

4 July 2008

**TEP EXCHANGE GROUP PLC**  
**(“TEP” or “the Company”)**

**Final Results for the year ended 31 December 2007**

**Chairman's statement**

I am pleased to report the results for the year ended 31 December 2007. Revenue for the year totalled £606,502 (2006 - £384,015) resulting in a profit from operations of £64,369 compared to a loss from operations of £21,011 in 2006. The profit before and after taxation was £37,535, compared to a loss before and after taxation of £58,635 in 2006. The earning per share was 0.01 pence, compared to a loss per share in 2006 of 0.03 pence.

Revenue increased significantly in 2007 compared with 2006 due to the continuing increased activity in the traded endowment policy market and the 50 per cent. increase in transaction charges implemented during the second half of 2006. In addition, re-negotiation of the variable fee percentage which is payable to Surrenda-link Limited for the 2007 accounting period for the outsourcing of the operational management of the business enabled the Company to achieve profitability in 2007 for the first time in the Company's history.

The supply of UK traded endowment policies (known as “TEPs”) continues to be strong and the volume of TEPs being offered for sale on the Company's electronic platform has grown by 40 per cent. in the first quarter of 2008 compared to the same period in 2007.

The development of the Company's electronic platform for its current range of products primarily into the German market, has now been completed and formally launched in the first quarter of 2008. The launch of the platform into the German market is expected to contribute to the Company's performance in 2008.

Your Board is not proposing a dividend for the year under review.

**G Kynoch**  
**Chairman**

3 July 2008

**Audited consolidated income statement for the year ended 31 December 2007**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Revenue	606,502	384,015
Other operating income	-	104,152
Administrative expenses	<u>(542,133)</u>	<u>(509,178)</u>
<b>Profit/(loss) from operations</b>	<b>64,369</b>	<b>(21,011)</b>
<b>Profit/(loss) from operations</b>		
Finance income	7,082	448
Finance costs	<u>(33,916)</u>	<u>(38,072)</u>
<b>Profit/(loss) before tax</b>	<b>37,535</b>	<b>(58,635)</b>
Tax expense	<u>-</u>	<u>-</u>
<b>Profit/(loss) attributable to equity holders of the parent</b>	<u><u>37,535</u></u>	<u><u>(58,635)</u></u>
<b>Earnings/(loss) per share [Note 2]</b>		
Basic and diluted earnings/(loss) per share	<u><u>0.01p</u></u>	<u><u>(0.03)p</u></u>

**Audited consolidated balance sheet at 31 December 2007**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	-	-
<b>Total non-current assets</b>	<u>-</u>	<u>-</u>
<b>Current assets</b>		
Inventories	3,050	2,938
Trade and other receivables [Note 4]	259,444	229,999
Cash and cash equivalents	38,044	25,798
<b>Total current assets</b>	<u>300,538</u>	<u>258,735</u>
<b>Total assets</b>	<u><u>300,538</u></u>	<u><u>258,735</u></u>
<b>Current liabilities</b>		
Bank overdraft	(70)	-
Bank loan	(53,143)	(52,585)
Other borrowings	(20,000)	(40,000)
Trade and other payables [Note 5]	(188,662)	(443,753)
<b>Total current liabilities</b>	<u>(261,875)</u>	<u>(536,338)</u>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Bank loan	-	(57,336)
Trade payables	(248,036)	(213,562)
<b>Total non-current liabilities</b>	<u>(248,036)</u>	<u>(270,898)</u>
<b>Total liabilities</b>	<u><u>(509,911)</u></u>	<u><u>(807,236)</u></u>
<b>Total net liability</b>	<u><u>(209,373)</u></u>	<u><u>(548,501)</u></u>
<b>Equity attributable to equity holders of the parent</b>		
Share capital [Note 6]	2,262,980	2,245,434
Share premium	3,951,948	3,667,901

Retained losses

(6,424,301) (6,461,836)

**Total deficit**

(209,373) (548,501)

**Audited consolidated cash flow statement for the year ended 31 December 2007**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Operating activities</b>		
Profit/(loss) before tax	37,535	(58,635)
Depreciation	-	175
Finance income	(7,082)	(448)
Finance costs	33,916	38,072
	<hr/>	<hr/>
<b>Profit/(loss) from operations before changes in working capital</b>	64,369	(20,836)
Increase in inventories	(112)	(113)
Increase in trade and other receivables	(29,445)	(21,775)
(Decrease)/increase in trade and other payables	(220,617)	148,593
	<hr/>	<hr/>
<b>Cash (used)/generated by operating activities</b>	(185,805)	105,869
	<hr/>	<hr/>
<b>Investing activities</b>		
Interest received	7,082	448
	<hr/>	<hr/>
<b>Financing activities</b>		
Issue of Ordinary Shares	350,913	-
Expenses relating to the issue of deferred shares	(49,320)	-
Repayment of borrowings	(76,778)	(50,704)
Interest paid	(33,916)	(38,072)
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from financing activities</b>	197,981	(88,328)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	12,176	17,541
Cash and cash equivalents at beginning of year	25,798	8,257
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	37,974	25,798
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:		
Cash available on demand	38,044	25,798
Bank overdraft	(70)	-
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	37,974	25,798
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**Audited consolidated statement of changes in equity for the year ended 31 December 2007**

	<b>Share capital £</b>	<b>Share premium £</b>	<b>Retained losses £</b>	<b>Total £</b>
At 1 January 2006	2,245,434	3,667,901	(6,403,201)	(489,866)
Loss and total recognised income and expense for the year	-	-	(58,635)	(58,635)
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At 1 January 2007	2,245,434	3,667,901	(6,461,836)	(548,501)
Profit and total recognised income and expense for the year	-	-	37,535	37,535
Issue of share capital	17,546	333,367	-	350,913
Expenses relating to the issue of shares	-	(49,320)	-	(49,320)
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At 31 December 2007	<u>2,262,980</u>	<u>3,951,948</u>	<u>(6,424,301)</u>	<u>(209,373)</u>

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.

Retained losses represent cumulative losses of the Group attributable to equity holders. There were no changes in equity in the prior year other than the profit/(loss) for the period.

## Notes to the Audited Preliminary Results for the year ended 31 December 2007

### 1 Basis of preparation

These financial statements 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 European Union ("adopted IFRSs"), and are in accordance with IFRS as issued by the IASB.

This is the first time the Group has prepared financial information in accordance with IFRS, having previously prepared its financial statements in accordance with UK GAAP. Details of the effects of the transition are given below.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2007 and 2006, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the Company's Annual General Meeting. The Auditors have reported on those accounts; their reports were unqualified and did not contain statements under the Companies Act 1985, sections 237(2) or (3). The auditors' report on the accounts for 31 December 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 7.

#### *Transition to IFRS*

The Group's transition date to IFRS is 1 January 2006. The rules for first-time adoption of IFRS are set out in IFRS 1 'First time adoption of International Financial Reporting Standards'. In preparing the IFRS financial information, these transition rules have been applied to the amounts reported previously under generally accepted accounting principles in the United Kingdom ('UK GAAP'). The date to which the last UK GAAP financial statements were produced was 31 December 2006. IFRS 1 generally requires full retrospective application of the Standards and Interpretations in force at the first reporting date. However, IFRS 1 allows certain exemptions in the application of particular Standards to prior periods in order to assist companies with the transition process. In preparing these financial statements, neither the Group nor the Company has taken advantage of the exemptions offered by IFRS 1.

The adoption of IFRS has not had a material impact on the results or net assets for the comparative periods and accordingly these have not been restated.

#### *Going concern*

During the year ended 31 December 2007 the Group achieved a profit of £37,535 (2006 - loss of £58,635) and at 31 December 2007 had net liabilities of £209,373 (2006 - £548,501).

The Group relies on support from one of its major shareholders, Surrenda-link Limited, in order to meet its obligations as they fall due. It is also financed through a bank loan, repayable over 44 months, together with a bank overdraft facility of £10,000. In addition, the directors have restructured the trading operation and in particular with Surrenda-link Limited, who now charge for their services on a variable cost basis. As a result of this and improved performance since the year end, the directors anticipate improved trading results for the forthcoming year and have projected cash flow information which show creditors can be repaid out of cash flow.

The directors have recently agreed with Surrenda-link Limited that the repayment of non-current outstanding charges in the amounts of £308,036 will be repaid over 31 months at a rate of £10,000 per month commencing in July 2008. Should the Company's appeal against the VAT assessments raised by HM Revenue & Customs (see note 7) be unsuccessful, Surrenda-link Limited will defer payment of the £308,036 (or such lesser sum as is outstanding at the time of the company's unsuccessful appeal against the VAT assessments) until such time as the company has repaid all amounts due to HM Revenue & Customs. It is assumed that unsuccessful in its appeals, the Company will be able to pay amounts owing to HM Revenue and Customs over a period of not less than 18 months.

On the basis of the above, and all other available information, the Directors consider that the Group will become profitable and continue to operate within the facilities currently agreed with Surrenda-link Limited and its bankers and therefore that it is appropriate to prepare the financial statements on the going concern basis.

## 2 Earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based upon:

	<b>2007</b>	<b>2006</b>
Basic earnings/(loss) per share (pence)	<b>0.01p</b>	(0.03)p
Profit/(loss) attributable to equity holders	<b>£37,535</b>	£(58,635)
	<b>Number</b>	<b>Number</b>
Weighted average number of shares	<b>364,908,684</b>	224,543,426

The options, warrants and deferred shares in issue at the 31 December 2005 and 31 December 2006, which are disclosed in note 6, are antidilutive and have therefore been excluded from the calculation of diluted earnings per share. However, such options may be dilutive in future periods.

## 3 Dividends

The Directors are not proposing the payment of a dividend in respect of the year ended 31 December 2007.

**4 Trade and other receivables**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Trade receivables	168,499	41,630
Other receivables	69,812	146,599
Prepayments and accrued income	21,133	41,770
	<hr/>	<hr/>
	259,444	229,999
	<hr/> <hr/>	<hr/> <hr/>

## 5 Trade and other payables: amounts falling due within one year

	2007 £	2006 £
Trade payables	51,891	286,854
Other payables	4,000	5,250
Creditors for taxation and social security	-	10,815
Accrued liabilities and deferred income	132,771	140,834
	<u>188,662</u>	<u>443,753</u>

## 6 Share capital

	2007 Number	2006 Number	2007 £	2006 £
<i>Authorised</i>				
Ordinary Shares of 0.01p (2007 – 1p) each	1,000,000,000	400,000,000	100,000	4,000,000
Deferred shares of 0.99p each	400,000,000	-	3,960,000	-
			<u>4,060,000</u>	<u>4,000,000</u>

### *Allotted, called up and fully paid*

Ordinary Shares 0.01p (2007 – 1p) each	399,999,999	224,543,426	40,000	2,245,434
Deferred shares of 0.99p each	224,543,426	-	2,222,980	-
			<u>2,262,980</u>	<u>2,245,434</u>

	Ordinary Shares Number	£	Deferred shares Number	£
Share capital at 1 January 2007	224,543,426	2,245,434	-	-
Share restructuring	-	(2,222,980)	224,543,426	2,222,980
New share capital issued	175,456,573	17,546	-	-
Share capital at 31 December 2007	<u>399,999,999</u>	<u>40,000</u>	<u>224,543,426</u>	<u>2,222,980</u>



Details of the two equity settled share option schemes are shown below:

	Number of shares under option	Exercise price	Exercise period	
			From	To
Enterprise Management Incentive Scheme	1,027,879	3p	16.02.2004	16.02.2011
	600,000	8p	06.09.2004	06.09.2011
	582,818	10p	16.02.2004	16.02.2011
	<u>1,500,000</u>	12p	06.09.2004	06.09.2011
	3,710,697			
Unapproved Share Option Plan	<u>200,000</u>	8p	24.08.2004	24.08.2011
	<u><u>3,910,697</u></u>			

There were no changes to the number of options in issue in either the current or prior period.

On 14 March 2007, each of the 224,543,426 issued Ordinary Shares of 1p each in the Company was subdivided into one Ordinary Share of 0.01p each and one deferred share of 0.99p each credited as fully paid.

On 15 March 2007, the Company issued 175,456,573 Ordinary Shares of 0.01p each at a premium of 0.19p per share.

The main rights and restrictions attaching to the deferred shares are as follows:

- no entitlement to receive dividends or other distributions;
- no entitlement to receive notice of or attend of vote at any general meeting of the Company; and
- on a return of capital on a winding in the holders of deferred shares shall only be entitled to receive the amount paid up on such shares after the holders of the Ordinary Shares have received the sum of £1,000,000 for each Ordinary Share held by them and shall have no other right to participate in the assets of the Company.

There were no changes to the number of options in issue in either the current or prior period.

On 14 March 2007, the Company issued warrants to subscribe for up to 35,000,000 Ordinary Shares in cash at 0.2p per share. Each warrant confers on the warrant holder

the right to subscribe in cash for Ordinary Shares to be issued to the warrant holder or such person as the warrant holder may direct. The warrants are not intended to be listed or dealt on any recognised investment exchange. Ordinary Shares issued on exercise of warrants will qualify for all dividends and distributions declared, made or paid after their date of issue.

The warrants may only be exercised upon certain performance being met criteria in each of any two consecutive financial years over the five years commencing 1 January 2007 and ending 31 December 2011. No cash was received for the warrants and that no charge to the income statement arises under IFRS 2.

The warrants may be exercised in whole or in part or in parts. The exercise price of the warrants must be paid at the time the rights are exercised.

Any rights not exercised prior to 30 June 2012 will lapse on that date.

## **7 Contingent liabilities**

The Company is appealing against assessments issued by HM Revenue & 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 provisions for these amounts have been made in these financial statements although the cost of defending the appeal has been provided for.

8. Copies of the final results for the year ended 31 December 2007 will be sent to shareholders today and will be available from the Company's office at 12 Grosvenor Court, Foregate Street, Chester CH1 1HG and are available for download from the Company's website [www.tepexchange.com](http://www.tepexchange.com)

### **Further enquiries:**

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