Group Limited

Consolidated Income Statement for the Year Ended 30 September 2018

	Note	2018 £000	2017 £000
Revenue	3	167,838	168,589
Cost of sales		<u>(144,879)</u>	<u>(146,957)</u>
Gross profit		22,959	21,632
Administrative expenses		<u>(20,500)</u>	<u>(19,472)</u>
Profit before interest, tax, depreciation and amortisation		2,459	2,160
Exceptional costs	4	-	(1,475)
Depreciation, amortisation and impairment charges		<u>(1,005)</u>	<u>(1,191)</u>
Group operating profit/(loss)	5	<u>1,454</u>	<u>(506)</u>
Finance income		151	131
Finance costs		<u>(1)</u>	<u>(1)</u>
Net finance income	6	<u>150</u>	<u>129</u>
Profit/(loss) before tax		1,604	(376)
Income tax receipt/(expense)	10	<u>88</u>	<u>-</u>
Profit/(loss) for the year		<u>1,692</u>	<u>(376)</u>
Profit/(loss) attributable to:			
Owners of the Company		1,692	(318)
Non-controlling interests		<u>-</u>	<u>(58)</u>
		<u>1,692</u>	<u>(376)</u>

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

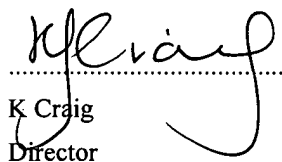
The above results were derived from continuing operations.

The notes on pages 25 to 50 form an integral part of these financial statements.

Tenet Group Limited
(Registration number: 03909395)
Consolidated Statement of Financial Position as at 30 September 2018

	Note	2018 £000	2017 £000
Assets			
Non-current assets			
Property, plant and equipment	11	4,055	3,566
Intangible assets	12	13,028	11,971
Investments	13	234	234
		<u>17,317</u>	<u>15,771</u>
Current assets			
Trade and other receivables	15	8,872	11,538
Cash and cash equivalents	16	26,084	24,195
		<u>34,956</u>	<u>35,733</u>
Total assets		<u>52,273</u>	<u>51,504</u>
Current liabilities			
Trade and other payables	17	(13,236)	(14,806)
Non-current liabilities			
Provisions for liabilities	18	(7,459)	(6,812)
Total liabilities		<u>(20,695)</u>	<u>(21,618)</u>
Net Assets		<u>31,578</u>	<u>29,886</u>
Equity			
Share capital	19	25	25
Share premium		37,914	37,914
Retained earnings		(6,361)	(8,053)
Total equity		<u>31,578</u>	<u>29,886</u>

Approved by the Board on 6th February 2019 and signed on its behalf by:


K. Craig
Director

The notes on pages 25 to 50 form an integral part of these financial statements.

Tenet Group Limited

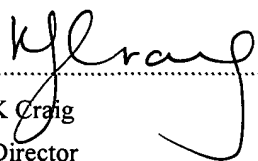
(Registration number: 03909395)

Company Statement of Financial Position as at 30 September 2018

	Note	2018 £000	2017 re-restated £000
Assets			
Non-current assets			
Investments in subsidiaries, joint ventures and associates	13	39,213	39,213
Current assets			
Trade and other receivables	15	1,734	1,895
Cash and cash equivalents	16	4	1
		<u>1,738</u>	<u>1,896</u>
Current liabilities			
Trade and other payables	17	<u>(4,095)</u>	<u>(4,267)</u>
Net Assets		<u>36,856</u>	<u>36,842</u>
Equity			
Called-up share capital	19	25	25
Share premium		37,914	37,914
Retained earnings		<u>(1,083)</u>	<u>(1,097)</u>
Total equity		<u>36,856</u>	<u>36,842</u>

The consolidated income statement includes a profit of £14,000 (2017: loss of £1,458,000) which has been presented within 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.

Approved by the Board on 6th February 2019 and signed on its behalf by:



 K Craig
 Director

The notes on pages 25 to 50 form an integral part of these financial statements.

Tenet Group Limited

Consolidated Statement of Changes in Equity for the Year Ended 30 September 2018

	Share capital £000	Share premium £000	Retained earnings £000	Total £000	Non- controlling interest £000	Total equity £000
At 1 October 2017	25	37,914	(8,053)	29,886	-	29,886
Profit for the year	-	-	1,692	1,692	-	1,692
Total comprehensive income	-	-	1,692	1,692	-	1,692
At 30 September 2018	25	37,914	(6,361)	31,578	-	31,578

	Share capital £000	Share premium £000	Retained earnings £000	Total £000	Non- controlling interest £000	Total equity £000
At 1 October 2016	25	37,914	(7,735)	30,204	(148)	30,056
Loss for the year	-	-	(318)	(318)	(58)	(376)
Total comprehensive income	-	-	(318)	(318)	(58)	(376)
Write off NCI balance	-	-	-	-	206	206
At 30 September 2017	25	37,914	(8,053)	29,886	-	29,886

The notes on pages 25 to 50 form an integral part of these financial statements.

Tenet Group Limited

Company Statement of Changes in Equity for the Year Ended 30 September 2018

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 October 2017	25	37,914	(1,097)	36,842
Profit for the year	-	-	14	14
Total comprehensive income	-	-	14	14
At 30 September 2018	25	37,914	(1,083)	36,856

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 October 2016	25	37,914	361	38,300
Loss for the year	-	-	(1,458)	(1,458)
Total comprehensive income	-	-	(1,458)	(1,458)
At 30 September 2017	25	37,914	(1,097)	36,842

The notes on pages 25 to 50 form an integral part of these financial statements.

Tenet Group Limited

Consolidated Statement of Cash Flows for the Year Ended 30 September 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Profit/(loss) for the year		1,692	(376)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	1,005	1,191
Finance income	6	(151)	(132)
Finance costs	6	1	1
		<u>2,547</u>	<u>684</u>
Working capital adjustments			
Decrease in trade and other receivables	15	2,473	195
(Decrease)/increase in trade and other payables	17	(1,570)	2,449
Increase/(decrease) in provisions	18	647	(576)
Net cash flow from operating activities		<u>4,097</u>	<u>2,752</u>
Cash flows from investing activities			
Interest received	6	152	131
Acquisitions of property plant and equipment		(1,267)	(913)
Proceeds from sale of property plant and equipment		-	2
Acquisition of intangible assets	12	(1,287)	(408)
Acquisition of investments	13	-	(234)
Cash advances and loans made to other parties		(79)	(379)
Repayments of cash advances and loans		274	520
Net cash flows from investing activities		<u>(2,207)</u>	<u>(1,281)</u>
Cash flows from financing activities			
Interest paid	6	(1)	(1)
Net increase in cash and cash equivalents		1,889	1,470
Cash and cash equivalents at 1 October 2017		<u>24,195</u>	<u>22,725</u>
Cash and cash equivalents at 30 September 2018		<u>26,084</u>	<u>24,195</u>

The notes on pages 25 to 50 form an integral part of these financial statements.

Tenet Group Limited

Company Statement of Cash Flows for the Year Ended 30 September 2018

		2018	2017
	Note	£000	re-stated £000
Cash flows from operating activities			
Profit/(loss) for the year		14	(1,458)
Adjustments to cash flows from non-cash items			
Finance income		(16)	(45)
Finance costs		1	-
		(1)	(1,503)
Working capital adjustments			
Decrease in trade and other receivables	15	161	305
(Decrease)/increase in trade and other payables	17	(172)	1,097
Net cash flow from operating activities		(12)	(101)
Cash flows from investing activities			
Interest received		16	45
Cash flows from financing activities			
Interest paid		(1)	-
Net (decrease)/increase in cash and cash equivalents		3	(56)
Cash and cash equivalents at 1 October 2017		1	57
Cash and cash equivalents at 30 September 2018		4	1

The notes on pages 25 to 50 form an integral part of these financial statements.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018

1 General information

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

The address of its registered office is:

5 Lister Hill
Horsforth
Leeds
LS18 5AZ

At the date of authorisation of these financial statements have taken into account the new and revised IFRSs statements that have been issued and have been adopted by the EU:

IFRS 9 Financial instruments

IFRS 15 Revenue from Contracts with Customers

IFRS 16 Leases

IFRS 2 (amendments) Share-based Payments

IFRS 1 & IAS 28 (amendments) Investment in Associates

IAS 40 (amendments) Transfers of Investment Property

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

IAS 1 (amendments) Disclosure Initiative

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

IAS 27 (amendments) Equity Method in Separate Financial Statements

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

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

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

19 Employee Benefits and IAS 34 Interim Financial Reporting

The introduction of the new accounting standards listed above, have had no material impact on the financial statements of the Group. It is excepted that IFRS 9 will impact both the measurement and disclosures of financial instruments. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 will have until a detailed review has been completed.

2 Accounting policies

Statement of compliance

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

Summary of significant accounting policies and key accounting estimates

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

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

2 Accounting policies (continued)

Basis of preparation

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

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

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September 2018. 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.

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.

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.

Business Combinations

Business combinations and intangible assets acquisitions are accounted for using the purchase method of accounting. The cost of an acquisition is the cash paid together with the fair value of other assets given, equity instruments issued and liabilities incurred or assumed.

Any deferred contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, are recognised either in the profit and loss account or in other comprehensive income, in accordance with IAS 39. Any amounts payable by the Group directly contingent on the continuing employment of the vendors are treated as remuneration and recognised as an expense in the profit and loss account. Deferred and contingent consideration amounts payable after more than 12 months are discounted to present value.

The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. The excess of the cost of acquisition over the fair value of net assets assumed is recorded as goodwill.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

2 Accounting policies (continued)

Intangible assets

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

Investments

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

Property, plant and equipment

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

Depreciation

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

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

Leases

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

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.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

2 Accounting policies (continued)

Cash and cash equivalents

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

Trade payables

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

Financial assets and liabilities

Classification

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

Recognition and measurement

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

Defined contribution pension obligation

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

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

2 Accounting policies (continued)

Tax

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement.

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

Amortisation

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

Asset class	Amortisation method and rate
Purchased goodwill	14 - 20 years straight line

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

The following are critical judgements, that the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

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

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

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

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

Contingent consideration

When calculating a purchase value of a target company or client banks, the structure of total consideration is an aggregate of initial and contingent consideration. A critical judgement exists on the treatment of the contingent consideration, on whether it represents post-completion remuneration to existing shareholders, or true consideration.

The judgement applied by is based off the interpretation of the guidance provided in IFRS 3 and the Group believes the total consideration represents true consideration for the acquisition, with no element attributable to post-completion shareholder remuneration.

Business Combinations

Business combinations are accounted for using the purchase method of accounting. The cost of an acquisition is the cash paid together with the fair value of other assets given, equity instruments issued and liabilities incurred or assumed.

As part of these acquisitions a judgement exists over whether any separately identifiable intangible assets exist within the acquired entity. When determining this judgement the Group interprets the recognition criteria for intangible assets through business combinations as stated in IAS 38 and IFRS 3. As such, a critical judgement exists over whether the assets identified through acquisitions, represent intangible assets against the recognition criteria.

The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Separately identified intangible assets are measured initially at their fair value using a combination of industry valuation ranges. A critical judgement therefore exists over of the valuation of the acquired asset from the business combination. The excess of the cost of acquisition over the fair value of net assets assumed is recorded as goodwill.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Commission clawback

All commission amounts previously paid by Group companies in respect of such cancelled policies are recharged in their entirety to the relevant Appointed Representative and/or Financial Adviser.

Commission clawbacks are typically recharged to the relevant Appointed Representative by TenetConnect Services Limited, TenetConnect Limited and TenetLime Limited. Where the collection of such receivables is doubtful, each Company makes an appropriate provision. As such there is an uncertainty over the number of clawbacks received, and the amount recoverable from Appointed Representatives which require estimation by the Group. Aspire Financial Management Limited will recharge commission amounts clawed back to the relevant adviser and depending upon the type of cancelled policy, TenetFinancial Solutions Limited may recharge commission amounts clawed back to the introducer of the business.

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.

Claims payable

In the normal course of business some Group companies receive queries and complaints regarding the sale of financial products and/or financial advice. Where appropriate these are investigated in accordance with the relevant Company’s procedures. In some instances redress may be payable.

All complaints are investigated in accordance with regulatory rules. Where redress is payable, loss calculations are undertaken market wide technology utilised by the Financial Ombudsman Service or through external actuarial services. Based upon the experience of the relevant Company, an estimate of total redress which may be payable is calculated based upon the assessment of the claim, legal advice and regulator correspondence. Given the nature and uniqueness of these claims, as well as influence from external parties, a level of uncertainty is evident in the amount of any payable redress. Claims are reviewed on a regular basis through the Group Claims Committee.

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.

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.

Accrued Revenue

Due to the nature of the business of several Group entities including, TenetConnect Limited, TenetConnect Services Limited, TenetLime Limited, TenetFinancial Solutions Limited, Tenet Financial Services Limited (formerly The Employee Benefits Corporation Limited) and Aspire Financial Management Limited; it is not possible to precisely determine at the date of the financial statements which policies have been accepted by the product providers or mortgages completed where commissions have not yet been received by these companies.

The estimated accrued revenue is based upon historic data regarding the value of policies submitted to the product providers and deemed to be on risk. The Directors review the basis of this estimate to ensure the adequacy of these calculations.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

Run-off cover

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

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

The accrued funds are held in a designated trust account by Paragon and are converted to premium when members leave the Group and purchase the run off cover. Where members leave the Group and do not purchase run off cover, the accrued funds are transferred to Paragon; should any claim arise against any ex member then the accrued funds would be offset against any claim and the ex-member would then be liable for the balance of any loss. A source of estimation uncertainty exists in respect to the level of future claims expected to be received regarding the ex-member. The premium charged to members reflects what the directors consider to be an appropriate amount to cover future liabilities.

Goodwill

To determine whether goodwill is impaired requires the Group to make an estimate of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating units and to discount these at a suitable discount rate factor ('DCF') in order to calculate the net present value. The carrying amount of goodwill at the balance sheet date was £11,033,000 (2017: £10,539,000). During the year the Group performed DCF calculations based on long term assumptions and the five year plan to confirm that there was no impairments.

4 Exceptional costs

The exceptional costs for the year were as follows:

	2018 £000	2017 £000
Restructuring Costs	-	1,026
Strategic Review	-	449
	-	1,475

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

5 Operating profit

Calculated after the deduction of:

	2018 £000	2017 £000
Depreciation expense	776	929
Amortisation expense	229	262
Operating lease expense - property	394	333
Operating lease expense - other	146	164

6 Finance income and costs

	2018 £000	2017 £000
Finance income		
Interest income on bank deposits	96	101
Other interest received	55	30
Total finance income	151	131
Finance costs		
Interest payable and similar items	(1)	(1)
Total finance costs	(1)	(1)
Net finance income	150	130

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

7 Staff costs - Group

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

	2018 No.	2017 No.
Administration	250	266
Directors	15	16
	<u>265</u>	<u>282</u>

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

	2018 £000	2017 £000
Wages and salaries	10,115	9,015
Social security costs	1,018	948
Pension costs, defined contribution scheme	508	494
	<u>11,641</u>	<u>10,457</u>

Company

All staff utilised by the Company in the delivery of its services are employed by Tenet Group Limited. Tenet Business Solutions Limited is responsible for the payment of the remuneration of all Tenet Group Limited employees, including the Directors of the Company and its subsidiaries, and it receives recompense from the Company and its subsidiaries in respect of this service through management recharges which are allocated on a time incurred basis. The amounts recharged to other Group companies in respect of Directors are included in the financial statements of each Group Company. Staff costs recharged in the year to Tenet Group Limited are £nil (2017:£nil). A change in recharging of expenses in the year meant none of the Directors' or staff costs were charged to Tenet Group Limited..

Total remuneration of the Directors in respect of the Company during the year are shown in the table below. Additional emoluments paid to the Directors of the Company during the year were £nil (2017: £nil).

8 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2018 £000	2017 £000
Remuneration	1,253	1,362
Contributions paid to money purchase schemes	21	110
	<u>1,274</u>	<u>1,472</u>

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

8 Directors' remuneration (continued)

Company

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

	2018 No.	2017 No.
Administration	-	-
Directors	8	8
	8	8

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

	2018 No.	2017 No.
Accruing benefits under money purchase pension scheme	5	2

In respect of the highest paid Director:

	2018 £000	2017 £000
Remuneration	419	388

9 Auditors' remuneration

	2018 £000	2017 £000
Audit of these financial statements	5	5

	2018 £000	2017 £000
Audit of the Company's subsidiaries pursuant to legislation	137	131
Other assurance and corporation taxation services	25	18
	162	149

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

10 Income tax

Tax charged/(credited) in the income statement

	2018 £000	2017 £000
Current taxation		
UK corporation tax	-	-
Deferred tax	88	-
Total tax credit/(charge)	<u>88</u>	<u>-</u>

The average corporation tax rate for the year was 19.0% (2017 – 19.5%).

The differences are reconciled below:

	2018 £000	2017 £000
Profit/(loss) before tax	<u>1,604</u>	<u>(376)</u>
Corporation tax at standard rate	305	(87)
Effect of capital allowances exceeding depreciation	(95)	-
Increase from effect of revenues exempt from taxation	-	(911)
Tax effect on the utilisation of tax losses not previously recognised	(293)	-
Deferred taxation	88	
Increase from effect of expenses not deductible in determining taxable (loss)/profit	83	1,025
(Increase)/decrease from tax losses for which no deferred tax asset was recognised	<u>-</u>	<u>(27)</u>
Total tax charge/(credit)	<u>88</u>	<u>-</u>

Finance Act No2 2015, which was substantively enacted on 26 October 2015, includes further provisions to reduce the corporation tax to 19% with effect from 1 April 2018 and 18% with effect from 1 April 2020. As the enabling legislation has not been substantively enacted at the balance sheet date, these rates do not apply to the deferred tax position at 30 September 2018.

Deferred tax

Group

The Group has a recognised deferred tax asset at 19% of £456,000 (2017: £368,000). There is £124,000 unprovided deferred taxation at 30 September 2018 at the recognised deferred tax rate of 17% (2017: £787,000).

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

11 Property, plant and equipment

	Leasehold improvements £000	Fixtures & fittings £000	Assets under construction £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 October 2016	980	695	1,087	9,280	12,042
Additions	35	14	511	353	913
Disposals	(21)	(257)	-	(2,358)	(2,636)
Transfer of completed assets	-	-	(639)	639	-
At 30 September 2017	994	452	959	7,914	10,319
At 1 October 2017	994	452	959	7,914	10,319
Additions	70	10	665	522	1,267
Disposals	(316)	(185)	-	(862)	(1,363)
Transfer of completed assets	-	-	(337)	337	-
At 30 September 2018	748	277	1,287	7,911	10,223
Depreciation					
At 1 October 2016	545	586	-	7,327	8,458
Charge for year	68	50	-	811	929
Eliminated on disposal	(20)	(256)	-	(2,358)	(2,634)
At 30 September 2017	593	380	-	5,780	6,753
At 1 October 2017	593	380	-	5,780	6,753
Charge for the year	77	49	-	650	776
Eliminated on disposal	(316)	(183)	-	(862)	(1,361)
At 30 September 2018	354	246	-	5,568	6,168
Carrying amount					
At 30 September 2018	394	31	1,287	2,343	4,055
At 30 September 2017	401	72	959	2,134	3,566

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

12 Intangible assets

Group

	Goodwill £000	Acquisition Costs £000	Other Intangible assets £000	Total £000
Cost or valuation				
At 1 October 2016	18,618	688	1,577	20,883
Additions	-	-	408	408
Impairment	(396)	-	-	(396)
At 30 September 2017	18,222	688	1,985	20,895
At 1 October 2017	18,222	688	1,985	20,895
Additions	490	-	797	1,287
At 30 September 2018	18,712	688	2,782	22,182
Amortisation				
At 1 October 2016	7,684	441	537	8,662
Amortisation charge	-	77	185	262
At 30 September 2017	7,684	518	722	8,924
At 1 October 2017	7,684	518	722	8,924
Amortisation charge	-	77	153	230
At 30 September 2018	7,684	595	875	9,154
Carrying amount				
At 30 September 2018	11,028	93	1,907	13,028
At 30 September 2017	10,538	170	1,263	11,971

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

12 Intangible assets (continued)

During the year the Group acquired the goodwill and customer contracts of Elementum Limited and Blackmore Vale Limited. The Group paid £2,168,000 consideration for the assets which includes £881,000 deferred consideration. Included within the £881,000 deferred consideration £495,000 is subjected to how the Elementum acquisition performs over the next three accounting periods.

13 Investments

Group subsidiaries

Details of the group subsidiaries as at 30 September 2018 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held	
			2018	2017
Aspire Financial Management Limited	Provision of financial advice	England and Wales	100%	100%
Paragon Insurance Company Guernsey Limited	Insurance Company	Guernsey (C.I.)	100%	100%
Sinfonia Asset Management Limited	Administration services	England and Wales	100%	100%
Living In Retirement Limited	Dormant	England and Wales	100%	100%
TenetConnect Limited	FCA regulated network of IFAs	England and Wales	100%	100%
TenetConnect Services Limited	FCA regulated network of IFAs	England and Wales	100%	100%
TenetLime Limited	FCA regulated network of mortgage and general insurance brokers	England and Wales	100%	100%
TenetFinancial Solutions Limited	Provision of financial advice	England and Wales	100%	100%
TenetSelect Limited	Professional and administration services	England and Wales	100%	100%
Tenet Financial Services	Provision of financial advice	England and Wales	100%	79.8%
Tenet Platform Services Limited	Provision of financial platform	England and Wales	100%	100%
Tenet Business Solutions Limited	Marketing, employment and IT support to other Group companies	England and Wales	100%	100%

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

13 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held	
			2018	2017
Tenet Client Services Limited	Holding Company	England and Wales	100%	100%
Tenet Limited	Holding Company	England and Wales	100%	100%
Elementum Limited	Provision of financial advice	England and Wales	100%	nil

All the holdings are ordinary shares.

For the year ending 30 September 2018 the following subsidiaries were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

Living In Retirement Limited, company number 3702615;
 Tenet Platform Services Limited, company number 4361250;
 Tenet Client Services Limited, company number 3307674; and
 Tenet Limited, company number 3865996;
 Elementum Limited, company number 03924988.

During the financial year, Tenet Group Limited provided a guarantee under section 479C of the Companies Act with respect the financial year ending 30 September 2018 to the above mentioned subsidiaries.

Fixed Asset Investments

	2018 £000	2017 £000
Investments in associates brought forward	234	53
Investments in associates provision	-	(53)
Investment additions	-	234
	<u>234</u>	<u>234</u>

The Group's fixed asset investments brought forward comprise a 20% shareholding in Ayrshire Financial Services Limited, 145,000 shares in The Sycamore IV Mezzanine Finance Fund LLP and 5.94% of the shares in Tungate Capital Plc.

Summary of the Company investments

	2018 £000	2017 £000
Investments in subsidiaries	<u>39,213</u>	<u>39,213</u>

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

14 Acquisition of subsidiary

On 18 September 2018, the group acquired 100 per cent of the issued share capital of Elementum Limited.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	£000
Financial assets	
Property, plant and equipment	32
Identifiable intangible assets	1,543
	<hr/>
Total identifiable assets	1,575
	<hr/>
Goodwill	495
	<hr/>
Total consideration	2,070
	<hr/> <hr/>
Satisfied by:	
Cash	1,189
Contingent consideration arrangement	881
	<hr/>
Total consideration transferred	2,070
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Cash consideration	1,189
Less: cash and cash equivalent balances acquired	5
	<hr/>
	1,194
	<hr/> <hr/>

The fair value of the financial assets includes £36,000 accrued receivables for financial policies which have been sold but not yet started.

The goodwill of £495,000 arising from the acquisition consists of the premium paid above the market value of the client banks acquired. None of the goodwill is expected to be deductible for income tax purposes.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

15 Trade and other receivables

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 re-stated £000
Trade receivables	6,907	10,033	-	-
Provision for impairment of trade receivables	(891)	(1,482)	-	-
Net trade receivables	6,016	8,551	-	-
Receivables from related parties	-	-	1,734	1,895
Prepayments	1,878	1,848	-	-
Other receivables	522	771	-	-
Deferred tax asset	456	368	-	-
Total current trade and other receivables	8,872	11,538	1,734	1,895

Included within the Group's trade receivable balance are debtors with a carrying amount of £253,000 (2017: £72,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Directors believe that the amounts are still recoverable. The carrying value of these receivables past-due by less than three months is £169,000 (2017: £1,000), whilst £84,000 (2017: £71,000) 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 (2017: £nil).

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

Movement in the allowance for doubtful debts	2018 £000	2017 £000
Opening Balance	1,482	1,721
Amounts owed by debtors resulting in movement in the provision	186	412
Amounts written off during the year	(35)	(47)
Amounts recovered during the year	(742)	(604)
Closing Balance	891	1,482

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

16 Cash and cash equivalents

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 re-stated £000
Cash at bank	26,084	24,195	4	1

Included within cash at bank and in hand is £17,773,000 (2017: £13,646,000) of short and medium-term fixed deposit investments and £1,904,000 (2017: £1,615,000) restricted cash.

17 Trade and other payables

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 re-stated £000
Trade payables	10,723	12,835	-	-
Accrued expenses	1,727	805	-	-
Amounts due to related parties	-	-	4,095	4,267
Social security and other taxes	786	60	-	-
Other payables	-	1,106	-	-
	13,236	14,806	4,095	4,267

The Directors consider that the carrying amount of the trade and other payables approximates their fair value. Trade payables includes £1,934,000 (2017: £1,649,000) of future run-off premium prefunding prepayments which are held in a separate bank account with trust status.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

18 Provisions for liabilities

Group

	Commission clawback provision £000	Claims payable provision £000	Total £000
At 1 October 2017	150	6,662	6,812
Provision utilised	(1,109)	(29)	(1,138)
Provisions released	(11)	(1,038)	(1,049)
Provisions added	1,628	1,206	2,834
At 30 September 2018	658	6,801	7,459
Non-current liabilities	658	6,801	7,459

Claims payable provision

The claims payable provision is in respect of amounts that may be payable to the customers of certain Group companies following a review of the sales process of the individual cases involved. These amounts, if payable, will be paid by Paragon Insurance Company Guernsey Limited from existing cash resources or will be recovered from third party Professional Indemnity Insurers (as applicable) less a policy excess and the policy excess is usually recovered from the Appointed Representative and/or Financial Adviser responsible for the individual case. Where the Appointed Representative is another Group Company, Tenet Financial Solutions Limited, Aspire Financial Management Limited or Tenet Financial Services Limited (formerly The Employee Benefits Corporation Limited), the provision is related to the policy excess which would be payable to the network. In the case of Aspire Financial Management Limited the cost is recharged to the relevant financial adviser.

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

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

18 Provisions for liabilities (continued)

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 Tenet Financial Solutions Limited and Tenet Financial Services Limited (formerly The Employee Benefits Corporation Limited), who themselves are Appointed Representatives, Group companies recharge some or all of such amounts as applicable to the Appointed Representatives or financial advisers, as applicable, responsible for the individual case. The Directors expect this provision to be utilised over the next 4 years.

19 Share capital

Allotted, called up and fully paid shares

	2018	2018	2017	2017
	No.	£	No.	£
'A' Ordinary Shares of £0.0001 each	15,215,669	1,522	15,215,669	1,522
'B' Ordinary Shares of £0.0001 each	232,097,345	23,210	232,097,345	23,210
	247,313,014	24,732	247,313,014	24,732

'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.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

19 Share capital (continued)

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. No Directors have any share options.

The first exercise date is, in accordance with Rule 4 of the scheme rules, the earliest of: a listing date; an asset sale; during the month of November in any year following the expiry of 3 years from the date of the grant; or otherwise at the discretion of the Remuneration Committee. At the year end there are no staff with share options under the Enterprise Management Incentive and 8 staff with share options expiring in January 2019 under the Unapproved Share Option scheme.

20 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods is as follows:

	2018 £000	2017 £000
Not later than one year	304	322
Later than one year, not later than 5 years	832	890
Later than five years	364	305
	<u>1,500</u>	<u>1,517</u>

Company

The Company has no operating lease commitments.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

21 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 Company's and receives information in respect of the financial resources of these Group Company's 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.

Market Risk

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

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

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

21 Financial Instruments (continued)

Credit Risk

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

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

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

The balances due from trade customers are comprised of trade receivables and other debtors (see Notes 2 and 15). The Group holds £nil of collateral over trade receivables (2017:nil).

The maximum Group exposure to credit risk at the reporting date was £32,587,000 (2017: £29,238,000). 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 £1,738,000 (2017: £1,896,000). These balances are comprised of all financial assets.

Liquidity Risk

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

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

21 Financial Instruments (continued)

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

Financial Assets	2018 £000	2017 £000
Cash	26,084	24,195
Loans and receivables from trade customers	6,503	5,043
	<u>32,587</u>	<u>29,238</u>

Financial Liabilities	2018 £000	2017 £000
Amounts owed to trade customers	11,181	13,942

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

Financial Assets	2018 £000	2017 re-stated £000
Cash	4	1
Loans and receivables from group companies	1,734	1,895
Loans and receivables from trade customers	-	-
	<u>1,738</u>	<u>1,896</u>

Financial Liabilities	2018 £000	2017 re-stated £000
Loans and amounts owed to group companies	4,095	4,267

The interest rate sensitivity analysis below is based on reasonably possible changes in interest rate scenarios. At the reporting date a 0.5% increase or decrease in interest rates compared to actual rates would increase/(decrease) the annual net interest receivable by the following amounts:

Group	2018 £000	2017 £000
0.5% increase	126	121
0.5% decrease	<u>(126)</u>	<u>(120)</u>

Company	2018 £000	2017 £000
0.5% increase	-	-
0.5% decrease	<u>-</u>	<u>-</u>

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2018 (continued)

22 Related party transactions

Summary of transactions with parent entities

Details of transactions with key management personnel are included in Note 7. There were no other related party transactions during the financial year.

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

Income and receivables from related parties

	Subsidiary £000
2018	
Receipts from Group Companies	-
	<hr/>
	Subsidiary £000
2017	
Receipts from Group Companies	546
	<hr/>

Expenditure with and payables to related parties

	Subsidiary £000
2018	
Payments to Group Companies	172
	<hr/>
	Subsidiary £000
2017	
Payments to Group Companies	791
	<hr/>

23 Events after the balance sheet date

There has been no post balance sheet events.