Elementum Ltd
3924988

Registration number: 03909395

Tenet Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 September 2019

Tenet Group Ltd is the ultimate parent company of Elementum Ltd.
The Annual Report and Financial Statements herein are attached in support of the audit exemption under s479A Companies Act 2006.

Tenet Group Limited

Contents

Tenet Group Limited

Company Information

Directors
H M Ball
C J Bradley
K Craig
P Hilling
A B Meeks
J Ewing
C Dibbs
S Murray
M W Scanlon
D Tiller

Company secretary
R J Fletcher

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LS18 5AZ

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Addleshaw Goddard LLP
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LS1 1NS

Auditors
Deloitte LLP
1 City Square
Leeds
LS1 2AL

Tenet Group Limited

Strategic Report for the Year Ended 30 September 2019

The directors present their strategic report on the group for the year ended 30 September 2019.

Overview of the business
The Group has had a strong performance in the year with improved Revenue, Operating Profit and Profit Before Tax (PBT) in the year, as well as increasing cash held and net assets. Our core business of provision of financial advice and associated compliance services have not changed. However, the Group has had a number of operational changes in the year.

Principal activities of the Group and Company
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 on regulatory requirements;
- Fee processing facilities and business administration;
- Provision of professional indemnity insurance; and
- Sponsorship of an asset management service for private individuals.

Review of performance in the year
During the year, the Group implemented intelligent Office (iO), a platform to facilitate the provision of financial advice, associated compliance services and payment processing. This has been an ambitious project which was completed in 9 months and implemented at the end of September. This has involved an impairment of our previous technology (Tenet Advantage) of £1,319,000 and capitalisation of the new asset, which has been configured to the Group's requirements. This is expected to facilitate increased volumes of business written by advisers, as well as an improved flow through the compliance journey and more efficient payment processing.

Through our responses to regulatory consultations and engagement with trade and professional bodies, we aim to affect regulatory change positively for our members and their clients. During the year, we have been preparing for the Senior Manager and Certification Regime (SM&CR), which was implemented in December 2019. We have also responded to the Financial Conduct Authority (FCA) proposals on Defined Benefit (DB) transfers around the ban on contingent payment arrangements. We have been preparing for the impact this could have on our advisers, as this change may come swiftly if implemented as proposed in 2020. In order to ensure business continuity, we are issuing guidance to members to ensure they are fully prepared. The Markets in Financial Instruments Directive II (MIFID II) was introduced in January 2018, however January 2019 saw the first reporting of costs disclosures to clients, and we have been involved with preparing for and helping members to comply with these requirements.

During the year, we have continued with our acquisition strategy of practice buy outs, as part of our 5 year plan. We have further expanded our hubs to include Edinburgh and Mansfield in the year, and added to our existing Preston hub. This has been done through three share purchases and the acquisition of two client asset banks. This has continued to be a point of difference for our offering, whereby we can support our advisers into retirement. The clients are able to continue their relationship with the Group, as part of Aspire Financial Management, our in house financial advice company. Aspire has continued to grow, driven by the income from practice buy outs, which has seen a gross profit increase of 57% to £2,325,000 (2018: £1,481,000). Profit before tax improved to £1,760,000 compared to a prior year loss of £173,000.

Tenet Group Limited

Strategic Report for the Year Ended 30 September 2019 (continued)

Review of performance in the year (continued)

TenetConnect Brand, our member network, providing a range of services to investment adviser firms, reported another strong year, despite the uncertainty created by Brexit. Gross profitability increased by 5.6%, however, profit before tax of £539,000 (2018: £519,000) only marginally increased due to the impairment of Tenet Advantage increasing administration costs.

TenetLime is our network for mortgage and protection adviser firms, which reported a 17% increase in gross profit. However, it saw a reduction in profit before tax of £342,000 to £272,000 (2018: £614,000), again due to the additional costs from the impairment of Tenet Advantage.

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. This has seen a 30% increase in gross profit in the year. Profit before tax has increased to £450,000 (2018: £438,000) in the year. The improved performance is largely due to the release of provisions against potential insurance liabilities. This is based on historic data and knowledge of recent industry claim experience indicating an improvement to forecast claims.

TenetSelect provides compliance and business development support for directly authorised adviser firms, this saw a reduction in profit before tax to £37,000, from £110,000 in 2018, as we look to develop this brand and invest in its future performance, in the next 3 years.

	Profit before tax £'000
Aspire	1,760
TenetConnect Brand	539
TenetLime	272
Paragon	450
TenetSelect	37
Other group companies and consolidation adjustments	447
Consolidated profit before tax	3,505

On 30 September 2019, the Group sold Sinfonia, which operated a group of funds, under a sponsorship agreement. This gave a profit on sale of £2,541,000, which has contributed to an improved profit before tax performance in the year of the overall Group. This was considered non-core to the Group's strategic objectives.

Tenet Business Solutions, provides marketing, HR, finance, administration and IT support to the Group.

Key achievements in the year include;

• Achieved 1 star accreditation in the Sunday Times 2019 Best 100 Companies on our first year of entry.

• Winner at 2019 Best Professional Adviser Awards.

• Shortlisted at 2019 L&G Business Quality Awards.

• Shortlisted for best Network at the 2019 Money Marketing awards.

• Ranked 9th in the FT Adviser Top 100 Financial Advisers.

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, which have not already been disclosed.

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

Key metrics for the Group were as follows:

	2019 £000	Remove exceptionals £000	Adj 2019 £000	2018 £000
Gross profit	22,983	-	22,983	22,959
Operating profit	3,321	(1,227)	2,094	1,454
Profit before tax	3,505	(1,227)	2,278	1,604
Cash	30,400	-	30,400	26,084
Net assets	35,161	-	35,161	31,578
	Number			**Number**
Headcount	270			265

During the year the Group increased gross profit, adjusted operating profit and adjusted profit before tax which reflects the underlying profit when the exceptional items of the profit on the sale of Sinfonia and the impairment of Tenet Advantage have been stripped out. The Group have also spent time developing the replacement software; intelligent Office (iO) in the year, which has been capitalised as an intangible asset. The Group also increased cash and net assets.

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 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 the Group'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 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.

Post year end, we have purchased an additional 2 client banks and a share purchase, as detailed in the Director's report, with a target of 7 acquisitions in the 2019/20 year. Our implementation of iO is expected to help us achieve our other strategic objectives, as well as regular employee surveys and forums.

Financial performance
The Group has continued to grow revenues in the year. The consolidated income statement shows turnover increasing by 6.1% to £178.1m (2018: £167.8m) and gross profit has slightly increased by 0.1% to £23.0m (2018: £23.0m). In the year, the Group has adopted IFRS 15, this has increased revenue by £2.2m and cost of sales by £2.1m with no impact on the prior year, further details are included in note 1. EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation and exceptional items) increased by 56.0% to £3.9m (2018: £2.5m). The profit before tax for the year was £3.5m (2018: £1.6m). Included in these figures were £2.5m of profit on sale of Sinfonia Asset Management Limited and a £1.3m impairment of Tenet Advantage. Excluding these items, underlying profit before tax of £2.3m representing an increase of 43.7% from the prior year.

Financial Position
The balance sheet shows that the Group's financial position year on year in cash terms has increased by £4.3m to £30.4m (2018: £26.1m) and the net assets have increased by £3.5m to £35.1m (2018: £31.6m). This includes IFRS 15 adjustments of £2.2m and £2.1m to revenue and cost of sales respectively. The Group has generated net cash from operating activities of £6.4m (2018: £4.0m).

Of the Group companies, four (2018: three) are regulated by the FCA and commentary on the financial resources of these firms is included in this report. The additional regulated company is due to an acquisition in the year, of a Directly Authorised firm (DA).

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 conduct risk, as monitored by the FCA. Such risks may manifest themselves financially through compensation payable regarding the sale of financial products (see Notes 2, 18 and 22) 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.

Principal risks and uncertainties (continued)

For 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 the regulated entities. 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 conduct risk, as monitored 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.

The uncertainty created by Brexit has impacted on our network, by impacting customer investments and investment decisions. This may continue after Brexit has happened, in the uncertain period following this event. However, no part of the Group is in the EU and the majority of our trade is within the UK, which is expected to mitigate the immediate effects of this risk. Brexit and its impact will continue to be monitored by the Group.

The Group has pursued a strategy for growth, achieved partially through acquisition. Acquisitions carry inherent risks for the Group. 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 Group be agreed with the vendors of any acquired business. The Group has sufficient funds to finance 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 2019

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 2019, the accounts of each of the Group's four (2018: three) regulated entities (TenetConnect Services Limited, TenetConnect Limited, TenetLime Limited and Forth Financial Services Limited) confirmed that each of them satisfied their relevant regulatory financial resources requirements.

At 30 September 2019, Paragon Insurance Company Guernsey Limited, regulated by the Guernsey Financial Services Commission, satisfied its relevant regulatory financial resource requirements.

The management accounts of the Group also confirm that each of the regulated entities satisfied their relevant regulatory financial resources requirements at all times during the last twelve months. The Directors are confident that these regulated entities will continue to meet their financial resource requirements for the forthcoming financial year, and require these entities to hold additional capital over and above the regulatory capital required.

Financial risk management

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 take on only credit worthy 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 whereby a maximum of 30% is held with any one financial institution.

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 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. Market risk also arises from (market fluctuations or commission) income derived as a percentage of assets under management (AUM). This is mitigated by the corresponding commission payable being linked and therefore will fall inline. Group treasury policy is to maximise credit interest whilst maintaining sufficient liquidity within each group Company in order to meet operational and regulatory requirements.

Tenet Group Limited

Strategic Report for the Year Ended 30 September 2019 (continued)

Financial risk management (continued)

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. 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. Board requires the regulated entities to hold additional capital resources above the regulatory requirement to mitigate this risk.

Approved by the Board on 6 February 2020 and signed on its behalf by:

K Craig

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K Craig
Director

Tenet Group Limited

Directors' Report for the Year Ended 30 September 2019

The Directors present their report and the consolidated financial statements, together with the auditor's report for the year ended 30 September 2019.

Directors' of the group

The Directors, who held office 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 (resigned 15 April 2019)
P Hilling
A B Meeks
J Ewing
C Dibbs
S Murray (appointed 24 January 2019)
M W Scanlon (appointed 15 April 2019)
D Tiller (appointed 30 January 2020)

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 (2018: £nil).

Future Developments and post Balance Sheet Events

There has been another acquisition of a client asset bank, post year end to supplement our Mansfield hub. For our South East hub, we have acquired 100% of the shares of Maguire Financial Limited and an additional client bank. Future events are referred to in the Strategic Report. The Directors consider that Brexit uncertainty has contributed to lower than expected volumes of business written by our member firms, but when implemented it is not expected to have a large impact on the Group due to 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.

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, Group Claims Committee 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.

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

The 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.

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.

Going concern

Although the on-going economic conditions create uncertainty in respect of the level of demand for financial services products, the Group has traded positively in the financial year ended 30 September 2019 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 able to operate within its own financial resources without the requirement for 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 12. The financial position of the Group, its cash flows and its liquidity position are described in the Strategic Report. In addition, Note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk, market risk and liquidity risk.

The Group has a significant level of financial resources, including £28.4.m (2018: £24.2m) unrestricted cash at bank, net assets of £35.2m, 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 next 12 months from the date of the Directors' Report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and consolidated 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.

Tenet Group Limited

Directors' Report for the Year Ended 30 September 2019 (continued)

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.

Approved by the Board on 6 February 2020 and signed on its behalf by:

KCraig

K Craig
Director

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 2019 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 consolidated statement of cash flows;
- the company statement of cash flows; and
- the related notes 1 to 24.

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.

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.

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 2020

Tenet Group Limited

Consolidated Income Statement for the Year Ended 30 September 2019

	Note	2019 £000	2018 £000
Revenue	3	178,147	167,838
Cost of sales		(155,164)	(144,879)
Gross profit		22,983	22,959
Administrative expenses		(19,009)	(20,500)
Profit before interest, tax, depreciation and amortisation and exceptionals		3,974	2,459
Exceptional income	4, 13	2,541	-
Exceptional costs	4	(1,314)	-
Depreciation, amortisation and impairment charges		(1,880)	(1,005)
Group operating profit	5	3,321	1,454
Finance income		214	151
Finance costs		(30)	(1)
Net finance income	6	184	150
Profit before tax		3,505	1,604
Income tax expense	10	78	88
Profit for the year		3,583	1,692

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

The above results were derived from continuing operations.

The notes on pages 24 to 51 form an integral part of these financial statements.

Tenet Group Limited

(Registration number: 03909395)
Consolidated Statement of Financial Position as at 30 September 2019

	Note	2019 £000	2018 re-stated* £000
Assets			
Non-current assets			
Property, plant and equipment	11	3,380	4,055
Intangible assets	12	15,522	13,028
Investments	13	234	234
		19,136	17,317
Current assets			
Trade and other receivables	15	15,961	9,234
Cash and cash equivalents	16	30,400	26,084
		46,361	35,318
Total assets		**65,497**	**52,635**
Current liabilities			
Trade and other payables	17	(22,842)	(13,236)
Non-current liabilities			
Provisions for liabilities	18	(7,494)	(7,821)
Total liabilities		**(30,336)**	**(21,057)**
Net Assets		**35,161**	**31,578**
Equity			
Share capital	19	25	25
Share premium		37,914	37,914
Retained earnings		(2,778)	(6,361)
Total equity		**35,161**	**31,578**

*The re-statement of the prior year relates to reclassification between trade and other receivables and provisions for liabilities. See note 15 and 18 for further details.

Approved by the Board on 6 February 2020 and signed on its behalf by:

....

K Craig
Director

The notes on pages 24 to 51 form an integral part of these financial statements.

Tenet Group Limited

(Registration number: 03909395)
Company Statement of Financial Position as at 30 September 2019

	Note	2019 £000	2018 £000
Assets			
Non-current assets			
Investments in subsidiaries, joint ventures and associates	13	36,643	39,213
Current assets			
Trade and other receivables	15	2,408	1,734
Cash and cash equivalents	16	2,151	4
		4,559	1,738
Total assets		41,202	40,951
Current liabilities			
Trade and other payables	17	(4,348)	(4,095)
Net Assets		36,854	36,856
Equity			
Called-up share capital	19	25	25
Share premium		37,914	37,914
Retained earnings		(1,085)	(1,083)
Total equity		36,854	36,856

The consolidated income statement includes a loss of £2,000 (2018: profit of £14,000) 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 6 February 2020 and signed on its behalf by:

....
K Craig
Director

The notes on pages 24 to 51 form an integral part of these financial statements.

Tenet Group Limited

Consolidated Statement of Changes in Equity for the Year Ended 30 September 2019

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 October 2018	25	37,914	(6,361)	31,578
Profit for the year	-	-	3,583	3,583
Total comprehensive income	-	-	3,583	3,583
At 30 September 2019	**25**	**37,914**	**(2,778)**	**35,161**

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

The notes on pages 24 to 51 form an integral part of these financial statements.

Tenet Group Limited

Company Statement of Changes in Equity for the Year Ended 30 September 2019

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 October 2018	25	37,914	(1,083)	36,856
Loss for the year	-	-	(2)	(2)
Total comprehensive income	-	-	(2)	(2)
At 30 September 2019	**25**	**37,914**	**(1,085)**	**36,854**

	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**

The notes on pages 24 to 51 form an integral part of these financial statements.

Tenet Group Limited

Consolidated Statement of Cash Flows for the Year Ended 30 September 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Cash generated from operations	20	6,473	4,012
Income tax paid		(98)	0
Net cash in flows from operating activities		6,375	4,012
Cash flows from investing activities			
Interest received	6	214	151
Acquisitions of property plant and equipment		(2,230)	(1,267)
Acquisition of intangible assets	12	(1,581)	(1,287)
Acquisition of subsidiary, net of cash acquired	14	(388)	-
Proceeds from sale of subsidiary, net of cash sold	13	1,962	-
Cash advances and loans made to other parties		(236)	(79)
Repayments of cash advances and loans		201	360
Net cash out flows from investing activities		(2,058)	(2,122)
Cash flows from financing activities			
Interest paid	6	(1)	(1)
Net cash in(out) flows from investing activities		(1)	(1)
Net increase in cash and cash equivalents		4,316	1,889
Cash and cash equivalents at 1 October		26,084	24,195
Cash and cash equivalents at 30 September		30,400	26,084

The notes on pages 24 to 51 form an integral part of these financial statements.

Tenet Group Limited

Company Statement of Cash Flows for the Year Ended 30 September 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Cash generated from operations	20	-	(12)
Income tax paid		-	-
Net cash out flows from operating activities		-	(12)
Cash flows from investing activities			
Interest received	6	-	16
Loans granted to subsidiary undertakings		(1,720)	-
Loan repayments from subsidiary undertakings		3,629	-
Net cash in flows from investing activities		1,909	16
Cash flows from financing activities			
Interest paid	6	-	(1)
Proceeds from loan from subsidiary undertaking		1,001	
Repayments of loan to subsidiary undertaking		(763)	-
Net cash in(out) flows from investing activities		238	(1)
Net increase in cash and cash equivalents		2,147	3
Cash and cash equivalents at 1 October		4	1
Cash and cash equivalents at 30 September		2,151	4

The notes on pages 24 to 51 form an integral part of these financial statements.

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

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 consolidated Financial Statements.

The financial statements have been prepared on the historical cost basis. The functional currency of the Group is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. The principal accounting policies adopted are set out below.

2 Accounting policies

New accounting standards

The following new accounting standards, which have been issued and adopted by the EU, have been adopted as of 1 Oct 2018 by the Group:

IFRS 9 Financial instruments
IFRS 15 Revenue from Contracts with Customers

a) IFRS 9 Financial Instruments

The Group has adopted IFRS 9 Financial instruments, which replaces IAS 39. There has been no material impact arising from the adoption of IFRS 9, therefore, this has not resulted in any additional amounts recognised in the financial statements for the Group or the Company.

IFRS 9 introduces new requirements for the following areas:

- The classification and measurement of financial assets and financial liabilities;
- Impairment of financial assets; and
- General hedge accounting.

Classification and measurement of financial assets and financial liabilities

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value based on how the Group manage the financial assets and their contractual cash flow characteristics.

Management have reviewed and assessed the Group's existing financial assets and liabilities based on the facts and circumstances on transition and concluded that the initial application of IFRS 9 has had no impact on classification and measurement.

2 Accounting policies (continued)

New accounting standards (continued)

Impairment of financial assets

The only impact on the consolidated financial statements is in relation to the impairment of trade receivables within financial assets.

IFRS 9 requires an expected credit loss (ECL) model as opposed to an incurred credit loss model under the previous accounting standard. The ECL model requires the Group to account for a lifetime ECL and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. On this basis, it is no longer necessary for a default event to have occurred before credit losses are recognised. As a consequence of this change, credit losses are recognised earlier than under IAS 39.

IFRS 9 requires the Group to assess the risk profile of its trade receivables. The Group analysed the risk profile of trade receivables based on past experience and an analysis of the receivables current financial position, adjusted for specific factors, general economic conditions of the industry in which the receivables operate and assessment of both the current and forecast direction of conditions at the reporting date. The Group has performed the calculation of ECL under IFRS 9 and concluded there have been no change to the amounts disclosed in the accounts.

General hedge accounting

The Group do not apply hedge accounting, therefore, this is not applicable for the Group.

b) IFRS 15 Revenue from contracts with customers

The Group has adopted IFRS 15 Revenue from contracts with customers, which replaces IAS 18. IFRS 15 proposes a 5-step approach, which requires revenue to be matched with the performance of the related contractual obligations. The key concept in IFRS 15, is when control has passed or performance obligation has been completed, which replaces the notion of risks and rewards in IAS 18. This has resulted in changes to our accounting policies and adjustments to the amounts recognised in the financial statements. We have summarised the impact on the material revenue streams in turn below. We have elected to apply the practical expedients available in the transitional requirements of IFRS 15, C2 to C8. This enables us to only apply IFRS 15 adjustments retrospectively to contracts which have not completed at the date of initial application. As at 1 October 2018, there were no incomplete contracts from the prior year, therefore, this has resulted in an adjustment only to the current year.

i) Fees and commission income from initial sales

On this basis, we have now recognised our pipeline fee & commission income when it is submitted, compared to previously when it went "on-risk", adjusted based on historic experience of flow through rates. This is recognised earlier, when the performance obligation of providing advice is met, rather than previously when the policy commenced. This has resulted in an additional £2,243,000 of income, recognised in the current year; and a corresponding £2,112,000 in cost of sales, to reflect the associated liability. This has the identical impact on receivables and payables.

2 Accounting policies (continued)

ii) Fees from on-going servicing

Advisers offer at least annual review meetings with customers in exchange for a recurring fee. Revenue is currently recognised when the cash is received through our payment system (either annually or monthly). The timing of the recognition aligns with the performance obligation based on whether the service is provided at this point in time or as an ongoing service.

The adviser is required to be available to the client on an ad hoc basis, for example if their circumstances change. Therefore, the customers simultaneously receive and consume the benefits from the services provided by the adviser that they are paying for, and therefore revenue is recognised on a continuous basis, in accordance with IFRS 15, p 35 (a). This has resulted in no change to the existing recognition.

iii) Renewals and trail income

For renewals and trail income which do not have future servicing requirements, revenue is currently recognised when the cash is received through the payments system. Given the only performance obligation performed, takes place at the inception of the policy, IFRS 15 requires the calculation of the whole of life revenue for that policy and for it to be recognised at inception including all future expected renewal and trail income.

We have performed an exercise to look at the available data in our systems. We have been unable to identify the future cashflows of these revenue streams. The contracts are incepted by the advisers and often held by the product providers. Ongoing fees can be a fixed amount, but are often variable, based on a percentage of the funds under management (FUM), which is not easily identifiable or measurable using the data we currently have available. The period of time for which we are entitled to these cashflows is also not available in our current datasets. From the work we have performed, we have made a judgement that the amount of revenue we are entitled to cannot be reliably estimated as to not result in a significant revenue reversal, in accordance with IFRS 15, p56. We have now implemented a new system, which is designed to capture more data points and therefore, we will re-assess our ability to estimate the future cashflows of these revenue streams in the next accounting period. If it was determined that additional revenue could be reliably measured and recognised then a contract asset would be recognised and reduced when cash was received. The corresponding costs and a contract liability would also be recognised, this relates to the amounts due to members.

Revenue recognition, therefore has not changed for this income stream and it is recognised as it currently is on a cash receipts basis. This is disclosed in the significant judgements and estimates note.

New standards, amendments and improvements to IFRS, applicable to the next accounting period.

The following new accounting standards have been issued and adopted by the EU, which are applicable to the next accounting period;

IFRS 16 Leases

IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. As a practical expedient there are optional exemptions for certain short term leases and leases of low value assets.

The Group is currently assessing the impact of IFRS 16 but cannot accurately quantify the impact at this stage.

2 Accounting policies

New accounting standards (continued)

Basis of Consolidation
The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September 2019. 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 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
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. 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.

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, of between 7-14 years on a straight-line basis.

Investments
Investments are included at cost less amounts written off for permanent impairment. These are assessed for impairment on an annual basis. Profit on sale of subsidiaries are calculated based on the fair value of any deferred or contingent consideration and cash received on completion, less the value of the investment held.

Property, plant and equipment
Property, plant and equipment are stated at cost net of depreciation with the exception of work in progress 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.

2 Accounting policies (continued)

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 - 7 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 and other receivables
Trade and other receivables are classified as financial assets measured at amortised cost. Under the IFRS 9 ECL model, a credit event (or impairment trigger) no longer needs to occur before credit losses are recognised. The Group analysed the risk profile of trade receivables based on past experience and an analysis of the receivables current financial position, potential for a default event to occur, adjusted for specific factors, general economic conditions of the industry in which the receivables operate and assessment of both the current and forecast direction of conditions at the reporting date. A default event is considered to occur when information is obtained that indicates a receivable is unlikely to settle their liability with the Group.

Credit risk is regularly reviewed by management to ensure the expected credit loss model (ECL) is being appropriately applied.

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 other financial liabilities initially measured at fair value and subsequently measured at amortised cost.

2 Accounting policies (continued)

Financial assets and liabilities

Classification and measurement of financial assets and liabilities

Classification of financial assets and liabilities are generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at amortised cost if it is held with the objective of collecting the contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. There are currently no other financial assets which are measured at fair value through other comprehensive income or profit or loss.

Pensions

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.

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 based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to the income statement. Unless the effect of discounting is material, deferred tax is measured on a non-discounted basis.

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.

We have now changed the point at which initial fee income is recognised in accordance with the new accounting standard - IFRS 15, which stipulates that income should be recognised once a performance obligation has been met. Under the new standard, we consider the point at which the adviser has met his performance obligation to be the provision of the financial advice. Therefore the recognition point is the point at which financial advice has been provided. Under the IAS 18, the point at which income was recognised was once the policy commenced.

Renewal commissions are accounted for when received for those which have a servicing element. Fee income is recognised based on when the performance obligation is met and when there is likely to be no significant revenue reversal.

For renewals and trail income, which have no servicing requirements, in accordance with IFRS 15, the performance obligations have already been met and therefore all of the revenue (and related costs) should be recognised up front. The magnitude of this judgement has also been unable to be quantified as we have been unable to reliably identify the amount of this revenue stream for the current and prior years. However, we have made a judgement that the amount of this income cannot be reliably estimated so that it will not result in a significant revenue reversal. Therefore, we have not recognised any additional income for this. This has been recognised as it currently is, on a cash receipts basis. This will be re-assessed next year, if it was determined that additional revenue could be reliably measured and recognised then a contract asset would be recognised and reduced when cash was received. The corresponding costs and a contract liability would also be recognised which relates to the amounts of commission due to the Group's agents.

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, when the corresponding revenue is recognised.

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

Business Combinations
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. Identification and valuation of intangible assets on acquisition is based on industry valuation ranges adjusting for our knowledge of the quality of the client banks acquired and the expected returns. 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.

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

Critical judgements in applying the Group's accounting policies (continued)

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.

Capitalisation of internally generated software assets

In the year, we have incurred significant costs relating to internally generated intangible software assets. These have been capitalised in accordance with IAS38. A judgement has been made as to when the project moved from the research to the development phase, was able to be capitalised and also whether costs were directly attributable. This has been made in accordance with the criteria in IAS38, p57.

Key sources of estimation uncertainty

Commission clawback

All commission amounts previously paid by Group companies in respect of such cancelled policies are recharged 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 using 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.

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

Key sources of estimation uncertainty (continued)

Claims payable (continued)

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

Run-off cover

The PII cover provided by Paragon insures current members of the networks on a 'claims made' basis. Ex-members of the 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 Group; 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.

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 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, in line with the requirements of IFRS 15 and IFRS 9.

Goodwill and investments

To determine whether goodwill is impaired the Group and company 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 in order to calculate the net present value. The carrying amount of goodwill at the balance sheet date was £11,100,000 (2018: £11,028,000). During the year the Group performed discounted cash flow calculations based on long term assumptions and the five year plan to confirm that there were no impairments. If the discount rate was increased by 1%, the headroom would decrease by £1,788,000, which still gives headroom of 198% compared to the original 214% headroom.

Business Combinations

Acquisitions are paid for using cash and contingent consideration. The fair value of the contingent consideration is estimated based on the business case for the acquisition or if known, performance to date and discounted using the risk free rate. The estimation is based on management's judgements and assumptions, such as expected performance of client banks acquired, based on the age of the clients and amounts of funds under management.

4 Exceptional income and costs

The exceptional income and costs for the year were as follows:

	2019 £000	2018 £000
Profit on sale of subsidiary	2,541	-
Impairment of computer software	(1,314)	-

5 Operating profit

Calculated after the deduction of:

	2019 £000	2018 £000
Depreciation expense	1,014	776
Amortisation expense	435	229
Operating lease expense – property	237	394
Operating lease expense – other	98	146

6 Finance income and costs

	2019 £000	2018 £000
Finance income		
Interest income on bank deposits	193	96
Other interest received	21	55
Total finance income	214	151
Finance costs		
Interest payable and similar items	(1)	(1)
Unwind of discount	(29)	-
Total finance costs	(30)	(1)
Net finance income	184	150

7 Staff costs - Group

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

	2019 No.	2018 No.
Administration	261	250
Directors	9	15
	270	265

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

	2019 £000	2018 £000
Wages and salaries	11,415	10,115
Social security costs	1,123	1,018
Pension costs, defined contribution scheme	564	508
	13,102	11,641

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 (2018:£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 (2018: £nil).

8 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2019 £000	2018 £000
Remuneration	1,623	1,253
Contributions paid to money purchase schemes	83	21
	1,706	1,274

8 Directors' remuneration (continued)

Company

All employees of the Company, are remunerated by other Group companies. The average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Administration	-	-
Directors	9	8
	9	8

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

	2019 No.	2018 No.
Accruing benefits under money purchase pension scheme	7	5

In respect of the highest paid Director:

	2019 £000	2018 £000
Remuneration	282	419

9 Auditors' remuneration

	2019 £000	2018 £000
Audit of these financial statements	5	5

	2019 £000	2018 £000
Audit of the Company's subsidiaries pursuant to legislation	146	137
Other assurance and corporation taxation services	19	25
	165	162

10 Income tax

Tax credited/(charged) in the income statement

	2019 £000	2018 £000
Current taxation		
UK corporation tax	(116)	-
Deferred tax	194	88
Total tax credit	78	88

The tax on profit before tax for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are reconciled below:

	2019 £000	2018 £000
Profit before tax	3,505	1,604
Corporation tax at standard rate	666	305
Tax effects of:		
- Exempt sale of wholly owned subsidiary	(483)	-
- Depreciation and disposal of assets subject to capital allowances	582	191
- Capital allowances	(441)	(286)
- Group companies exempt from taxation	(86)	(292)
- Group relief	240	82
- Amortisation not subject to income tax	(25)	-
Prior year adjustments	(653)	-
Additional deferred taxation recognised	278	88
Total tax credit	78	88

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date, have been measured using these enacted tax rates and reflected in these financial statements.

Deferred tax

Group

The Group has a recognised deferred tax asset at 17% of £656,000 (2018: £456,000) in relation to capital allowances. There is £125,000 un-provided deferred taxation at 30 September 2019 at the recognised deferred tax rate of 17% (2018: £124,000), in relation to brought forward losses.

Tenet Group Limited

Notes to the Financial Statements for the Year Ended 30 September 2019 (continued)

11 Property, plant and equipment

	Leasehold improvements £000	Fixtures & fittings £000	Assets under construction £000	Computer equipment & software £000	Total £000
Cost or valuation					
At 1 October 2017	994	452	959	7,914	10,319
Additions	70	10	665	522	1,267
Disposals/ impairment	(316)	(185)	-	(862)	(1,363)
Transfer of completed assets	-	-	(337)	337	-
At 30 September 2018	**748**	**277**	**1,287**	**7,911**	**10,223**
At 1 October 2018	748	277	1,287	7,911	10,223
Additions	12	10	2,173	372	2,567
Disposals/ impairment	-	(3)	(172)	(4,697)	(4,872)
Transfer of completed assets	-	-	(3,137)	3,137	-
At 30 September 2019	**760**	**284**	**151**	**6,723**	**7,918**
Depreciation					
At 1 October 2017	593	380	-	5,780	6,753
Charge for year	77	49	-	650	776
Eliminated on disposal/ impairment	(316)	(183)	-	(862)	(1,361)
At 30 September 2018	**354**	**246**	**-**	**5,568**	**6,168**
At 1 October 2018	354	246	-	5,568	6,168
Charge for the year	59	40	-	915	1,014
Eliminated on disposal/ impairment	-	(47)	-	(2,597)	(2,644)
At 30 September 2019	**413**	**239**	**-**	**3,886**	**4,538**
Carrying amount					
At 30 September 2019	**347**	**45**	**151**	**2,837**	**3,380**
At 30 September 2018	**394**	**31**	**1,287**	**2,343**	**4,055**

12 Intangible assets

Group

	Goodwill £000	Acquisition Costs £000	Other Intangible assets £000	Total £000
Cost or valuation				
At 1 October 2017	18,222	688	1,985	20,895
Additions	490	-	797	1,287
Impairment	-	-	-	-
At 30 September 2018	**18,712**	**688**	**2,782**	**22,182**
At 1 October 2018	18,712	688	2,782	22,182
Adjustments to acquisitions within 12 month period	(155)	-	849	694
Additions	227	-	2,008	2,235
At 30 September 2019	**18,784**	**688**	**5,639**	**25,111**
Amortisation				
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**
At 1 October 2018	7,684	595	875	9,154
Amortisation charge	-	69	366	435
At 30 September 2019	**7,684**	**664**	**1,241**	**9,589**
Carrying amount				
At 30 September 2019	**11,100**	**24**	**4,398**	**15,522**
At 30 September 2018	**11,028**	**93**	**1,907**	**13,028**

12 Intangible assets (continued)

During the year the Group acquired Derbyshire Booth Financial Management Limited, Forth Financial Services Limited and Ask Financial Management Limited and two further client banks. The Group paid £2,234,000 (2018: £2,384,000) consideration for the assets which includes £1,091,000 (2018: £1,195,000) contingent consideration which is subject to how the acquisitions perform over a three year period.

13 Investments

Group subsidiaries

Details of the group subsidiaries as at 30 September 2019 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held 2019	2018
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	0%	100%
Living In Retirement Limited	Provision of financial advice	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%	100%
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 Client Services Limited	Holding Company	England and Wales	100%	100%

13 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held 2019	2018
Tenet Limited	Holding Company	England and Wales	100%	100%
Elementum Limited	Provision of financial advice	England and Wales	100%	100%
Derbyshire Booth Financial Management Limited	Provision of financial advice	England and Wales	100%	0%
Forth Financial Services Limited	Provision of financial advice	Scotland	100%	0%
Ask Financial Management Limited	Provision of financial advice	England and Wales	100%	0%

All the holdings are ordinary shares.

For the year ending 30 September 2019 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;
Tenet Limited, company number 3865996;
Elementum Limited, company number 3924988;
Derbyshire Booth Financial Management Limited, company number 4772990;
Forth Financial Services Limited, company number SC376178; and
Ask Financial Management Limited, company number 04552579

During the financial year, Tenet Group Limited provided a guarantee under section 479C of the Companies Act with respect the financial year or period ending 30 September 2019 to the above mentioned subsidiaries.

Sale of Subsidiary

On 30 September 2019, the Group sold one of the Group companies, Sinfonia Asset Management Limited. The profit on sale has been calculated as follows:

	2019 £000
Cash consideration received	1,962
Contingent consideration	630
Total fair value of consideration	2,592
Less investment held	(51)
Profit on sale of subsidiary	2,541

13 Investments (continued)

Sale of Subsidiary (continued)

Contingent consideration is based on the estimated FUM over a period of time, discounted back to present value.

Fixed Asset Investments

	2019 £000	2018 £000
Investments in associates brought forward	234	234
As at 30 September	234	234

The Group's fixed asset investments brought forward comprise a 5.94% of the shares in Tungate Capital Plc.

Summary of the Company investments

	2019 £000	2018 £000
Investment in subsidiaries at 1 October	39,213	39,213
Disposals	(2,570)	-
As at 30 September	36,643	39,213

On 30 September 2019, the Company sold Tenet Business Solutions Limited to another Group company at book value.

14 Acquisition of subsidiaries

The Group acquired 100% of the issued share capital of Derbyshire Booth Financial Management Limited, Forth Financial Services Limited and Ask Financial Management on 24 April 2019, 4 September 2019 and 11 September 2019 respectively. In the prior year, the Group acquired 100 per cent of the issued share capital of Elementum Limited on 18 September 2018.

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

	2019 £000	2018 £000 Re-stated	2018 £000 Adjustment	2018 £000 As previously stated
Cash and cash equivalents	299	552	547	5
Tangible net (liabilities)/ assets	(67)	(82)	(109)	27
Identifiable intangible assets	1,775	1,543	-	1,543
Total identifiable net assets	2,007	2,013	438	1,575
Goodwill	227	371	(124)	495
Total assets acquired	2,234	2,384	314	2,070
Satisfied by:				
Cash	1,143	1,189	-	1,189
Contingent consideration arrangement	1,091	1,195	314	881
Total consideration transferred	2,234	2,384	314	2,070

During the current financial year, the Group completed fair value reviews of the prior year acquisitions, the review identified changes to the identified net assets acquired, therefore, the prior year has been re-stated, as shown in the table above, in accordance with IFRS 3, Business Combinations.

	2019 £000	2018 £000 Re-stated	2018 £000 Adjustment	2018 £000 As previously stated
Net cash outflow arising on acquisition:				
Cash consideration	1,143	1,189	-	1,189
Less: cash and cash equivalent balances acquired	(299)	(552)	(547)	(5)
	844	637	(547)	1,184

The goodwill of £227,000 (2018: £371,000) arising from the acquisition consists of the premium paid above the identified tangible and intangible assets 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 2019 (continued)

15 Trade and other receivables

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade receivables	12,816	7,453	-	-
Less expected credit losses	(941)	(1,075)	-	-
Net trade receivables	11,875	6,378	-	-
Receivables from related parties	-	-	2,408	1,734
Prepayments	1,608	1,878	-	-
Other receivables	1,822	522	-	-
Deferred tax asset	656	456	-	-
Total current trade and other receivables	15,961	9,234	2,408	1,734

Included within the Group's trade receivable balance are debtors with a carrying amount of £675,000 (2018: £253,000) which are past due at the reporting date. The carrying value of these receivables past-due by less than three months is £153,000 (2018: £169,000), whilst £522,000 (2018: £84,000) 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 (2018: £nil).

Movement in expected credit losses	2019 £000	2018 £000
Opening Balance	1,075	1,482
Additional allowance provided for during the year	181	186
Amounts written off during the year	(26)	(35)
Amounts recovered during the year	(289)	(742)
Reclassification to provisions	-	184
Closing Balance	941	1,075

In the prior year, the following amounts were reclassified between provisions and trade receivables, to better reflect how the Group monitors the provisions and receivables balances.

	2018 £000 Re-stated	2018 £000 Adjustment	2018 £000 As previously stated
Trade receivables	7,453	546	6,907
Less expected credit losses	(1,075)	(184)	(891)
Net trade receivables	6,378	362	6,016

16 Cash and cash equivalents

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash at bank	30,400	26,084	2,151	4

Included within cash at bank and in hand is £6,702,000 (2018:£10,675,000) of short and medium-term fixed deposit investments and £2,015,000 (2018: £1,904,000) restricted cash.

17 Trade and other payables

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade payables	17,928	9,842	-	
Accrued expenses	2,739	1,727	-	-
Amounts due to related parties	-	-	4,348	4,095
Social security and other taxes	541	786	-	-
Other payables	1,634	881	-	-
	22,842	13,236	4,348	4,905

The Directors consider that the carrying amount of the trade and other payables approximates their fair value. Trade payables includes £1,794,000 (2018: £1,934,000) of future run-off premium prefunding prepayments which are held in a separate bank account with trust status. Amounts due from the Company to related parties are repayable on demand.

18 Provisions for liabilities

Group

	Commission clawback provision £000	Claims payable provision £000	Total £000
At 1 October 2018	658	6,801	7,459
Reclassified	-	362	362
At 1 October 2018 (re-stated)	658	7,163	7,821
Provision utilised	(5,762)	(1,020)	(6,782)
Provisions released	(86)	(1,949)	(2,035)
Provisions added	5,850	2,640	8,490
At 30 September 2019	660	6,834	7,494
Non-current liabilities	660	6,834	7,494

18 Provisions for liabilities (continued)

The table above illustrates the amount which have been reclassified in the prior year between provisions and trade receivables.

Claims payable provision

The claims payable provision is in respect of amounts that may be payable to the customers of certain Group companies following a review of the sales process of the individual cases involved. These amounts, if payable, will be paid by Paragon Insurance Company Guernsey Limited from existing cash resources or will be recovered from third party Professional Indemnity Insurers (as applicable) less a policy excess and the policy excess is usually recovered from the Appointed Representative and/or Financial Adviser responsible for the individual case. Where the Appointed Representative is another Group Company, TenetFinancial Solutions Limited, Aspire Financial Management Limited or 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 Director's do not consider that there is any probable loss. In addition, were any action to be successful and compensation payable, the Directors are satisfied that any losses that are not recoverable from the Appointed Representative responsible for providing the original advice, would be met by the insurance that the Group has in place.

Commission clawback provision

The provision for commission clawback in certain Group companies relates to commission receipts subsequently repaid should policies be cancelled after their sale. Except in relation to TenetFinancial 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

	2019 No.	2019 £	2018 No.	2018 £
'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.

19 Share capital (continued)

'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.

20 Cash generated from operations

	Group		Company	
	2019 £000	2018 £000	2019 £000	2018 £000
Profit before tax	3,505	1,604	-	14
Adjustments for;				
Depreciation	1,014	776	-	-
Amortisation	435	230	-	-
Impairment/ profit or loss on disposal of PPE and intangible assets	1,916	2	-	-
Profit on disposal of subsidiary	(2,541)	-	-	-
Finance income - net	(184)	(150)	-	(15)
Changes in working capital:				
Trade and other receivables - (increase)/ decrease	(6,541)	2,473	-	161
Trade and other payables – increase/ (decrease)	9,196	(1,570)	-	(172)
Provisions – (decrease)/ increase	(327)	647	-	-
	6,473	4,012	-	(12)

21 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:

	2019 £000	2018 £000
Not later than one year	295	304
Later than one year, not later than 5 years	841	832
Later than five years	-	364
	1,136	1,500

Company

The Company has no operating lease commitments.

22 Financial Instruments

Capital Risk Management
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.

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.

22 Financial Instruments (continued)

Credit Risk (continued)

The balances due from trade customers are comprised of trade receivables and other debtors (see Note 2 and 15). The Group holds £nil of collateral over trade receivables (2018: £nil).

The maximum Group exposure to credit risk at the reporting date was £44,097,000 (2018: £32,622,000). 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 £4,559,000 (2018: £1,738,000). 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 other Group companies. 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.

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

Financial Assets	2019 £000	2018 £000
Cash	30,400	26,084
Loans and receivables from trade customers	13,697	6,538
	44,097	32,622

Financial Liabilities	2019 £000	2018 £000
Amounts owed to trade customers	17,928	9,842

22 Financial Instruments (continued)

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

Financial Assets	2019 £000	2018 £000
Cash	2,151	4
Loans and receivables from group companies	2,408	1,734
	4,559	1,738

Financial Liabilities	2019 £000	2018 £000
Loans and amounts owed to group companies	4,348	4,095

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

Group	2019 £000	2018 £000
0.5% increase	-	126
0.5% decrease	-	(126)

Company	2019 £000	2018 £000
0.5% increase	-	-
0.5% decrease	-	-

23 Related party transactions

Ultimate beneficial owner

The Company is not considered to have an ultimate beneficial owner, but has four institutional shareholders, whereby any one party is not deemed to have control.

Summary of transactions with parent entities

Details of transactions with key management personnel are included in Note 8. 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

2019	Subsidiary £000
Receipts from Group Companies	4,631

2018	Subsidiary £000
Receipts from Group Companies	-

Expenditure with and payables to related parties

2019	Subsidiary £000
Payments to Group Companies	(2,484)

2018	Subsidiary £000
Payments to Group Companies	(172)

24 Events after the balance sheet date

After the balance sheet date, acquisitions of another two client banks were completed and an additional subsidiary, Maguire Financial Limited, was acquired on 18 December 2019.