

Regulatory Announcement

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Company	TEP Exchange Group PLC
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TEP EXCHANGE GROUP PLC

('TEP' or 'the Company')

Audited Preliminary Results for the year ended 31 December 2006

Chairman's statement

I am pleased to report the results for the year ended 31 December 2006. Turnover for the year totalled £384,015 (2005 - £404,118) resulting in an operating loss of £21,011 compared to an operating loss of £69,032 in 2005. The loss on ordinary activities before and after taxation was £58,635, compared to a loss before and after taxation of £96,077 in 2005. The loss per share was 0.03 pence, compared to a loss per share last year of 0.04 pence.

Turnover increased significantly in the second half of the year, compared to the first half due to a continuation of the increased activity in the traded endowment policy market as well as the 50 per cent increase in transaction charges which the Company implemented in the middle of the year.

In the first quarter of 2007, turnover as recorded in the internal management accounts of the Company matched the turnover achieved in the entire first half of 2006. In addition to this, your Directors have negotiated a reduction in the variable fee percentage which is payable to Surrenda-link Limited for the outsourcing of the operational management of the business. This will result in a thirty five per cent. saving in 2007 on the variable fee percentage which is payable to Surrenda-link Limited compared to last year. As a result of the increase in turnover and the reduction in cost the Company is well placed to achieve further improvements in trading performance.

In March 2007, the Company raised £350,913 before expenses, by means of a share issue. The net proceeds of the share issue will be used to reduce debt and to fund the extension and development of the Company's electronic trading platform for its current range of products into the German and subsequently other European markets.

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

G Kynoch
Chairman
30 April 2007

Audited consolidated profit and loss account

for the year ended 31 December 2006

	Note	2006	2005
		£	£
Turnover		384,015	404,118
Cost of sales		(56,250)	(120,834)
Gross profit		327,765	283,284
Administrative expenses		(452,928)	(525,363)
Other operating income		104,152	173,047
Operating loss		(21,011)	(69,032)
Interest receivable		448	1,352
Interest payable		(38,072)	(28,397)
Loss on ordinary activities before taxation		(58,635)	(96,077)
Tax on loss on ordinary activities		-	-
Loss on ordinary activities after taxation		(58,635)	(96,077)
Loss per share			
Basic and diluted loss per share	3	(0.03)p	(0.04)p

Audited consolidated balance sheet
at 31 December 2006

	Note	2006	2006	2005	2005
		£	£	£	£
Fixed assets					
Tangible assets			-		175
Current assets					
Stock		2,938		2,825	
Debtors	5	229,999		208,224	
Cash at bank and in hand		25,798		13,446	
		258,735		224,495	
Creditors: amounts falling due within one	6	(536,338)		(680,991)	

year

Net current liabilities		(277,603)	(456,496)
Total assets less current liabilities		(277,603)	(456,321)
Creditors: amounts falling due after more than one year	7	(270,898)	(33,545)
Net liabilities		(548,501)	(489,866)
Capital and reserves			
Called up share capital		2,245,434	2,245,434
Share premium account		3,667,901	3,667,901
Profit and loss account		(6,461,836)	(6,403,201)
Shareholders' funds	8	(548,501)	(489,866)

Audited consolidated cash flow statement
for the year ended 31 December 2006

	Note	2006	2006	2005	2005
		£	£	£	£
Net cash inflow/(outflow) from operating activities	9		105,869		(278,364)
Returns on investments and servicing of finance					
Interest received		448		1,352	
Interest paid		(38,072)		(28,397)	
Net cash outflow from returns on investment and servicing of finance			(37,624)		(27,045)
Financing					
New bank loan		-		190,000	
Bank loan repaid		(50,704)		(29,375)	
Issue of ordinary share capital		-		329,787	
Net cash (outflow)/inflow from financing			(50,704)		490,412
Movement in net debt	10		17,541		185,003

Notes to the Audited Preliminary Results
for the year ended 31 December 2006

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.

In preparing these financial statements the Company and the Group has adopted for the first time FRS 20 'Share Based Payments'. However, as the Company's share options were granted prior to 7 November 2002, the Company has elected not to apply the requirements of this standard to these share based payment arrangements.

Going concern

During the year ended 31 December 2006 the Group incurred a loss of £58,635 (2005 - £96,077) and at 31 December 2006 had net liabilities of £548,501 (2005 - £489,866).

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 together with a bank overdraft facility of £10,000. In addition, the directors have restructured the trading operation and in particular with Surrenda-link Limited, who charge for their services on a commission basis. As a result of this and improved performance since the year end, the directors anticipate improved trading results for the forthcoming year and have projected cash flow information which show creditors 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 existing 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. At 31 December 2006, of the total balance owing to Surrenda-link Limited, £213,562 is included within creditors falling due after more than one year.

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 Limited to discharge the specific corporate costs. The Company has undertaken to use its reasonable endeavours to minimise specific corporate costs. This funding is repayable out of the Company's share of the income generated from the electronic platform.

Since the year end, the Company has raised approximately £270,000, after professional fees, from the share issue in March 2007. £200,000 of the proceeds from this has been used to reduce the amounts payable to Surrenda-link Limited with the remainder being used to help launch the Company's German TEP platform.

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 Exchange Group PLC and all of its subsidiary undertakings made up to 31 December 2006. 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 (exclusive of value added tax) from the purchase of with profit endowment policies by market makers registered on the electronic trading platform. Fee and commission income is recognised when the Group's contractual obligations are substantially complete.

Other operating income

Rent receivable is credited to the profit and loss account on a straight-line basis over the term of the rental agreement.

Research and development costs

All research and development costs are charged to the profit and loss account in the year in which the expenditure is incurred.

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 equipment - 4 years

Computer equipment - 3 years

Investments

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

Stocks

Stocks of endowment policies are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase. Net realisable value is based on surrender value less additional costs to completion and disposal.

Operating leases

Annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Financial instruments

Financial instruments are recognised initially and subsequently at cost. The Group does not use derivative financial instruments for trading purposes or to manage risk.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred. Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

2 Publication of non-statutory accounts

These preliminary results for the year ended 31 December 2006 are prepared on the basis of the accounting policies set out in the financial statements for the year ended 31 December 2006.

The financial information set out in this preliminary announcement does not constitute the Company's statutory accounts for the years ended 31 December 2005 and 2006, but is derived from those accounts. Statutory accounts for the year end 31 December 2005 have been delivered to the Registrar of Companies and those for the year ended 31 December 2006 will be delivered following the Company's Annual General Meeting. The Auditors have reported on those accounts; their reports were unqualified and did not contain statements under the Companies Act 1985, sections 237(2) or (3).

3 Loss per share

The calculation of the basic loss per share is based on the loss after tax of £ 58,635 (2005 - £96,077) and on 224,543,426 (2005 - 211,678,109) ordinary shares, being the weighted average number of ordinary shares in issue. The options in issue at the 31 December 2005 and 31 December 2006 are antidilutive and have therefore been excluded from the calculation of diluted earnings per share. However, such options may be dilutive in future periods.

4 Dividends

The Directors are not proposing the payment of a dividend in respect of the year ended 31 December 2006.

5 Debtors

	2006	2005
	£	£
Trade debtors	41,630	21,732
Other debtors	146,599	109,931
Prepayments	41,770	76,561
	229,999	208,224

6 Creditors: amounts falling due within one year

2006	2005
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	£	£
Bank overdraft	-	5,189
Bank loan	52,585	129,080
Other loans	40,000	40,000
Trade creditors	286,854	307,779
Creditors for taxation and social security	10,815	19,187
Other creditors	5,250	8,155
Accruals and deferred income	140,834	171,601
	536,338	680,991

Of the Company's bank term loan of £109,921, £52,585 is repayable during 2007, and £57,336 over a further year to December 2008. The company also has a bank overdraft facility of £10,000.

7 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Bank loan	57,336	31,545
Trade creditors	213,562	-
Other creditors	-	2,000
	270,898	33,545

8 Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Loss for the year	(58,635)	(96,077)
New share capital subscribed and issued	-	329,781
	(58,635)	233,704
Opening shareholders' funds	(489,866)	(723,570)
Closing shareholders' funds	(548,501)	(489,866)

9 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	2006	2005
	£	£

Operating loss	(21,011)	(69,029)
Depreciation	175	10,860
Increase in stock	(113)	(117)
Increase in debtors	(21,775)	(79,574)
Increase/(decrease) in creditors	148,593	(140,504)
Net cash inflow/(outflow) from operating activities	105,869	(278,364)

10 Analysis of net debt

	At 31 December 2005	Cash Flow £	Non-cash movement	At 31 December 2006
	£		£	£
Cash in hand and at bank	13,446	12,352	-	25,798
Overdrafts	(5,189)	5,189	-	-
Cash equivalents	8,257	17,541	-	25,798
Debt due within one year	(129,080)	76,495	-	(52,585)
Bank loan	(40,000)	-	-	(40,000)
Other loans	(31,545)	(25,791)	-	(57,336)
Debt due after one year				
Bank loan				
Net debt	(192,368)	68,245	-	(124,123)

11 Post balance sheet events

On 14 March 2007, the Company issued a total of 175,456,573 new ordinary shares at 0.2p per share. Following allotment of the new ordinary shares, the Company has a total of 399,999,999 ordinary shares of 0.01p each in issue.

12 A copy of the Annual Report and Accounts will be sent to all shareholders shortly and will be available from the Company's registered office, 12 Grosvenor Court, Foregate Street, Chester, Cheshire CH1 1HG.

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