

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on the acquisition of shares and other securities before taking any action. The whole of the text of this document should be read. Investment in the Company is speculative and involves a high degree of risk. Your attention is also drawn to the section headed "Risk Factors" in Part III of this document.

If you have sold or transferred all of your Existing Ordinary Shares, please pass this Circular, Form of Proxy and Application Form to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This document is not an approved prospectus for the purposes of section 85 and 87 of FSMA and any offer to the public is exempt by virtue of section 85(5) of FSMA.

This document has been approved for issue in the UK by John East & Partners as a financial promotion for the purposes of section 21 of FSMA.

Application will be made for the Enlarged Issued Ordinary Share Capital, to be admitted to trading on the AIM Market of London Stock Exchange plc ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

It is expected that Admission will become effective and that dealings in the Enlarged Issued Ordinary Share Capital will commence on AIM on 15 March 2007. No application will be made for the admission to trading of either the Deferred Shares or Warrants on AIM.

TEP Exchange Group PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 3877125)
(ISIN: GB0030818198)

Proposed Capital Reorganisation, Placing of 75,659,496 New Ordinary Shares at 0.2p per share and Placing and Open Offer of 99,797,077 New Ordinary Shares at 0.2p per share, Proposed issue of Warrants, Approval of a Waiver of Rule 9 of the Takeover Code and Notice of Extraordinary General Meeting

NOMINATED ADVISER AND BROKER
John East & Partners Limited

Notice convening an Extraordinary General Meeting of the Company to be held at the offices of John East & Partners Limited at Crystal Gate, 28-30 Worship Street, London EC2A 2AH on 14 March 2007 at 11.00 a.m. is set out on pages 67 to 70 of this document. A Form of Proxy accompanies this document. **To be valid, Forms of Proxy for use at the meeting must be completed and returned so as to be received at the offices of the Company's registrars, Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 11.00 a.m. on 12 March 2007.** The completion and depositing of a Form of Proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting should you wish to do so.

The Placing Shares and Offer Shares will rank *pari passu* in all respects with the issued New Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the New Ordinary Shares after Admission.

John East & Partners Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company and no-one else in connection with the proposed Placing and Open Offer and will not be responsible to anyone other than the Company for providing the protections afforded to clients of John East & Partners Limited, or for providing advice in relation to the Placing and Open Offer. John East & Partners Limited is not making any representation or warranty, express or implied, as to the content of this document. No liability is accepted by John East & Partners Limited for the accuracy of any information or opinions contained in or for the omission of any material information from this document, for which the Company and its Directors are solely responsible.

This document does not constitute an offer for sale or an invitation to subscribe for, or the solicitation of an offer to buy or subscribe for, Placing Shares or Offer Shares in any jurisdiction where such an offer or solicitation is unlawful and, subject to certain exceptions is not for distribution in or into the United States of America or Canada (or their respective territories and possessions, including the District of Columbia), Japan, Australia or South Africa. The Placing Shares and Offer Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the applicable securities law of Canada, Japan, Australia or South Africa and, subject to certain exceptions, may not be offered for sale or subscription, or sold or subscribed directly or indirectly, within the United States of America, Canada, Japan, Australia or South Africa or to or by any national, resident or citizen of such countries.

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Definitions

The following definitions apply throughout this document unless the context requires otherwise:

“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Enlarged Issued Ordinary Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the AIM Market of the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange relating to AIM, as amended from time to time
“Application Form”	the application form accompanying this document to be used by Qualifying Shareholders in connection with the Open Offer
“Capita Registrars”	a trading name of Capita IRG Plc
“Capital Reorganisation”	the proposed consolidation and sub-division of each Existing Ordinary Share into one New Ordinary Share and one Deferred Share
“Capital Reorganisation Record Date”	the close of business on 14 March 2007
“Close Horizons”	Close Horizons Limited, a limited liability company registered and incorporated on the Isle of Man (formerly Surrenda-link (IOM) Limited)
“Code”	the City Code on Takeovers and Mergers
“Company” or “TEP”	TEP Exchange Group PLC
“Concert Party”	Portfolio Design Group and Close Horizons
“CREST”	the system for paperless settlement of trades and the holding of uncertificated shares administered through CRESTCo. Limited
“Deferred Shares”	the non-voting deferred shares of 0.99p each in the capital of the Company to be created by the Capital Reorganisation
“Directors” or “the Board”	the directors of the Company as set out on page 9 of this document
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company convened for 11.00 a.m. on 14 March 2007, notice of which is set out on pages 67 to 70 of this document
“Enlarged Issued Ordinary Share Capital”	the 399,999,999 New Ordinary Shares in issue following completion of the Proposals

Definitions (continued)

“Existing Ordinary Shares”	the ordinary shares of 1p each in the capital of the Company, of which 224,543,426 are in issue at the date of this document
“Form of Proxy”	the form of proxy accompanying this document for use in connection with the EGM
“Group”	the Company and its subsidiary undertakings
“IFA”	an independent financial adviser
“Independent Directors”	George Kynoch and Moses Kraus
“Independent Shareholders”	holders of Existing Ordinary Shares, excluding Surrenda-link, Close Horizons and their associates
“John East & Partners”	John East & Partners Limited
“London Stock Exchange”	London Stock Exchange plc
“New Horizons”	New Horizons Nominees Limited, which owns the whole of the issued share capital of Close Horizons
“New Ordinary Shares”	the new ordinary shares of 0.01p each in the capital of the Company arising from the Capital Reorganisation
“Offer Shares”	the 99,797,077 New Ordinary Shares to be issued by the Company for subscription under the Open Offer
“Open Offer”	the conditional offer to Qualifying Shareholders to subscribe for the Offer Shares at the Placing Price, as described in this document
“Open Offer Entitlements”	an entitlement to subscribe for Open Offer Shares, allocated to a Qualifying Shareholder pursuant to an Open Offer
“Open Offer Record Date”	the close of business on 14 February 2007
“Original Agreement”	an outsourcing agreement entered into between the Company and Surrenda-link dated 13 December 2002 and amended in 16 December 2004
“Panel”	the Panel on Takeovers and Mergers
“PINVEX”	PINVEX Limited, a limited liability company incorporated in England and Wales
“PINVEX Agreement”	an agreement between the Company and PINVEX dated 15 February 2007 relating to the marketing of property related products on the Company’s platform, as summarised in paragraph 3.8 of Part VI of this document

Definitions (continued)

“PINVEX Warrants”	warrants to subscribe for a total of 10,000,000 New Ordinary Shares on the terms and conditions set out in the PINVEX Warrant Instrument
“PINVEX Warrant Instrument”	a deed issued by the Company proposed to be dated 14 March 2007 constituting the PINVEX Warrants as described in paragraph 3.9 of Part VI of this document
“Placees”	SGI, Surrenda-link, Close Horizons and PINVEX
“Placing”	the conditional placing of 175,456,573 New Ordinary Shares at the Placing Price pursuant to the Placing Letters
“Placing Letters”	conditional letters dated 14 February 2007 issued to Placees as described in paragraph 3.1 of Part VI of this document
“Placing Price”	0.2p per Placing Share
“Placing Shares”	the 175,456,573 New Ordinary Shares placed conditionally with the Placees, 99,797,077 of which are subject to recall by Qualifying Shareholders under the Open Offer
“Portfolio Design Group” or “PDGI”	Portfolio Design Group International Limited, a company incorporated in England and Wales
“Proposals”	the Capital Reorganisation, the Placing and Open Offer, the issue of the Warrants, the Rule 9 Waiver and other proposals set out in this document
“Qualifying CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Open Offer Record Date are held in uncertificated form
“Qualifying non-CREST Shareholders”	Qualifying Shareholders whose Existing Ordinary Shares on the register of members of the Company on the Open Offer Record Date are held in certificated form
“Qualifying Shareholders”	holders of Existing Ordinary Shares at the Open Offer Record Date excluding certain overseas shareholders who are entitled to participate in the Open Offer as described in Part II of this document
“Resolutions”	the resolutions contained in the notice of the Extraordinary General Meeting set out at the end of this document

Definitions (continued)

“Rule 9 Waiver”	the agreement by the Panel to waive the obligation on the Concert Party to make a general offer to all Shareholders pursuant to Rule 9 of the Code subject to approval, by way of a poll vote, of the Independent Shareholders at the EGM
“Shareholders”	holders of Existing Ordinary Shares
“SGI”	Strategic German Investment Limited, a limited liability company incorporated in England and Wales
“SGI Warrants”	warrants to subscribe for a total of 25,000,000 New Ordinary Shares on the terms and conditions set out in the SGI Warrant Instrument
“SGI Warrant Instrument”	a deed issued by the Company proposed to be dated 14 March 2007 constituting the SGI Warrants as described in Part VI of this document
“Shareholders”	holders of Existing Ordinary Shares
“Surrenda-link”	Surrenda-link Limited, a wholly owned subsidiary of Portfolio Design Group
“Surrenda-link Agreement”	an outsourcing agreement entered into between the Company and Surrenda-link dated 15 February 2007, which supersedes and replaces the Original Agreement
“TEP GmbH”	TEP Exchange Group GmbH, a limited liability company incorporated in Germany and which is a wholly owned subsidiary of TEP
“Warrants”	the SGI Warrants and/or the PINVEX Warrants, as the case may be
“Warrant Instruments”	the SGI Warrant Instrument and the PINVEX Warrant Instrument
“Warrantholders”	holders of Warrants

Expected timetable of events

Open Offer Record Date	Close of business on 14 February 2007
Despatch of this document	16 February 2007
Open Offer Entitlements credited to CREST stock accounts of Qualifying CREST Shareholders	19 February 2007
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 pm on 5 March 2007
Latest time for depositing Open Offer Entitlements into CREST	3.00 pm on 7 March 2007
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> markets claims)	3.00 pm on 8 March 2007
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer or settlement of relevant CREST instruction (as appropriate)	11.00 am on 12 March 2007
Latest time and date for receipt of completed Forms of Proxy	11.00 am on 12 March 2007
Extraordinary General Meeting	11.00 am on 14 March 2007
Capital Reorganisation Record Date	Close of business on 14 March 2007
Admission and commencement of dealings in the New Ordinary Shares	15 March 2007
Expected date for crediting of New Ordinary Shares to CREST stock accounts in uncertificated form	15 March 2007
Expected date of despatch of definitive certificates for New Ordinary Shares in certificated form	by 19 March 2007

The dates set out in the timetable of principal events above and mentioned throughout this document and in the Application Form may be adjusted by the Company, in which event the details will be notified to the FSA, the London Stock Exchange and, where appropriate, to Shareholders.

In order to subscribe for Open Offer Shares under the Open Offer, Shareholders will need to follow the procedure set out in Part II of this document and, where relevant, complete the accompanying Application Form. If Shareholders have any queries on the procedure for acceptance and payment, or to receive another Application Form and/or Form of Proxy, they should contact Capita Registrars (telephone number 0870 162 3121 or, if calling from outside the United Kingdom +44 20 8639 2157), where relevant, quoting the serial number on their Application Forms. Capita Registrars will not give Shareholders any other advice in connection with the Open Offer.

Placing statistics

Placing Price per New Ordinary Share	0.2p
Number of Existing Ordinary Shares in issue at the date of this document	224,543,426
New Ordinary Shares to be issued by the Company for subscription under the Placing and Open Offer	175,456,573
Estimated net proceeds of Placing and Open Offer	£270,000
Percentage of the Enlarged Issued Ordinary Share Capital represented by the Placing and Open Offer	43.86 per cent.
Number of New Ordinary Shares in issue at Admission	399,999,999
Market capitalisation of the Company following Admission*	£800,000

*Based on the Placing Price

Part I

Letter from the Chairman

TEP Exchange Group PLC

(Incorporated in England and Wales with registered number 3877125)

Directors

George Kynoch (*Non-Executive Chairman*)*

Paul Sands (*Executive Director*)

Abraham Weitz (*Non-Executive Director*)

Moses Kraus (*Non-Executive Director*)*

David Roxburgh (*Non-Executive Director*)

*independent

Registered Office

12 Grosvenor Court

Foregate Street

Chester

Cheshire CH1 1HG

16 February 2007

To Shareholders and, for information purposes only, to the holders of options over Existing Ordinary Shares

Dear Shareholder,

Proposed Capital Reorganisation, Placing of 75,659,496 New Ordinary Shares at 0.2p per share and Placing and Open Offer of 99,797,077 New Ordinary Shares at 0.2p per share

1. Introduction

Your Board announced earlier today that the Company intends to expand its business both geographically and in the range of products it can offer and that the first phase of such will, subject to approval of the Proposals, take place in Germany. Therefore the Company proposes to raise approximately £350,000, before expenses, by means of the Placing and Open Offer to reduce debt and to fund the extension and development of its electronic trading platform for its current range of products into the German and, subsequently, other European markets.

The Company also proposes entering into an agreement with PINVEX Limited, a company controlled by Abraham Weitz, to develop a property related product offering on the Company's exchange. The Company entered into an outsourcing arrangement with Surrenda-link in 2002, which was subsequently amended in 2004, and it is now proposed that the terms of this agreement should be updated. These proposed arrangements with both Surrenda-link and PINVEX Limited constitute related party transactions for the purposes of the AIM Rules. More details of these arrangements are set out in paragraphs 3.7 and 3.8 of Part VI of this document.

In order to enable the Company to satisfy the issue of shares pursuant to the Placing and the potential issue of shares on exercise of the Warrants and which otherwise require the shares to be issued at a discount to nominal value, the Company needs to carry out a capital reorganisation and to obtain its authorities to allot and issue the New Ordinary Shares which will arise as a result of the Proposals. Further, as members of the Concert Party have conditionally agreed to subscribe for the Placing Shares, subject to the rights of Qualifying Shareholders to apply for Offer Shares under the Open Offer, this would increase the Concert Party's shareholding to a maximum of 58.03 per cent. of the Enlarged Issued Ordinary Share Capital. Since the Concert Party currently holds 48.17 per cent. of the existing ordinary share capital of the Company, the Concert Party would, in the absence of a waiver from the provisions of Rule 9 of the Code being granted by the Panel, be obliged to make a general offer for the Company. The Panel has agreed, subject to Resolution numbered 3 being passed on a poll by the Independent Shareholders at the EGM, to waive this obligation.

The purpose of this letter is to provide you with further information and to seek your approval of the Proposals at the EGM, at which resolutions necessary to enable the Proposals to be implemented will be proposed. Notice of the EGM, which will be held at 11.00 a.m. on 14 March 2007, is set out at the end of this document.

2. Background to and reasons for the Proposals

To date, Surrenda-link has been funding the Company through debt and equity finance under the terms of the Original Agreement. Surrenda-link is currently owed in excess of £490,000 by TEP in respect of fees for outsourcing services. In December 2003, Surrenda-link advanced a short term loan of £40,000 to the Company. Due to TEP's cash flow constraints, this loan remains outstanding. Surrenda-link continues to give financial support to the Company by not seeking payment of its outstanding fees for outsourcing services. However, the Board wishes to reduce the Company's current reliance on Surrenda-link to finance its working capital requirements. The Board has therefore agreed with Surrenda-link that approximately £200,000 of outstanding fees due to them will be paid from the proceeds of the Placing and Open Offer.

Accordingly, the Company is proposing to raise approximately £350,000 by the Placing and Open Offer at the Placing Price. In addition to the partial payment of the outstanding fees due to Surrenda-link, these funds will assist TEP in extending and developing its electronic trading platform into the German and, in the future, other European markets. The Proposals will also strengthen the Company's balance sheet.

It is also proposed to issue the Warrants to SGI and PINVEX (details of which are set out in paragraph 3.8 of Part VI of this document), subject to performance conditions, to subscribe for up to a total of 35,000,000 New Ordinary Shares at 0.2p per share.

The Board is aware that both the Placing and Open Offer and Warrant issue are at a discount to the current market price of the Company's shares. However, the Independent Directors are of the opinion that the Placing and Open Offer constitutes the Company's best method of raising the required finance.

Set out below is more information on the commercial arrangements.

TEP GmbH

TEP's electronic platform is to be launched initially in Germany and, subsequently, in other European markets. The Company has established a wholly owned subsidiary in Germany, TEP GmbH, which, using the Company's software, will enable German IFAs to deal in British endowment policies for their clients. John Murphy, the company secretary, and I will be directors of TEP GmbH.

SGI has assisted the Company in establishing its German operations. SGI is owned and run by experienced professionals who have a successful track record in Germany of creating and selling financial investment products to both financial institutions and independent financial advisers.

The Company will levy a commission of approximately three per cent. of the transaction value of the British endowment policies transacted on TEP's electronic platform, in Germany and other European markets.

The Company proposes to issue the SGI Warrants to SGI, which may only be exercised if the income of the Company and TEP GmbH, arising from introductions from SGI, in any two consecutive financial periods, beginning on 1 January 2007 and ending on 31 December 2011, shall exceed £250,000 per annum. The rationale behind the proposed grant of the SGI Warrants is to give an incentive to SGI to create future profits and positive cash flows for the Company.

Surrenda-link

Previously, under the terms of the Original Agreement, Surrenda-link was entitled to both a fixed and variable fee but, in return, Surrenda-link reimbursed funds to the Company to cover specific overheads. Under the new arrangements, no fixed fee is payable (and the parties have been operating on this basis since the end of 2004), and the contribution towards overheads has been reduced to a maximum of £20,000 per quarter to cover certain corporate costs which is reimbursed from revenues paid to the Company. Surrenda-link is now responsible for all other operational costs. The variable fee payable to Surrenda-link is based on the percentages of the total amounts invoiced (exclusive of

VAT) to the Company's end-users in respect of their use of the TEP exchange and ranges from 60 to 85 per cent. based on the level of sales turnover. In respect of the financial year ending 31 December 2007, the variable fee payable to Surrenda-link will be reduced down to between 39 and 55.25 per cent. of sales excluding sales generated from launching TEP's electronic trading platform in Germany and other European markets. In compensation for this agreed reduction in the variable fee in respect of the current financial period, Surrenda-link will also be entitled to receive 50 per cent. of the profit before tax of the Group in excess of £150,000. The intent of this arrangement is to incentivise Surrenda-link to maximise the profitability of the Group in 2007.

The new arrangements with Surrenda-link will be for an initial period ending on 31 December 2008, subject to early termination in certain circumstances, and will continue thereafter unless and until terminated on six months notice by either party. Under the Surrenda-link Agreement, Surrenda-link undertakes to endeavour to maximise the sales turnover of TEP through the introduction of additional products and services. Surrenda-link will be entitled to receive a negotiated share of the sales turnover from these new products and services as part of its variable fee arrangement.

Under the terms of the Original Agreement, Surrenda-link would be entitled to receive a variable percentage of the commissions that would be generated from launching the new electronic trading platform in Germany and other European markets. Surrenda-link has agreed to carve out from the Surrenda-link Agreement its entitlement to receive a variable percentage of the commissions generated and will, instead, agree to a one third share of the commissions to be generated from this new activity. This will mean that TEP will effectively receive two per cent. of the transaction value of the British endowment policies transacted on TEP's electronic platform operating in Germany and other European markets.

PINVEX

In January 2006, Abraham Weitz stepped down as an executive director of the Company and became a non-executive director.

Abraham Weitz has established PINVEX to develop property related financial products. PINVEX wishes to advertise its products to IFAs. Accordingly, the Company and PINVEX have entered into the PINVEX Agreement to advertise these products on the Company's website, in consideration for which the Company will receive commission payments.

This project is still at an early stage and the revenue potential for TEP under the PINVEX Agreement is dependent upon a number of factors. However, the Directors are of the view that this project, which is the first foray into a new area, may lead to a meaningful new source of revenue for TEP. As part of the terms of the PINVEX Agreement, the Company proposes to issue the PINVEX Warrants to PINVEX, which will be exercisable in the event that the income of the Company arising under the PINVEX Agreement in each of any two consecutive financial periods of the Company, beginning on 1 January 2007 and ending on 31 December 2011, shall exceed £100,000. The rationale behind the proposed grant of the PINVEX Warrants is to give an incentive to Abraham Weitz to create future profits and positive cash flows for the Company.

Further details of the agreements with Surrenda-link and PINVEX are set out in paragraphs 3.7 and 3.8 of Part VI of this document.

3. Capital Reorganisation

The share capital of the Company currently comprises one class of shares, the Existing Ordinary Shares, of which 224,543,426 are currently in issue and paid up and 175,456,574 are unissued. It is proposed pursuant to Resolution 1 that:

- (i) each of the issued Existing Ordinary Shares will be subdivided and redesignated into one New Ordinary Share and one Deferred Share; and

- (ii) each of the unissued Existing Ordinary Shares will be subdivided and redesignated into one New Ordinary Share and one Deferred Share.

The Capital Reorganisation will result in Shareholders holding one New Ordinary Share and one Deferred Share for each Existing Ordinary Share currently held. The New Ordinary Shares will have substantially the same rights (including voting and dividend rights and rights on a return of capital) as the Existing Ordinary Shares save that their nominal value will be reduced to 0.01p. The Deferred Shares will have minimal rights attaching to them and will be effectively worthless. No application will be made for the Deferred Shares to be admitted to trading on AIM. The rights attaching to the Deferred Shares are set out in Resolution 6 contained in the notice of EGM set out at the end of this document.

No new certificates will be issued to those Shareholders who have elected to hold Existing Ordinary Shares in certificated form. No share certificates will be issued in respect of the Deferred Shares. Share certificates in respect of Existing Ordinary Shares will continue to be valid.

4. The Placing and Open Offer

The Company is proposing to raise approximately £350,000 (before expenses) by the issue of the Placing Shares and Offer Shares pursuant to the Placing and Open Offer. Accordingly, 175,456,573 Placing Shares have been conditionally placed with members of the Concert Party and certain other investors, of which 99,797,077 Placing Shares are subject to the right of Qualifying Shareholders to apply for their allocation of Offer Shares under the Open Offer at a price of 0.2p per Offer Share, payable in full on application and free of all expenses, pro rata to their existing shareholdings on the basis of:

4 Offer Shares for every 9 Existing Ordinary Shares

held at the close of business on the Open Offer Record Date and so on in proportion for any greater number of Existing Ordinary Shares then held. Entitlements to Offer Shares will be rounded down to the nearest whole number of Offer Shares. Fractional entitlements will not be allotted to Shareholders but will be aggregated and issued pursuant to the Placing.

The Open Offer is subject to the satisfaction, amongst other matters, of the following conditions on or before 15 March 2007, (or such later date being not later than 30 March 2007, as the Company may decide):

- (i) the due passing without amendment of the Resolutions;
- (ii) the subscription monies for the New Ordinary Shares pursuant to the Placing and Open Offer being received in full by the Company;
- (iii) the Placing becoming unconditional in all respects and the commitments under the Placing Letters not having been terminated in accordance with their terms; and
- (iv) Admission becoming effective by 8.00 am on 15 March 2007, (or such later time or date not being later than 9.30 am on 30 March 2007, as the Company may decide).

The Offer Shares and the Placing Shares will, when issued and fully paid, rank *pari passu* in all respects with the New Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of Admission.

The Open Offer has been structured so as to allow existing Shareholders to subscribe for New Ordinary Shares at the Placing Price *pro rata* to their existing holdings. **Existing Shareholders may not apply for more than their *pro rata* entitlements to Offer Shares.** To the extent not subscribed by existing Shareholders, Open Offer entitlements will lapse and the related Offer Shares will be issued pursuant to the Placing.

Details of the Placees are set out below:

Name of Placee	At present		Firm Placing	Maximum participation in Placing	Maximum following completion of Placing	
	No. of Existing Ordinary Shares	Percentage of Existing Ordinary Shares	No. of Placing Shares	No. of Placing Shares	No. of New Ordinary Shares	Percentage of Enlarged Issued Ordinary Share Capital
Surrenda-link	100,671,279	44.83	15,659,496	110,590,278	211,261,557	52.82
Close Horizons	7,500,000	3.34	10,000,000	13,333,333	20,833,333	5.21
SGI	–	–	40,000,000	40,000,000	40,000,000	10.00
PINVEX	–	–	10,000,000	10,000,000	10,000,000	2.50
Total	108,171,279	48.17	75,659,496	173,923,611	282,094,890	70.53

If Qualifying Shareholders do not apply for their entitlements under the Open Offer, this will result in the Concert Party acquiring up to 123,923,611 Placing Shares, which would increase its shareholding to a maximum of 58.03 per cent of the Enlarged Issued Ordinary Share Capital. Since the Concert Party currently holds approximately 48 per cent. of the existing ordinary share capital of the Company, the Concert Party would, in the absence of a waiver from the provisions of Rule 9 of the Code being granted by the Panel, be obliged to make a general offer for the Company. The Panel has agreed, subject to Resolution numbered 3 being passed on a poll by the Independent Shareholders at the EGM, to waive this obligation.

Your Independent Directors, who in aggregate beneficially hold 3,449,167 Existing Ordinary Shares, equivalent to 1.54 per cent. of the Existing Ordinary Shares, have an aggregate entitlement under the Open Offer to 1,532,962 Offer Shares. The Independent Directors, being Moses Kraus and myself, intend to take up our full entitlement under the Open Offer. 18,909,698 Existing Ordinary Shares are held by the M Kraus Family Foundation pursuant to the terms of which Moses Kraus and his family are potential beneficiaries, however, the M Kraus Family Foundation has independent trustees and is not controlled by Mr Kraus.

Further details of the Open Offer are set out in Part II of this document. The attention of overseas Shareholders is drawn to the paragraph headed “Overseas Shareholders” in Part II of this document.

5. Current trading and future prospects

The trading results from the current business activities of the Group for the year ended 31 December 2006 were in line with the Directors’ expectations. However, the planned financial benefits from expanding the business of the Group were not achieved primarily as a result of TEP GmbH not being set up as quickly as the Board had hoped.

The Directors are pleased with the outcome of the negotiations that have taken place with Surrenda-link, in particular the agreed reduction in the variable fee to be paid to Surrenda-link in the future and the resultant impact that this will have on trading results and cash flow.

As set out in Part III of this document, the Group has recently received VAT assessments. The assessments are being challenged. In the event that the challenge is unsuccessful, or only partially successful, there will be a significant impact on both the Group’s trading results and future cash flow.

6. Directors

George Kynoch (Non-Executive Chairman), 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. Mr Kynoch 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 OCZ Technology Group, Inc., ToLuna Plc and Mercury Group plc and a non-executive director of Talent Group plc, all of which are admitted to trading on AIM.

Paul Sands (*Managing Director*), has 20 years' experience in the UK Life Assurance and Financial Services market. He is Chief Executive of Portfolio Design Group (the parent company of Surrenda-link), which he established in 1990 and under his direction the company has grown to a position of considerable prominence in the market for traded endowment policies (TEPs). Mr Sands is a director of various TEP related funds, designed and created by Surrenda-link, and is a former Chairman of the Association of Policy Market Makers (APMM). Mr Sands has also recently been appointed as a non-executive director to Smart Move Pensions plc.

Abraham Weitz (*Non-Executive Director*), has many years of experience in the property industry, having joined Highdorn Co. Limited, a property management company, in early 1992. Mr Weitz has for some time had an interest in merging the new e-commerce ideas with more traditional business and is joint founder of the Company.

Moses Kraus (*Non-Executive Director*), has been an active participant in the TEP market for several years. After finishing Rabbinical and Talmudic studies in 1980, Mr Kraus was a teacher in a religious school in Zurich between 1981 and 1985. In 1983 he trained as a life insurance salesman in his spare time, with Winterthur Insurance in Zurich, where he was first exposed to the endowment policy market. In 1984 he became a significant shareholder in Caruso AG, which was formed in 1983 to sell life insurance and associated products. It currently holds endowment policies with a value of approximately CHF 200 million in its clients' portfolios. Mr Kraus' shareholding in Caruso AG has now reduced to less than 10 per cent and he has no executive role in that company. He moved from Switzerland to the United Kingdom in 1994 with residential status of "Person of Independent Means" which prevented him from working as an employee or engaging in business in the United Kingdom until he obtained indefinite residence in March 1999. He founded TEP Exchange Group PLC in November 1999.

David Roxburgh (*Non-Executive Director*), a member of the Institute of Certified Public Accountants in Ireland and is Managing Director of the Fitzwilton Group of Companies. One of Fitzwilton's investments is a 36 per cent. shareholding in Portfolio Design Group (the parent company of Surrenda-link). The business of Portfolio Design Group includes 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. Outside of the Fitzwilton Group, Mr. Roxburgh is a Non-Executive Director of Waterford Crystal Limited (the world renowned luxury branded company).

7. Information on the Concert Party

The Concert Party consists of Portfolio Design Group and Close Horizons. Further information on the Concert Party is set out in Part V of this document.

The Concert Party intends to continue the existing business of TEP and does not intend to make major changes to the business, including redeployment of the fixed assets. TEP has no employees.

8. The Code

The issue of New Ordinary Shares to the Concert Party gives rise to certain considerations under the Code. Brief details of the Panel, the Code and the protections they afford to Shareholders are described below.

The Code is issued and administered by the Panel. TEP is a company to which the Code applies and its shareholders are entitled to the protection afforded by the Code.

Under Rule 9 of the Code ("Rule 9") any person who acquires an interest in shares which, taken together with interests in shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company that is subject to the Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, where any person together with persons acting in concert with him is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interest in shares are acquired.

An offer under Rule 9 must be in cash and at the highest price paid within the 12 months prior to the announcement of the offer for any interest in shares of that class in the company by the person required to make the offer or any person acting in concert with him.

Under the Code, a concert party arises where persons acting together pursuant to an agreement or understanding, whether formal or informal, co-operate to obtain or consolidate control of that company. Control means holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control.

On completion of the Proposals, assuming that Qualifying Shareholders do not subscribe for any Offer Shares, the Concert Party will hold 232,094,890 New Ordinary Shares, equivalent to 58.03 per cent. of the Enlarged Issued Ordinary Share Capital of the Company. Of this, Surrenda-link (which is 100% owned by Portfolio Design Group) will hold 211,261,557 New Ordinary Shares, equivalent to 52.82 per cent. of the Enlarged Issued Ordinary Share Capital and Close Horizons will hold 20,833,333 New Ordinary Shares, equivalent to 5.21 per cent. of the Enlarged Issued Ordinary Share Capital. This gives rise to certain considerations under the Code.

Accordingly, on completion of the Proposals and assuming that Qualifying Shareholders do not subscribe for any Offer Shares, the members of the Concert Party will between them hold more than 50 per cent. of the Enlarged Issued Ordinary Share Capital and would be able to acquire any number of New Ordinary Shares without incurring any further obligations under Rule 9 to make a general offer.

In addition, Close Horizons would also be entitled to increase its interest in the voting rights of the Company so long as the purchase of additional New Ordinary Shares would not result in it being interested in 30 per cent. or more of the voting rights of the Company, as such a purchase through a Rule 9 threshold would, without the consent of the Panel, result in an obligation to make a general offer for the balance of the equity share capital of the Company pursuant to Rule 9. In addition, as Surrenda-link will hold in excess of 50 per cent. of the Enlarged Issued Ordinary Share Capital, it would also be entitled to increase its interest in the voting rights of the Company without incurring any obligation under Rule 9 to make a general offer.

Alternatively, on completion of the Proposals and assuming that Qualifying Shareholders subscribe for their full allocation of Offer Shares, the Concert Party will hold, 181,906,898 New Ordinary Shares, equivalent to 45.48 per cent. of the Enlarged Issued Ordinary Share Capital of the Company. Of this, Surrenda-link will hold 161,073,565 New Ordinary Shares, equivalent to 40.27 per cent. of the Enlarged Issued Ordinary Share Capital and Close Horizons will hold 20,833,333 New Ordinary Shares, equivalent to 5.21 per cent. of the Enlarged Issued Ordinary Share Capital of the Company. In these circumstances, any further increase by the Concert Party in its interest in New Ordinary Shares will be subject to the provisions of Rule 9.

The maximum and minimum numbers of New Ordinary Shares which will be held by the Concert Party, together with the relevant percentages of the Enlarged Issued Shares Capital of the Company that will be held are set out in the table below:

Shareholder	Existing Shareholding		Assuming full take up of Offer Shares by Qualifying Shareholders		Assuming no take up of Offer Shares by Qualifying Shareholders	
	Number of Existing Ordinary Shares	Percentage of the Company's issued share capital	Number of New Ordinary Shares	Percentage of Enlarged Issued Ordinary Share Capital	Number of New Ordinary Shares	Percentage of Enlarged Issued Ordinary Share Capital
Surrenda-link	100,671,279	44.83	161,073,565	40.27	211,261,557	52.82
Close Horizons	7,500,000	3.34	20,833,333	5.21	20,833,333	5.21
Total	108,171,279	48.17	181,906,898	45.48	232,094,890	58.03

The Panel has agreed, however, subject to Resolution numbered 3 being passed on a poll by the Independent Shareholders at the EGM, to waive the obligation on the Concert Party, under Rule 9, to make a general offer for the entire issued share capital of the Company which would otherwise arise on Admission. Accordingly, Independent Shareholders' approval for the waiver of any obligations under Rule 9 is sought in Resolution numbered 3.

Neither member of the Concert Party, nor any person acting in concert with either of them, has purchased Existing Ordinary Shares in the 12 months immediately preceding the date of this document. The waiver, which the Panel has agreed to provide subject to the passing of Resolution numbered 3 at the EGM, will be invalidated if any purchases of Existing Ordinary Shares are made by either member of the Concert Party, in the period between the date of this document and the EGM.

Surrenda-link and Close Horizons have undertaken not to vote on Resolution numbered 3 set out in the notice of EGM at the end of this document.

9. Extraordinary General Meeting

The notice of the EGM is set out on pages 67 to 70 (inclusive) of this document.

Resolution 1 seeks to effect the Capital Reorganisation.

Resolution 2 is an ordinary resolution and seeks Shareholder approval to an increase in the authorised share capital of the Company from £4,000,000 to £4,060,000 to allow the Company to make further issues of ordinary shares in the future.

Resolution 3 is to be taken on a poll, and seeks the approval of Independent Shareholders to the waiver of the requirement for the Concert Party to make an offer to acquire the issued and committed share capital of the Company.

Resolution 4 seeks Shareholder approval to renew the Directors' general authority to allot shares. If approved, this authority is limited to a maximum of 347,700,603 New Ordinary Shares, and will expire at the next annual general meeting of the Company or, if earlier, 15 months from the date of passing of this resolution. Accordingly, other than pursuant to the Placing and on the exercise, in full, of the Warrants and of subsisting options under the Company's executive share incentive schemes, this will give the Directors general authority to issue a further 133,333,333 New Ordinary Shares, which is equivalent to 33.33 per cent. of the Enlarged Issued Ordinary Share Capital.

Resolution 5 seeks Shareholder approval to renew the existing authority given to the Directors to allot shares for cash to persons other than existing Shareholders. This authority is in respect of the allotment of the Placing Shares and New Ordinary Shares on the exercise of the Warrants in full and thereafter is limited to a maximum of 25 per cent. of the Enlarged Issued Ordinary Share Capital. This authority will expire at the next annual general meeting of the Company or, if earlier, 15 months from the date of passing of this resolution.

Resolution 6 seeks to amend the articles of association of the Company to reflect the altered capital arising as a consequence of the Capital Reorganisation.

It is also proposed that the articles of association be amended to reflect the current law with regard to indemnification of directors and other officers, and to make some minor alterations to update statutory references in the articles of association.

10. Controlling shareholder

Following the Placing, Surrenda-link will be interested (assuming that Qualifying Shareholders do not subscribe for any Offer Shares) in a maximum aggregate of 211,261,557 Ordinary Shares, representing 52.82 per cent. of the Enlarged Issued Ordinary Share Capital.

Surrenda-link has entered into an agreement with the Company and John East & Partners pursuant to which it has undertaken that it will, and will procure that Close Horizons will, exercise their voting rights so as to ensure (so far as they are able by the exercise of such rights) the continued independence of the majority of the Board, that any transactions between persons or companies controlled by Surrenda-link (to the extent that there are any such transactions in the future) will be at arms' length, and that they will not vote (as shareholder or director) in relation to any such transaction.

11. Action to be taken by Shareholders

In respect of the Extraordinary General Meeting

Shareholders will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. The Form of Proxy should be completed and returned in accordance with the instructions printed thereon. The Form of Proxy must reach the Company's Registrars, Proxies, Capita Registrars, The Registry 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11.00 a.m. on 12 March 2007.

Completion and return of the Form of Proxy will not prevent Shareholders from attending and voting at the Extraordinary General Meeting should they so wish.

In respect of the Open Offer

If you are a Qualifying non-CREST Shareholder you will find an Application Form accompanying this document which gives details of your maximum entitlement under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you). If you wish to apply for Offer Shares under the Open Offer, you should complete the enclosed Application Form in accordance with the procedure set out on page 20 of Part II of this document and on the Application Form itself and post it in the accompanying prepaid envelope, together with any payment in full in respect of the number of Offer Shares applied for to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 12 March 2007 having first read carefully Part II of this document and the contents of the Application Form.

If you are a Qualifying CREST Shareholder no Application Form is enclosed and you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlements representing your maximum entitlement under the Open Offer. You should refer to the procedure set out on page 22 of Part II of this document.

The latest time for applications under the Open Offer to be received is 11.00 a.m. on 12 March 2007. The procedure for application and payment depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement. The procedures for application and payment are set out in Part II of this document. Further details also appear on the Application Forms which have been sent to Qualifying non-CREST Shareholders. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

12. Other Information

Your attention is drawn to Parts II to VI of this document which provide additional information on the matters detailed above.

13. Independent Directors Recommendation

Abraham Weitz is a director of PINVEX which is both a Placee and a party to the PINVEX Agreement. Accordingly, Abraham Weitz has taken no part in the deliberation by the Board with regard to the Placing, the issue of the PINVEX Warrants and the PINVEX Agreement. Paul Sands is a director of Surrenda-link and accordingly he has taken no part in the deliberation by the

Board with regard to the Placing and the Surrenda-link Agreement. David Roxburgh is a director of Portfolio Design Group, the parent company of Surrenda-link, and accordingly he has taken no part in the deliberations by the Board with regard to the Placing and the Surrenda-link Agreement.

The Independent Directors, who have been so advised by the Company's adviser, John East & Partners, consider that the Proposals are fair and reasonable insofar as Shareholders are concerned. John East & Partners has taken into account the Independent Directors' commercial assessment, other than Messrs Weitz, Sands and Roxburgh, of the Proposals.

The Independent Directors, believe that the Proposals, including the waiver of the obligation on the Concert Party to make a general offer to Shareholders under Rule 9 of the Code, are in the best interests of the Company and its Shareholders, and accordingly recommend you to vote in favour of the Resolutions as they intend to do in respect of their aggregate shareholding of 3,449,167 Ordinary Shares, equivalent to approximately 1.54 per cent of the issued share capital of the Company.

Yours faithfully
George Kynoch
Chairman

PART II

Details of the Open Offer

Open Offer

The Company hereby invites Qualifying Shareholders to apply, on and subject to the terms and conditions set out herein and in the enclosed Application Form, and subject to the articles of association of the Company, for Offer Shares at a price of 0.2p per share, free from all expenses, payable in cash in full on application. The mid-market price for an Existing Ordinary Share, as derived from the AIM section of the Official List of the London Stock Exchange for 15 February 2007 (being the last practicable date before the publication of this document) was 0.5p.

Subject to fulfilment of the conditions set out below and in the Application Form, Qualifying Shareholders are being given the opportunity to subscribe for the Offer Shares at the Placing Price payable in full on application and free of all expenses, pro rata to their existing shareholdings, on the basis of:

4 Offer Shares for every 9 Existing Ordinary Shares

held at the Open Offer Record Date and so on in proportion for any greater number of Existing Ordinary Shares then held. Entitlements to Offer Shares will be rounded down to the nearest whole number of Offer Shares. Fractions of Offer Shares will not be allocated to Qualifying Shareholders, but will be aggregated and issued pursuant to the Placing for the benefit of the Company.

Qualifying Shareholders may apply for any number of Open Offer Shares up to their maximum entitlement, which, in the case of Qualifying non-CREST Shareholders, is indicated on their personalised Application Form, or in the case of Qualifying CREST Shareholders is equal to the number of Open Offer Entitlements standing to the credit of their stock account in CREST. No application in excess of the maximum entitlement will be met and any Qualifying Shareholder so applying will be deemed to have applied only for their maximum entitlement. Any monies paid in excess of the amount due in respect of an application will be returned to the applicant (at the applicant's risk and without interest) within 14 days by way of cheque or CREST payment as appropriate. The action to be taken in relation to the Open Offer depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement.

The Offer Shares issued pursuant to the Open Offer will, when issued and fully paid, rank *pari passu* in all respects with and will carry the same voting and dividend rights as, their existing issued New Ordinary Shares.

The Placing and the Open Offer are conditional, *inter alia*, upon the passing of the Resolutions and on Admission. It is expected that Admission will occur and dealings in Enlarged Issued Ordinary Share Capital will commence on 15 March 2007. If such conditions are not fulfilled on or before 8.00 a.m. on 15 March 2007 (or such later date, being not later than 9.30 a.m. on 30 March 2007, as the Company may decide) application monies are expected to be returned without interest by crossed cheque in favour of the applicant(s) (at the applicant's risk) through the post as soon as practicable after that date and any Open Offer entitlements admitted to CREST will be disabled. Any interest earned on the application monies will be retained for the benefit of the Company.

The Open Offer is not a rights issue. Qualifying Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should also be aware that in the Open Offer, unlike in a rights issue, any Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer.

Completed Application Forms, accompanied by full payment, should be returned by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive as soon as possible and in any event so as to be received no later than 11.00 a.m. on 12 March 2007.

The Placing Shares and the Offer Shares will represent approximately 43.86 per cent. of the Enlarged Issued Ordinary Share Capital at Admission.

Further terms of the Open Offer are set out in this Part II and, where relevant, in the Application Form.

Further details of the Placing Letters are set out in paragraph 3.1 of Part VI of this document.

Procedure for Application

The action to be taken by you in respect of the Open Offer depends on whether at the relevant time you have an Application Form in respect of your entitlement under the Open Offer or you have Open Offer Entitlements credited to your CREST stock account in respect of such entitlement.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document, the Company will make an appropriate announcement to a Regulatory Information Service operated by the London Stock Exchange giving details of the revised dates.

Qualifying non-CREST Shareholders (Shareholders who hold share certificates)

(i) If you have an Application Form in respect of your entitlement under the Open Offer

(a) General

Subject to the provisions set out in this Part II in relation to the Overseas Shareholders, Qualifying non-CREST Shareholders will have received an Application Form enclosed with this document. The Application Form shows the number of Existing Ordinary Shares registered in your name on the Open Offer Record Date. It also shows the maximum number of Offer Shares for which you are entitled to apply under the Open Offer, as shown by the total number of Offer Shares allocated to you. You may apply for less, but not more, than your maximum entitlement should you wish to do so. You may also hold such an Application Form by virtue of a legitimate market claim.

The instructions and other terms set out in the Application Form form part of the terms of the Open Offer.

(b) Market Claims

Applications may only be made on the Application Form which is personal to the Qualifying Shareholder(s) named thereon and may not be assigned, transferred or split except in the circumstances described below. **The Application Form represents the right to apply for Offer Shares and is not a document of title and cannot be separately traded.** It is transferable only to satisfy legitimate market claims in relation to market purchases pursuant to the rules of the London Stock Exchange prior to the Existing Ordinary Shares being marked “ex” the entitlement to the Open Offer. Applications may be split or consolidated only to satisfy legitimate market claims up to 3.00 pm on 8 March 2007. Any Qualifying non-CREST Shareholder who has sold or transferred all or part of his holding of Existing Ordinary Shares prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to the Open Offer, should consult his stockbroker or other professional adviser as soon as possible since the invitation to acquire Offer Shares under the Open Offer may represent a benefit which can be claimed from him by the purchaser or transferee under the rules of the London Stock Exchange. Qualifying non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 8 on the Application Form and immediately send it to the purchaser or transferee or the bank, stockbroker or other agent through whom or by whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Application Form should not, however, subject to certain exceptions, be forwarded to or transmitted in or into the United States of America, Australia, Canada, Japan or the Republic of South Africa.

(c) ***Application Procedures***

Qualifying non-CREST Shareholders wishing to apply for all or some of your entitlement to Offer Shares should complete the Application Form in accordance with the instructions printed thereon and post it in the accompanying reply paid envelope or return it, together with payment in full for the number of Offer Shares applied for, to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, telephone number 0870 162 3121, so as to arrive not later than 11.00 a.m. on 12 March 2007. After this time, applications will not be accepted.

If any Application Form is sent by first class post within the United Kingdom, Qualifying non-CREST Shareholders are recommended to allow at least four business days for delivery. John East & Partners may, on the Company's behalf, elect in its absolute discretion to accept Application Forms and remittances received after 11.00 a.m. on 12 March 2007. John East & Partners may also (on behalf of the Company and in its sole discretion) elect to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions, or if it does not strictly comply with the terms and conditions of application. Applications will not be acknowledged.

John East & Partners, on behalf of the Company, also reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 11.00 a.m. on 12 March 2007 from an authorised person (as defined in FSMA) specifying the number of Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

(d) ***Payments***

Under the Money Laundering Regulations 2003, Capita Registrars may be required to check the identity of persons who subscribe for in excess of the sterling equivalent of Euro 15,000.00 of Offer Shares.

Capita Registrars may therefore undertake electronic searches for the purposes of verifying identity. To do so Capita Registrars may verify the details against the Applicant's identity, but also may request further proof of identity. Capita Registrars reserve the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.

Payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to Capita IRG Plc A/C "TEP Exchange Group PLC". Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or Bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/bankers' draft to such effect.

The account name should be the same as that shown on the application.

Cheques or bankers' drafts will be presented for payment upon receipt. The Company reserves the right to instruct Capita Registrars to seek special clearance of cheques and bankers' drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be allowed on payments made before they are due and any interest earned on such payments will accrue for the benefit of the Company. It is a term of the Open Offer that cheques will be honoured on first presentation, and the Company and/or John East & Partners (on the Company's behalf) may elect in their absolute discretion to

treat as invalid, acceptances in respect of which cheques are not so honoured. If cheques or bankers' drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account pending fulfilment of such conditions. If all the conditions of the Open Offer have not been fulfilled or (where appropriate) waived by 8.00 a.m. on 15 March 2007 (or such later date as John East & Partners may, in its absolute discretion, elect, but in any event not later than 9.30 a.m. on 30 March 2007), the Open Offer will lapse and application monies will be returned to applicants (at the applicants' risk), without interest, by crossed cheque in favour of the applicant(s) within 14 days after that date.

(e) ***Effect of Application***

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, you (as the applicant(s)):

- (i) agree that all applications, and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (ii) confirm that in making the application you are not relying on any information or representation other than such as may be contained in this document and you accordingly agree that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation not contained in this document; and
- (iii) represent and warrant that if you have received some or all of your entitlements under the Open Offer from a person other than the Company, you are entitled to apply under the Open Offer in relation to such entitlements under the Open Offer by virtue of a legitimate market claim.

The instructions, notes and other terms set out in the Application Form, form part of the terms of the Open Offer.

If you do not wish to apply for any of the Offer Shares to which you are entitled under the Open Offer, you should not complete and return the Application Form. Shareholders are nevertheless requested to return the Form of Proxy for use at the EGM to be held at 11.00 a.m. on 14 March 2007.

If you are in doubt whether or not you should apply for any of the Offer Shares under the Open Offer, you should consult your independent financial adviser immediately. All enquiries in relation to the procedure for application for Qualifying non-CREST Shareholders under the Open Offer should be addressed to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, telephone 0870 162 3121. Please note that Capita Registrars cannot provide financial advice on the merits of the Open Offer or as to whether or not you should take up your entitlement.

Qualifying CREST Shareholders (Shareholders who hold shares in CREST)

(ii) **If you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer**

(a) ***General***

The Directors have applied for the Offer Shares to be admitted to CREST with effect from Admission and CRESTCo has agreed to such admission. Accordingly, settlement of transactions in the Offer Shares following Admission may take place within the CREST system if the relevant Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Persons subscribing for Offer Shares as part of the Open Offer may, however, elect to receive Ordinary Shares in uncertificated form if they are a "system member" (as defined in the Uncertificated Securities Regulations 2000).

In general, the Ordinary Shares that are held in uncertificated form under CREST will be subject to the rules, regulations and procedures governing CREST and its system members as in effect from time to time. Ownership of an Ordinary Share held in uncertificated form under CREST may only be transferred in compliance with the procedures of CREST in effect from time to time.

Subject to the provisions set out in the relevant paragraph dealing with Overseas Shareholders in this Part II, each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlements equal to the maximum number of Offer Shares for which he is entitled to apply under the Open Offer.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Existing Ordinary Shares held on the Open Offer Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements cannot be admitted to CREST, or the stock accounts of Qualifying CREST Shareholders cannot be credited by close of business on 19 February 2007, or such later time as the Company may decide, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

CREST members who wish to apply for some or all of their entitlements to Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Capita Registrars on 0870 162 3121. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

(b) *Market claims*

The Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a legitimate market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

(c) *USE Instructions*

CREST members who wish to apply for Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event (“USE”) instruction to CRESTCo which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of Capita Registrars under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of Capita Registrars in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Offer Shares referred to in paragraph (i) above.

(d) ***Content of USE Instructions***

The USE instruction must be properly authenticated in accordance with CRESTCo's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to Capita Registrars);
- (ii) the ISIN of the Open Offer entitlement. This is QQ00B1RPD727;
- (iii) the participant ID of the accepting CREST member;
- (iv) the member account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of Capita Registrars, in its capacity as a CREST receiving agent. This is 7RA33;
- (vi) the member account ID of Capita Registrars, in its capacity as a CREST receiving agent. This is TEPEXCHG;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Offer Shares referred to in paragraph (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 12 March 2007; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 12 March 2007.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 12 March 2007 in order to be valid is 11.00 a.m. on that day.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 15 March 2007 or such later time and date as John East & Partners may, in its absolute discretion, elect (being no later than 9.30 a.m. on 30 March 2007), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and Capita Registrars will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter. The interest earned on such monies will be retained for the benefit of the Company.

(e) ***Deposit of Open Offer Entitlements into and withdrawal from CREST***

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying non-CREST Shareholder named in the Application Form or into the name of a person entitled by virtue of a legitimate market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing to so deposit the Open Offer Entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the Open Offer Entitlements prior to 11.00 a.m. on 12 March 2007.

In particular, having regard to normal processing times in CREST and on the part of Capita Registrars, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the Open Offer Entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 7 March 2007, and the recommended latest time for receipt by CRESTCo of a dematerialized instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 5 March 2007, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 12 March 2007.

Delivery of an Application Form with the CREST Deposit Form duly completed whether in respect of a deposit into the account of the Qualifying non-CREST Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Capita Registrars by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for Depositing Entitlements Under the Open Offer into CREST" on page 3 of the Application Form, and a declaration to the Company and Capita Registrars from the relevant CREST member(s) that it/they is/are not citizen(s) or resident(s) of the United States, Australia, Canada, Japan or the Republic of South Africa and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a legitimate market claim.

(f) ***Validity of Application***

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 12 March 2007 will constitute a valid application under the Open Offer.

(g) ***CREST Procedures and Timings***

CREST members and (where applicable) their CREST sponsors should note that CRESTCo does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 12 March 2007. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

(h) ***Incorrect or Incomplete Applications***

If a USE instruction includes a CREST payment for an incorrect sum, the Company through Capita Registrars reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question;

- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question; or
 - (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST member in question.
- (i) ***Effect of Valid Application***
- A CREST member who makes or is treated as making a valid application in accordance with the above procedures will thereby:
- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to Capita Registrars' payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
 - (ii) request that the Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the memorandum and articles of association of the Company;
 - (iii) agree that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
 - (iv) represent and warrant that he is not applying on behalf of any Shareholder, who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States, Australia, Canada, Japan or Republic of South Africa and he is not applying with a view to reoffering, reselling, transferring or delivering any of the Offer Shares which are the subject of this application to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States, Australia, Canada, Japan or the Republic of South Africa except where proof satisfactory to the Company has been provided to the Company and that he is able to accept the invitation by the Company of any requirement which it (in its absolute discretion) regards as unduly burdensome, nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Offer Shares under the Open Offer;
 - (v) represent and warrant that he is not and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;
 - (vi) confirm that in making such application he is not relying on any information in relation to the Company other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof, shall have any liability for any such other information and further agree that having had the opportunity to read this document, he will be deemed to have had notice of all the information concerning the Company contained therein; and
 - (vii) represent and warrant that he is the Qualifying CREST Shareholder originally entitled to the Open Offer Entitlements or that he has received such Open Offer Entitlements by virtue of a legitimate market claim.

(j) ***Company's discretion as to Rejection and Validity of Applications***

The Company may in its sole discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this section entitled "Procedure for Application";
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which Capita Registrars receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or Capita Registrars have received actual notice from CRESTCo of any of the matters specified in Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by Capita Registrars in connection with CREST.

Money Laundering Regulations

It is a term of the Open Offer that, to ensure compliance with the Money Laundering Regulations 2003, the money laundering provisions of the Criminal Justice Act 1993, Part VIII of the Financial Services and Markets Act 2000 and the Proceeds of Crime Act 2002 (together with the provisions of the Money Laundering Sourcebook of the Financial Services Authority and the manual of guidance produced by the Joint Money Laundering Steering Group in relation to financial sector firms) (together, the "Regulations"), that Capita Registrars may, in its absolute discretion, require verification of your identity to the extent that you have not already provided the same. Pending the provision to Capita Registrars of evidence of your identity, definitive certificates in respect of Offer Shares may be retained at its absolute discretion. If within a reasonable time after a request for verification of identity Capita Registrars has not received evidence satisfactory to it, the Company may, in its absolute discretion, terminate your Open Offer participation in which event the monies payable on acceptance of the Open Offer participation will, if paid, be returned without interest and net of bank charges by cheque to the applicant(s).

To comply with the money laundering requirements, payment in respect of your Open Offer participation should be drawn from an account in your own name on a branch of a building society or bank in the United Kingdom. If this is not practicable and you must use a cheque or bankers' draft drawn on a building society or bank then:

- (i) you should write your name and address on the back of the cheque and record your date of birth against your name; and
- (ii) request the building society or bank to print or write on the back of the cheque the full name and account number of the person whose building society or bank account is being debited and add their stamp.

For applications over £10,000 (being the approximate equivalent to €15,000), Qualifying Shareholders are also requested to submit with the Application Form as documentary evidence of identity and address one certified copy document from each of the following lists (as appropriate):

Personal identity documents (UK resident individuals)

- current signed passport;
- Northern Ireland Voter's Card;
- current full UK driving licence;
- benefits book or original notification letter from the Benefits Agency confirming the right to benefit; or
- HM Revenue & Customs tax notifications e.g. tax assessment, statement of account or notice of coding.

Evidence of address (UK resident individuals)

- recent utility bill or utility statement (mobile telephone bills are not acceptable);
- local authority tax bill (current year);
- current UK driving licence (if not used for evidence of name);
- benefits book or original notification letter from the Benefits Agency confirming the right to benefit (provided one or other has not been used as evidence of personal identity); or
- HM Revenue & Customs correspondence addressed to you at stated address (provided HM Revenue & Customs notifications have not been used as evidence of personal identity).

If you are not a UK resident individual such proof of identity may include:

- a certified copy of an official identity card; or
- a certified copy of a driving licence; or
- a certified extract from a full passport (i.e. a copy of the front cover and pages showing photograph, personal details and signature, date and place of issue and serial number); and
- a certified copy of satisfactory evidence of an address (e.g. utility bill or bank statement).

If you are a corporation, please supply:

- a certified copy of your articles of association or statutes or published accounts or certificate of incorporation or trade register entry or certificate of trade; and
- the names and addresses of all directors and specimen signatures; and
- evidence of identity and address as stated above for each director.

All certified documents must be certified by a professional person such as a lawyer or attorney, notary or an official entity such as an embassy, consulate or high commission of the country of issue.

Overseas Shareholders

In accordance with section 90(5) Companies Act 1985, the Open Offer to Qualifying Shareholders who have no registered address in the United Kingdom and who have not supplied an address to the Company within the United Kingdom for service of notice, will be made by the Company publishing a notice in the London Gazette on 19 February 2007, stating where copies of this document and the Application Form may be inspected or obtained on personal application by or on behalf of such Shareholders.

The making of the Open Offer to persons not resident in the United Kingdom or who are citizens of countries other than the United Kingdom may be affected by the laws or regulatory requirements of jurisdictions outside the United Kingdom. No person receiving a copy of this document and/or an

Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him/her nor should he/she in any event use such Application Form unless in the relevant territory such an invitation could lawfully be made to him/her or such Application Form could be lawfully be used without compliance with any registration or other legal or regulatory requirements other than any which may have been fulfilled.

In particular, the Offer Shares have not been registered under the United States Securities Act of 1933 (as amended) or the relevant Canadian or Australian securities legislation and therefore the Offer Shares may not be offered, sold, transferred or delivered directly or indirectly in the United States of America, Canada, Australia or their respective territories and possessions. The Open Offer will not be made nor will any Application Form be sent to any Shareholder whose registered or mailing address is in the United States of America, Canada, Japan, Australia or South Africa nor is the Open Offer being made to, nor will any Application Form be accepted from, any Shareholder who is unable to give the warranty set out in the Application Form or who the Company or its agent has reason to believe is ineligible to apply. Notwithstanding the above, Offer Shares may be allotted to certain persons in the United States of America at the sole discretion of the Company or its agent in a manner designed not to contravene the laws of any part of the United States of America or to require registration of the Ordinary Shares under the United States Securities Act of 1933 (as amended) and, in particular, may be offered to qualified institutional buyers in reliance on the exemption from the registration requirement of the United States Securities Act of 1933 (as amended) provided by Rule 144(A) or to non-US persons in offshore transactions not subject to the registration requirements of the said Act by virtue of Regulation S.

It is the responsibility of any person receiving a copy of this document or an Application Form and wishing to make an application to subscribe for Offer Shares to satisfy himself/herself as to the full observance of the laws and regulatory requirements of any relevant territory, including the obtaining of all necessary governmental or other consents which may be required or observing any other formalities needing to be observed in such territory and the payment of any taxes due in such jurisdiction.

The Company and its agent reserves the right to treat as invalid any application, or purported application, to subscribe for Offer Shares pursuant to the Open Offer which appears to the Company or its agent to have been executed, effected or despatched in a manner which may involve a breach of the securities legislation of any jurisdiction or which does not include the warranties set out in the Application Form.

Completion of an Application Form shall constitute a warranty that the Shareholder is eligible to apply.

Taxation and Stamp Duty

Certain information for Qualifying Shareholders on United Kingdom taxation of capital gains and dividends, stamp duty and stamp duty reserve tax with regard to the Open Offer is set out in paragraph 4 of Part VI of this Document.

If you are in any doubt as to your tax position, or if you are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

Settlement and Dealings

Application will be made to the London Stock Exchange for the Enlarged Issued Ordinary Share Capital to be admitted to trading on AIM. It is expected that the Enlarged Issued Ordinary Share Capital will be admitted to trading on AIM and that dealings will commence on 15 March 2007. None of the New Ordinary Shares are being made available to the public except under the terms of the Placing and Open Offer.

For those Qualifying Shareholders who do not hold their Existing Ordinary Shares in the CREST settlement system, definitive share certificates for the Offer Shares are expected to be despatched by first class post by 19 March 2007. For those Qualifying Shareholders who do hold their Existing Ordinary Shares in a CREST stock account, it is expected that the relevant account will be credited on the day of Admission. Notwithstanding any other provision of this document, the Company reserves the right to issue any Offer Shares in certificated form. This right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Company's registrars in connection with CREST. No temporary documents of title will be issued and pending despatch of the definitive share certificates, transfers of the Offer Shares will be certified against the register. All documents and remittances sent by or to an applicant (or his/her agent, as appropriate) will be sent through the post at the risk of the person entitled thereto.

Further Information

Your attention is drawn to the further information set out in Parts I to VI of this document.

PART III

Risk Factors

An investment in the Placing and Offer Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in the Placing and Offer Shares. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not purport to comprise all those risks associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties, not currently known to the Directors, may also have an adverse effect on the Company's business and the value of its shares.

If any of the following risks actually occur, the Company's business, financial condition, capital resources, results or future operations could be materially adversely affected. In this event, the price of the New Ordinary Shares could decline and investors may lose all or part of their investment. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her.

There are various risks and other factors associated with an investment of the type described in this document. In particular:

Risks specific to the Group

Taxation exposure

The Group has recently received VAT assessments for which no provision has been made in the financial information contained in this document. The assessments are being challenged. In the event that the challenge is unsuccessful, or only partially successful, there will be a significant impact on both the Group's operating results and future cash flow.

TEP GmbH will operate in a regulatory environment outside the UK

Whilst the Directors have taken care to ensure that they have taken appropriate advice in respect of the Company's expansion into Germany, the laws, rules and regulations in relation to TEP's business may, in certain circumstances, differ greatly in their application to similar laws, rules and regulations in the UK. Therefore, Shareholders should be aware that the Group's planned expansion into Germany and subsequent performance may be adversely affected as a result of the application of, or changes to, such laws, rules and regulations.

Future revenues

The Group is at a key stage of its development. Whilst the Board is optimistic about the prospects of the Group, there is no certainty that anticipated revenues or growth will be achieved by the Company.

Future revenues, margins and profitability could be affected if the rate of expansion of the Group's products is below the expectations of the Directors or the anticipated revenues cannot be achieved.

Reliance on Third Parties

The Group has no full time employees, the bulk of its operations having been outsourced under the terms of the Surrenda-link Agreement. The Group is highly reliant on third parties, including Surrenda-link, to produce and operate its business. Accordingly, and although the Surrenda-link Agreement contains performance obligations and incentives, this is a matter outside the day to day control of the Board.

Payment of dividends shall be subject to sufficient profits

The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders of the Company or, in the case of interim dividends to the discretion of the Directors, and will depend upon, amongst other things, the Company's earnings, financial position, cash requirements and availability of profits as well as provisions for relevant laws or generally accepted accounting principles from time to time.

General risks

The Company's objectives may not be fulfilled

Although the Company has a clearly defined strategy, there can be no guarantee that its objectives will be achieved.

Potential acquisitions or investments in other companies may have a negative impact on the Company's business and the Company's share price.

As part of the Company's strategy, it may consider acquiring or making investments in complementary businesses, services, products or technologies as appropriate opportunities arise. The risks the Company may face should it acquire or invest in complementary businesses include:

- difficulties with the integration and assimilation of the acquired business;
- diversion of the attention of the Company's management team from other business concerns;
- availability of favourable acquisition or investment financing; and
- loss of key employees of any acquired business.

Acquisitions or investments may require the Company to expend significant amounts of cash. This would result in the Company's inability to use those funds for other business purposes. Additionally, if the Company funds acquisitions through further issuances of shares, Shareholders' respective interests in New Ordinary Shares will be diluted which may cause the market price of the Ordinary Shares to decline. The potential impairment or complete write-off of goodwill and other intangible assets related to any such acquisition may reduce the Company's overall earnings, which in turn could negatively affect the price of the New Ordinary Shares.

The Company might have difficulty obtaining additional capital, which could prevent it from achieving its business objectives. If the Company is successful in raising additional capital, it may have a dilutive effect on its shareholders.

The Company may need to raise additional capital in the future to fund the expansion of its operating business and the sales and marketing of its products and services, or to acquire or invest in complementary businesses, technologies or services. If additional financing is not available, or available only on terms that are not acceptable to the Company, it may be unable to fund the development and expansion of its business, attract qualified personnel, promote its brand name, take advantage of business opportunities or respond to competitive pressures. Any of these events may harm the Company's business. If the Company raises funds by issuing shares of a different class or by issuing debt, the holders of such different classes of shares or debt securities may have rights senior to the rights of Shareholders.

The price of New Ordinary Shares is likely to be volatile and subject to fluctuations.

The market price of the New Ordinary Shares may be subject to wide fluctuations. If the Company's revenues do not grow, or grow more slowly than anticipated, or if its operating or capital expenditures exceed expectations and cannot be adjusted sufficiently, the market price of the New Ordinary Shares may decline.

In addition, if the market for securities of companies in the same sector or the stock market in general experiences a loss in investor confidence or otherwise falls, the market price of the New Ordinary Shares may fall for reasons unrelated to the Company's business, results of operations or financial condition. As a result, investors might be unable to resell their New Ordinary Shares at or above the offering price.

The trading market for the New Ordinary Shares will be informed, in part, by the research and reports that industry or financial analysts publish about the Company or its business. The Company does not control these analysts. If one or more of the analysts who cover the Company downgrades the New Ordinary Shares, their price could decline rapidly. If one or more of these analysts ceases coverage of the Company, it could lose visibility in the market, which in turn could cause the price of the New Ordinary Shares to decline or experience significant volatility.

Shareholders may not be able to realise their investment in New Ordinary Shares where the market for the Company's shares is illiquid.

Potential investors should be aware that the value of shares can rise or fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share that is traded on AIM, such as the New Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell some or all of their New Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all his/her investment.

AIM is not the Official List of the London Stock Exchange. Consequently, it may be more difficult for an investor to sell some or all of his or her New Ordinary Shares and he or she may receive less than the amount paid.

The market for shares in smaller public companies is less liquid than for larger public companies. Consequently the Company's share price may be subject to greater fluctuation and the New Ordinary Shares may be difficult to buy and sell.

Fluctuations in the Company's operating results may cause the price of the New Ordinary Shares to decline.

The Company's operating results may be subject to fluctuations due to factors that may be outside of its control. The Company's operating results may in some future period fall below the expectations of securities analysts and investors. In this event, the trading price of the New Ordinary Shares could decline significantly. In addition to the risks disclosed elsewhere in this document, factors outside of the Company's control that have caused its operating results to fluctuate in the past and that may affect it in the future, include:

- fluctuations in general economic conditions;
- demand for the type of products and services provided by the Company generally;
- fluctuations in the budgets of clients and the end-users serviced by the Company's clients; and
- the development of products and services by the Company's competitors.

In addition, factors within the Company's control, such as its capacity to deliver projects to its clients in a timely fashion, have caused its operating results to fluctuate in the past and may affect it similarly in the future.

The factors listed above may affect both the Company's periodical operating results as well as its long-term success. Given the fluctuations in its operating results, investors should not rely on periodical comparisons of the Company's results of operations as an indication of its future performance or to determine any trend in its performance.

PART IV

Financial information on TEP

Section A: Unaudited interim results for the Company for the six months ended 30 June 2006

Set out below is the text of the interim results for the Company for the six months ended 30 June 2006 announced on 29 September 2006:

Chairman's Statement

I am pleased to report the unaudited results for the six months ended 30 June 2006. Turnover for the period totalled £136,000 (2005: £169,000). The operating loss for the period was £24,000 compared to an operating loss of £36,000 in the same period last year. The loss on ordinary activities before and after taxation was £41,000 compared to a loss after tax of £44,000 in the first six months of last year.

Whilst trading results continue to be disappointing, the current figure for deals in progress is at an all time high and reflects the increased activity in the traded endowment policy market. As a result of the increased demand for Traded Endowment Policies TEP has been able to increase its transaction charge by 50 per cent., the result of which should be evident in the latter months of this year and early in 2007. The strong continental European demand for British TEPs is expected to strengthen further in the second half of 2006 and this is expected to continue throughout 2007.

Your Board continues to focus its efforts on financial viability and the creation of shareholder value. During 2006, opportunities to add non U.K. based trading activity and additional non-TEP related products were identified and are expected to be launched later this year and early in 2007.

Your directors are not proposing an interim dividend.

George Kynoch

Chairman

29 September 2006

Consolidated Profit and Loss Account

For the six months ended 30 June 2006

	Six months ended 30 June 2006 (unaudited) £'000	Six months ended 30 June 2005 (unaudited) £'000	Year ended 31 December 2005 (audited) £'000
Turnover	136	169	404
Cost of sales	(35)	(52)	(121)
Gross profit	101	117	283
Administrative expenses	(214)	(243)	(525)
Other operating income	89	90	173
Operating loss	(24)	(36)	(69)
Interest receivable	–	–	1
Interest payable	(17)	(8)	(28)
Loss on ordinary activities before taxation	(41)	(44)	(96)
Taxation	–	–	–
Loss on ordinary activities after taxation	(41)	(44)	(96)
Loss per ordinary share (Note 3)	(0.02p)	(0.02p)	(0.04p)

Consolidated Balance Sheet

As at 30 June 2006

	At 30 June 2006 (unaudited) £'000	At 30 June 2005 (unaudited) £'000	At 31 December 2005 (audited) £'000
Fixed assets			
Tangible assets	–	6	–
Current assets			
Stock	3	3	3
Debtors and prepayments	121	69	208
Cash at bank and in hand	6	84	13
	130	156	224
Creditors: amounts falling due within one year	(616)	(498)	(681)
Net current liabilities	(486)	(342)	(457)
Creditors: amounts falling due after one year	(44)	(120)	(33)
Net liabilities	(530)	(456)	(490)
Capital and reserves			
Called up share capital	2,246	2,246	2,246
Share premium	3,667	3,667	3,667
Profit and loss account	(6,443)	(6,369)	(6,403)
Shareholders' deficit	(530)	(456)	(490)

Consolidated Cash Flow Statement

For the six months ended 30 June 2006

	Six months ended 30 June 2006 (unaudited) £'000	Six months ended 30 June 2005 (unaudited) £'000	Year ended 31 December 2005 (audited) £'000
Net cash inflow/(outflow) from operating activities	25	(248)	(278)
Returns on investments and servicing of finance			
Interest received and similar income	–	–	1
Interest paid	(6)	(1)	(28)
Net cash outflow from returns on investments and servicing of finance	(6)	(1)	(27)
Financing			
New bank loan	–	190	190
Repayment of bank loan	(27)	(10)	(30)
Issue of ordinary shares	–	330	330
Net cash (outflow)/inflow from financing	(27)	510	490
Movement in cash	(8)	261	185

Notes to the unaudited interim results

1. Basis of Preparation

The Interim accounts for the six months ended 30 June 2006, are unaudited and do not constitute statutory accounts in accordance with section 240 of the Companies Act 1985. The interim accounts have been prepared in accordance with accounting policies consistent with the financial statements for the year ended 31 December 2005.

Copies of the Interim Results will be sent to Shareholders shortly and will be available to members of the public from the Company's registered office, 12, Grosvenor Court, Foregate Street, Chester CH1 1HG. Full accounts for the year ended 31 December 2005 on which the auditors gave an unqualified report and contained no statement under Section 237 (2) or (3) of the Companies Act 1985, have been delivered to the Registrar of Companies.

2. Contingent Liability

In calculating the taxation debtor at 30 June 2006, the Directors have assumed that there is a successful outcome to the discussions that are taking place with the tax authorities. As these discussions are at an early stage, it is difficult to quantify the financial impact on the Company in the event that there is an unsuccessful outcome to the discussions.

3. Loss per ordinary share

The loss per share has been calculated by dividing the loss after taxation for the period of £41,000 (2005: £44,000) by the weighted average number of ordinary shares of 224,543,426 (2005: 224,543,426) in issue during the period.

4. Dividends

No dividend is proposed for the six months ended 30 June 2006.

Section B:
Financial Information for the Company for the three years ended 31 December 2005

1. Nature of financial information

The financial information contained in this Part III does not constitute statutory accounts within the meaning of section 240 of the Act and has been extracted without material adjustment from the audited accounts of TEP for the three years ended 31 December 2003, 2004 and 2005.

Copies of the consolidated accounts for the years ended 31 December 2003, 2004 and 2005 and have been filed with the Registrar of Companies in England and Wales and have been audited without qualification by BDO Stoy Hayward LLP, Chartered Accountants at 8 Baker Street, London W1U 3LL.

2. Consolidated profit and loss account

For the year ended 31 December 2005

	Note	2003 £	2004 £	2005 £
Turnover	2	58,930	187,028	404,118
Cost of sales		(15,614)	(43,297)	(120,834)
Gross profit		43,316	143,731	283,284
Administrative expenses		(963,667)	(906,622)	(525,363)
Other operating income	3	313,802	266,275	173,047
Operating loss	4	(606,549)	(496,616)	(69,032)
Interest receivable		258	253	1,352
Interest payable	5	4,443	(11,745)	(28,397)
Loss on ordinary activities before taxation		(601,848)	(508,108)	(96,077)
Taxation	6	–	–	–
Loss on ordinary activities after taxation		(601,848)	(508,108)	(96,077)
Retained loss brought forward		(5,197,162)	(5,799,010)	(6,307,118)
Retained loss carried forward		(5,779,010)	(6,307,118)	(6,403,195)
Loss per share				
Basic and diluted loss per share	7	(0.42p)	(0.28p)	(0.04p)

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

Reconciliation of movements in shareholders funds

For the year ended 31 December 2005

	2003 £	2004 £	2005 £
Loss for the year	(601,848)	(508,108)	(96,077)
New share capital subscribed and issued	281,250	478,676	329,781
	(320,598)	(29,432)	233,704
Opening shareholders' deficit	(373,540)	(694,138)	(723,570)
Closing shareholders' deficit	(694,138)	(723,570)	(489,866)

3. Consolidated balance sheet

For the year ended 31 December 2005

	2005 £	2005 £
Fixed assets		
Tangible assets		175
Current assets		
Stock	2,825	
Debtors	208,224	
Cash at bank and in hand	13,446	
	224,495	
Creditors: amounts falling due within one year	(680,991)	
Net current liabilities		(456,496)
Total assets less current liabilities		(456,321)
Creditors: amounts falling due after more than one year		(33,545)
Net liabilities		(489,866)
Capital and reserves		
Called up and share capital		2,245,428
Share premium account		3,667,901
Profit and loss account		(6,403,195)
Shareholders' deficit		(489,866)

4. Consolidated Cash Flow Statement

For the year ended 31 December 2005

	Note	2005 £	2005 £
Net cash outflow from operating activities	8		(278,364)
Returns on investments and servicing of finance			
Interest received		1,352	
Interest paid		(28,397)	
New cash outflow from returns on investment and servicing of finance			(27,045)
Financing			
New bank loan		190,000	
Bank loan repaid		(29,375)	
Issue of ordinary share capital		329,787	
			490,412
Movement in net cash	9		185,003

Notes forming part of the financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom accounting standards. The following principal accounting policies have been applied consistently in dealing with items that are considered material to the Group's financial statements.

Going concern

During the year ended 31 December 2005 the Group incurred a loss of £96,074 (2004 – £508,108; 2003 – £601,848) and at 31 December 2005 had net liabilities of £489,866 (2004 – £723,570; 2003 – £694,138).

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 by a one off amount of £95,000 in July 2006 and with the remainder over 36 months, together with a bank overdraft facility of £10,000. In addition, in 2005 the Directors restructured the trading operation in particular with Surrenda-link Limited, who now charge for their services on a commission rather than a fixed fee 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 shows creditors with the exception of Surrenda-link Limited) can be repaid out of cash flow.

The Directors have received written confirmation from Surrenda-link Limited that the repayment of outstanding charges will be deferred for not less than one year from the date of the approval of these financial statements until such time as the Company has sufficient liquid resources after repaying all other creditors to repay them.

The Directors have also received assurances from Surrenda-link Limited that it will advance to the Company on a quarterly basis, the lesser of the sum of £20,000 and the specific corporate costs incurred by the Company, as defined in the Outsourcing Agreement signed in December 2004. The Company will utilise the quarterly advance from Surrenda-link to discharge the specific corporate costs. The Company has undertaken to use its reasonable endeavours to minimise specific corporate costs.

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 and those likely to be agreed in the future with Surrenda-link Limited and its bankers and therefore that it is appropriate to prepare the financial statements on the going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of TEP and all of its subsidiary undertakings made up to 31 December 2005. Uniform accounting policies are adopted by all companies in the Group. The acquisition method of accounting is used to consolidate the results of subsidiary undertakings in the Group financial statements.

Turnover

Turnover represents fees and commission from arranging the sale and purchase of with profit endowment policies sales to outside customers less value added tax. Fee and commission income is recognised when contractually due.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated at the following rates:

Fixtures, fittings and equipments	– 4 years
Computer equipment	– 3 years

Investments

Investments held as fixed assets are stated at cost less provision for impairment in value.

6 Taxation on loss on ordinary activities

No liability to corporation tax arises on the results for the year due to the losses incurred.

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

	2003 £	2004 £	2005 £
Loss on ordinary activities before taxation	(601,848)	(508,108)	(96,077)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30 per cent. (2004 -30 per cent.; 2003 – 30 per cent.)	(180,554)	(152,432)	(28,823)
Tax losses not recognised as a deferred tax asset	180,554	152,432	28,823
Current year tax credit	–	–	–

At 31 December 2005 the Group had a deferred tax asset of £1,624,129 (2004 – £1,595,306; 2003 – £1,442,874) in respect of losses which have not been recognised in these financial statements.

7 Loss per share

The calculation of the basic loss per share is based on the loss after tax of £96,074 (2004 – £508,108; 2003 – £601,848) and on 211,678,109 (2004 – 181,073,202; 2003 – 142,544,945) ordinary shares, being the weighted average number of ordinary shares in issue. The options in issue at the 31 December 2003, 31 December 2004 and 31 December 2005 are antidilutive.

8 Reconciliation of operating loss to net cash outflow from operating activities

	2005 £
Operating loss	(69,029)
Depreciation	10,860
Increase in stock	(117)
Increase in debtors	(79,574)
Decrease in creditors	(140,504)
	(278,364)

9 Reconciliation of net cash outflow to movement in cash and net debt

	2005 £
Increase in cash in the year	185,003
Cash inflow from increase in debt	(160,625)
Changes in net debt resulting from cash flows	24,378
Opening cash and net debt	(176,746)
Closing cash and net debt	(152,368)

10 Analysis of net debt

	At 31 December 2004 £	Cash flow £	Non-cash movement £	At 31 December 2005 £
Cash in hand and at bank	13,427	19	–	13,446
Overdrafts	(190,173)	184,984	–	(5,189)
Cash equivalents	(176,746)	185,003	–	8,257
Bank loan	–	(160,625)	–	(160,625)
Net debt	(176,746)	24,378	–	(152,368)

Part V

Information on the Concert Party

Section A: Information on Portfolio Design Group

1. Background information on Portfolio Design Group

(a) *Description of business*

The principal business of Portfolio Design Group comprises 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.

(b) The registered office of Portfolio Design Group is 8-11 Grosvenor Court, Foregate Street, Chester CH1 1HG.

(c) Surrenda-link is a wholly owned subsidiary of Portfolio Design Group.

2. Shareholders of Portfolio Design Group

Portfolio Design Group is an investment holding company with four subsidiaries.

Principal shareholdings in Portfolio Design Group are as follows:

	At 31 December 2005	
	Number of Ordinary Shares	Percentage of share capital
Fitzwilton (U.K.) PLC	165,025	36.01
Michael George Semple*	113,400	24.74
Marsh Insurance Holdings Limited	91,700	20.01
(Cuthbert) Paul Sands	44,100	9.62
John Murphy	31,500	6.87

*19,999 are held in CFI (Equity) Limited

Michael George Semple and (Cuthbert) Paul Sands are directors of, and John Murphy is a consultant to, Portfolio Design Group.

In addition to its shareholding in Portfolio Design Group, Fitzwilton (U.K.) PLC (“Fitzwilton”) wholly owns Wood & Wood International Signs Limited (a designer and manufacturer of signs for customers in the retail, leisure and other sectors) and is also engaged in leasing investment properties in Northern Ireland. David Roxburgh, a director of the Company, is also a director of Fitzwilton. For the year ended 31 December 2005, Fitzwilton had a net turnover of £5,617,000 (2004: £5,723,000), a loss after taxation of £2,917,000 (2004: (£2,509,000) and net liabilities of £99,933,000 (2004: £96,629,000). Included within net liabilities is the sum of £111,305,000 (2004: £109,916,000) owed to companies within the Fitzwilton group of companies.

Marsh Insurance Holdings Limited’s (“Marsh”) principal activity is to act as an investment holding company. As Marsh is solely an investment company, it has not produced turnover for previous accounting periods. For the year ended 31 January 2006, Marsh had a profit after taxation of £79,970 (2004: £121,340) and net assets of £15,747,805 (2004: £16,016,114).

3. Directors of Portfolio Design Group

The Directors of Portfolio Design Group are as follows:

Michael George Semple (Chairman)
(Cuthbert) Paul Sands (Chief Executive Officer)
David William Roxburgh (Non-executive Director)
Philip Mortlock (Non-executive Director)
Peter Cederic Clode (Executive Director)

4. Material Contracts

Portfolio Design Group has not entered into any contracts, not being contracts entered into in the ordinary course of business, in the two years preceding the date of this document which are, or may be, material.

5. Basis of information

The financial information contained in this Part V does not constitute statutory accounts within the meaning of section 240 of the Act and has been extracted without material adjustment from the audited accounts of Portfolio Design Group for the three years ended 31 December 2003, 31 December 2004 and 31 December 2005.

Copies of the consolidated accounts for the years ended 31 December 2003, 31 December 2004 and 31 December 2005 have been filed with the Registrar of Companies in England and Wales and have been audited without qualification by Ernst & Young LLP, Chartered Accountants.

Group profit and loss account

For the year ended 31 December 2005

	Notes	2003 £	2004 £	2005 £
Turnover	2	10,599,168	12,041,890	8,653,431
Cost of sales		(7,545,955)	(8,097,788)	(3,195,110)
Gross profit		3,053,213	3,944,102	5,458,321
Administrative expenses		(2,689,830)	(3,010,542)	(4,381,979)
Other operating income		–	2,456	–
Operating profit	3	363,383	936,016	1,076,342
Share of operating (loss)/profit in: Associates		(258,038)	(241,540)	10,857
Total operating profit: group and share of associates		105,345	694,476	1,087,199
Interest receivable		–	68	–
Interest payable and similar charges – group	4	(926,939)	(394,288)	(159,628)
– associate		(2,928)	(15,178)	(17,681)
(Loss)/profit on ordinary activities before taxation		(824,522)	285,078	909,890
Taxation on (loss)/profit on ordinary activities	5	71,275	(6,562)	(317,179)
(Loss)/profit for the financial year attributable to the members of the parent company	11	(753,247)	278,516	592,711
Dividends				
Ordinary dividend on equity shares	6	–	–	(150,000)
Retained (loss)/profit for the financial year	11	(753,247)	278,516	442,711

Group statement of total recognised gains and losses

For the year ended 31 December 2005

There are no recognised gains or losses other than the profit of £592,711 for the year ended 31 December 2005 (2004 – £278,516; 2003 – (£753,247)).

Group balance sheet

At 31 December 2005

	Notes	2005 £
Fixed assets		
Intangible assets		—
Tangible assets		233,304
Investments	7	885,545
		<hr/>
		1,118,849
Current assets		
Stocks	8	1,331,876
Debtors	9	3,598,605
Cash at bank and in hand		2,004,250
		<hr/>
		6,934,731
Creditors: amount falling due within one year	10	(3,551,885)
		<hr/>
Net current assets		3,382,846
Total assets less current liabilities		4,501,695
Creditors: amounts falling due after more than one year		(17,400)
Provisions for liabilities and charges		(77,871)
		<hr/>
Net assets		4,406,424
		<hr/>
Capital and reserves		
Called up share capital	11	458,325
Profit and loss account	11	3,948,099
		<hr/>
Shareholders' funds	11	4,406,424
		<hr/>

Group statement of cash flows

For the year ended 31 December 2005

	Notes	2005 £
Net cash inflow from operating activities	12(a)	4,272,479
Returns on investments and servicing of finance	12(b)	(177,309)
Taxation	12(b)	(14,005)
Capital expenditure and financial investments	12(b)	(60,845)
Equity dividends paid	12(b)	(150,000)
Financing	12(b)	(1,024,002)
		<hr/>
Increase in cash in year		2,846,318
		<hr/>
Reconciliation of net cash flow to movement in net debt		
Increase in cash in the year		2,846,318
Repayment of capital element of finance leases and hire purchase agreements		24,002
Movement on short term borrowings		1,000,000
		<hr/>
Change in net debt resulting from cash flows		3,870,320
New finance leases		(51,810)
		<hr/>
Movement in net debt in the year		3,818,510
Opening net debt	12(c)	(4,208,698)
		<hr/>
Closing net debt	12(c)	(390,188)
		<hr/>

Notes to the financial statements

At 31 December 2005

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of Portfolio Design Group International Limited and all its subsidiary undertakings made up to 31 December 2005.

In accordance with the exemptions allowed by Section 230 of the Companies Act 1985 the company has not presented its own profit and loss account.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation less estimated residual value of each asset evenly over its expected useful life, as follows:

Fixtures and fittings	– over 8 years
Plant and equipment	– over 4 to 5 years
Motor vehicles	– over 4 years

Stocks

Stock is valued at the lower of cost or net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less, or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Group

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

Goodwill

Goodwill is paid in respect of business acquired. It has been capitalised and has been written off in equal annual instalments over its estimated economic life (4 to 12 years).

Leasing and hire purchase commitments

Assets held under finance leases, which are leases substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a group personal retirement plan. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. Turnover

Turnover represents policy amounts invoiced to third parties and commission income on a receivable basis.

The analysis of turnover by activity is as follows:

	2004	2005
	£	£
Turnover		
Policy sales	8,394,396	3,517,066
Management fee income	3,647,494	5,136,365
	<hr/> 12,041,890	<hr/> 8,653,431

In 2003, turnover was attributable to one continuing activity, the sale of secondary life policies.

Other segmental information has been omitted because in the opinion of the directors, the disclosure of such information would be seriously prejudicial to the interests of the group.

3. Operating profit

This is stated after charging/(crediting):

	2003	2004	2005
	£	£	£
Auditors' remuneration			
– audit services	16,125	26,600	28,355
– non audit services	10,100	11,435	7,900
Operating lease rentals			
– land and buildings	112,282	113,421	115,293
– plant and equipment	7,164	13,706	16,880
Depreciation of owned fixed assets	62,594	53,567	49,646
Depreciation of assets held under hire purchase contracts	45,185	46,616	52,660
Profit on disposal of tangible assets	(10,651)	–	(22,573)
Profit on disposal of investments	–	(444)	–
Amortisation of goodwill	48,000	23,874	–
Bad debt write off	–	102,457	300,000
Exchange gain	(429)	(183)	(3,510)
	<hr/> (429)	<hr/> (183)	<hr/> (3,510)

4. Interest payable and similar charges

	2003	2004	2005
	£	£	£
Bank loans, overdrafts and other loans	920,910	389,948	159,302
Finance charges payable under hire purchase	6,029	4,340	326
	<hr/> 926,939	<hr/> 394,288	<hr/> 159,628

5. Taxation

(a) The taxation charge is made up as follows:

	2003 £	2004 £	2005 £
Current tax			
Corporation tax on profits for the period	(36,752)	14,071	294,471
Adjustments in respect of previous periods	(11,520)	–	7,918
	(48,272)	14,071	302,389
Deferred tax			
(Increase)/decrease in deferred tax asset	(22,228)	–	12,782
Release of deferred tax provision	(731)	(7,553)	–
Adjustments in respect of previous periods	(44)	44	2,008
	(71,275)	6,562	317,179

(b) Factors affecting tax charge for the period:

The tax assessed for the period is lower/higher than the standard rate of corporation tax in the UK (30 per cent.).

The differences are explained below:

	2003 £	2004 £	2005 £
(Loss)/profit on ordinary activities before tax	(824,522)	285,078	909,890
(Loss)/profit on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30 per cent. (2004/2003 – 30 per cent.)	(247,357)	85,524	272,967
Effects of:			
Disallowed expenses and non-taxable income	27,068	50,491	46,709
Decelerated/(accelerated) capital allowances	19,593	7,140	(10,756)
Marginal rate relief	–	(8,146)	(2,114)
Adjustment in respect of prior year	(11,520)	–	7,918
Losses brought forward and utilised	76,763	(13,375)	–
Losses carried forward	–	–	257
Rate differences on losses carried back	5,214	–	–
Rate differences between UK and Irish tax	3,676	–	361
Non-taxable share of associate's loss	55,332	(79,878)	2,047
Movement in short term timing differences	–	(27,685)	(15,000)
Current tax (charge)/credit for the period	(71,231)	14,071	302,389

6. Dividends

	2003 £	2004 £	2005 £
Equity dividends on ordinary shares:			
Dividend paid	–	–	150,000

7. Investments	Associate undertakings	Unlisted investment	Total
	£	£	£
Cost at 1 January 2005	573,699	13,469	587,168
Additions	329,787	–	329,787
Share of loss in associates	(6,824)	–	(6,824)
Transfer from provisions for liabilities and charges	(24,586)	–	(24,586)
Cost at 31 December 2005	872,076	13,469	885,545

The analysis of investments in associate undertakings is as follows:

	Cost	Share of associates' results	Transfer to provisions for liabilities and charges	Total 2005	Total 2004
	£	£	£	£	£
At 1 January	988,926	(517,684)	102,457	573,699	300,000
Additions	329,787	–	–	329,787	688,926
Share of loss in associates	–	(6,824)	–	(6,824)	(517,684)
Transfer from provisions for liabilities and charges	–	–	(24,586)	(24,586)	102,457
	1,318,713	(524,508)	77,871	872,076	573,699

8. Stock	2004	2005
	£	£
Stock of Secondary Life Policies	4,224,621	1,331,876

The difference between purchase price and replacement cost is not material.

9. Debtors	2004	2005
	£	£
Trade debtors	992,500	866,329
Prepayments and accrued income	208,899	222,222
Other debtors	2,271,148	2,041,330
Amounts due from associates	494,965	437,541
Corporation tax recoverable	–	7,984
Deferred tax asset	37,989	23,199
	4,005,501	3,598,605

Included in other debtors is an amount of £1,520,838 which is due after more than one year (2004 – £1,859,965). Also included in other debtors is a £1,210,000 loan to a third party with common directors to Portfolio Design Group International Limited. The loan is repayable in instalments and in the event of default Portfolio Design Group International Limited can elect to take up shares in exchange for the total amount of the loan outstanding at the time of the event of default.

The deferred tax asset arises due to depreciation charges being in excess of capital allowances.

10. Creditors: amounts falling due within one year	2004	2005
	£	£
Obligations under finance leases and hire purchase contracts	15,497	25,905
Bank overdrafts	6,091,134	2,351,133
Trade creditors	41,813	116,871
Accruals	226,269	131,343
Current corporation tax	14,071	302,455
Other taxes and social security costs	93,699	176,509
Other creditors	366,627	447,669
Shareholders loan	1,000,000	–
	7,849,110	3,551,885

The PDGI bank overdraft is secured by a debenture debt dated 22 November 2002 for all monies due or to become due from PDGI in favour of The Royal Bank of Scotland International Limited. The debenture incorporates fixed and floating charges over the undertakings and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures and plant and machinery. Surrenda-link Limited's bank facility is secured inter alia by a debenture dated 27 March 2004 for all monies due or to become due from Surrenda-link Limited and its parent company in favour of The Royal Bank of Scotland International Limited. Surrenda-link Limited entered into a security interest agreement on 24 January 2005 for a 'charge over cash' in support of the guarantee given over PDGI Limited bank borrowing. At 31 December 2005 Surrenda-link Limited held cash at bank amounting to £1,880,185 (2004 – £2,873,921), PDGI Limited bank borrowings amounted to £2,351,133 (2004 – £6,091,134). In addition, at 31 December 2005 the majority of traded endowment policies are assigned to the bank in the event of default on the facility agreement. The bank overdraft is at an interest rate which fluctuates mainly dependent upon base rate plus a fixed margin.

11. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Profit and loss account	Total
	£	£	£
At 31 December 2002	458,325	3,981,194	4,439,519
Loss for the year	–	(753,247)	(753,247)
Exchange differences on retranslation of net assets of subsidiary undertaking	–	(750)	(750)
At 31 December 2003	458,325	3,227,197	3,685,522
Profit for the year	–	278,516	278,516
At 31 December 2004	458,325	3,505,713	3,964,038
Profit for the year	–	592,711	592,711
Dividends	–	(150,000)	(150,000)
Exchange differences on retranslation of net assets of subsidiary undertaking	–	(325)	(325)
At 31 December 2005	458,325	3,948,099	4,406,424

12. Notes to the statement of cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	2005 £
Operating profit	1,087,199
Depreciation	102,306
Profit on disposal of tangible fixed assets	(22,573)
Amortisation of goodwill	–
Provision against fixed asset investments	24,586
Decrease in debtors	62,319
Decrease in stocks	2,892,745
Increase in creditors	143,984
Decrease in other provisions	(24,586)
Share of profit of associate	(10,857)
Interest paid by associate	17,681
Exchange gain in cash, liquid resources and loans	(325)
Net cash inflow from operating activities	4,272,479

(b) Analysis of cash flows from heading netted in the cash flow statement

	2005 £
Returns on investments and servicing of finance	
Interest paid	(176,983)
Interest element of finance lease rental payments	(326)
Interest received	–
Dividend paid to minority interest	–
	(177,309)
Taxation	
Corporation tax paid	(14,005)
Capital expenditure and financial investments	
Purchase of tangible fixed assets	(109,595)
Receipts from disposal of tangible fixed assets	48,750
Purchase of investments	–
	(60,845)
Equity dividends paid	
Dividends paid	(150,000)
Financing	
Repayment of capital element of finance leases and hire purchase contracts	(24,002)
Net movement in short term borrowings	(1,000,000)
	(1,024,002)

(c) Analysis of net debt:

	At 1 January 2005 £	Cash flows £	Other £	Exchange movement £	At 31 December 2005 £
Cash at bank and in hand	2,897,933	(893,683)	–	–	2,004,250
Bank overdraft	(6,091,131)	3,740,001	–	–	(2,351,133)
Finance leases	(15,497)	24,002	(51,810)	–	(43,305)
Shareholder loans	(1,000,000)	1,000,000	–	–	–
	(4,208,698)	3,870,320	(51,810)	–	(390,188)

13. Contingent liabilities and guarantees

PDGI has given The Royal Bank of Scotland International Limited a limited guarantee of £400,000 in respect of third party with common directors' to the company.

PDGI has given a limited guarantee of £400,000 in respect of security on a loan to Hart Marketing Services Limited.

Surrenda-link Limited's bank facility is secured inter alia by a debenture dated 27 March 2003 for all monies due or to become due from Surrenda-link Limited and PDGI Limited in favour of The Royal Bank of Scotland International Limited. Surrenda-link Limited entered into a security interest agreement during the year for a 'charge over cash' in support of the guarantee given over the PDGI bank borrowing.

14. Related party transactions

Group

The company has taken advantage of the exemptions in FRS8 from disclosing transactions with related parties that are part of the Portfolio Design Group International Limited.

Investment Advisory fees of £1,283,221 were earned from a fund management company, a company with some common shareholders to PDGI Limited. At 31 December 2005, £1,482 remains outstanding.

During the year, Surrenda-link Limited earned £224,824 (2004-£615,115) from TEP Exchange Group Plc, an associate company. A loan of £40,000 (2004-£40,000) to the TEP Exchange Group Plc was outstanding at the year end. The total balance owing from the TEP Exchange Group Plc at the year end was £228,436 (2004-£427,680).

Surrenda-link Limited recharged administrative fees in relation to purchase of policies to Morex Commercial Limited, a company with a common director, totalling £5,058. The balance outstanding at the year end was £Nil. In addition, Surrenda-link Limited paid Morex Commercial Limited £15,708 in the year, in relation to commission received for the sale of Morex Commercial Limited policies by Surrenda-link Limited. The balance outstanding at the year end was £Nil.

Surrenda-link Limited paid rental expenditure to a Property Investment company with some common shareholders, of £53,012 during the year. The balance outstanding at the year end was £Nil.

In 2005, the company paid promotional expenditure of £7,200 (2004 – £7,200) to Mr C Sands, son of Mr Paul Sands who is a director of Surrenda-link Limited.

Group and Company

Portfolio Design Group loaned additional monies during the year to Hart Marketing Services Limited and its subsidiaries of £242,576. Hart Marketing Services Limited is 34.81 per cent. owned by Portfolio Design Group. £437,541 is included in the financial statements as being owed to Portfolio Design Group by Hart Marketing Services Limited and its subsidiaries at 31 December 2005.

Mr David Roxburgh, a director of the company, is a director of Fitzwilton Limited. Fitzwilton (UK) plc, a subsidiary of Fitzwilton Limited, has a 36 per cent. holding in Portfolio Design Group International Limited. Fitzwilton Limited are paid a fee of £25,000 (2004 – £25,000) for providing the services of Mr David Roxburgh.

Mr Philip Mortlock a director of the company, acts as a consultant for BP March & Partners Limited which retains a 20 per cent. holding through Marsh Insurance Holdings Limited in Portfolio Design Group. BP March & Partners Limited is paid a fee of £29,375 for providing services.

Mr John Murphy who has a 7 per cent. 'A' ordinary shareholding in the company received consulting fees amounting to £46,741 (2004 – £43,389) in respect of administrative services provided throughout the year.

During the year policy purchases totalling £Nil (2004-£624,601) were made on an arms length basis from Morex Commercial Limited, a company with common directors to that of Portfolio Design Group International Limited.

Section B: Information on Close Horizons

1. Background information on Close Horizons

(a) *Description of business*

The principal activities of Close Horizons are the buying and selling of secondary life policies on behalf of Secured Profits Fund Limited.

(b) The registered office of Close Horizons is 1 Castle Street, Castletown, Isle of Man, IM9 1LF.

2. Shareholders of Close Horizons

Close Horizons is a wholly owned subsidiary of New Horizons which is an investment holding company with no other subsidiaries.

Principal shareholdings in New Horizons are as follows:

	At 31 December 2005	
	Number of Ordinary Shares	Percentage of share capital
Fitzwilton Ltd. (Dublin)	23,575	36.01
Michael George Semple	13,343	20.38
Marsh Insurance Holdings Limited	13,100	20.01
(Cuthbert) Paul Sands	6,300	9.62
John Murphy	4,500	6.87
Copperwood Nominees Ltd. (IOM)	2,857	4.36

Michael George Semple and (Cuthbert) Paul Sands are directors of, and John Murphy is a consultant to, Portfolio Design Group, which wholly owns Surrenda-link. Fitzwilton Ltd. wholly owns Fitzwilton (U.K.) PLC. Fitzwilton (U.K.) PLC wholly owns Wood & Wood International Signs Limited (a designer and manufacturer of signs for customers in the retail, leisure and other sectors) and is also engaged in leasing investment properties in Northern Ireland. David Roxburgh, a director of the Company, is also a director of Fitzwilton (U.K.) PLC. For the year ended 31 December 2005, Fitzwilton had a net turnover of £5,617,000 (2004: £5,723,000), a loss after taxation of £2,917,000 (2004: (£2,509,000) and net liabilities of £99,933,000 (2004: £96,629,000). Included within net liabilities is the sum of £111,305,000 (2004: £109,916,000) owed to companies within the Fitzwilton group of companies.

Marsh Insurance Holdings Limited's ("Marsh") principal activity is to act as an investment holding company. As Marsh is solely an investment company, it has not produced turnover for previous accounting periods. For the year ended 31 January 2006, Marsh had a profit after taxation of £79,970 (2004: £121,340) and net assets of £15,747,805 (2004: £16,016,114).

3. Directors of Close Horizons

The Directors of Close Horizons are as follows:

(Cuthbert) Paul Sands
Michael George Semple
Shaun Ferguson Cairns
Michael Guy Gisborne

4. Material Contracts

Close Horizons has not entered into any contracts, not being contracts entered into in the ordinary course of business, in the two years preceding the date of this document which are, or may be, material.

5. Basis of information

The financial information contained in this Part V does not constitute statutory accounts within the meaning of section 240 of the Act and has been extracted without material adjustment from the audited accounts of Close Horizons (formerly Surrenda-link (IOM) Limited) for the three years ended 31 December 2003, 31 December 2004 and 31 December 2005.

Profit and loss account

For the 31 December 2005

	Notes	2003 £	2004 £	2005 £
Turnover	2	157,552	150,859	135,469
Cost of sales		(70,500)	(12,000)	(22,500)
Gross profit		87,052	138,859	112,969
Administrative expenses		(55,059)	(57,812)	(55,786)
Operating profit	3	31,993	81,047	57,183
Bank interest payable and similar charges		(42,212)	(41,569)	(41,945)
(Loss)/profit on ordinary activities before taxation		(10,219)	39,478	15,238
Taxation charge	4	(10,132)	(7,909)	(11,340)
(Loss)/profit for the financial year	11	(20,351)	31,569	3,898

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £3,898 in the year ended 31 December 2005 (2004 – £31,569; 2003 – (£20,351)).

Balance Sheet

At 31 December 2005

	Notes	2005 £
Fixed assets		
Tangible fixed assets	5	1,083,663
Investments	6	45,000
		1,128,663
Current assets		
Debtors	7	38,888
Cash at bank and in hand		334,947
		373,835
Creditors: amount falling due within one year	8	129,109
Share capital repayable on demand		30,002
Net current assets		214,724
Total assets less current liabilities		1,343,387
Creditors: amounts falling due after more than one year	9	537,589
Net assets		805,798
Capital and reserves		
Called up share capital	10 & 11	4,998
Revaluation reserve	11	27,700
Profit and loss account	11	773,100
Shareholders' funds	11	805,798

Notes to the financial statements

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold properties and in accordance with United Kingdom accounting standards.

Investments

Fixed asset investments are shown at cost less provision for impairment.

Fixed assets

All fixed assets are initially recorded at cost, freehold properties owned by the company as at 9 October 2003, were revalued at the open market value, with the revaluation surplus having been taken to the revaluation reserve.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value of each asset evenly over its expected useful life, as follows:

Freehold Properties – 50 years

No depreciation is provided in the year of addition.

The carrying value of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

2. Turnover

Turnover comprises management fees and services supplied by the company exclusive of VAT.

The analysis of the turnover by activity and other segmental information has been omitted because in the opinion of the directors the disclosure of such information would be seriously prejudicial to the interests of the company.

3. Operating profit

This is stated after charging:

	2003	2004	2005
	£	£	£
Depreciation of owned assets	23,784	23,784	23,784

The audit fees are paid by the shareholders of the company.

4. Taxation

(a) *Tax on profit/(loss) on ordinary activities*

The tax charge is made up as follows:

	2003 £	2004 £	2005 £
UK Income tax			
Current year income tax charge	10,132	14,446	14,952
Adjustment in respect of prior year	–	(6,537)	(3,612)
	<u>10,132</u>	<u>7,909</u>	<u>11,340</u>

The company is exempt from Isle of Man income tax under the Isle of Man Income Tax (Exempt Companies) Act 1984.

(b) *Factors affecting tax charge for the period*

The differences are reconciled below:

	2003 £	2004 £	2005 £
Profit on ordinary activities before taxation	(10,219)	39,478	15,238
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22 per cent.	(2,248)	8,685	3,352
Effects of:			
Disallowed expenses and non-taxable income	(12,380)	5,761	11,600
Adjustment in respect of prior year	–	(6,537)	(3,612)
	<u>(10,132)</u>	<u>7,909</u>	<u>11,340</u>

5. Tangible fixed assets

	Freehold properties £
Cost or valuation	
At 1 January and 31 December 2005	1,188,803
Depreciation	
At 1 January 2005	81,356
Charge for the year	23,784
At 31 December 2005	105,140
Net book value	
At 31 December 2005	1,083,663
At 1 January 2005	1,107,447

On 9 October 2003 the freehold properties were valued at their open market value by DTZ Debenham Tie Leung. The depreciation charge is based on the revalued amount from the date of valuation.

On the historical cost basis, freehold properties would have been included as follows:

	£
Cost	
At 1 January and 31 December 2005	1,161,103
Cumulative depreciation based on cost	
At 1 January 2005	84,750
At 31 December 2005	108,000

6. Investments	Unlisted £
<i>Cost</i>	
At 1 January and 31 December 2005	192,360
<i>Amounts provided</i>	
At 1 January 2005	124,860
Amounts impaired during year	22,500
At 31 December 2005	147,360
<i>Net book value</i>	
At 31 December 2005	45,000
At 1 January 2005	67,500

Unlisted Investment

The unlisted investment relates to 7,500,000 shares in TEP Exchange Group plc (3.92 per cent.) at £45,000 net book value.

7. Debtors	2004 £	2005 £
Trade debtors	402	–
Amounts owed to parent undertaking	35,100	35,100
Prepayment and accrued income	8,305	3,788
Other debtors	4,361	–
	48,168	38,888

8. Creditors: amounts falling due within one year	2004 £	2005 £
Corporation tax	13,343	7,931
Bank loan	69,231	69,231
Accruals	28,430	24,197
Deferred income	27,750	27,750
	138,754	129,109

9. Creditors: amounts falling after more than one year	2004 £	2005 £
Bank Loan (i)	190,792	170,811
Bank Loan (ii)	481,374	436,009
	672,166	606,820
Less: included in creditors: amounts falling due within one year	69,231	69,231
	602,935	537,589

(i) The bank loan is repayable over 10 years at a variable rate of interest commencing 30 April 2004. Repayments will be adjusted annually to ensure that the loan will be repaid within 10 years.

(ii) The bank loan is repayable over 10 years at a variable rate of interest commencing 30 April 2004. Repayments will be adjusted annually to ensure that the loan will be repaid within 10 years.

The bank loans are secured by way of a first fixed charge over the buildings held by Close Horizons.

10. Reserves

	Share premium £	Property revaluation reserve £	Profit and loss account £
As at 1 January 2004	29,999	27,700	737,663
Profit for the year	–	–	31,569
At 31 December 2004	29,999	27,700	769,232
Profit for the year	–	–	3,898
At 31 December 2005	29,999	27,700	773,130

11. Reconciliation of movements on shareholders' funds

	Share capital £	Property revaluation reserve £	Profit and loss account £	Total £
At 31 December 2002	35,000	27,700	757,984	820,684
Loss for the year	–	–	(20,351)	(20,351)
At 31 December 2003	35,000	27,700	737,633	800,333
As previously reported	35,000	27,700	737,633	800,333
Prior year adjustment	(30,002)	–	–	(30,002)
As restated	4,998	27,700	737,633	770,331
Profit for year	–	–	31,569	31,569
At 31 December 2004 – restated	4,998	27,700	769,202	801,900
Profit for year	–	–	3,898	3,898
At 31 December 2005	4,998	27,700	773,100	805,798

In accordance with the revisions imposed by Financial Reporting Standard No. 25 (Financial Instruments: Disclosure and Presentation) the preference share capital, and the related premium totalling £30,002 is regarded as similar to non-interest bearing loans payable on demand and have been reclassified as creditors due within one year in the balance sheet. Comparative figures have been restated accordingly.

12. Related party transactions

Mr John Murphy, a shareholder in the parent undertaking, received consultancy fees amounting to £10,000 (2004 – £5,000).

Mr Michael Semple, a director of the company, received consultancy fees amounting to £15,000 (2004 – £15,000).

The company received rental income during the year of £53,012 from Surrenda-link Limited. Surrenda-link and Close Horizons have common directors. No amounts were outstanding at the balance sheet date.

Part VI

Additional Information

1. Responsibility

- 1.1 The Directors, whose names appear on page 9 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules but excluding the Independent Directors' Recommendation contained in Part I of this document and the information contained in this document about Surrenda-link. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Independent Directors, whose names appear on page 9 of this document, accept responsibility for the Independent Directors' Recommendation contained in Part I of this document. To the best of the knowledge of the Independent Directors (who have taken all reasonable care to ensure that such is the case) the Independent Directors' Recommendation contained in Part I of this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 The directors of each member of the Concert Party accept responsibility for the information contained in this document which relates to itself. To the best of the knowledge and belief of the directors of each member of the Concert Party (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors and other interests

- 2.1 The interests (all of which are beneficial unless stated otherwise) of the Directors and their immediate families and of persons connected with them (within the meaning of Section 346 of the Act) which have been notified to the Company pursuant to Sections 324 and 328 of the Act or are required to be disclosed in the Register of Directors' interests pursuant to section 325 of the Act in the issued share capital of the Company and the existence of which is known to, or could with reasonable due diligence be ascertained by, any Director as at the date of this document and as they are expected to be upon completion of the Proposals are as follows:

Name	At the date of this document		On Admission	
	Number of Existing Ordinary Shares	Percentage of Existing Ordinary Shares	Number of New Ordinary Shares	Percentage of Enlarged Issued Ordinary Share Capital
George Kynoch	324,167	0.14	468,241	0.12
Paul Sands*	–	–	–	–
Abraham Weitz **	–	–	10,000,000	2.50
Moses Kraus***	22,034,698	9.81	23,423,586	5.86
David Roxburgh	–	–	–	–

*Paul Sands owns 44,100 ordinary shares in PDGI representing 9.62 per cent. of PDGI's issued share capital and 6,300 ordinary shares in New Horizons representing 9.62 per cent. of New Horizons' issued share capital.

**Following Admission, these ordinary shares will be held by PINVEX, a company which Mr Weitz controls.

***Of these shares, Mr Kraus holds 3,125,000 ordinary shares. The remaining shares are held by the M Kraus Family Foundation pursuant to the terms of which Mr Kraus and his family are potential beneficiaries. Assumes the M Kraus Family Foundation will not take up its entitlement under the Open Offer.

- 2.2 Save as set out in paragraph 2.1 above, at the date of this document and immediately following Admission so far as the Directors are aware, the only persons who are or will be directly, or indirectly interested in more than three per cent. of the issued share capital of the Company are as follows:

Name	At the date of this document		On Admission*	
	Number of Existing Ordinary Shares	Percentage of Existing Ordinary Shares	Number of New Ordinary Shares	Percentage of Enlarged Issued Ordinary Share Capital
Surrenda-link	100,671,279	44.83	211,261,557	52.82
Mr Zwi Holles, Transcontex AG	18,602,858	8.28	18,602,858	4.65
Close Horizons	7,500,000	3.34	20,833,333	5.21

*Assuming that no Shareholders take up their entitlement under the Open Offer

- 2.3 On 29 August 2001, the Company entered into a letter of appointment with Drumduan Associates, to provide the services of George 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 (exclusive of VAT) of £25,000. In the event that Mr Kynoch is required to provide his services in excess of 3 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.
- 2.4 Mr Sands has a service agreement dated 15 February 2007. The service agreement continues until terminated by either party giving not less than three months' written notice. Mr Sands is entitled to a fee of £5,000 per annum in the event that the Company achieves profits of at least £50,000 per annum.
- 2.5 Mr 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). In the 2007 financial period Mr Weitz will receive a monthly fee of £600, £300 per month of which is payable in lieu of fees not paid during the course of 2006.
- 2.6 Mr 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.
- 2.7 Save as disclosed in paragraphs 2.3 to 2.6 (inclusive) 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.

3. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by any member of the Group in the two years preceding the date of this document which are, or may be, material:

- 3.1 John East & Partners, as agent for the Company, issued the Placing Letters to each of the Placees on 14 February 2007 in respect of the conditional placing of up to 175,456,573 Placing Shares at the Placing Price. The Placing Letters prescribed that the placement of Placing Shares to the Placees was subject to the claw-back by Qualifying Shareholders in respect of the issue of up to 99,797,077 New Ordinary Shares under the Open Offer. The Placing commitments are conditional on the due passing without amendment of the resolutions at the EGM and admission of the Enlarged Issued Ordinary Share Capital having become effective by 15 March 2007.
- 3.2 An engagement letter dated 1 December 2006 from John East & Partners, addressed to the Company, pursuant to which John East & Partners was appointed to act, *inter alia*, as financial adviser to the Company in respect of the Proposals. John East & Partners will receive a corporate finance fee of £25,000 plus VAT and expenses.
- 3.3 Deeds of undertaking dated 15 February 2007 pursuant to which each of Surrenda-link, Close Horizons and SGI have undertaken not to dispose of or otherwise deal with the Placing Shares subscribed by them for a period of 18 months from Admission other than on an orderly marketing basis. The restrictions will not apply in the event of an intervening court order, a takeover becoming or being declared unconditional, the acceptance of an offer for the Company (for which they may give an irrevocable undertaking to accept) or a sale to an offeror or certain other circumstances.
- 3.4 Pursuant to deeds of undertaking dated 15 February 2007, Moses Kraus and George Kynoch have each undertaken, in respect of the 3,125,000 and 324,167 Existing Ordinary Shares held by them respectively, to vote in favour of the resolutions set out in the notice of EGM and to take up their entitlements under the Open Offer.
- 3.5 Pursuant to the terms of an undertaking dated 15 February 2007, each member of the Concert Party has irrevocably undertaken to abstain from voting on Resolution 3 at the EGM.
- 3.6 A relationship agreement between Surrenda-link, the Company and John East & Partners, pursuant to which Surrenda-link has undertaken, *inter alia*, that the relevant members of the Surrenda-link group of companies will exercise their voting rights so as to ensure (so far as they are able by the exercise of such rights) the continued independence of the majority of the Board, that any transactions between persons or companies controlled by Surrenda-link (to the extent that there are any such transactions in the future) will be at arms' length, and that they will not vote (as shareholder or director) in relation to any such transaction. The agreement continues to apply whilst Surrenda-link and connected persons hold in excess of 50 per cent. of the voting rights.

3.7 *The Surrenda-link Agreement*

The agreement supersedes and replaces the Original Agreement entered into between TEP and Surrenda-link relating to the TEP Exchange dated 13 December 2002. Under the terms of this agreement, Surrenda-link shall continue to be responsible for the day to day operations of the TEP exchange, supporting and maintaining the availability of the TEP website and the TEP exchange and ensure that the terms and conditions of the same are displayed at all times on the TEP website. Either party may propose the development of additional products for use on the TEP website and exchange.

The agreement sets out certain minimum service levels required by TEP that must be met regarding the TEP site including site availability, network services, back ups and call centre services. If this minimum service level is not met (and is incapable of remedy by Surrenda-link) then TEP shall be entitled to terminate the agreement immediately on notice in writing to Surrenda-link.

A variable fee is payable to Surrenda-link, quarterly in arrears, based on the percentages of the total amounts invoiced to TEP end-users in respect of their use of the exchange, less VAT and other sales taxes ranging from 60 per cent. to 85 per cent. based on the level of sales turnover. Surrenda-link is also entitled to receive a commission equal to 33.3 per cent. of turnover from sales generated by TEP GmbH. However, in respect of the financial year ending 31 December 2007 the variable fee on the non-TEP GmbH generated sales will amount to between 39 per cent. and 55.25 per cent. of sales but Surrenda-link will be entitled to receive 50 per cent. of the profit before tax of the Company, in respect of the period, in excess of £150,000.

Surrenda-link shall pay TEP up to £20,000 each quarter in respect of corporate costs including insurance premiums, non-executive directors' fees, advisers' fees, FSA compliance costs, stock exchange annual charges, corporate legal costs, statutory audit and corporate tax compliance expenses, professional fees and travel and motor expenses (incurred in attending board meetings). TEP shall use its reasonable endeavours to minimise its corporate costs. This funding is repayable out of TEP's share of the income from the business.

During the term of the agreement and solely for the purposes of the provision of the TEP services, TEP grants to Surrenda-link a non-exclusive, royalty free, non-transferable worldwide licence to use, reproduce, distribute, display and transmit the TEP branding (in particular, the TEP trade marks) and TEP content. TEP also grants to Surrenda-link a non-exclusive royalty-free, non-transferable world wide licence to use the TEP software for the purposes of the provision of the TEP services. All intellectual property rights of whatever nature in any works, data, documents or material of any kind produced, created or developed by Surrenda-link in the provision of the TEP services or the TEP additional products shall vest in and belong to TEP.

The agreement contains mutual undertakings regarding the provision of services and maintenance of necessary licences etc.

The maximum amount of liability for each party shall not exceed £500,000. Surrenda-link shall at all times for the term of the agreement maintain professional indemnity insurance of no less than £500,000.

The agreement continues until 31 December 2008 and thereafter shall be terminable by either party giving six months' written notice to the other party. The agreement may be terminable at any time in the case of unremedied material breach, an insolvency event, any other process levied or enforced against the property of either party, there is a likelihood of the other party ceasing to trade within 14 days or the failure of either party to gain the necessary authorisation from the FSA to provide or receive the TEP services. TEP only, shall be entitled (but not obliged) to terminate the agreement immediately on written notice to Surrenda-link if aggregate total sales turnover in two consecutive quarters is less than £60,000.

3.8 *The PINVEX Agreement*

The agreement is for a fixed term of five years, subject to early termination.

The Company will display advertisements for the PINVEX products and services on the TEP website, subject to certain terms and conditions. TEP undertakes not to advertise property related products the same as or similar to the PINVEX products advertised on the TEP website.

PINVEX agrees to develop the first product under the agreement so that it is ready to be launched within 12 months from the date of the PINVEX Agreement. The Company will permit PINVEX and IFAs to access the TEP website for the purposes of communicating with each other in respect of the products. The parties may agree that additional products are developed, launched and advertised on the TEP website from time to time.

PINVEX shall pay the Company a commission on products sold to IFAs sourced through the Company's website or the Company's call centre. The commission is a variable amount ranging between £250 and £400 per product sold. For additional products and services, the Company will be entitled to a commission at a rate to be agreed.

The agreement contains certain representations and warranties from PINVEX as to the permissibility of the promotion of its products and disclosure of information. The liability of each party towards the other in connection with the PINVEX Agreement is limited to £100,000. However, this is supplemented by a general indemnity from PINVEX in favour of the Company. The Company shall not be liable to PINVEX in connection with any disruption to the operation of the website.

The Company grants PINVEX a non-exclusive royalty fee, non-transferable worldwide licence to use the TEP branding on the PINVEX website.

- 3.9 The terms of the SGI Warrant Instrument and the PINVEX Warrant Instrument are almost identical with the only material exception being their respective exercise rights, which are described below.

Subscription Rights

By resolution of the Board passed on 14 February 2007, the Company agreed, conditionally, to issue Warrants to subscribe for up to 35,000,000 New Ordinary Shares in cash at the Placing Price to SGI and PINVEX. Each Warrant shall confer on the Warrantholder the right to subscribe in cash for New Ordinary Shares which shall be issued to the Warrantholder or such person as the Warrantholder may direct. No application will be made for the Warrants to be listed or dealt on any recognised investment exchange. New Ordinary Shares issued on exercise of warrants will qualify for all dividends and distribution declared, made or paid after their date of issue.

Exercise of the Warrants

(i) SGI Warrant Instrument

The Warrant may only be exercised if the income of the Company and TEP GmbH arising on the sale of endowment policies of clients introduced by SGI in each of any two consecutive financial years over the five years commencing 1 January 2007 and ending 31 December 2011 exceeds £250,000 per annum. For this purpose, income is calculated by taking the commission invoiced in the relevant financial period and deducting therefrom and after making provision for bad or doubtful debts.

(ii) PINVEX Warrant Instrument

The Warrant may only be exercised if the income of the Company arising under the PINVEX Agreement in each of any two consecutive financial years over the five years commencing 1 January 2007 and ending 31 December 2011 exceeds £100,000 per annum. For this purpose, income is calculated by taking the commission invoiced under the PINVEX Agreement in respect only of commissions arising in respect of property-related products in the relevant financial period and deducting therefrom and after making provision for bad or doubtful debts thereunder.

In each case, 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 immediately.

Variation of Capital

Upon any sub-division or consolidation of the New Ordinary Shares the nominal amount of the New Ordinary Shares to be subscribed on any exercise of the Warrant shall be adjusted in due proportion so that they carry, as nearly as possible, the same proportion of voting rights and rights to participate in profits and assets of the Company as they did before the sub-division or consolidation of the New Ordinary Shares. On any such sub-division or consolidation, the auditors for the time being of the Company shall report that in their opinion the appropriate adjustments have been made.

If, on any date at which the subscription rights are valid, the Company makes an offer or invitation, or any offer or invitation is made to the holders of New Ordinary Shares otherwise than by the Company, then the Company shall, so far as it is able procure that each Warrantholder be entitled to exercise their remaining subscription rights so as to take effect as if they had exercised the subscription rights immediately prior to the record date of such offer.

Takeovers

If at any time an offer or invitation is made by the Company to the holders of New Ordinary Shares for the purchase by the Company of any of its New Ordinary Shares, the Company shall simultaneously give notice to each Warrantholder who shall be entitled at any time, subject to satisfaction of the relevant performance condition, to exercise its subscription rights as if they had been exercised immediately prior to the record date of such offer or invitation.

If at any time an offer is made to all holders of New Ordinary Shares to acquire the whole or part of the issued share capital of the Company and the Company becomes aware that as a result of such an offer the right to cast a majority of votes has or will become vested in the offeror, the Company shall give notice to each Warrantholder who will be entitled, subject always to the previous satisfaction of the relevant performance condition, to exercise its subscription rights under the Warrant so as to take effect as if they had been exercised immediately prior to the offer.

Nothing in these conditions operates to prevent the Company purchasing any of its New Ordinary Shares for the time being in issue on such terms as it may think expedient or requires the sanction of any extraordinary resolution of the Warrantholders for any such purchase.

Winding Up

If, prior to the end of the expiry of the subscription period an order is made or an effective resolution is passed for winding up the Company, the Warrantholders, subject always to the previous satisfaction of the relevant performance condition, shall participate in any surplus to be distributed to New Ordinary Shareholders as if they already held New Ordinary Shares pursuant to the exercise of the Warrants but after taking into account the exercise price which would otherwise be required to have been paid in respect of the New Ordinary Shares.

Transfer and Transmission of Warrants

Each Warrant may only be transferred in whole by an instrument of transfer or in any other usual form, or other manner approved by the Directors. Subject as aforesaid the provisions of the Articles regarding transfers of Ordinary Shares shall apply *mutatis mutandis* to transfers of Warrants.

Supplementary Protection

The Company shall, at all times prior to the end of the subscription period, keep available for issue sufficient authorised but unissued share capital to satisfy, in full, the remaining subscription rights. The Company shall not without the sanction of an extraordinary resolution modify rights attaching to any of the New Ordinary Shares, whether issued or unissued, which may have a materially adverse effect on the subscription rights of the Warrantholders. All or any of the rights attaching to the Warrants may be altered or abrogated with the prior sanction of an extraordinary resolution of the Warrantholders.

4. Taxation

The following paragraphs include advice received by the Directors about the tax position of Shareholders who are resident or ordinarily resident in the UK for tax purposes and who hold their ordinary shares as investments and not as an asset of a financial trade. The statements below are intended only as a general guide and do not constitute advice to any Shareholder on his or her personal tax position and may not apply to certain classes of investor (such as dealers or UK insurance companies) and are based on current legislation and the practice of HM Revenue & Customs. **Any investor who is in doubt as to his or her tax position and in particular, those who are subject to taxation in a jurisdiction other than the United Kingdom, are strongly advised to consult his or her professional adviser.**

4.1 *Taxation of the Company*

The Company will be liable to UK Corporation Tax, the rate of which depends on the level of its profits. For each accounting period where the Company's taxable profits exceed the top level threshold (currently £1,500,000) the Company will be liable to UK Corporation Tax at the rate of 30 per cent. of its taxable profits. The threshold of £1,500,000 is divided equally between the Company and any other companies associated with it at any time during the accounting period. Where the taxable profits of the Company and its associated companies for an accounting period are less than £1,500,000 these are taxed at the rate of 19 per cent. on taxable profits of £300,000 or less with the rate increasing up to 30 per cent. on profits of £1,500,000.

4.2 *Taxation of Dividends*

Under current UK tax legislation, no tax is required to be withheld from dividend payments by the Company.

A UK resident Shareholder who is an individual will be entitled on receipt of a dividend to a notional tax credit equal to one ninth of the net dividend (i.e. one tenth of the aggregate of the net dividend and associated tax credit).

The rate of income tax payable on such dividends by a UK individual Shareholder whose total income, including the dividend and the associated tax credit, falls within the threshold for lower or basic rate tax is 10 per cent. Accordingly, the tax credit will discharge such Shareholder's liability to UK income tax on the dividend. To the extent that the tax credit exceeds that Shareholder's liability to UK income tax, such Shareholder will not be entitled to claim payment of the excess from HM Revenue & Customs.

The rate of income tax payable on such dividends by a UK individual Shareholder whose total income, including the dividend and associated tax credit, falls above the threshold for higher rate tax, is 32.5 per cent, which taking into account the 10 per cent. tax credit gives an effective rate of tax of 25 per cent. on the actual received dividend.

4.3 ***Inheritance Tax (“IHT”) Relief***

Unquoted ordinary shares in a qualifying trading company such as the Company ordinarily qualify for 100 per cent IHT Business Property Relief provided they have been held for two years prior to the event giving rise to IHT. Shares traded on AIM are regarded as unquoted for these purposes and are therefore in principle eligible for IHT Business Property Relief (subject to the Company meeting all of the relevant qualifying conditions).

4.4 ***Capital gains tax – UK individuals***

The issue of the Offer Shares by the Company will be regarded as a reorganisation of the Company’s share capital for the purposes of UK tax on chargeable gains. Accordingly, a Qualifying Shareholder will not be treated as making a disposal of all or part of his corresponding holding of Existing Ordinary Shares by reason of taking up all or part of his rights of Offer Shares.

The Offer Shares issued and allotted to a Qualifying Shareholder, will, for the purposes of UK tax on chargeable gains be treated as having been acquired at the same time as the Qualifying Shareholder’s existing holding was acquired (save that, where an individual’s existing holding of Existing Ordinary Shares is treated for tax purposes as consisting of more than one asset, the Offer Shares acquired will be attributed pro rata to those existing assets). The amount of subscription monies paid for the Offer Shares will be added to the allowance expenditure for the Qualifying Shareholder’s existing holding(s).

In the case of a non-corporate Qualifying Shareholder indexation allowance will not be given in respect of amounts paid for the Offer Shares although it may be available for expenditure incurred before 1 April 1998 in respect of the Qualifying Shareholder’s existing holdings. For such a Shareholder after that date, indexation allowances will be replaced by a tapering relief which will reduce the amount of chargeable gain realised on a subsequent disposal of his shareholding, according taper. With effect from 6 April 2000, disposals of any shareholdings in unquoted qualifying trading companies will qualify as business assets, eligible for enhanced rates of taper relief. Shareholdings disposed of on or after 6 April 2002 qualify for the maximum rate after two years, reducing the effective capital gains tax rate to 10 per cent for a higher rate tax payer.

A disposal of shares is generally treated on a LIFO (last in, first out) basis for the purpose of calculating gains chargeable to tax.

4.5 ***UK corporate shareholders***

A Shareholder who is a UK resident company will in general not be liable to UK Corporation Tax on dividends received on its Ordinary Shares.

Chargeable gains – corporate shareholders

The above changes to the taxation of chargeable introducing taper relief gains do not apply to corporate Shareholders, to which share “pooling” and indexation rules will continue to apply. Indexation allowance will apply to the new amount paid for the Offer Shares only from the date the moneys for the Offer Shares are paid or are liable to be paid.

4.6 ***Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)***

4.6.1 The allotment and issue of New Ordinary Shares by the Company pursuant to the Open Offer will not give rise to a charge to stamp duty or SDRT.

4.6.2 Transfers of New Ordinary Shares will be liable to *ad valorem* stamp duty at the rate of 0.5p per cent of the actual consideration paid (subject to a minimum level of stamp duty of £5 and rounded up to the nearest £5). An unconditional agreement to transfer such shares will be subject to SDRT at the rate of 0.5 per cent of the consideration paid, payable by the seventh day of the month following the date of the agreement or if the agreement was conditional, the condition was satisfied. Liability to SDRT is generally that of the transferee.

4.6.3 Special rules apply to the agreements made by market makers in the ordinary course of their business, broker-dealers and certain other persons. Agreements to transfer shares to charities will not give rise to SDRT or stamp duty.

5. Litigation

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this document which may have or have had in the recent past significant effects on the Group's financial position or profitability.

6. Information required by the Code

Shareholdings, arrangements and dealings:

- 6.1 Save for the shareholding of the Concert Party in the Existing Ordinary Shares set out in paragraph 2.2 above, no member of the Concert Party nor any of their directors nor any member of their immediate families, any related trust nor any associate (as defined below), nor any connected persons (within the meaning of section 346 of the Act), nor any person acting in concert with such persons, owns or controls, or has borrowed or lent, or is interested in, or has any right to subscribe for, or any arrangement concerning, directly or indirectly, any of the Company's securities, nor has any such person dealt for value therein during the disclosure period or has any short position (whether conditional or absolute and whether in the money or otherwise), including a short position under a derivative or right to require any person to take delivery of any of the Company's securities.
- 6.2 Save as disclosed in paragraph 2.1, neither the Company nor the Directors nor any member of their immediate families (within the meaning of section 346 of the Act), nor any associate owns or controls or is interested in, or has any right to subscribe for, or any arrangement concerning, directly or indirectly, any Surrenda-link shares or Close Horizons shares or shares in the capital of any member of the Concert Party or securities convertible into shares or rights to subscribe for Surrenda-link shares or Close Horizons shares or shares in the capital of any member of the Concert Party, options (including traded options) in respect thereof and derivatives referenced thereto nor has any such person dealt for value therein during the disclosure period or has any short position or right to require any person to take delivery of any Surrenda-link shares or Close Horizons shares or shares in the capital of any member of the Concert Party. Neither Surrenda-link, nor Close Horizons nor any member of the Concert Party has borrowed or lent any of the Company's securities.
- 6.3 None of (i) the Directors; (ii) associates of the Company; (iii) the pension funds of the Company or of any associate of the Company; (iv) any employee benefit trust of the Company or of a company which is an associate of the Company; (v) any connected adviser to the Company or to a company which is an associate of the Company or any person acting in concert with the Directors; (vi) any person controlling, controlled by or under the same control as any connected adviser falling within (v) above (except for an exempt principal trader or an exempt fund manager; and (vii) any person who has an arrangement of the kind referred to in Note 6 on Rule 8 of the Code with the Company or with any person who is an associate of the Company; owns or controls or is interested in, or has any right to subscribe for, or any arrangement concerning, directly or indirectly, any the Company's shares or securities convertible into shares or rights to subscribe for the Company's shares, options (including traded options) in respect thereof and derivatives referenced thereto nor has any such person dealt for value therein during the disclosure period or has any short position or right to require any person to take delivery of any of the Company's shares.
- 6.4 None of the Directors or anyone acting in concert with the Company has borrowed or lent any of the Company's securities.
- 6.5 Definitions for the purposes of paragraph 6:
 - 6.5.1 an "associate" of the Company means any of: its subsidiaries, its fellow subsidiaries, its associated companies and companies of which any such subsidiaries or associated companies are associated companies;
 - 6.5.2 ownership or control of 20 per cent. or more of the equity share capital of the Company is regarded as the test of "associated company" status;
 - 6.5.3 "control" means a holding or aggregate holdings of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or holdings give de facto control;
 - 6.5.4 "connected adviser" means any organisation which is advising the Company or any associate of the Company (within the meaning of 6.5.1 above) or any person acting in concert with the Directors in relation to the Placing or any matter which is the reason for that person being a member of the relevant concert party, and a corporate broker to the Company other than one unable to act in connection with the Placing because of a conflict of interest;

- 6.5.5 “acting in concert” means the active co-operation by persons, pursuant to an agreement or understanding (whether formal or informal), to obtain or consolidate control of a company through the acquisition by any of them of its shares, and associates of a concert party are presumed to be acting in concert with it for the purposes of the Code (other than those acting in the capacity of an exempt fund manager or exempt principal trader under the Code);
- 6.5.6 “securities” of a company means shares in that company and any securities convertible into, rights to subscribe for, options (including traded options) in respect of, and derivatives referenced to, any such shares;
- 6.5.7 “derivative” includes any financial product whose value, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;
- 6.5.8 “interest” has the meaning given to it in the Code;
- 6.5.9 no agreement, arrangement or understanding (including any compensation arrangement) exists between any Director, recent director of TEP, Shareholder or recent shareholder of TEP having any connection with or dependence upon, or which is conditional upon, the Placing; and
- 6.5.10 There is no agreement, arrangement or understanding between any member of the Concert Party and any other person pursuant to which any New Ordinary Shares which they will acquire pursuant to the Placing will be transferred.
- 6.6 The Concert Party will finance the new cash element of the Placing out of their internal resources and there are no arrangements relating to payment of interest on, repayment of, or security for any liability (contingent or otherwise) which depend to any significant extent on the business of the Company.

7. Market Quotations

The following table shows the closing middle market quotations for the Existing Ordinary Shares as derived from the London Stock Exchange Daily Official List on each of the first dealing day of each month from 1 August 2006 to 15 February 2007, being the latest practicable date prior to the posting of this document;

	Existing Ordinary Share
1 August 2006	0.5p
1 September 2006	0.5p
2 October 2006	0.5p
1 November 2006	0.5p
1 December 2006	0.5p
2 January 2007	0.5p
1 February 2007	0.5p
15 February 2007	0.5p

8. General

- 8.1 The total cost and expenses payable by the Group in connection with the Proposals (including professional fees, commissions, the cost of printing and the fees payable to the registrars and John East & Partners) are estimated to amount to approximately £80,000.
- 8.2 Save as disclosed in Section A of Part IV of this document, there has been no material change in the financial or trading position of the Company since 31 December 2005, being the date to which the last audited accounts were drawn up.
- 8.3 There has been no material change in the financial or trading position of PDGI or Close Horizons since 31 December 2005, being the date to which their last audited accounts were drawn up.
- 8.4 John East & Partners has given and not withdrawn its written consent to the inclusion in this document of references to its name on the form and context in which they appear.

9. Documents

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Nabarro Nathanson, Lacon House, Theobald’s Road, London WC1X 8RW for a period until the date falling one month from the date of this document.

- 9.1 the memorandum and articles of association of the Company, Surrenda-link and Close Horizons;
- 9.2 the audited financial statements of the Company for the three financial years ended 31 December 2005 and the unaudited interim results of the Company for the six months ended 30 June 2006;

- 9.3 the audited financial statements of Surrenda-link and Close Horizons for the two financial years ended 31 December 2005;
- 9.4 the service contracts and letters of engagement referred to in paragraph 2 above;
- 9.5 the material contracts referred to in paragraph 3 above;
- 9.6 the consent letter referred to in paragraph 8.3 above; and
- 9.7 the deeds of undertaking referred to in paragraph 3 above.

Copies of this document are available to the public, free of charge, at the offices of John East & Partners Limited, Crystal Gate, 28-30 Worship Street, London, EC2A 2AH, during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until one month from the date of this document.

Dated 16 February 2007

TEP Exchange Group Plc

(Incorporated in England and Wales with registered number 3877125)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the offices of John East & Partners Limited, Crystal Gate, 28-30 Worship Street, London EC2A 2AH on 14 March 2007 at 11.00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 4 (inclusive) will be proposed as ordinary resolutions and resolutions 5 and 6 will be proposed as special resolutions. Resolution 3 will be taken on a poll.

ORDINARY RESOLUTIONS

1. **THAT** each of the 224,543,426 issued ordinary shares of 1p each in the Company be and hereby is subdivided into one ordinary share of 0.01p (a “New Ordinary Share”) and one deferred share of 0.99p (a “Deferred Share”) each credited as fully paid up and the latter having the rights and being subject to the restrictions set out in Resolution 6 below and each of the 175,456,574 unissued ordinary shares of 1p each in the Company be and is subdivided into one New Ordinary Share and one Deferred Share.
2. **THAT** the authorised share capital of the Company be and is hereby increased from £4,000,000 to £4,060,000 by the creation of an additional 600,000,000 ordinary shares of 0.01p each having the same rights in all respects as the existing ordinary shares in the capital of the Company.
3. **THAT** the grant of a waiver by the Panel of Takeovers and Mergers on the terms set out in a circular of which this Notice forms part (the “Circular”) of the requirements of Rule 9 of the Takeover Code, for the Concert Party (as defined in the Circular) to make a general offer for the ordinary share capital of the Company, following any increase in the percentage of voting rights carried by shareholdings of Surrenda-link, being a maximum holding of Surrenda-link of 58.03 per cent. arising on the issue of shares by the Company pursuant to the Placing (as defined in the Circular), be and hereby is approved.
4. **THAT**, subject to Resolution 1 being passed, for the purposes of section 80 of the Companies Act 1985 (the “Act”) (and so that expressions used in this resolution shall bear the same meanings as in the said section 80):
 - (i) the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities up to a maximum nominal amount of £21,436.73 pursuant to the Placing and Open Offer and the potential exercise of the Warrants (as defined in the Circular);
 - (ii) the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities up to a maximum nominal amount of £13,333.33 to such persons and at such times and on such terms as they think proper during the period expiring at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution; and
 - (iii) the Directors be and are hereby authorised to make prior to the expiry of such period referred to in sub-paragraph (i) above any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution,

so that all previous authorities of the Directors pursuant to the said section 80 be and they are hereby revoked provided that this resolution shall not affect the right of the Directors to allot relevant securities in pursuance of any offer or agreement entered into prior to the date hereof.

SPECIAL RESOLUTIONS

5. **THAT**, subject to Resolution 4 being passed, the Directors be and are empowered in accordance with Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred on them to allot relevant securities (as defined in section 80 of the Act) by that resolution, as if Section 89 (1) of the Act did not apply to such allotment, provided that the power conferred by this resolution shall be limited to:
- (i) the allotment of 175,456,573 New Ordinary Shares pursuant to the terms of the Placing;
 - (ii) the issue of up to 35,000,000 New Ordinary Shares pursuant to the terms of the Warrant Instruments (as defined in the Circular) (a copy of which has been signed by the Chairman for the purposes of identification);
 - (iii) the allotment of equity securities in connection with an issue or offering by way of rights in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or any territory; and
 - (iv) the allotment (otherwise than pursuant to sub-paragraphs (i) to (iii) above) of equity securities for cash up to an aggregate nominal value not exceeding £10,000,

and this power, unless renewed, shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

6. **THAT**, subject to Resolution 1 being passed, the existing articles of association of the Company be and are hereby amended as follows:
- 6.1 That in article 1 of the definition of “Regulations” shall be amended to refer to “the Uncertificated Securities Regulations 2001 (S1 2001/3755).
 - 6.2 The existing article 3.1 be deleted and replaced by the following as new article 3.1:
 - “3.1 The share capital of the Company is £4,060,000 divided into 1,000,000,000 ordinary shares of 0.01p each (“ordinary shares”) and 400,000,000 deferred shares of 0.99p each (“Deferred Shares”). The special rights and restrictions attaching to the Deferred Shares shall be as follows:
 - 3.1.1 as regards income, the Deferred Shares shall not entitle the holders thereof to receive any dividend or other distribution;
 - 3.1.2 as regards voting, the Deferred Shares shall not entitle the holders thereof to receive notice of or to attend or vote at any General Meeting of the Company;
 - 3.1.3 as regards capital, on a return of capital on a winding up 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;

3.1.4 as regards transfers, the Company is authorised at any time:

- (a) to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof and persons so entitled, to such persons as the Company may determine as holder thereof beneficially entitled thereto;
- (b) pending any such transfer not to issue certificates for the Deferred Shares;

3.1.5 as regards variation of rights, neither:

- (a) the passing by the Company of any resolution for a reduction of capital involving the cancellation of the Deferred Shares without any repayment of capital in respect thereof, or a reduction of share premium account, or the obtaining by the Company or the making by the Court of an order confirming any such reduction of capital or share premium account or the making effective of such order; nor
- (b) the purchase by the Company in accordance with the provisions of the Companies Act 1985 (the “Act”) of any of its own shares or other securities or the passing of a resolution to permit any such purchase;

shall constitute a variation or abrogation of the rights attaching to the Deferred Shares; and

3.1.6 as regards further issues, the rights conferred by the Deferred Shares shall not be varied or abrogated by the creation or issue of further shares ranking *pari passu* with or in priority to the Deferred Shares.”

6.3 The existing article 44 be deleted and replaced by the following as new article 44:

“44. INDEMNITY

44.1 Subject to the provisions of the Act, but without prejudice to any indemnity to which a director may otherwise be entitled, every director or other officer of the company (except auditors) shall, if the board so resolves and to the extent resolved by the board, be indemnified out of the assets of the company against any costs, charges, losses, expenses and liabilities incurred by him in the actual or purported execution and/or discharge of his duties and/or the exercise of his powers and/or otherwise in relation to or in connection with his duties, powers of office including (without prejudice to the generality of the foregoing) any liability incurred by him in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to be done or alleged to have been done or omitted to be done by him as an officer of the company and in which judgement is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the company. The indemnity shall not apply to the extent that the director or officer recovers from another person.

44.2 For the avoidance of doubt and in accordance with sections 309A and 309B of the Act such an indemnity shall be constituted as a “qualifying third party indemnity” and shall not provide an indemnity against any liability incurred by a director to the company or any associated company and shall not indemnify any director against any liability incurred by that director to pay a criminal fine or a non compliance fine to a regulatory authority.

44.3 In accordance with and subject to the terms of section 337A of the Act the company is authorised to enter into a loan arrangement with a director or other officer to enable that officer to meet any liability incurred in defending such proceedings or making such application for relief.”

44.4 For the purposes of this Article 44, the terms “director” and “officer” shall include any former director, officer of the company (but not any current or former auditor of the company).”

By order of the Board

John Murphy
Company Secretary

Registered office:

12 Grosvenor Court
Foregate Street
Chester
Cheshire CH1 1HG

Dated: 16 February 2007

Notes

- (1) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote on a poll instead of him. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company. The completion and return of a form of proxy will not prevent a member from attending and voting at the above meeting, should he so wish. A Form of Proxy is enclosed for your use if desired.
- (2) To be valid and effective, Forms of Proxy must be lodged with the Company’s registrars, Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 11.00 a.m. on 12 March 2007.
- (3) As provided by Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered in the register of members of the Company 48 hours before the time set for the meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members at that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (4) In order to comply with the Code, Resolution 3 will be taken on a poll and all members of the Concert Party have undertaken not to vote on the Resolution.

