TEP Exchange Group PLC

Annual Report and Financial Statements

Year Ended 31 December 2012

Company Registered Number 03877125

TEP Exchange Group PLC

Annual Report and financial statements
for the year ended 31 December 2012

Page:

Directors

D Strang	Chairman (Non-Executive)
H Harris	Non-Executive
G Kynoch	Non-Executive
G Roberts	Non-Executive
D Roxburgh	Managing Director (Executive)

Company Secretary, registered office and principal place of business

D Strang, 12 Grosvenor Court, Foregate Street, Chester, Cheshire, CH1 1HG.

Company registered number and legal form

03877125 Public limited company incorporated in England.

Independent auditors

PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, 101 Barbirolli Square, Lower Mosley Street, Manchester, M2 3PW

Registrars

Capita Registrars Limited, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0GA

Nominated adviser and broker

Sanlam Securities Limited, 51-55 Gresham Street, London EC2V 7EL.

Bankers

Bank of Scotland plc, 3rd Floor, 150 Fountainbridge, Edinburgh, EH3 9PE.

TEP EXCHANGE GROUP PLC

("TEP" or "the Company")

Final Results for the year ended 31 December 2012

Chairman's statement

I am duly reporting the results for the Company and subsidiaries (together "the Group") for the year ended 31 December 2012. Revenue for the year totalled £915,886 (2011: £1,044,472) resulting in a profit from operations of £581,751 (2011: profit £687,734). The profit before and after taxation was £590,759 compared to the profit before and after taxation of £666,082 in 2011. The basic earnings per share was 0.07 pence (2011: earnings 0.14 pence).

Total revenue decreased by 12% primarily as a result of the reduced licence fees receivable under the revised arrangement with SL Investment Management Limited, ("SL"), who currently have a 23.92 per cent. shareholding in the Company. On 3 September 2012, the Company announced that from 1 November 2012 the total quarterly licence fees payable to the Company would be reduced from £250,000 to £50,000 and in addition, SL now has the right to terminate the Licence Agreement upon giving 30 days' prior written notice to the Company. Accordingly, the business of TEP, although generating revenues, is dependent on the maintenance of the Licence Agreement which can be terminated at short notice.

Even though the licence fee revenue is now substantially reduced, during the life of the Licence Agreement so far, the Company has been able to eliminate the deficit on the Company's balance sheet, effect a capital reduction to create distributable reserves and has paid a first dividend to all shareholders. In addition, a second dividend was announced on 21 February 2013 and was paid on 12 April 2013. The Directors consider that these arrangements have been fundamentally important to the Company and its shareholders; however, the uncertainty surrounding the on-going Licence Agreement has meant that the Board has been forced to consider the strategic future of the Company.

The Company received an approach from Hamish Harris and me regarding a potential transaction for the recapitalisation of the Company and simultaneous adoption of the new investing policy by the Company. The new investing policy was set out in detail in the circular issued by the Company on 21 February 2013 whereby the Company would be able to maintain its interest in the TEP business but also seek to maximise shareholder value by drawing on the experience and expertise of the three new Directors in identifying accretive opportunities.

On 9 November 2012 the Company announced that an interim dividend for the 2012 accounting period of 0.03p per share would be paid to shareholders on 20 December 2012 and the dividend was duly paid.

The Board would like to express its gratitude to Moses Kraus and Ami Weitz, who have recently left the Board, for their excellent contribution to the development of the Company.

D Strang
Chairman

7 June 2013

TEP Exchange Group PLC

Corporate Governance Statement

TEP Exchange Group PLC is highly committed to high standards of corporate governance and the company is supportive of the provisions set out in Section 1 of the Combined Code on Corporate Governance laid out in the Financial Services Authority Listing Rules.

Companies on the Alternative Investment Market of the London Stock Exchange are not required to comply with the Combined Code.

The Board

The Board of TEP Exchange Group PLC now consists of one Executive Director and four Non-Executive Directors. The composition of the Board ensures no one individual or group of persons dominates the decision making process.

The Board is responsible to the shareholders for setting the direction of the company through the establishment of strategic objectives and key policies. The Board meets on a regular basis and considers the strategic direction, approves major capital expenditure, and any other matters having a material effect on the company. Presentations are made to the Board on the activities and both the Executive and Non-Executive Directors undertake visits to operations.

All Directors have access to management, including the Company Secretary, and to such information as is needed to carry out their duties and responsibilities fully and effectively.

Furthermore, all Directors are entitled to seek independent professional advice concerning the affairs of the company at its expense. All Directors are subject to election by shareholders at the first annual general meeting following their appointment. In addition, Directors will retire and stand for re-election at least once every three years in accordance with the company's Articles of Association.

The interests of the Directors in the shares and share options of the company serve to align their interests with the shareholders generally and the company does not consider this to have an adverse effect on their independence.

Nominations committee

The Directors do not consider that, given the size of the Board, it is appropriate to have a Nominations Committee. The appropriateness of such a committee will, however, be kept under regular review by the company.

Internal controls

The Directors are responsible for the group's systems of internal control and reviewing its effectiveness. Any such system is designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable assurance against material misstatement or loss.

Internal controls and business risks were monitored in the course of 2012 through regular Board meetings. A formal review of internal controls is scheduled for 2013. The key business risks monitored by the Board are set out in the directors' report.

Communication with shareholders

The Board recognises it is accountable to shareholders for the performance and activities of the group.

The forthcoming Annual General Meeting of the company will provide an opportunity for the Chairman to present to the shareholders a report on current operations and developments and enable the shareholders to express their views about the company's business.

Remuneration Committee

The Directors do not consider that, given the size of the group, it is appropriate to have a Remuneration Committee. The appropriateness of such a committee will, however, be kept under regular review by the Board. At present, remuneration of Directors and senior management is determined at the Board meetings.

Audit committee

The Audit Committee, comprising solely of independent Non-Executive Directors, meets at least twice a year and considers the company's financial reporting (including accounting policies) and internal financial controls.

Meetings are normally attended, by invitation, by a representative of the auditors.

During the 2012 accounting period the audit committee comprised of G Kynoch and M Kraus.

TEP Exchange Group PLC

Report of the Directors
for the year ended 31 December 2012

The Directors present their report together with the audited consolidated financial statements of the group and company for the year ended 31 December 2012.

Principal activities and business review

The principal activity of the company and its subsidiary undertakings during the year was the licensing of its proprietary electronic platform and the provision of on-line advertising services for with profit endowment policies utilising its platform.

A review of the business and future developments is given in the Chairman's statement on page 1.

The Directors have determined that the following key performance indicators are the most effective measures of progress towards achieving the group's objectives.

	2012	2011
	£	£
Turnover	915,886	1,044,472
Profit from operations	581,751	687,734
Net assets	358,625	22,866

The key business risks continue to be the depressed market for traded endowment policies, and liquidity risk, although the liquidity risk has been reduced due to the quarterly income from the licence agreement which is in place with SL Investment Management Limited. The risk is managed through close control of the cost base.

The directors have a reasonable expectation that the Group and the Company have adequate resources to continue their operations for the foreseeable future, and as such they continue to adopt the going concern basis in preparing the accounts.

Results, dividends and post year end event

The consolidated statement of comprehensive income is on page 11 and shows the result for the year of £590,759 profit (2011: £666,082). Dividends of £255,000 (0.03p per share) (2011: £nil) were paid during the year.

Post year end, 630,000,000 warrants were exercised by the company's largest existing shareholder and certain other connected companies, and the company also undertook a subscription for 1,479,999,999 new ordinary shares at 0.0135p per ordinary share. The company's issued share capital therefore increased from 849,999,999 ordinary shares to 2,959,999,998 ordinary shares. The funds raised by means of the new issued share capital are intended to be used to implement a new investing policy for the Company. The Company's proposed new investing policy is to invest in and / or acquire companies and / or projects with clear growth potential, focusing on businesses that are available at attractive valuations and hold opportunities to unlock imbedded value.

A dividend of 0.02p per share was paid on 12 April 2013. The dividend was paid to the ordinary shares in issue following the warrant exercise of 630,000,000 ordinary shares but before the subscription of 1,479,999,999 new ordinary shares.

Report of the Directors
for the year ended 31 December 2012 (Continued)

Directors and their interests

The Directors who served in office during the year and up to the date of signing the financial statements and their interests in the company's shares are as follows:

Ordinary shares of 0.001p (2011: 0.001p) each held at:

		31 December 2012		31 December 2011	
		Number	**%**	**Number**	**%**
M Kraus	(resigned 25 March 2013)	**22,034,698***	**2.59**	22,034,698*	2.59
A Weitz	(resigned 25 March 2013)	**10,000,000****	**1.18**	10,000,000**	1.18
G Kynoch		**468,241**	**0.06**	468,241	0.06
D Roxburgh		**-**	**-**	-	-
D Strang	(appointed 25 March 2013)	-	-	-	-
H Harris	(appointed 25 March 2013)	-	-	-	-
G Roberts	(appointed 25 March 2013)	-	-	-	-

* Of these shares, M Kraus holds 3,125,000 ordinary shares. The remaining shares are held by the M Kraus Family Foundation pursuant to the terms of which M Kraus and members of his family are potential beneficiaries.

** PINVEX Limited holds 10,000,000 ordinary shares in the company, and A Weitz has a 50% shareholding in PINVEX Limited.

G Kynoch retires by rotation in accordance with the Articles of Association. In addition, in accordance with the Articles of Association, D Strang, H Harris and G Roberts will seek election at the forthcoming annual general meeting. The terms of the Directors' service contracts or terms of engagement are set out below. During the 2012 accounting period and up until 25 March 2013 M Kraus, G Kynoch and A Weitz considered themselves to be independent Non-Executive Directors. As and from 25 March 2013 G Kynoch, D Strang, H Harris and G Roberts consider themselves to be independent Non-Executive Directors. D Strang has been nominated as Senior Non-Executive Director.

Share options

There is currently no share option scheme in place in which the Directors' have an interest.

Report of the Directors
for the year ended 31 December 2012 (Continued)

Directors' service contracts

On 29 August 2001, the company entered into a letter of appointment with Drumduan Associates, to provide the services of G Kynoch to act as a non-executive director and chairman of the company. The appointment is terminable by either party giving to the other not less than six months' written notice. In return for the provision of the services of the company will pay Drumduan Associates an annual fee. This amounted to £9,000 in 2012 (2011: £9,000). In the event that Mr Kynoch is required to provide his services in excess of three days per calendar month, the company shall pay an additional fee of £800 per eight hours for such excess time. The letter of appointment contains a customary confidentiality clause. Upon termination, no benefits (other than those accruing during the notice period) are due to Drumduan Associates and Mr Kynoch shall resign as a director.

A Weitz has a letter of engagement dated 15 February 2007. The appointment is terminable by either party giving not less than three months' written notice. Mr Weitz will receive a monthly fee of £300 (exclusive of VAT). On 25 March 2013 Mr Weitz resigned as a director of the company.

M Kraus has a letter of engagement dated 15 February 2007. The appointment is terminable by either party giving not less than three months' written notice. Mr Kraus will receive a monthly fee of £300 (exclusive of VAT) during the period of his appointment. On 25 March 2013 Mr Kraus resigned as a director of the company.

Save as disclosed above, there are no existing or proposed service agreements, between any director and the company or any of its subsidiaries, whether providing for benefits upon termination of employment or otherwise and no such agreements have been entered into, replaced or amended within the six months preceding the date of this document.

Directors' profile

George Kynoch (Non-Executive Director), aged 66, has over 30 years' experience in industry and was Chief Executive of G & G Kynoch plc (the predecessor of Kynoch Group plc, now called Bioquell PLC, the Officially Listed designer and manufacturer of healthcare equipment for use in contamination control). He was Grampian Industrialist of the Year in 1988 and received the Highland Business Award. He was the Scottish Office Industry and Local Government Minister from 1995 to 1997, while serving as a Member of Parliament for Kincardine and Deeside between 1992 and 1997. He is chairman of ITWP Acquisitions Limited, and a Non-Executive Director of AIM quoted Talent Group Plc.

Donald Strang (Non-Executive Chairman), aged 45, is a member of the Australian Institute of Chartered Accountants and has been in business over 20 years, holding senior financial and management positions in both publicly listed and private enterprises in Australia, Europe and Africa. He has considerable corporate and international expertise and over the past decade has focused on mining and exploration activities. He is currently the Non-Executive Chairman of AIM quoted Polemos plc, the Finance Director of AIM quoted Stellar Resources plc and the Executive Chairman of AIM quoted 3D Resources plc.

Hamish Harris (Non-Executive Director), aged 43, holds a Bachelor of Commerce from the University of Tasmania. He has held positions within product control, market risk and risk management at a number of financial institutions including Nomura Group, Dresdner Kleinwort Wasserstein, Deutsche Bank AG and Lloyds Banking Group plc. He currently holds a position with Nivalis Capitals. In addition, he is currently a director of Marlin Atlantic Finance Limited and a Non-Executive Director of AIM quoted Polemos plc,

Grant Roberts (Non-Executive Director), aged 42, hold a Bachelor of Commerce from Murdoch University and has had over 15 years of experience working in private equity in the U.K. including with 3i, Newgate Partners and presently as a founding partner of Newgate LLP.

Report of the Directors
for the year ended 31 December 2012 (Continued)

Directors' profile (continued)

David Roxburgh (Managing Director), aged 49, a member of the Institute of Certified Public Accountants in Ireland and is Managing Director of the Fitzwilton group of Companies. One of the investments held by Fitzwilton is a 36% shareholding in Portfolio Design Group International Limited (the parent company of SL Investment Management Limited). The business of Portfolio Design Group International Limited includes, inter alia, the purchase, sale and valuation of secondary life policies, the valuation and procurement of US traded senior life interest policies and investment adviser on specialist investment products.

Substantial Shareholdings

Excluding Directors whose shareholdings are set out above, the following had declared an interest of 3% or more in the company's issued ordinary share capital at 31 December 2012:

Name	Number of ordinary shares	Percentage of ordinary shares
SL Investment Management Limited	408,032,798	48.00%
Close Horizons Limited	186,833,333	21.98%
Preferred Asset Management Limited	85,000,000	10.00%
Strategic German Investments Limited	40,000,000	4.71%

None of the Directors are aware of any interest, apart from those listed above which represented 3% or more of the issued share capital of the company or which directly or indirectly, jointly or severally, exercises or could exercise control of the company.

Following the warrant exercise and subscription of new ordinary shares, the substantial shareholdings are set out below:

Name	Number of ordinary shares	Percentage of ordinary shares
SL Investment Management Limited	708,032,798	23.92%
Cameron Pearce	388,500,000	13.13%
Close Horizons Limited	386,833,333	13.07%
Stephen Dobson	296,000,000	10.00%
Preferred Asset Management Limited	215,000,000	7.26%

The market price of the company's shares at the end of the financial year was 0.125p; the highest and lowest share prices during the year were 0.35p and 0.10p respectively.

Group Policy on Payment of Creditors

It is the group's policy to agree terms of payment prior to commencing business with suppliers. The average creditor payment period for the company at 31 December 2012 was 34 days (2011: 60 days).

Report of the Directors
for the year ended 31 December 2012 (Continued)

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and 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 prepared the group and parent company 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 group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006.

Website publication

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

Disclosure of information to Auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all the steps that ought to have been taken as directors in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the Board

D Roxburgh
Director

7 June 2013

TEP Exchange Group PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEP EXCHANGE GROUP PLC

We have audited the consolidated and parent company financial statements (the "financial statements") of TEP Exchange Group PLC for the year ended 31 December 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Changes in Equity, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's profit and group's and parent company's cash flows for the year then ended;

- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEP EXCHANGE GROUP PLC (Continued)

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

David Roper (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
7 June 2013

TEP Exchange Group PLC

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

	Note	2012 £	2011 £
Revenue	2	**915,886**	1,044,472
Administrative expenses		**(334,135)**	(356,738)
Profit from operations	4	**581,751**	687,734
Finance income	5	**9,008**	-
Finance expense	6	**-**	(21,652)
Profit before income tax		**590,759**	666,082
Income tax expense	7	-	-
Profit attributable to the owners of the parent and total comprehensive income for the year		**590,759**	666,082
Earnings per share			
Basic earnings per share	9	**0.07p**	0.14p
Diluted earnings per share	9	**0.05p**	0.14p

The notes on pages 18 to 31 form part of these financial statements.

TEP Exchange Group PLC

Consolidated and Company Statements of Changes in Equity
for the year ended 31 December 2012

Group	**Note**	**Share capital**	**Share premium**	**Retained earnings/ Accumulated losses**	**Total**
		£	**£**	**£**	**£**
At 1 January 2011		2,262,980	3,951,948	(6,943,374)	(728,446)
Shares issued in year		4,500	80,730	-	85,230
Total comprehensive income for the year		-	-	666,082	666,082
At 1 January 2012		2,267,480	4,032,678	(6,277,292)	22,866
Capital reduction and cancellation of share premium		(2,258,980)	(4,032,678)	6,291,658	-
Dividends on ordinary shares declared and paid		-	-	(255,000)	(255,000)
Profit for the year and total comprehensive income		-	-	590,759	590,759
At 31 December 2012	15	**8,500**	**-**	**350,125**	**358,625**

Company	**Note**	**Share capital**	**Share premium**	**Retained earnings / Accumulated losses**	**Total**
		£	**£**	**£**	**£**
At 1 January 2011		2,262,980	3,951,948	(8,687,134)	(2,472,206)
Shares issued in year		4,500	80,730	-	85,230
Total comprehensive income for the year		-	-	774,480	774,480
At 1 January 2012		2,267,480	4,032,678	(7,912,654)	(1,612,496)
Capital reduction and cancellation of share premium		(2,258,980)	(4,032,678)	6,291,658	-
Dividend received from subsidiary		-	-	1,500,000	1,500,000
Dividends on ordinary shares declared and paid		-	-	(255,000)	(255,000)
Profit for the year and total comprehensive income		-	-	712,247	712,247
At 31 December 2012	15	**8,500**	**-**	**336,251**	**344,751**

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

Retained earnings / accumulated losses represent cumulative gains and losses of the group or the company attributable to equity shareholders.

The notes on pages 18 to 31 form part of these financial statements.

TEP Exchange Group PLC

Consolidated Statement of Financial Position
at 31 December 2012

	Note	2012 £	2012 £	2011 £	2011 £
Assets					
Non-current assets					
Property, plant and equipment	10		-		-
Total non-current assets			-		-
Current assets					
Inventories	12	**-**		3,525	
Trade and other receivables	13	**426,794**		150,736	
Cash and cash equivalents		**80,951**		73,593	
Total current assets			**507,745**		227,854
Total assets			**507,745**		227,854
Liabilities					
Current liabilities					
Trade and other payables	14	**(149,120)**		(204,988)	
Total current liabilities		**(149,120)**		(204,988)	
Total liabilities			**(149,120)**		(204,988)
Net assets			**358,625**		22,866
Equity attributable to owners of the parent					
Share capital	15		**8,500**		2,267,480
Share premium account			**-**		4,032,678
Retained earnings/(accumulated losses)			**350,125**		(6,277,292)
Total equity			**358,625**		22,866

The financial statements were approved by the Board of Directors and authorised for issue on 7 June 2013.

D Roxburgh
Director

Company registered number 03877125

The notes on pages 18 to 31 form part of these financial statements.

TEP Exchange Group PLC

Company Statement of Financial Position
at 31 December 2012

	Note	2012 £	2012 £	2011 £	2011 £
Assets					
Non-current assets					
Property, plant and equipment	10		**-**		-
Investments in subsidiary undertakings	11		**100,006**		100,006
			100,006		100,006
Current assets					
Trade and other receivables	13		**544,374**		296,106
Cash and cash equivalents			**31,421**		62,302
Total assets			**675,801**		458,414
Liabilities					
Current liabilities					
Trade and other payables	14	**(331,050)**		(2,070,910)	
Total current liabilities		**(331,050)**		(2,070,910)	
Total liabilities			**(331,050)**		(2,070,910)
Net assets / (liabilities)			**344,751**		(1,612,496)
Equity attributable to owners of the parent					
Share capital	15		**8,500**		2,267,480
Share premium account			**-**		4,032,678
Retained earnings/(accumulated losses)			**336,251**		(7,912,654)
Total equity			**344,751**		(1,612,496)

The financial statements were approved by the Board of Directors and authorised for issue on 7 June 2013.

D Roxburgh
Director

Company registered number 03877125

The notes on pages 18 to 31 form part of these financial statements.

TEP Exchange Group PLC

Consolidated Statement of Cash Flows
for the year ended 31 December 2012

	Note	2012 £	2011 £
Cash flows from operating activities			
Profit before income tax		**590,759**	666,082
Adjustments for:			
Finance costs (net)		**(9,008)**	21,652
Changes in working capital:			
Inventories	12	**3,525**	(122)
Trade and other receivables	13	**(23,338)**	297,337
Trade and other payables	14	**(55,868)**	(364,977)
Cash generated from operations		**506,070**	619,972
Interest paid		-	(21,652)
Net cash generated from operating activities		**506,070**	598,320
Cash flows from investing activities			
Loans granted to related parties		**(250,000)**	(125,000)
Interest received		**6,288**	-
Net cash used in investing activities		**(243,712)**	(125,000)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**-**	85,230
Repayment of borrowing		**-**	(534,000)
Dividend paid to owners of the parent		**(255,000)**	-
Net cash used in financing activities		**(255,000)**	(448,770)
Net increase in cash and cash equivalents	17	**7,358**	24,550
Cash, cash equivalents and bank overdrafts at beginning of year	17	**73,593**	49,043
Cash and cash equivalents at the end of year	17	**80,951**	73,593
Cash and cash equivalents comprise:			
Cash available on demand		**80,951**	73,593

TEP Exchange Group PLC

Company Statement of Cash Flows
for the year ended 31 December 2012

	Note	2012 £	2011 £
Cash flows from operating activities			
Profit before income tax		**712,247**	774,480
Adjustments for:			
Finance costs (net)		**(9,008)**	21,652
Changes in working capital:			
Trade and other receivables	13	**4,452**	322,210
Trade and other payables	14	**(1,739,860)**	(509,567)
Cash generated from operating activities		**(1,032,169)**	608,775
Interest paid		**-**	(21,652)
Net cash generated from operating activities		**(1,032,169)**	587,123
Cash flows from investing activities			
Loans granted to related parties		**(250,000)**	(125,000)
Interest received		**6,288**	-
Dividends received		**1,500,000**	**-**
Net cash used in investing activities		**(1,256,288)**	(125,000)
Cash flows from financing activities			
Proceeds from Issuance of ordinary share capital		**-**	85,230
Repayment of borrowings		**-**	(534,000)
Dividend paid to owners of the parent		**(255,000)**	-
Net cash used in financing activities		**(255,000)**	(448,770)
Net (decrease)/increase in cash and cash equivalents	17	**(30,881)**	13,353
Cash, cash equivalents and bank overdrafts at beginning of year	17	**62,302**	48,949
Cash and cash equivalents at the end of year	17	**31,421**	62,302
Cash and cash equivalents comprise:			
Cash available on demand		**31,421**	62,302

1 Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to the company and the group to all the years presented, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and EU adopted IFRICs (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by European Union ("adopted IFRSs"), and in accordance with those parts of the Companies Act 2006 applicable to those companies preparing their accounts under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

As described in the Directors Report on page 4, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Standards, amendments and interpretations to published standards not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 19 Employee Benefits
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- IFRS 9 Financial Instruments

Adoption of these Standards and Interpretations is not expected to have a material impact on the results of the company or group.

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. Uniform accounting policies are adopted across the group.

Revenue

Revenue represents fees and commission (exclusive of value added tax) from licensing of the group’s proprietary electronic platform and advertising the purchase of with profit endowment policies by market makers registered on the electronic platform. Fees and commission income is recognised when the group's contractual obligations are complete. Income has also been generated from the maturity of an endowment policy.

Expenses

Expenses are recognised in the period when obligations are incurred and matched against when the related revenue is recognised.

1 Accounting policies (Continued)

Financial assets

The group classifies its financial assets into categories as set out below, depending on the purpose for which the asset was acquired.

Trade and other receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at cost, less provision for impairment, if appropriate.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position. Those of the company also include amounts due from subsidiary undertakings.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Financial liabilities

The group classifies its financial liabilities into one of the following categories, depending on the purpose for which the liability was acquired:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method
- Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument.
- Income received in advance is recorded as deferred income on the balance sheet.

1 Accounting policies (Continued)

Share capital

Financial instruments issued by the group are treated as equity only to the extent that they do not meet the definition of a financial liability. The group's ordinary and deferred shares are classified as equity instruments.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are held as non-current assets and are stated at cost less provision for impairment in value.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Computer equipment	-	3 years
Fixtures, fittings and equipment	-	4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes the cost of endowment policies acquired together with associated charges and premiums paid. Net realisable value is the estimated price at which stocks can be realised in the normal course of business which will be based on the surrender value of policies.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1 Accounting policies (Continued)

Current and deferred income tax (Continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, expect where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

Deferred Income

License fees received in advance are recorded as deferred income on the balance sheet, and the income released to the comprehensive income as services are provided.

Distribution of dividends

Dividends are recorded in the accounts when they become a legal obligation of the payer. For final dividends, this will be when they are approved by the company. For interim dividends, this will be when they have been paid.

2 Revenue

The group's main revenue is generated in the United Kingdom from the licensing of its electronic platform for trading endowment policies. The group also earns fees from advertising the purchase of with profit endowment policies by market makers registered on the electronic platform. The group has no other geographical or operating segments.

Transactions with related parties are disclosed in note 16.

3 Staff and director costs

Group	2012 £	2011 £
Staff costs, including directors, consist of:		
Fees and remuneration for management services	**28,338**	28,200

The group had no employees other than the executive director. No pension contributions were made in respect of the directors (2011: £nil). The key management personnel of the group are the board of directors and their compensation is disclosed above.

4 Profit from operations

Group	2012 £	2011 £
Profit from operations is stated after charging:		
Fees payable to the company's auditor for the audit of:		
Parent company and consolidated financial statements	**9,000**	9,000
Fees payable to the company's auditor and its associates for other services:		
- The audit of the company's subsidiaries pursuant to legislation	**5,700**	6,000
- Taxation services	**-**	10,500

5 Finance income

Group	2012 £	2011 £
Interest receivable	**9,008**	-

6 Finance expense

Group	2012 £	2011 £
Interest payable on other borrowings	**-**	21,652

7 Income tax expense

No liability to corporation tax arises on the results for the year due to the utilisation of losses brought forward.

The tax assessed for the year varies from the standard rate of corporation tax in the UK. The differences are explained below:

	2012 £	2011 £
Profit on ordinary activities before income tax	**590,759**	666,082
Profit on ordinary activities before income tax multiplied by the standard rate of UK corporation tax of 24.5% (2011: 26.49%)	**144,736**	176,445
Utilisation of tax losses	**(144,736)**	(176,445)
Current year income tax charge	**-**	-

At 31 December 2012 the group had a deferred income tax asset of £1,123,479 (2011: £1,525,144) in respect of losses which has not been recognised in these financial statements.

Factors that may affect future tax charges

On 21 March 2012, the UK Chancellor of the Exchequer announced a 1% reduction in the UK corporation tax rate to 24% effective from 1 April 2012, along with two subsequent reductions to 23% from 1 April 2013 and 22% from 1 April 2014. On 5 December 2012, in the Chancellor's Autumn Statement, a further reduction to 21% on 1 April 2014 was announced.

At the balance sheet date, a rate of 23% (2011: 25%) was substantively enacted. The change in rate from 25% to 23% has resulted in a tax credit of £0.1m to the income statement.

The proposed changes to reduce the UK corporation tax rate from 23% to 21% on 1 April 2014 will have a similar effect in future years.

8 Profit for the year attributable to the members of TEP Exchange Group PLC

	2012 £	2011 £
Dealt with in financial statements of the parent company	**712,247**	774,480

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements.

9 Earnings per share

The calculation of the basic and diluted earnings per share is based upon:

	2012	2011
Basic earnings per share (pence)	**0.07 p**	0.14 p
Diluted earnings per share (pence)	**0.05 p**	0.14 p
Profit attributable to equity shareholders	**£590,759**	£666,082
	Number	**Number**
Weighted average number of shares - basic	849,999,999	471,506,848
Weighted average number of shares - diluted	1,100,273,972	471,506,848

The diluted number of shares includes 630,000,000 warrants as described in Note 15.

10 Property, plant and equipment

Group and Company	**Computer equipment £**	**Fixtures, fittings and equipment £**	**Total £**
Cost			
At 1 January 2011, 31 December 2011, 1 January 2012 and 31 December 2012	**173,446**	**65,474**	**238,920**
Accumulated depreciation			
At 1 January 2011, 31 December 2011, 1 January 2012 and at 31 December 2012	**173,446**	**65,474**	**238,920**
Net book value			
At 31 December 2012	-	-	-
At 31 December 2011	-	-	-

11 Investments in subsidiary undertakings - Company

	2012 £	2011 £
Subsidiary undertakings - shares at cost and net book value	**100,006**	100,006

The following were subsidiary undertakings held directly by company at the end of the year:

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
TEP-Exchange Limited	England	100%	Advertising services to the traded endowment policy market
TEP-Exchange Interim Portfolio Limited	England	100%	Trading of traded endowment policies
TEP Transfer Limited	England	100%	Dormant
Interactive Intelligence Limited	England	100%	Dormant
Interactive Intelligence UK Limited	England	100%	Dormant
Property Exchange Systems Limited	England	100%	Dormant
E-X Group Limited	England	100%	Dormant
Electronic Market Place Limited	England	100%	Dormant
Endowment Exchange (UK) Limited	England	100%	Dormant
Traded Endowment Exchange Limited	England	100%	Dormant
E-TEP Limited	England	100%	Dormant

12 Inventory

	2012 Group £	2011 Group £	2012 Company £	2011 Company £
Endowment policy	**-**	3,525	**-**	-

13 Trade and other receivables

	2012 Group £	2011 Group £	2012 Company £	2011 Company £
Trade receivables	**2,720**	3,598	**2,720**	-
Amounts due from subsidiary undertakings	-	-	**150,000**	150,000
Other receivables	**376,000**	130,719	**376,000**	130,719
Prepayments and accrued income	**48,074**	16,419	**15,654**	15,387
	426,794	150,736	**544,374**	296,106

At the year end, there were no receivables which are past due or impaired.

Included in amounts due from subsidiary undertakings is an amount of £150,000 (2011: £150,000) in respect of an unsecured loan to TEP-Exchange Limited and is subject to a tripartite agreement with TEP Exchange Group PLC (the lender) and the Financial Services Authority. Interest can be demanded by TEP Exchange Group PLC and if so demanded will be calculated at the annual rate of 5% above the London Inter-Bank Offered Rate for deposits of pounds sterling.

Other receivables includes a loan of £375,000 to SL Investment Management Limited, a major shareholder in the Group.

14 Trade and other payables

	2012 Group £	2011 Group £	2012 Company £	2011 Company £
Trade payables	**44,018**	120,198	**44,018**	119,598
Other payables	**3,500**	3,500	**3,500**	3,500
Amounts due to subsidiary undertakings	-	-	**182,259**	1,873,859
Creditors for taxation and social security	**25,772**	53,120	**25,773**	46,083
Accrued liabilities and deferred income	**75,830**	28,170	**75,500**	27,870
	149,120	204,988	**331,050**	2,070,910

For the amounts owing to subsidiary undertakings, there are no scheduled repayment terms, no interest is charged, and no security is held.

15 Share capital

	2012 Number	2011 Number	2012 £	2011 £
Allotted, called up and fully paid				
Ordinary shares 0.001p each	**849,999,999**	849,999,999	**8,500**	8,500
Deferred shares of 0.001p each	**-**	225,897,991,731	**-**	2,258,980
			8,500	2,267,480

During the year, TEP Exchange Group Plc effected a court and shareholder approved capital reduction by way of cancellation of its deferred shares (225,897,991,731 of 0.001p each, £2,258,980) and cancellation of its share premium account (£4,032,678).

Shareholders had the option of up to 4,500,000,000 subscription warrants for each subscription share, exercisable at 0.002p per ordinary share. The warrants were only exercisable if the company (and its wholly owned subsidiaries) met certain performance criteria over the three financial years ending 31 December 2013. The company would also have had to declared, made and paid dividends of at least £250,000 to all shareholders before the warrants could be exercised. The warrants may only be exercised together as a whole and not in part. However, 3,870,000,000 of the warrant shares were waived in recognition of reduced ongoing recurring income stream. Post year end, 630,000,000 of the 4,500,000,000 subscription warrants were therefore exercised.

Capital Management

The group’s capital comprises the ordinary shares 0.001p (2011: 0.001p) each, as shown above.

The group’s objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital it requires in proportion to risk. The group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Consistent with others in the industry, the group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as net debt to equity. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Total equity (as shown in the statement of financial position) includes components of equity (i.e. share capital, share premium, and retained earnings).

16 Related party transactions

TEP Exchange Group Plc received a dividend of £1.5m from TEP Exchange Limited, an wholly owned subsidiary, during the year.

During the year, the group earned fees of £902,189 (2011: £1,037,691) from SL Investment Management Limited ("SL"), a major shareholder in the group. At the end of the year SL owed the group £2,410.
These fees relate predominantly to amounts earned from a licence agreement with SL, allowing SL to develop and exploit the TEP Exchange platform and software.

During the year the group was charged £124,000 (2011: £145,649) by SL. At the end of the year the group owed SL £2,400 (2011: £39,649).

At 31 December 2012, the Group has loaned SL £375,000 (2011: £125,000). The loan is repayable upon demand and interest is chargeable at 2% above base rate. Interest of £9,008 was charged to SL and SL owed £2,720 at the year end.

As described in the Chairman's Statement on page 1, on 3 September 2012 the company announced that from 1 November 2012 the total quarterly licence fees payable to the company would be reduced from £250,000 to £50,000 and in addition, SL now has the right to terminate the licence agreement upon giving 30 days prior written notice to the company.

17 Financial instruments

Financial risk management

The Board of Directors sets the treasury policies and objectives of the group, which includes controls over the procedures used to manage financial market risks.

It is, and has been throughput the period under review, the group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the group's financial instruments are:

- interest rate risk;
- liquidity risk;
- credit risk.

Interest rate risk
The group borrows only in sterling at both fixed and floating rates of interest. At the year end, all borrowings were at variable rates.

Liquidity risk
The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and overdrafts as well as funding from its largest shareholder.

Credit risk
The group has no significant concentration of credit risk. The main operating subsidiary has strict verification procedures in place prior to credit being advanced to customers and there are systems in place to ensure that there is a regular monitoring of each customer's credit levels.

The Board agrees and reviews policies and financial instruments for risk management. The primary objectives of the treasury function are to provide competitively priced funding for the activities of the group and to identify and manage financial risk.

17 Financial Instruments (Continued)

Principal financial instruments

The principal financial instruments used by the group and the company from which financial instrument risk arises, are as follows:

Financial assets	**2012 Group £**	**2011 Group £**	**2012 Company £**	**2011 Company £**
Trade receivables	**2,720**	3,598	**2,720**	-
Amount due from subsidiary undertakings	**-**	-	**150,000**	150,000
Other receivables	**376,000**	130,719	**376,000**	130,719
Cash and cash equivalents	**80,951**	73,593	**31,421**	62,302
Total financial assets classified as loans and receivables	**459,671**	207,910	**560,141**	343,021

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable set out above.

At 31 December 2012 and 2011 the carrying amounts of financial assets approximate to their fair values.

Financial liabilities	**2012 Group £**	**2011 Group £**	**2012 Company £**	**2011 Company £**
Trade payables - current	**44,018**	120,198	**44,018**	119,598
Other payables	**3,500**	3,500	**3,500**	3,500
Amounts due to subsidiary undertakings	**-**	-	**182,259**	1,873,859
Accrued liabilities	**75,830**	28,170	**75,500**	27,870
Creditors for taxation and social security	**25,772**	53,120	**25,773**	46,083
Total financial liabilities measured at amortised cost	**149,120**	204,988	**331,050**	2,070,910

To the extent trade and other payables are not carried at fair value in the consolidated statement of financial position, book value approximates to fair value at 31 December 2012 and 2011.

All financial assets and liabilities are due in less than 1 year.

The group and company are exposed through its operations to one or more of the following financial risks:

Liquidity risk

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

Short term liquidity risk is managed by preparing forecasts together with obtaining and reviewing the adequacy of banking facilities. There is currently no long term liquidity risk.

17 Financial Instruments (Continued)

Market operational and pricing risks

The group operates only in the United Kingdom. The group's revenues are derived from fee and commission income chargeable to customers. The level of fees and commission is entirely dependent upon the level of activity in the traded endowment policy market.

Credit risk

Credit risk represents the loss that the company would incur if the counterparty failed to perform its contractual obligations. The group is exposed to credit risk in respect of fees and commission income chargeable to companies with whom it had a contractual relationship and interest receivable from its investments. Credit risk is mitigated through regular credit review of counterparties. As these counterparties are regulated by the Financial Services Authority, the credit reviews allow for the fact that they are subject to the regulatory capital requirements.

The group's maximum exposure to credit risk is £250,000 plus VAT, on the net quarterly licence fee agreement, and £375,000 loan to SL Investment Management Limited, a major shareholder of the company. No collateral is held as security. The credit qualities of financial assets that are neither past nor impaired are considered to be good, as they are primarily trade receivables from FSA regulated businesses and cash held with the Bank of Scotland. There are no financial assets which are past due or impaired.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "AA" are accepted.

Cash flow interest rate risk

Interest is chargeable on a loan to SL at 2.5% per annum. There are no differences between the book values and fair values of this financial asset.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the group's and company's profit before tax and equity (through the impact on floating rate investments and borrowings).

	2012 Change in rate	2012 Effect £
Interest rate	+0.5%	1,875
	+1.0%	3,750
	+1.5%	5,625
	-0.5%	(1,875)

Currency risk

The group is not directly exposed to currency risk as its assets, liabilities, revenue and expenditure are denominated in Sterling.

18 Subsequent events

Post year end, 630,000,000 warrants were exercised by the company's largest existing shareholder and certain other connected companies, and the company also undertook a subscription for 1,479,999,999 new ordinary shares at 0.0135p per ordinary share. The company's issued share capital therefore increased from 849,999,999 ordinary shares to 2,959,999,998 ordinary shares. The funds raised by means of the new issued share capital are intended to be used to implement a new investing policy for the Company. The Company's proposed new investing policy is to invest in and / or acquire companies and / or projects with clear growth potential, focusing on businesses that are available at attractive valuations and hold opportunities to unlock imbedded value.

A dividend of 0.02p per share was paid on 12 April 2013. The dividend was paid to the ordinary shares in issue following the warrant exercise of 630,000,000 ordinary shares but before the subscription of 1,479,999,999 new ordinary shares.

19 Commitments and contingencies

TEP Exchange Group Plc has committed to providing support to its 100% subsidiary TEP Exchange Interim Portfolio Limited in order that it can meet its obligations as they fall due.

The directors have confirmed that there were no contingent liabilities or capital commitments which should be disclosed at 31 December 2012.