

The **TEP** Exchange

TEP Exchange Group PLC

Interim Results

for the six months ended 30th June, 2004

Chairman's Statement

I am pleased to report the unaudited results for the six months ended 30th June 2004. Turnover for the period totalled £75,000 (2003: £23,000) resulting in an operating loss of £204,000 compared to an operating loss of £331,000 in the same period last year. The loss on ordinary activities before and after taxation was £209,000 compared to a loss after tax of £334,000 in the first six months of last year. As a result of our arrangements with Surrenda-link Limited, the cash loss for the period under review was restricted to £57,000.

Whilst trading results continue to be disappointing there has been a noticeable increase in activity in the traded endowment policy market in recent months, which it is hoped will improve group performance as the year progresses. A further increase in business for the Exchange is anticipated as a strong demand for British TEPs emerges from Germany.

Following a planned review of the group's business model with a view to broadening both product and client bases, several new products have been test marketed with varying results.

A new website, allowing direct interaction with the public, has also been launched successfully and this is already providing an increased supply of policies for sale on the exchange.

The outsourcing of operational management to Surrenda-link Limited implemented primarily to reduce the Company's cost structure and to stabilise its cash flow position, continues to work to the Company's advantage.

Your Directors and management continue to focus their efforts on financial viability and the creation of shareholder value.

Your directors are not proposing an interim dividend.

George Kynoch
Chairman

14 September, 2004

Consolidated Profit and Loss Account

For the six months ended 30th June, 2004

	Six months ended 30th June 2004 (Unaudited) £'000	Six months ended 30th June 2003 (Unaudited) £'000	Year ended 31st December 2003 (Audited) £'000
Turnover	75	23	58
Cost of sales	(20)	–	(15)
Gross profit	55	23	43
Administrative expenses	(399)	(514)	(964)
Other operating income	140	160	314
Operating loss	(204)	(331)	(607)
Interest receivable	–	–	–
Interest payable	(5)	(3)	5
Loss on ordinary activities before taxation	(209)	(334)	(602)
Taxation	–	–	–
Loss on ordinary activities after taxation	(209)	(334)	(602)
Loss per share	(0.12)	(0.24p)	(0.42p)

Consolidated Balance Sheet

As at 30th June, 2004

	As at 30th June 2004 (Unaudited) £'000	As at 30th June 2003 (Unaudited) £'000	As at 31st December 2003 (Audited) £'000
Fixed assets			
Tangible assets	17	27	22
Current assets			
Stock	3	3	3
Debtors and prepayments	130	140	208
Cash at bank and in hand	11	1	1
	144	144	212
Creditors:			
amounts falling due within one year	(585)	(597)	(928)
Net current liabilities	(441)	(453)	(716)
Net Liabilities	(424)	(426)	(694)
Capital and reserves			
Called up share capital	1,917	1,438	1,437
Share premium	3,667	3,667	3,667
Profit and loss account	(6,008)	(5,531)	(5,798)
	(424)	(426)	(694)

Notes to the Interim Results

1. Basis of preparation

The Interim accounts for the six months ended 30th June, 2004, 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 31st December, 2003.

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, 1/2 Grosvenor Court, Foregate Street, Chester CH1 1HG. Full accounts for the year ended 31st December, 2003 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. Dividends

No dividend is proposed for the six months ended 30th June, 2004.

3. Loss per Share

The loss per share has been calculated by dividing the loss after taxation for the period of £209,000 (2002: £334,000) by the weighted average number of ordinary shares of 176,754,867 (2003:140,003,082) in issue during the period.

Further Enquiries:

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