

30 September 2011

**TEP Exchange Group PLC**  
**("TEP" or "the Company")**

**Half-yearly results for the six month period ended 30 June 2011**

**Chairman's Statement**

I am pleased to report the unaudited results of the Company for the six month period ended 30 June 2011. Total revenue for the period was £518,000 (six month period ended 30 June 2010: £15,000), of which licence fee income amounted to £500,000 (six month period ended 30 June 2010: £nil). The Company achieved a profit from operations of £370,000, compared to a loss from operations of £79,000 in the same period last year. The profit before and after taxation was £357,000, compared to a loss before and after taxation of £92,000 in the first six months of last year.

Although the commission revenue achieved in the first half of 2011 was ahead of the revenue in the first half of 2010 the absolute figure was very low and this was due to the continuation of the lack of demand in the traded endowment policy market. The Company continues to work closely with market makers in the hope of increasing demand for policies.

The licence fee income generated in the six month period ended 30 June 2011 was generated from the licensing of the electronic platform and all technology to SL Investment Management Limited, ("SL"), a 48.26 per cent shareholder in the Company. The licensing arrangements with SL were set out in the Company's announcement of the contract on 12 November 2010. In summary the Company has licensed its electronic platform and all technology to SL, in consideration for which TEP will receive a quarterly fee of £20,000. In addition, SL has been granted exclusive rights to develop and modify the electronic platform for a quarterly fee of £230,000 ("the Licence Agreement"). The Licence Agreement is for a period of 10 years; however, SL has the right to terminate the agreement on 30 April of each year, subject to certain conditions. As a result of these arrangements and the expected profitability of them, the directors consider it appropriate to prepare these interim financial statements on the going concern basis.

As announced today, subject to the approval of the Company's shareholders, the Directors have recently agreed with three subscribers (being SL and companies acting in concert with it) for them to subscribe for new ordinary shares in the Company at a subscription price of 0.02p per share to generate £90,000 (before expenses) to provide additional working capital for the Company. In addition to the issue of the new ordinary shares, it is also proposed that each of the subscribers will be issued with warrants to subscribe (subject to achieving the conditions attaching to the exercise of the warrants) for further new ordinary shares in the Company. Further detail on this post balance event is set out in note 5 of this publication and is also set out in a circular issued to the Company's shareholders.

Your Directors are not proposing an interim dividend.

**George Kynoch**  
**Chairman**

30 September 2011

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**Consolidated Statement of Comprehensive Income  
for the six months ended 30 June 2011**

	<b>Six months ended 30 June 2011 (unaudited) £'000</b>	<b>Six months ended 30 June 2010 (unaudited) £'000</b>	<b>Year ended 31 December 2010 (audited) £'000</b>
<b>Revenue</b>	518	15	165
Administrative expenses	(148)	(94)	(222)
<b>Profit / (loss) from operations</b>	370	(79)	(57)
Finance costs	(13)	(13)	(29)
<b>Profit / (loss) before income tax</b>	357	(92)	(86)
Income tax expense	-	-	-
<b>Profit / (loss) attributable to the equity holders of the parent and total comprehensive income for the period</b>	357	(92)	(86)
<b>Loss per share</b>			
Basic and diluted loss per share (note 3)	0.09p	(0.02)p	(0.02)p

**Consolidated Statement of Changes in Equity  
for the six months ended 30 June 2011**

**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 2010</b>	2,263	3,952	(6,857)	(642)
Total comprehensive income for the period	-	-	(92)	(92)
<b>At 30 June 2010</b>	2,263	3,952	(6,949)	(734)
Total comprehensive income for the period	-	-	6	6
<b>At 31 December 2010</b>	2,263	3,952	(6,943)	(728)
Total comprehensive income for the period	-	-	357	357
<b>At 30 June 2011</b>	<b>2,263</b>	<b>3,952</b>	<b>(6,586)</b>	<b>(371)</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 Statement of Financial Position  
as at 30 June 2011**

	<b>As at 30 June 2011 (unaudited) £'000</b>	<b>As at 30 June 2010 (unaudited) £'000</b>	<b>As at 31 December 2010 (audited) £'000</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	3	3	3
Trade and other receivables	352	52	323
Cash and cash equivalents	207	5	49
<b>Total current assets</b>	<b>562</b>	<b>60</b>	<b>375</b>
<b>TOTAL ASSETS</b>	<b>562</b>	<b>60</b>	<b>375</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Borrowings	(379)	(454)	(534)
Trade and other payables	(554)	(340)	(569)
<b>Total current liabilities</b>	<b>(933)</b>	<b>(794)</b>	<b>(1,103)</b>
<b>Non-current liabilities</b>			
Borrowings	-	-	-
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>(933)</b>	<b>(794)</b>	<b>(1,103)</b>
<b>TOTAL NET LIABILITIES</b>	<b>(371)</b>	<b>(734)</b>	<b>(728)</b>
<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	(6,586)	(6,949)	(6,943)
<b>TOTAL EQUITY DEFICIT</b>	<b>(371)</b>	<b>(734)</b>	<b>(728)</b>

**Consolidated Statement of Cash Flows  
for the six months ended 30 June 2011**

	<b>Six months ended 30 June 2011 (unaudited) £'000</b>	<b>Six months ended 30 June 2010 (unaudited) £'000</b>	<b>Year ended 31 December 2010 (audited) £'000</b>
<b>Cash flows from operating activities</b>			
Operating profit / (loss)	357	(92)	(87)
Increase in trade and other receivables	(29)	(29)	(300)
(Decrease) / increase in trade and other payable	(15)	33	263
	<hr/>	<hr/>	<hr/>
<b>Cash generated / (used) by operating activities</b>	313	(88)	(124)
<b>Cash flows from financing activities</b>			
(Decrease) / increase in borrowings	(155)	91	171
	<hr/>	<hr/>	<hr/>
<b>Net increase /(decrease) in cash and cash equivalents</b>	158	3	47
Cash and cash equivalents at beginning of period	49	2	2
	<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	207	5	49
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:			
Cash available on demand	207	5	49
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes to the half-yearly results

### 1. Basis of preparation

As permitted IAS 34, 'Interim Financial Reporting' has not been applied to these Half-yearly Results. The financial information of the Group for the six months ended 30 June 2011 have been prepared in accordance with the recognition and measurement principles of 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 condensed interim financial information has been prepared using the accounting policies which will be applied in the Group's statutory financial statements for the year ending 31 December 2011.

The financial information shown in this publication is unaudited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2010 have been derived from the statutory accounts for 2010. The statutory accounts have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified and did not contain statements under the section 498(2) or 498(3) of the Companies Act 2006.

### 2. Dividends

No dividend is proposed for the six months ended 30 June 2011.

### 3. Profit / (loss) per share

The profit / (loss) per share has been calculated by dividing the profit after taxation for the period of £357,000 (six month period ended 30 June 2010: loss of £92,000 and year ended 31 December 2010: loss of £86,000) by the weighted average number of Ordinary Shares of 399,999,999 (six month period ended 30 June 2010: 399,999,999 and year ended 31 December 2010: 399,999,999) in issue during the period.

The options and warrants in issue at 30 June 2010, 31 December 2010 and 30 June 2011 are anti-dilutive and have therefore been excluded from the calculation of diluted earnings per share. However, such options may be dilutive in future periods.

### 4. Going Concern

During the six month period ended 30 June 2011 the Group achieved a profit of £357,000 (year ended 31 December 2010 loss of £86,000) and at 30 June 2011 had net liabilities of £371,000 (31 December 2010 net liabilities of £728,000).

In reaching a decision as to whether the Company remains a going concern, the directors have given due regards to the following factors:

- During 2010, the Company entered into a 10-year licence agreement with SL Investment Management Limited ("SL"), which will generate significant revenue and cash for the Group in 2011. The licence agreement remains in place until at least 30 April 2012, at which point sufficient revenue and cash will have been generated to take the Group to a net asset position and enable the Group to meet its liabilities as they fall due for the foreseeable future.
- The propose issue of new ordinary shares to generate £90,000 for the benefit of the Company.
- The current financial position of SL.

On the basis of the above, and all other available information, the Directors consider that the Group will be able to operate within the cash flow forecasts and therefore that it is appropriate to prepare the interim financial statements on the going concern basis.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The interim financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

## Notes to the half-yearly results

### 5. Post-Balance Sheet Event

Subject to the approval of the Company's shareholders the Directors have just agreed with three subscribers for them to subscribe for new ordinary shares in the Company at a subscription price of 0.02p per share to generate £90,000 (before expenses) for the benefit of the Company. The issue of these ordinary shares will represent 53 per cent of the thereby enlarged issued ordinary share capital of the Company.

In addition to the issue of the new ordinary shares, it is also proposed that each of the subscribers is issued with warrants to subscribe for new ordinary shares in the Company. The exercise price in relation to each warrant is 0.002p per new ordinary share, representing a discount of one tenth the subscription price of 0.02 per the new ordinary shares now being issued by the Company. The issue of new ordinary shares to the holders of the warrants would generate £90,000 for the benefit of the Company.

The warrants will only be exercisable provided two triggers have occurred, namely:

- The achievement by the Group of an average annual revenue in excess of £600,000 per annum, over the three financial years ending 31 December 2013, or earlier if the Group achieves revenue in of at least £900,000 in the financial year ending 31 December 2011 and at least £900,000 in the financial year ending 31 December 2012; and
- The payment of dividends by the Company of at least £250,000.

It is currently envisaged that to the extent not exercised, the warrants will lapse 18 months following the publication of the audited accounts of the Company for the period to 31 December 2013.

The three subscribers are SL Investment Management Limited (an existing shareholder in the Company), Close Horizons Limited (an existing shareholder in the Company) and Preferred Asset Management Limited (which is deemed to be acting in concert with SL Investment Management and Close Horizons for the purposes of the Code on Takeovers and Mergers). After the issue of new ordinary shares in the Company the three subscribers will hold 79.98 per cent. of the enlarged issued ordinary share capital of the Company. Assuming the warrants are exercised the three subscribers will hold 96.82 per cent. of the enlarged issued ordinary share capital of the Company. Further detail on this transaction is set out in the announcement of the subscription released today and in the shareholder circular issued to the Company's shareholders.