

**REGISTRAR OF
COMPANIES**

e-TEP PLC

Report and Financial Statements

Period Ended

31 December 2000

3877125



BDO
BDO Stoy Hayward
Chartered Accountants

e-TEP PLC

Report and financial statements for the period ended 31 December 2000

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Directors

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Directors

R A Flude
M Kraus
J Rothbart
P Sands
K Southwood
A Weitz

Secretary and registered office

M D Brace, 77 Muswell Hill, London, N10 3PJ.

Company number

3877125

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

e-TEP PLC

Report of the directors for the period ended 31 December 2000

The directors present their report together with the audited financial statements for the period ended 31 December 2000. The company was incorporated on 15 November 1999.

Results and dividends

The profit and loss account is set out on page 4 and shows the result for the period. The loss represents start up costs of the business to date. The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The principal activity of the company is that of a holding company providing e-commerce solutions for the development and sale of interactive online market exchanges, while its subsidiary provides e-commerce solutions to the traded endowment policy market and financial services industry. The directors of the company are actively pursuing a fund raising exercise to ensure the company has adequate funding to achieve its plans.

Directors

The directors during the period and their interest in the company were:

		Convertible unsecured 15% loan notes	1p ordinary shares
R A Flude	(appointed 7 June 2000)	-	-
M Kraus	(appointed 24 December 1999)	500,000	16,243,869
J Rothbart	(appointed 7 June 2000)	-	-
P Sands	(appointed 7 June 2000)	-	-
K Southwood	(appointed 1 May 2000)	-	1,052,631
A Weitz	(appointed 24 December 1999)	-	*2,880,000
Buyview Limited	(appointed 15 November 1999; resigned 24 December 1999)	-	-

* non beneficial

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

e-TEP PLC

Report of the directors for the period ended 31 December 2000 (*Continued*)

Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Creditor payment policy

The group's policy for all suppliers is to fix terms of payment when agreeing the terms of each business transaction.

The number of days' purchases represented by the group's year end trade creditors was 85.

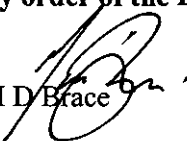
Research and development

The group's research and development costs relate to the development of a website and software which is used in the group's activities.

Auditors

BDO Stoy Hayward, who were appointed as first auditors of the group by the directors, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board


M D Brace

Secretary

22 May 2001

e-TEP PLC

Report of the auditors

To the shareholders of e-TEP PLC

We have audited the financial statements on pages 4 to 15 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 in the financial statements regarding the support of the shareholders and the group's ability to raise additional finance. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 December 2000 and of the group's result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

22 May 2001

e-TEP PLC

Consolidated profit and loss account for the period ended 31 December 2000

	Note	£
Administrative expenses and operating loss		(3,151,242)
Interest receivable		25,111
Interest payable	5	(60,602)
		<hr/>
Loss on ordinary activities before taxation and retained for the period	6	(3,186,733)
		<hr/>

All amounts relate to continuing activities.

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

The notes on pages 9 to 15 form part of these financial statements.

e-TEP PLC**Reconciliation of movements in shareholders' funds for the period ended 31 December 2000**

	£
Loss for the period	(3,186,733)
New share capital subscribed and issued	720,000
Share premium account	962,000
	<hr/>
Shareholders' funds at 31 December 2000	(1,504,733)
	<hr/>

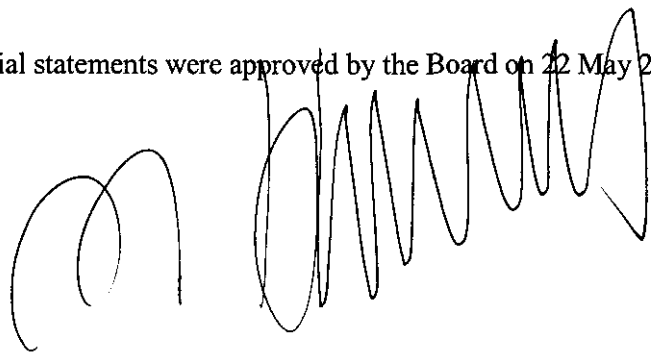
The notes on pages 9 to 15 form part of these financial statements.

e-TEP PLC**Consolidated balance sheet at 31 December 2000**

	Note	£	£
Fixed assets			
Tangible assets	10		186,529
Current assets			
Debtors	12	212,962	
Cash at bank and in hand		1,275,948	
		<u>1,488,910</u>	
Creditors: amounts falling due within one year	13	1,275,172	
		<u> </u>	
Net current assets			213,738
			<u> </u>
Total assets less current liabilities			400,267
Creditors: amounts falling due after more than one year			
Convertible loan notes	14		1,905,000
			<u> </u>
			(1,504,733)
			<u> </u>
Capital and reserves			
Called up share capital	15		720,000
Share premium account	16		962,000
Profit and loss account	16		(3,186,733)
			<u> </u>
Shareholders' funds			(1,504,733)
			<u> </u>

The financial statements were approved by the Board on 22 May 2001

M Kraus
Director



The notes on pages 9 to 15 form part of these financial statements.

e-TEP PLC**Company balance sheet at 31 December 2000**

	Note	£	£
Fixed assets			
Tangible assets	10		52,005
Investments	11		100,006
			<hr/>
			152,011
Current assets			
Debtors – due within one year	12	207,562	
– due after more than one year	12	150,000	
		357,562	
Cash at bank and in hand		1,228,492	
		<hr/>	
		1,586,054	
Creditors: amounts falling due within one year	13	1,261,351	
		<hr/>	
Net current assets			324,703
			<hr/>
Total assets less current liabilities			476,714
Creditors: amounts falling due after more than one year			
Convertible loan notes	14		1,905,000
			<hr/>
			(1,428,286)
			<hr/>
Capital and reserves			
Called up share capital	15		720,000
Share premium account	16		962,000
Profit and loss account			(3,110,286)
			<hr/>
Shareholders' funds			(1,428,286)
			<hr/>

The financial statements were approved by the Board on 22 May 2001

M Kraus
Director

The notes on pages 9 to 15 form part of these financial statements.

e-TEP PLC**Cash flow statement for the period ended 31 December 2000**

	Note	£	£
Net cash outflow from operating activities	18		(2,043,455)
Returns on investments and servicing of finance			
Interest received		25,111	
Interest paid		(60,602)	
New cash outflow from returns on investment and servicing of finance			(35,491)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(232,106)	
Net cash outflow from capital expenditure and financial investment			(232,106)
Financing			
Issue of loan stock and debentures		1,905,000	
Issue of ordinary share capital		1,682,000	
Cash inflow from financing			3,587,000
Increase in cash in the period	20		1,275,948

The notes on pages 9 to 15 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of e-TEP PLC and all of its subsidiary undertakings made up to 31 December 2000. 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 sales to outside customers at invoiced amounts less value added tax.

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

Development costs

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

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

2 Going concern

These financial statements have been prepared on a going concern basis which assumes that the group will continue to trade. The validity of this assumption is dependent on the continuing support of its shareholders and the group's ability to raise additional finance. If the group is unable to trade, adjustments would have to be made to reduce the value of the assets to their recoverable amount, to provide for any further liabilities that may arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

The financial statements do not include any adjustments that would result from the company's inability to raise additional finance.

The directors are actively pursuing a fund raising exercise to ensure that the company has adequate funding to achieve its plans and therefore consider it appropriate to prepare these financial statements on a going concern basis.

e-TEP PLC**Notes forming part of the financial statements for the period ended 31 December 2000 (Continued)****3 Turnover**

The group has not earned any income, therefore there is no turnover.

4 Employees**£**

Staff costs consist of:

Wages and salaries	590,033
Social security costs	38,294
Other pension costs	24,309
	<hr/>
	652,636
	<hr/>

The average number of employees during the period was as follows:

Number

Part time	3
Full time	17
	<hr/>
	20
	<hr/>

5 Interest payable**£**

Convertible loan notes	60,400
Bank interest	202
	<hr/>
	60,602
	<hr/>

6 Loss on ordinary activities**£**

This is arrived at after charging:

Research and development costs	1,563,508
Depreciation	45,577
Auditors' remuneration - audit services - Company	10,000
- Group	12,500
- non-audit services	50,000
Leasing costs – equipment	36,580
	<hr/>

e-TEP PLC**Notes forming part of the financial statements for the period ended 31 December 2000 (Continued)**

7	Directors	£
	Directors' emoluments consist of:	
	Fees and remuneration for management services	243,602
	Payments to defined contribution pension scheme	16,827
		<hr/>
		260,429
		<hr/>
	Emoluments of the highest paid director:	
	Fees and remuneration for management services	138,667
	Pension costs	16,827
		<hr/>
		155,494
		<hr/>

There was 1 director in the company's defined contribution pension scheme during the period.

8 Taxation on ordinary activities

No UK corporation tax has been charged for the period in view of the loss incurred.

9	Loss for the period attributable to the members of e-TEP PLC	£
	Dealt with in financial statements of parent company	3,110,286
		<hr/>

The company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements.

e-TEP PLCNotes forming part of the financial statements for the period ended 31 December 2000 (*Continued*)**10 Tangible assets**

	Computer equipment £	Group Fixtures, fittings and equipment £	Total £	Company Fixtures, fittings and equipment £
<i>Cost</i>				
Additions and at end of period	172,094	60,012	232,106	60,012
<i>Depreciation</i>				
Provided for in the period and at end of period	37,570	8,007	45,577	8,007
<i>Net book value</i>				
At 31 December 2000	134,524	52,005	186,529	52,005

11 Investments

	Company £
Subsidiary undertaking	
- Shares at cost and net book value	100,006

The following were subsidiary undertakings at the end of the period:

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
TEP-Exchange Limited	England	100%	Intermediary to the traded endowment policy market
TEP-Exchange Interim Portfolio Limited	England	100%	Dormant
TEP Transfer Limited	England	100%	Dormant
Interactive Intelligence Limited	England	100%	Dormant

e-TEP PLC**Notes forming part of the financial statements for the period ended 31 December 2000 (Continued)****12 Debtors**

	Group £	Company £
Amount due from subsidiary undertaking	-	150,000
Prepayments	47,031	41,631
Other debtors	165,931	165,931
	<u>212,962</u>	<u>357,562</u>

Except for the amount due from subsidiary undertaking and an amount of £70,500 which is included in other debtors, all amounts shown under debtors fall due for payment within one year.

13 Creditors: amounts falling due within one year

	Group £	Company £
Trade creditors	643,970	643,970
Other creditors	65,139	65,145
Creditors for taxation and social security	120,872	112,299
Accruals	445,191	439,937
	<u>1,275,172</u>	<u>1,261,351</u>

14 Creditors: amounts falling due after more than one year

	Group £	Company £
Convertible, unsecured 15% loan notes	1,905,000	1,905,000

The convertible, unsecured loan notes completed in December 2000 can be redeemed at par on 31 May 2002 at the earliest. The loan notes may be converted into ordinary share capital with an aggregate value equal to the market price of shares on listing subject to a minimum price of ten pence for each ordinary share of 1p each. Interest is payable at 15% per annum with effect from the first anniversary of the date of the loan note.

e-TEP PLC

Notes forming part of the financial statements for the period ended 31 December 2000 (Continued)

15 Share capital

	£
<i>Authorised</i>	
120,000,000 ordinary shares of 1p each	1,200,000
	<hr/>
	£
<i>Allotted, called up and fully paid</i>	
72,000,000 ordinary shares of 1p each	720,000
	<hr/>

On formation the company had an authorised share capital of 100,000 ordinary shares of £1 each. On 13 January 2000 these shares were subdivided into 1p shares, and the authorised share capital was increased by a further 50,000,000 shares. On 7 June 2000 the authorised share capital was increased by a further 60,000,000 shares.

During the period 72,000,000 shares were issued of which 12,000,000 shares were issued at a premium of 9p per share.

16 Reserves

	Profit and loss account £	Share premium account £
Share premium arising on shares issued during the period	-	1,080,000
Less: Share issue expenses written off	-	(118,000)
Loss for the period	(3,186,733)	-
	<hr/>	<hr/>
At 31 December 2000	(3,186,733)	962,000
	<hr/>	<hr/>

16 Commitments under operating leases

As at 31 December 2000, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings £
Operating leases which expire:	
Within one year	-
In two to five years	-
After five years	194,090
	<hr/>
	194,090
	<hr/>

e-TEP PLCNotes forming part of the financial statements for the period ended 31 December 2000 *(Continued)***17 Related party transactions**

During the period, the group entered into the following transaction with Caruso AG a company in which one of the directors has a limited interest.

	£
Acquisition of development costs incurred by Caruso AG	344,000

18 Reconciliation of operating profit to net cash inflow from operating activities

	£
Operating loss	(3,151,242)
Depreciation	45,577
(Increase) in debtors	(212,962)
Increase in creditors	1,275,172
Net cash inflow from operating activities	(2,043,455)

19 Reconciliation of net cash inflow to movement in net debt

	£
Increase in cash in the period	1,275,948
Cash inflow from increase in debt	(1,905,000)
Movement in net debt and net debt at end of period	(629,052)

20 Analysis of net debt

	Cash flow £	At 31 December 2000 £
Cash in hand and at bank	1,275,948	1,275,948
Debt due after one year	(1,905,000)	(1,905,000)
Total	(629,052)	(629,052)