

12 September 2008

**TEP Exchange Group PLC**  
**(“TEP” or “the Company”)**  
**Interim Results for the six month**  
**period ended 30 June 2008**

**Chairman’s Statement**

I am pleased to report the unaudited results of the Company for the six month period ended 30 June 2008. Revenue for the period was £279,000 (2007: £229,000), an increase of 21.8 per cent. over the corresponding period last year. The Company achieved an operating profit of £18,000, compared to an operating profit of £31,000 in the same period last year. The profit on ordinary activities before and after taxation was £6,000, compared to a profit before and after taxation of £18,000 in the first six months of last year.

Resolution of the Company’s challenge to the VAT assessments is still outstanding and as it continues to be difficult to predict the outcome of this challenge; no provision has been made in the balance sheet contained within these interim results for VAT which would become payable in the event that the challenge is unsuccessful or only partly successful.

Trading activity on the Company’s platform has stabilised in the year to date at a somewhat higher level than in the previous year. The volume of Traded Endowment Policies (“TEPs”) offered for sale in the first six months, compared with the corresponding period last year, has risen by 37 per cent. and completions have increased by 19 per cent. Whilst overall demand for UK TEPs in 2008 is less buoyant than in 2007, there is still significant demand from continental Europe and the Directors expect the demand from continental Europe to continue in the remainder of 2008.

The Company’s European retail website, TEP Exchange Deutschland, which has now been launched, will facilitate the sale of UK TEPs through a network of German financial advisers.

Pinvex Limited, which holds a 2.5 per cent. shareholding in the Company and is responsible for developing property related offerings suitable for IFAs using the electronic platform, continues to research additional product possibilities.

As at 30 June 2008, the Company had cash of £95,000 and short term borrowings of £29,000.

Your Directors are not proposing an interim dividend.

**George Kynoch**  
**Chairman**

12 September 2008

**Consolidated Income Statement  
for the six months ended 30 June 2008**

	<b>Six months ended 30 June 2008 (unaudited) £'000</b>	<b>Six months ended 30 June 2007 (unaudited) £'000</b>	<b>Year ended 31 December 2007 (audited) £'000</b>
<b>Revenue</b>	279	229	607
Administrative expenses	(261)	(198)	(542)
<b>Profit from operations</b>	18	31	65
Finance income	1	1	7
Finance costs	(13)	(14)	(34)
<b>Profit before tax</b>	6	18	38
Tax expense	-	-	-
<b>Profit attributable to equity holders of the Company</b>	6	18	38
<b>Earnings per share</b>			
Basic and diluted earnings per share	0.00p	0.01p	0.01p

**Consolidated Statement of Changes in Equity  
for the six months ended 30 June 2008**

**Attributable to equity holders of the Company**

	<b>Share Capital (unaudited) £'000</b>	<b>Share Premium (unaudited) £'000</b>	<b>Accumulated Losses (unaudited) £'000</b>	<b>Total Equity (unaudited) £'000</b>
<b>At 1 January 2008</b>	2,263	3,952	(6,424)	(209)
Profit for the period	-	-	6	6
<b>At 30 June 2008</b>	<b>2,263</b>	<b>3,952</b>	<b>(6,418)</b>	<b>(203)</b>

Share capital is the amount subscribed for ordinary shares and deferred shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of these shares net of share issue expenses.

Accumulated losses represent cumulative losses of the Company and its subsidiaries (together the “Group”) attributable to equity holders.

**Consolidated Balance Sheet  
as at 30 June 2008**

	As at 30 June 2008 (unaudited) £'000	As at 30 June 2007 (unaudited) £'000	As at 31 December 2007 (audited) £'000
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	3	3	3
Trade and other receivables	121	223	260
Cash and cash equivalents	95	109	38
<b>Total current assets</b>	<u>219</u>	<u>335</u>	<u>301</u>
<b>TOTAL ASSETS</b>	<u>219</u>	<u>335</u>	<u>301</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term borrowings	(29)	(92)	(73)
Trade and other payables	(205)	(228)	(189)
<b>Total current liabilities</b>	<u>(234)</u>	<u>(320)</u>	<u>(262)</u>
<b>Non-current liabilities</b>			
Long term borrowings	-	(31)	-
Trade payables	(188)	(213)	(248)
<b>Total non-current liabilities</b>	<u>(188)</u>	<u>(244)</u>	<u>(248)</u>
<b>TOTAL LIABILITIES</b>	<u>(422)</u>	<u>(564)</u>	<u>(510)</u>
<b>TOTAL NET LIABILITIES</b>	<u>(203)</u>	<u>(229)</u>	<u>(209)</u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	2,263	2,263	2,263
Share premium reserve	3,952	3,952	3,952
Accumulated losses	(6,418)	(6,444)	(6,424)
<b>TOTAL EQUITY</b>	<u>(203)</u>	<u>(229)</u>	<u>(209)</u>

**Consolidated Cash Flow Statement  
for the six months ended 30 June 2008**

	<b>Six months ended 30 June 2008 (unaudited) £'000</b>	<b>Six months ended 30 June 2007 (unaudited) £'000</b>	<b>Year ended 31 December 2007 (audited) £'000</b>
<b>Operating activities</b>			
Profit before taxation	6	18	38
Finance income	(1)	(1)	(7)
Finance costs	13	14	34
	<hr/>	<hr/>	<hr/>
<b>Profit from operations before changes in working capital</b>	18	31	65
Decrease/(Increase) in trade and other receivables	139	6	(30)
Decrease in trade and other payable	(44)	(205)	(221)
	<hr/>	<hr/>	<hr/>
<b>Cash generated/(used) by operating activities</b>	113	(168)	(186)
<b>Investing activities</b>			
Interest received	1	1	7
<b>Financing activities</b>			
Issue of ordinary shares	-	351	351
Expenses relating to the issue of ordinary shares	-	(50)	(49)
Repayment of borrowings	(44)	(26)	(77)
Interest paid	(13)	(25)	(34)
	<hr/>	<hr/>	<hr/>
<b>Net cash (outflow)/inflow from financing activities</b>	(57)	250	191
<b>Increase in cash and cash equivalent</b>	57	83	12
Cash and cash equivalents at beginning of period	38	26	26
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<b>Cash and cash equivalents at end of period</b>	95	109	38
Cash and cash equivalents comprise:			
Cash available on demand	95	109	38
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## Notes to the Interim Results

### 1. Basis of preparation

The financial results of the Group for the six months ended 30 June 2008 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRS") and are in accordance with IFRS as issued by the IASB.

The financial information shown in this publication is unaudited and does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The comparative figures for the financial year ended 31 December 2007 have been derived from the statutory accounts for 2007. The statutory accounts will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified and did not contain statements under the Companies Act 1985, Section 237 (2) or (3). The auditors' report on the statutory accounts for 2007 referred to a matter concerning a contingent liability to which the auditors drew attention by way of emphasis without qualifying their report. The details concerning this matter are given in Note 4 of this publication.

### 2. Dividends

No dividend is proposed for the six months ended 30 June 2008.

### 3. Earnings per share

The earnings per share has been calculated by dividing the profit after taxation for the period of £6,000 (six month period ended 30 June 2007: profit of £18,000 and year ended 31 December 2007: profit of £38,000) by the weighted average number of Ordinary Shares of 399,999,999 (six month period ended 30 June 2007: 329,235,746 and year ended 31 December 2007: 364,908,684) in issue during the period.

The options and warrants in issue at 30 June 2007, 31 December 2007 and 30 June 2008 are antidilutive and have therefore been excluded from the calculation of diluted earnings per share. However, such options may be dilutive in future periods.

### 4. Contingent liability

The Company is appealing against assessments issued by HM Revenue and Customs in respect of VAT under declared from 2003 to 2007. It is anticipated that the case will be concluded by the end of 2008. In the opinion of the Directors, the VAT returns submitted were correct and their appeal against the assessments will be successful. However, if the appeal by the Company is not successful, the Company would be liable to pay undeclared VAT, interest and penalties which the Directors estimate to be a maximum amount of £400,000. No provision has been made in these financial results for any VAT payable (including any interest and penalties) in the event that the challenge against the assessments is unsuccessful or only partly successful.

### 5. Interim Results

Copies of the interim results will be available at the Company's registered office 12 Grosvenor Court, Foregate Street, Chester CH1 1HG and on the Company's website [www.tepexchange.com](http://www.tepexchange.com).