

Registration number: 04785816

TenetLime Limited
Annual Report and Financial Statements
for the Year Ended 30 September 2019

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TenetLime Limited

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TenetLime Limited

Company Information

Directors

H M Ball
C J Bradley
K J Craig
M W Scanlon

Company secretary

R J Fletcher

Registered office

5 Lister Hill
Horsforth
Leeds
West Yorkshire
LS18 5AZ

Solicitors

Addleshaw Goddard LLP
Milton Gate
60 Chiswell Street
London
EC14 4AG

Bankers

Lloyds Bank PLC
1 Lovell Park Road
Leeds
LS1 1NS

Auditors

Deloitte LLP
1 City Square
Leeds
LS1 2AL

TenetLime Limited

Strategic Report for the Year Ended 30 September 2019

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

Fair review of the business

The Company's principal activities are that of the management of a financial services network of independent financial advisers regulated by the Financial Conduct Authority ("FCA"). There have not been any significant changes in the Company's principal activities in the year under review. 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.

As shown in the Company's income statement, turnover has increased by £9,954,000, almost 16% to £72,485,000 (2018: £62,531,000) due to the continued uplift in the mortgage market and strong recruitment of new Appointed Representatives. Despite the increase in turnover, operating profit decreased by 60%, largely due to higher administrative costs. This is in relation to higher recharges from other Group companies, due to a change in how these are calculated, resulting in an operating profit of £233,000 (2018: £589,000). The statement of financial position shows the net asset position at the year-end increased by £272,000 to £2,798,000 (2018: £2,526,000) for the above market reasons. The directors are satisfied with the results for the year and expect the general level of activity in the forthcoming year to reflect market conditions.

The Company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. Notes 2 and 3 include details of key assumptions used in the preparation of the Company's financial statements. The principal risks and uncertainties facing the Company are detailed below. There have been no significant events since the balance sheet date.

Principal risks and uncertainties

The business is active in the sale of regulated financial products and advises customers as to their appropriateness. As a consequence, the company's activities are regulated which gives rise to a number of risks, including censure by the FCA. Such risks may manifest themselves financially through redress payable regarding the sale of financial products and fines imposed by the FCA for regulatory breaches. The Company operates a strict compliance regime, including regular audits of its Appointed Representatives, to mitigate such risks and has arranged Professional Indemnity Insurance which conforms to the requirements of the FCA.

The business receives commission for the sale of financial products from life companies and mortgage lenders. 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, the company typically recharges such amounts to the relevant Appointed Representative. As a consequence, to mitigate the risk of accepting commission on an indemnity basis, the Company monitors such activity and the ability of its Appointed Representatives to service their clawback liabilities to the Company.

TenetLime Limited

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

Principal risks and uncertainties (continued)

Competitive pressure is a continuing risk for the Company, which could result in it losing sales to its key competitors. The company manages this risk by providing added value services to its Appointed Representatives, having fast response times not only in supplying products and services but in handling all Appointed Representatives queries and by maintaining strong relationships with its Appointed Representatives.

Group risks are discussed in the ultimate parent undertaking's annual report which does not form part of this report.

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


K J Craig
Director

TenetLime Limited

Directors' Report for the Year Ended 30 September 2019

The directors present their report and the financial statements for the year ended 30 September 2019.

Dividends

The directors do not recommend the payment of a dividend (2018: £nil).

Directors' of the company

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

H M Ball

C J Bradley

M J Greenwood (resigned 15 April 2019)

S M Jones (resigned 3 September 2019)

K J Craig

M Gartside (resigned 5 November 2018)

S Broadley (resigned 3 September 2019)

B Wright (resigned 3 September 2019)

K Bowden (resigned 3 September 2019)

M W Scanlon (appointed 15 April 2019)

J M Elliott (appointed 29 May 2019) (resigned 3 September 2019)

R J Fletcher (appointed 29 May 2019) (resigned 3 September 2019)

Future developments and post balance sheet events

There have been no post balance sheet events. At the date of this report, the directors are not aware of any likely major changes in the company's activities in the next year.

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.

Going concern

As highlighted in the Tenet Group's Annual Report, competitive pressure is a continuing risk for the company, potentially resulting in losing sales to key competitors. However, the company's forecasts and projections, including sensitivity analysis taking into account reasonably possible adverse changes in trading performance, show that the company should be able to operate successfully. As a consequence, the directors believe that the company is well placed to manage its business risks successfully in the present challenging economic environment.

The company has an adequate level of financial resources, including £4.8 million of cash at bank (2018: £3.4 million) and net current assets of £3.7 million (2018: £3.0 million). Furthermore, the company has no bank debt or other financial liabilities with any restrictive or financial covenants. It has long established relationships with a large number of advisers, product providers and suppliers across a diverse geographical area within the U.K, with no significant credit risk exposure to any single counterparty.

Taking these factors into account, and after making enquiries, the directors have a reasonable expectation that the company has adequate resources to trade successfully and fully comply with its regulatory requirements for 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

TenetLime Limited

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

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 which the auditor is unaware.

Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, appropriate arrangements are being made for Deloitte LLP to be deemed re-appointed as auditor of the company in the absence of an Annual General Meeting.

Statement of Directors' Responsibilities

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

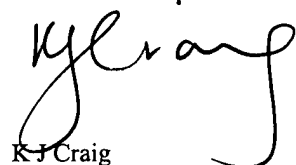
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 FRS 101 has 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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



K J Craig
Director

TenetLime Limited

Independent Auditor's Report

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of TenetLime Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 30th September 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation 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 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 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.

TenetLime Limited

Independent Auditor's Report (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 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 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

TenetLime Limited

Independent Auditor's Report (continued)

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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

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

TenetLime Limited

Income Statement for the Year Ended 30 September 2019

	Note	2019 £000	2018 £000
Turnover	2	72,485	62,531
Cost of sales		<u>(66,604)</u>	<u>(57,326)</u>
Gross profit		5,881	5,205
Administrative expenses		<u>(5,648)</u>	<u>(4,616)</u>
Operating profit	4	233	589
Other interest receivable and similar income	5	<u>39</u>	<u>25</u>
Profit before tax		272	614
Tax on profit on ordinary activities	8	<u>-</u>	<u>(159)</u>
Profit for the year		<u>272</u>	<u>455</u>

The above results were derived from continuing operations. There was no recognised income and expenditure in the period other than the result for the year as shown above and consequently no statement of other comprehensive income has been presented.

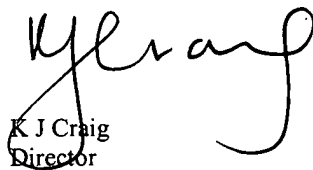
The notes on pages 12 to 24 form an integral part of these financial statements.

TenetLime Limited

(Registration number: 04785816)
Statement of Financial Position as at 30 September 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	9	-	-
Current assets			
Trade and other receivables	10	8,716	5,121
Cash at bank and in hand		4,751	3,417
Total current assets		13,467	8,538
Trade and other payables	11	(9,744)	(5,554)
Net current assets		3,723	2,984
Total assets less current liabilities		3,723	2,984
Provisions for liabilities	12	(925)	(458)
Net assets		2,798	2,526
Capital and reserves			
Called up share capital	13	1,000	1,000
Other reserves		92	92
Profit and loss account		1,706	1,434
Shareholders' funds		2,798	2,526

The financial statements of TenetLime Limited (registration number 04785816) were approved by the Board on 6 February 2020 and signed on its behalf by:


K J Craig
Director

The notes on pages 12 to 24 form an integral part of these financial statements.

TenetLime Limited

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

	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
At 1 October 2018	1,000	92	1,434	2,526
Profit for the year	-	-	272	272
Total comprehensive income	-	-	272	272
At 30 September 2019	1,000	92	1,706	2,798

	Share capital £000	Other reserves £000	Retained earnings £000	Total £000
At 1 October 2017	1,000	92	979	2,071
Profit for the year	-	-	455	455
Total comprehensive income	-	-	455	455
At 30 September 2018	1,000	92	1,434	2,526

The notes on pages 12 to 24 form an integral part of these financial statements.

TenetLime Limited

Notes to the Financial Statements for the Year Ended 30 September 2019

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
West Yorkshire
LS18 5AZ

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

The financial statements have been prepared on the historic 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.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to standards issued but not yet effective, financial instruments, presentation of a cash-flow statement and related party transactions. Where required, equivalent disclosures are given in the Group financial statements of Tenet Group Limited. The Group financial statements of Tenet Group Limited are available to the public.

As stated in the Directors' Report, after making enquiries the directors have a reasonable expectation that the company has adequate resources to continue trading successfully and fully comply with its regulatory requirements for 12 months from the date of the director's report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

2 Accounting policies

Summary of significant accounting policies

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

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 Company:

IFRS 9 Financial instruments

IFRS 15 Revenue from Contracts with Customers

TenetLime Limited

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

2 Accounting policies (continued)

New accounting standards (continued)

a) IFRS 9 Financial Instruments

The Company 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 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 Company manage the financial assets and their contractual cash flow characteristics.

Management have reviewed and assessed the Company'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.

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 Company 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 Company to assess the risk profile of its trade receivables. The Company 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 Company 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 Company does not apply hedge accounting, therefore, this is not applicable.

TenetLime Limited

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

2 Accounting policies (continued)

New accounting standards (continued)

b) IFRS 15 Revenue from contracts with customers

The Company 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, to apply this retrospectively only to contracts which are not completed at the date of initial application. 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.

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 clients 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 which is performed, takes place at the inception of the policy, IFRS 15 requires the calculation of the whole of life revenue for that policy 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 inception 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 reassess 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.

TenetLime Limited

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

2 Accounting policies (continued)

New accounting standards (continued)

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 Company has assessed the impact of IFRS 16 and there is not expected to be a material impact to the accounts.

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. Further details are available in the significant judgement and estimates note and the new accounting standards disclosures.

Related amounts of commission due to the Company's agents (Appointed Representatives and/or Financial Advisers) are included in cost of sales and trade creditors, when the corresponding revenue is recognised.

TenetLime Limited

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

2 Accounting policies (continued)

Tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company'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 substantively enacted by the balance sheet date.

Deferred tax assets are only recognised when it is probable that the Company will be able to realise these benefits. Deferred tax liabilities are recognised when incurred. These are recognised at the substantially enacted tax rates.

Intangible assets

Intangible assets are stated at cost net of amortisation. Amortisation is provided at rates calculated to write off the cost of each asset on a straight line basis over its estimated useful economic life of 7-10 years.

Trade 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 Company 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 Company.

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

Trade payables

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

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.

TenetLime Limited

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

2 Accounting policies (continued)

Provisions

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

The two most significant provisions are:

Commission clawback

The Company makes a provision in respect of commissions received on "indemnity" terms whereby commission amounts are repayable if policies are cancelled subsequent to their sale. This provision is estimated based on historic data. All commission amounts previously paid in respect of such cancelled policies are recharged in their entirety to the relevant Appointed Representatives. Where the collection of such receivables is doubtful, the company makes an appropriate provision (see Note 11).

Claims payable

In the normal course of business the company receives queries and complaints regarding the sale of regulated financial products. Where appropriate these are investigated in accordance with the company's procedures. In some instances compensation may be payable. Based upon the experience of the company, an estimate of the total compensation which may become payable is calculated. These amounts, if they become payable, will usually be recovered from either Professional Indemnity insurers and/or the Appointed Representative responsible for giving the advice about which the complaint was made (see Note 11). Where the collection of such receivables is doubtful, the Company makes an appropriate provision.

Pensions

The company contributes to a defined contribution pension scheme administered by another Group company. The amount charged to the income statement relates to 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.

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.

TenetLime Limited

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

3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Company's accounting policies

The following are critical judgements that the Company has made in the process of applying the Company'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 Company's agents.

Related amounts of commission due to the Company's agents (Appointed Representatives and/or Financial Advisers) are included in cost of sales and trade creditors, when the corresponding revenue is recognised.

TenetLime Limited

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

Key sources of estimation uncertainty

Commission clawback

All commission amounts previously paid by the Company 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 the Company. Where the collection of such receivables is doubtful, an appropriate provision is made. As such there is an uncertainty over the number of clawbacks received, and the amount recoverable from Appointed Representatives which require estimation.

Provision made be made 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 the Company receive queries and complaints regarding the sale of financial products and/or financial advice. Where appropriate these are investigated, 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 historic experience, an estimate of total redress which may be payable is calculated based upon the assessment of the claim, legal advice and regulator correspondence. Given the nature and uniqueness of these claims, as well as influence from external parties, a level of uncertainty is evident in the amount of any payable redress. Claims are reviewed on a regular basis through the Group Claims Committee.

These amounts, if they become payable, will usually be recovered from either Professional Indemnity insurers and/or the Appointed Representative and/or Financial Advisers responsible for giving the advice about which the complaint was made.

4 Operating profit

Arrived at after charging

	2019 £000	2018 £000
Staff costs	3,877	3,133
Auditor's remuneration	41	37

Audit fees for the Company are borne by Tenet Group Limited on behalf of all the Group companies, an allocation has been made for disclosure purposes.

TenetLime Limited

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

5 Interest receivable and similar income

	2019 £000	2018 £000
Bank interest	26	5
Other interest	13	20
	<u>39</u>	<u>25</u>

6 Staff costs

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 it receives recompense from the company in respect of this service through management recharges.

The amounts disclosed below relate to amounts which are incurred by the company and have been recharged to the company by Tenet Business Solutions Limited.

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

	2019 £000	2018 £000
Wages and salaries	3,378	2,722
Social security costs	332	274
Pension costs, defined contribution scheme	167	137
	<u>3,877</u>	<u>3,133</u>

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 and support	79	67
Directors	9	8
	<u>88</u>	<u>75</u>

TenetLime Limited

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

7 Directors' remuneration

The fees or emoluments of all directors were paid by Tenet Business Solutions Ltd.

Four (2018: Four) of the Directors are executives of the ultimate parent undertaking, Tenet Group Limited, and their remuneration is disclosed within Tenet Group Limited consolidated accounts. The remaining five (2018: Four) directors are also directors of other group companies, during the year these three directors received total remuneration of £625,000 (2018: £371,000) and £65,000 (2018: £29,000) defined contribution pension benefit. No allocation between the services provided to the different group companies is made.

8 Tax charged in the income statement

	2019 £000	2018 £000
Current taxation		
UK corporation tax	-	159,

The tax on profit before tax for the year is lower than (2018: higher 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	272	614
Corporation tax at standard rate	52	117
Tax effects of;		
- Depreciation and assets subject to capital allowances written off	83	42
- Group relief	(135)	-
Total tax charge	-	159

TenetLime Limited

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

9 Intangible assets

	Acquisition Cost £000	Total £000
Cost or valuation		
At 1 October 2018	12	12
At 30 September 2019	12	12
Amortisation		
At 1 October 2018	12	12
At 30 September 2019	12	12
Carrying amount		
At 30 September 2019	-	-
At 30 September 2018	-	-

10 Trade and other receivables

	2019 £000	2018 £000
Trade receivables	6,380	3,409
Provision for impairment of trade receivables	(156)	(144)
Net trade receivables	6,224	3,265
Receivables from related parties	2,225	732
Prepayments	267	1,124
Total current trade and other receivables	8,716	5,121

The directors consider that the carrying amount of trade and other receivables approximates their fair value. Included in trade receivables is £14,000 (2018: £Nil) that relates to amounts recoverable from Appointed Representatives in relation to claims payable (see Notes 2 and 11) and £724,000 (2018: £240,000) that relates to the provision of secured loans as part of the Company's ongoing support for its Appointed Representatives.

TenetLime Limited

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

11 Trade and other payables

	2019 £000	2018 £000
Trade payables	8,874	4,972
Accruals	390	65
Amounts due to related parties	342	357
Other creditors	138	-
Taxation	-	160
	9,744	5,554

The directors consider that the carrying amount of trade and other payables approximates their fair value. Amounts due to related parties are repayable on demand.

12 Provisions for liabilities

	Claims payable £000	Clawbacks £000	Total £000
At 1 October 2018	55	403	458
Provisions added	505	5,725	6,230
Provisions utilised	-	(5,651)	(5,651)
Provisions released	(53)	(59)	(112)
At 30 September 2019	507	418	925
Non-current liabilities	507	418	925

Claims payable provision

The claims payable provision is in respect of amounts that may be payable to customers of the firm following a review of the sales process of the individual cases involved. These amounts, if payable, will usually be recovered from Professional Indemnity insurers less a policy excess (see Note 2), and the policy excess is usually recovered from the Appointed Representative responsible for the individual case. The directors re-assess the provision each year.

Commission clawback provision

The commission clawback provision relates to commission receipts subsequently repaid should policies be cancelled after their sale. All commissions previously paid in respect of such cancelled policies will usually be recovered from the relevant Appointed Representative (see Note 2). The directors re-assess the provision each year.

TenetLime Limited

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

13 Share capital

Allotted, called up and fully paid shares

		2019		2018
	No.	£000	No.	£000
Ordinary shares of £1 each	1,000,000	1,000	1,000,000	1,000

14 Related party transactions

Summary of transactions with parent entities

As a wholly owned subsidiary, the company has taken advantage of the exemption in FRS 101 "Related Party Transactions" from disclosing related party transactions with other entities included in the consolidated financial statements of Tenet Group Limited.

15 Parent and ultimate parent undertaking

The company is a wholly owned subsidiary of Tenet Limited, a company incorporated in England and Wales. The directors consider that Tenet Group Limited, also a company incorporated in England and Wales, is the Company's ultimate parent undertaking and is the controlling party.

Tenet Group Limited is the smallest and largest group in which the results of the company are consolidated. Copies of the financial statements of Tenet Group Limited are available from 5 Lister Hill, Horsforth, Leeds, LS18 5AZ.