NUMBER: 4905152 (England and Wales)

REPORT OF THE DIRECTORS AND

COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

FOR

EUROPEAN POLICY EXCHANGE LIMITED

CONTENTS OF THE COMPANY FINANCIAL STATEMENTS

Company Information

The Directors present their report with the financial statements of European Policy Exchange Limited ("**EPEX" or the "Company"**), for the year ended 31 December 2016. EPEX Factoring GmbH ("**EFAC"**) is a wholly owned subsidiary of the Company based in Frankfurt am Main, Germany, which was incorporated in 2016. For reasons of materiality, EFAC is not part of the financial statements in this report.

In 2016 the former EPEX-Group was restructured. Since then Policen Direkt Versicherungsvermittlung GmbH ("PDV"), based in Frankfurt am Main, Germany, is no longer a subsidiary of the Company. Consequently, PDV is not part of the financial statements in this report. For reasons of materiality, PDV's contribution to the EPEX except the dividend payout are not reported.

EPEX Directors	M. Ahlers (resigned on April 30th 2016) T Heimlich K Henke A Murjahn (resigned on April 30th 2016) S Nörtersheuser (resigned on April 30th 2016) S Siebert

Company Secretary	T Heimlich

Registered Office	Amadeus House 27b Floral Street London WC2E 9DP

Registered Number	4905152 (England and Wales)

Auditors	KPMG LLP 15 Canada Square E14 5GL London

Strategic Report

PRINCIPAL ACTIVITY

The main activities of EPEX in the year ended 31 December 2016 were the acquisition of and dealing in German life insurance policies and the realization of arbitrage gains from policies. Given the nature of the business the assets on the balance sheet of EPEX are largely classified as Financial Instruments.[1]

REVIEW OF BUSINESS

The results for the year and financial position of the Company are shown in the annexed financial statements.

Activities in the Year, Performance and Strategy

2016 was a very successful year in terms of earnings. Overall, EPEX generated earnings before tax of € 7.7 million (2015: € 6.1 million). The Company's equity increased by € 3.6 million to € 20.8 million resulting in an equity ratio of 9.1% (2015: 6.8%). The Company's return on average equity in the period under review was 33% (2015: 36%).

EPEX benefited from low interest rates, growing policy portfolios and solid policy placements.

The Management team has continued to operate with a close focus on policy Internal Rate of Return (IRR) and operating expenses. Overall, a total of € 64 million in policies were acquired in 2016 (2015: € 114 million). Further details on the policy movements are provided below.

Policy sales: The Company's product "policeninvest" is a direct investment in a secondary life market policy. Policies are sold to private and institutional investors. "policeninvest" sales amounted to € 46 million (2015: € 29 million). In addition to the "policeninvest" placement results other policy sales to institutional investors contributed € 15.7 million (2015: € 4.1 million). Moreover, EPEX generated sales from maturing and surrendered policies of € 29.3 million (2015: € 32.5 million) in 2016.

Operating expenditures: EPEX total operating expenditures (OPEX) increased by 26% compared to 2015. Personnel expenses increased by 73% mainly driven by a change in the management structure and because of one-off payments to exiting board members. Other operating expenditures increased by 14% percent due to higher administrative and legal costs.

"**policendirekt**"-portfolio (trading portfolio): The Company's trading portfolio amounted to € 97 million on 31 December 2016 (receivables from insurance policies) which corresponds to 16% percent decrease compared to 2015 (2015: € 115 million) mainly driven by high policy placements.

"**policencash**"-portfolio: Under the product terms of "policencash", EPEX buys a customer's life insurance policy at a discount to its surrender value, while granting the customer a buyback option in return. The "buyback price" is the sum of the purchase price paid by EPEX, and all premium payments made by EPEX until the option is exercised. Annual interest is also applied. The "policencash"-portfolio decreased by 3 percent to € 113 million at 31 December 2016 (2015: € 116

[1] See "Additional information on financial instruments" in the Notes section.

million). In 2016, € 24.1 million of sales occurred from buybacks and the realisation of collaterals (2015: € 14.4 million).

Consumer loan portfolio: The consumer loan portfolio is fully collateralized with life insurance policies leaving EPEX with minimal default risk. EPEX manages the run-down of the loan portfolio over the next few years. By the end of 2016 consumer loans worth € 2.0 million were on EPEX's balance sheet (2015: € 2.7 million).

Portfolio financing & interest rates: On the portfolio financing side, EPEX builds on ten credit lines with four banks to refinance its trading and its portfolios. The reference rates in 2016 remained lower than expected. Overall, EPEX was able to realize a substantial holding margin on its portfolios. Interest rate expectations continue to be low with a slight increase expected over the next few years.

Interests payable to banks increased in 2016, mainly because the total portfolio volume held on the balance sheet on average was higher year-on-year.

Principal Risks and Uncertainties

Despite the efforts of the European Central Bank (ECB) the European economy has not picked up as much as hoped. The ECB has tried to promote the growth of the economy by keeping the interest rates on a historically low level. Moreover, the ECB is actively applying monetary easing measures. Whilst the German economy has developed quite well in general, insurance companies are finding it increasingly difficult to generate high and safe returns on their assets under management. One potential risk which needs to be closely observed is the ongoing Brexit process. Exchange rate fluctuations might be one result of this process. Despite these market conditions, the Directors believe that there are no anticipated risks that could threaten the existence of the Company in the medium term. The principal risks are:

Market Risks

Risk of negative portfolio arbitrage

Interest rates directly affect the Company's financing costs, which are an important driver of the Company's cost base.The risk differs by portfolio type.

Trading portfolio ("policendirekt"): Bonus rates have an immediate effect on the return of the trading portfolio. German life insurance companies have reacted to the low interest rates in the financial markets by decreasing bonus rates year after year.

To understand the risk, the effects must be analysed jointly:

In the long term, insurance bonus rates should be significantly above short term interest rates due the portfolio composition and the long term investment horizon of insurers. Bonus rates tend to follow changes in the interest rate environment with a delay of 1-3 years. The return on policies therefore increases if interest rates rise, but with a time delay. Due to this correlation, the long term risk of rising interest rates is limited. In the short or medium term however, increasing interest rates – as unlikely as this might seem in the current economic environment – could significantly impact the Company's earnings and therefore represent a relevant risk. The same holds true for increases in the margins banks charge on the reference interest rate. The magnitude of this risk is determined by the trading portfolio size.

Hedging is one means of protecting against increasing interest rates. Management is continuously assessing the need to acquire additional interest rate caps. When considering the necessity to hedge, the gap between the trading portfolio's book value and its surrender value is very important since it determines the maximum loss if all policies are exited. The mark-up is in the low single digit area. Therefore no new interest rate caps were necessary to hedge the trading portfolio.

Increasing bank margins, charged on top of the interest rate reference, constitute another risk. Good relationships with a set of stable and strong banks as well as competition between the refinancing banks are a means of reducing the likelihood of increasing bank margins.

By far the most important risk protection is a sufficiently high policy IRR in the Company's trading portfolio. Management have retained its focus on buying high IRR policies.

"policencash"-portfolio: Given the interest rate escalator clause in the product's general terms & conditions, EPEX faces only a very limited interest rate risk on the "policencash"-portfolio.

Overall, the Directors judge this risk of a negative portfolio arbitrage to be small.

Risk of decline in demand for secondary life insurance policies

A decrease in demand for secondary life insurance policies would reduce the Company's turnover of policies and have a negative impact on earnings. The financial market crisis led to a change in investor preferences with guaranteed interest rate products – such as "policeninvest" – matching current investor preferences well. Overall, Management believes that this market risk is low.

Risk of decline in primary life insurance market

EPEX purchases life insurance policies that are typically 10-20 years old. Changes in the primary market for life insurance would therefore affect the Company with a long time delay. Short term effects of several years would usually be overcompensated by the overall long-term trend. A lasting downward trend of life insurance policies written would ultimately reduce the market potential of the secondary market. Given that German life insurers held endowment policies and pension policies – both suitable for EPEX – worth € 1,023 billion 2015 the Directors judge this risk to be very low.

Default risk of German life insurers

Default risk of German insurance policies is still limited. Claims on policies are secured by guarantees and strict regulation. Policyholder funds are protected against insolvency of the insurance company by regulation and additionally secured by the insolvency protection fund Protektor Lebensversicherungs-AG.

Company specific risks

Capital gains tax (CGT) claims

At a policy payout scenario (maturity, surrender, death) the insurance company will automatically subtract the applicable source tax (capital gains tax) in Germany. The deduction of the tax is required by German income tax law. EPEX receives a tax certificate on the amount withheld. Since EPEX is a UK limited company and is not taxable in Germany any CGT withheld is refunded based on the double taxation treaty between the UK and Germany. EPEX then pays corporation tax on its profits in the UK. The refund process involves HMRC in the UK as well as the German Federal Central Tax Office ("Bundeszentralamt für Steuern (BZSt)"). The BZSt has questioned the applicability of the above mentioned double taxation treaty in the case of EPEX. Since the BZSt did not change its opinion EPEX has entered a court process against the decision by BZSt at the Financial Court in charge ("Finanzgericht Köln") in May 2015. The Financial Court in charge did not yet deal with the suit. In a similar court case in 2016 the Finanzgericht Köln questioned the EU law conformity of the current interpretation of the double tax treaty by the BZSt. The matter was transferred to the EU court in charge. This development further supports the cause for EPEX. No other significant developments took place in 2016. The directors are of the firm opinion that all preconditions required by law are fully complied with and expect the CGT to be eventually refunded. As of 31 December 2016 EPEX has CGT claims of € 12.8 million on its balance sheet. The CGT claims are fully funded by equity.

Overall, management as well as the Company's legal and tax advisors are fully confident that EPEX is entitled to the CGT refund and that the probability of winning a potential law suit is high. Therefore, no value adjustments have been made on the CGT claims. EPEX has taken measures to ensure that no further CGT claims are originated, by selling all policies before maturity or surrendering. Even if the CGT currently withheld were lost, the risk does not pose a going concern risk to the Company. Management expects a feedback from the Financial Court in 2017.

Risk of dependency on German traded endowment policy (TEP) market

The main focus of the Company's activities lies in German traded endowment policies. All negative impacts on this market are risks to the Company. Nevertheless as in the previous period, Directors consider this risk to be limited.

Liquidity and other potential risks

Risk of reduced refinancing means

The business model of EPEX is to a large extent based on the availability of sufficient financial means to refinance its policy portfolios and its consumer loan portfolio. Should bank loans be reduced or ceased this would have substantial impact on the Company's ability to grow.

Means to reduce this risk include good business relationships with the Company's lending banks and relationships with different types and sizes of banks. EPEX has a balanced set of four banking partners. The Directors consider this risk to be low to medium.

Business Outlook

In 2016, the Company remained to be the leading buyer and seller of German traded endowment policies and is well prepared to keep this position. EPEX has a sufficiently strong equity base to enable future growth.

The most important goals for 2017 will be to maintain a high level of policy sales to private and institutional investors and to increase policy acquisition volumes to have a well-balanced policy offering. While there is no immediate effect from the initiated Brexit process the outcome of the discussions between the UK and the EU is a source of uncertainty. The Directors will closely observe the developments and assess potential consequences for EPEX.

ON BEHALF OF THE BOARD:

S Siebert – Director

T Heimlich – Director

Date: 20/04/2017

Directors' Report

ACCOUNTS AND AUDITORS

The Directors present their report with the financial statements of the Company for the year ended 31 December 2016. The Company is audited by KPMG LLP, United Kingdom.

SHARE CAPITAL, DIVIDENDS AND KPIs

The issued capital is unchanged compared to 2015 and is composed of 50,000 Ordinary A Shares and 51,000 Ordinary B Shares. In addition, there are 1,017,000 Preference Shares.[2]

In 2015 EPEX paid a dividend of € 4.00 per Preference Share. The total dividend paid was € 4,068,000. No interim dividends have been paid on any of the classes of share capital.

In 2016 EPEX paid a dividend of € 2.39 per ordinary shares in the form of a cash and dividend in kind. The total dividend paid was € 2,438,660. No interim dividends have been paid on the Preference Shares.

Return on Equity and equity ratio have been defined as the most important KPIs to operationalise the overall capital management goals.

DIRECTORS

The Directors who served during the year under review were:

M Ahlers (resigned on April 30th 2016)
A Murjahn (resigned on April 30th 2016)
T Heimlich
K Henke
S Nörtersheuser (resigned on April 30th 2016)
S Siebert

POLITICAL AND CHARITABLE DONATIONS

There have been no political or charitable donations by EPEX in 2016 (2015: € 0).

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS:

None.

[2] See Note 18 for more information on the Share Capital.

ON BEHALF OF THE BOARD:

S Siebert – Director

Date: 20/04/2017

T Heimlich – Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT AND THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing the 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of the European Policy Exchange Limited

We have audited the financial statements of European Policy Exchange Limited for the year ended 31 December 2016 set out on pages 12 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Maddams

David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

Date: 20 April 2017

Company Statement of Comprehensive Income

	Notes	2016 €	2015 €
CONTINUING OPERATIONS			
Revenues	2	114,900,112	80,463,745
Value appreciation	4, 22	18,181,622	17,036,403
Other income		57,217	39,523
Cost of sales	3	(110,998,122)	(77,053,134)
Insurance premiums	4	(10,738,769)	(11,134,306)
GROSS PROFIT		**11,402,059**	**9,352,229**
Personnel expenses	5	(424,140)	(244,838)
Depreciation	10, 11	(1,543)	(1,127)
Other expenses	4	(1,097,342)	(962,743)
OPERATING PROFIT		**9,879,034**	**8,143,521**
Finance costs	7	(2,286,725)	(2,250,066)
Finance income	7	131,327	172,590
PROFIT BEFORE TAX		**7,723,636**	**6,066,045**
Tax	8	(1,688,373)	(1,189,578)
PROFIT FOR THE YEAR		**6,035,263**	**4,876,467**
Other comprehensive Income		**0**	**0**
Total comprehensive Income		**6,035,263**	**4,876,467**
Attributable to:			
Equity holders of the parent		**6,035,263**	**4,876,467**

The notes on pages 16 to 32 are an integral part of these financial statements.

Company Statement of Financial Positions

ASSETS – NON-CURRENT ASSETS	Notes	2016 €	2015 €
Intangible assets		242	303
Property, plant and equipment	11	2,956	1,155
Investments in subsidiaries	12	25,000	150,000
Financial Investments	12	55,448	0
Long-term receivables from insurance policies	22	112,567,943	115,544,800
Loan receivables	22	2,048,055	2,667,095
SUBTOTAL		**114,699,644**	**118,363,353**
ASSETS – CURRENT ASSETS			
Receivables from insurance policies	22	96,547,114	115,132,209
Fiduciary deposits		94,161	3,392,559
Tax receivables	13	12,816,392	12,749,447
Other short-term receivables	14	3,832,256	6,593,138
Cash and cash equivalents		1,030,595	(1,426,285)
SUBTOTAL		**114,320,518**	**136,441,068**
TOTAL ASSETS		**229,020,162**	**254,804,421**
SHAREHOLDERS' EQUITY			
Issued capital	18	6,011	6,011
Share premium	19, 20	1,058,408	1,058,408
Retained earnings	19, 20	13,700,840	11,263,033
Profit for the Year	19, 20	6,035,263	4,876,467
SUBTOTAL		**20,800,522**	**17,203,919**
LIABILITIES – NON CURRENT LIABILITIES			
Long-term bank loans	**17**	**20,538,224**	**105,859,753**
LIABILITIES – CURRENT LIABILITIES			
Bank loans	17	179,924,921	117,857,283
Liabilities from insurance policies		4,172,362	7,694,421
Trade account payables	15	1,707,786	4,545,636
Tax accruals	16	1,017,000	778,788
Other provisions	16	518,564	656,560
Other short-term liabilities		340,783	208,061
SUBTOTAL		**187,681,415**	**131,740,749**
TOTAL EQUITY AND LIABILITIES		**229,020,162**	**254,804,421**

The notes on pages 16 to 32 are an integral part of these financial statements.

The company financial statements were approved by the Board of Directors on 20th April 2017 and were signed on its behalf by:

S Siebert – Director

T Heimlich – Director

Company Cash Flow Statement

	Notes	2016 €	2015 €
OPERATING ACTIVITIES			
Profit for the period		6,035,263	4,876,467
Depreciation		1,543	1,126
Change in other provisions		(137,996)	(287,799)
Financial expenses		31,071	50,217
Tax expenses		238,212	267,378
Change in insurance policies from fair value adjustments		(3,993,719)	(10,717,069)
SUBTOTAL		**2,174,374**	**(5,809,680)**
Change in other long-term receivables		5,984,952	1,262,244
Change in receivables from insurance policies		20,189,759	(50,282,171)
Change in fiduciary deposits		3,298,398	(3,392,559)
Change in tax receivables		(66,944)	(32,922)
Change in other short-term receivables		2,760,881	1,438,797
Change in liabilities from insurance policies		(3,522,059)	2,304,644
Change in trade account payables		(2,837,850)	653,152
Change in other short-term liabilities		132,721	83,668
SUBTOTAL		**25,939,858**	**(47,965,147)**
Net cash used in operating activities		**28,114,232**	**(53,774,827)**
INVESTMENT ACTIVITIES			
Cash-Flow from investing activities		69,552	0
Acquisitions of intangibles		(3,283)	(308)
Acquisitions of property, plant and equipment			0
Net cash used in investing activities		**66,268**	**(308)**
FINANCING ACTIVITIES			
Cash-Flow from financing activities			
Borrowing of loans (long-term)		106,175,136	36,096,974
Redemption of loans (long-term)		(104,088,700)	(15,646,655)
Borrowing of loans (short-term)		0	37,218,700
Redemption of loans (short-term)		(25,371,398)	(3,305,180)
Dividends paid	9, 19, 20	(2,438,660)	(4,068,000)
Net cash from financing activities		**(25,723,621)**	**50,295,839**
Total cash flows		**2,456,879**	**(3,479,296)**
Cash at beginning of period		**(1,426,285)**	**2,053,011**
Cash at end of period		**1,030,595**	**(1,426,285)**
Interest received		**131,327**	**172,590**
Interest paid		**(2,286,725)**	**(2,250,066)**
Tax paid		**(1,688,373)**	**(1,189,578)**

The notes on pages 16 to 32 are an integral part of these financial statements,

Statement of changes in equity

	Subscribed capital	Capital reserve (Share premium)	Retained Earnings	Equity
	€	€	€	€
At 1 January 2015	**6,011**	**1,058,408**	**15,331,033**	**16,395,452**
Dividends			(4,068,000)	(4,068,000)
Profit for the year			4,876,467	4,876,467
At 31 December 2015	**6,011**	**1,058,408**	**16,139,500**	**17,203,919**
At 1 January 2016	**6,011**	**1,058,408**	**16,139,500**	**17,203,919**
Dividends			(2,438,660)	(2,438,660)
Profit for the year			6,035,263	6,035,263
At 31 December 2016	**6,011**	**1,058,408**	**19,736,103**	**20,800,522**

The notes on pages 16 to 32 are an integral part of these financial statements.

Notes to the Financial Statements

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared under a going concern assumption. At 31 December 2016 EPEX has current assets of EUR 114 million (2015: EUR 136 million) and current liabilities of EUR 188 million (2015: EUR 132 million), resulting in a net current liability. The going concern assumption, however, is appropriate. In considering the appropriateness of the going assumption the Board has reviewed the Company's projections for the next twelve months from the date of this report and beyond, including cash flow forecasts. The net current liability position is substantially driven by loan facilities of EUR 80 million maturing in 2017. The loans are fully collateralised on the insurance policy assets held by EPEX (within current and non-current assets). The Directors are in negotiations with the bank and have a reasonable expectation that the bank will renew the loan facilities in line with previous years. Notwithstanding this, the Company would be able to refinance these loans with the existing banking partners. Consequently, the Directors believe that the Company has adequate resources to continue in operational existence for the foreseeable future.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Company is a substantially owned subsidiary of Policen Direkt GmbH ("Policen Direkt") a limited company based in Frankfurt am Main, Germany (HRB 106346). It is included in the consolidated financial statements of Policen Direkt. Therefore the Company is exempt by virtue of section 405 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements are the Company's separate financial statements.

New accounting standards and interpretations effective in 2016

All new standards and interpretations released by the International Accounting Standards Board (IASB) have been considered and of these the following new and amended standards have been adopted by the Company during the period:

Annual improvements to IFRSs - 2012 to 2014 Cycle: Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38); and Disclosure Initiative (Amendments to IAS 1).

These amendments have had no significant impact on the financial statements.

The following is a list of standards that are in issue and relevant to the Company, and have been endorsed by the EU, but are not effective in 2016, together with the effective date of application to the Company: IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018); and IFRS 9: Financial Instruments (effective 1 January 2018). It is expected that the application of these standards and amendments will have no material impact on EPEX.

In addition, the following is a list of standards that are in issue and relevant to the Company but are not effective in 2016, and have not yet been adopted in the EU, together with the effective date of application to the Company: IFRS 16: Leases (effective 1 January 2019). Amendments to IAS 12: Income Taxes (effective 1 January 2017). The implications of these standards are under review.

Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is outlined in the corresponding notes.

Revenue recognition

To account for the increasing value of policies acquired for trading purposes the book value is increased over time applying an internal rate of return that is reviewed periodically. Policies acquired under product "policencash" also increase in value over time applying an interest rate as outlined in the products general terms & conditions.

Policies are booked as sold at the trading date specified in the offer list after the offer is accepted by the buyer. Profit is recognized on the earlier of (i) the date the offer is finally accepted by the buyer and (ii) the date that payment is received.

Policies sold are recognised as revenue once EPEX has received the purchase price and has transferred substantially all risks and rewards of ownership.

Intangible assets

Intangible assets refer to purchased and internally developed software. Amortization period for purchased software is 3 to 5 years, for internally developed software the amortization period is 4 years.

Property, plant and equipment

Depreciation is provided in order to amortize each asset costing more than € 1,000 over its estimated useful life. IT equipment is depreciated over 3-5 years, office equipment over 13 years.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that they are regarded as recoverable, that is on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Foreign currencies

The Euro is the Company's functional and presentational currency. Assets and liabilities in sterling are converted into Euro at the rate of exchange ruling on the balance sheet date (0.85664 EUR/Sterling). Transactions in sterling are translated into Euros at the rate of exchange prevailing on the date of transaction. Exchange differences are taken into account in arriving at the operating result and are recognised in the statement of comprehensive income.

Financial instruments

All financial instruments are initially recognised at fair value, which includes transaction costs for financial investments not classified at fair value through profit or loss.

Financial instruments are derecognised when the rights to receive cash flows from the financial investments have expired or where the Company has transferred substantially all risks and rewards of ownership.

The Company has classified its financial instruments into the following categories: at fair value through profit or loss, held to maturity, and loans and receivables. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

The fair value of a financial instrument is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. Fair values disclosed in note 22 have been calculated as follows:

Long-term receivables from insurance policies ("policencash")

Policies acquired under the product "policencash" are classified as long-term receivables from policies ("policencash") recognized at fair value. While the customer may exercise his buyback option anytime, it is expected that the average asset duration on the EPEX balance sheet will be longer than 12 months.

"policencash" policies are capitalized at the purchase price. Premiums paid to insurers are added to the book value of policies at the date of payment. Moreover, the book value increases by the interest rate set out in the product's terms & conditions. The book value of "policencash" policies represents the total buy back price ("Rückerwerbspreis") for customers.

Consumer loan receivables

The consumer loans are fully collateralized bullet loans. Given the full collateralization with German life insurance policies the loan portfolio has virtually no default risk. On average the asset duration on the EPEX balance sheet will be longer than 12 months. The loans are capitalized at the purchase price. The negotiated discount on the face value of the loans will be gradually realized using the effective interest rate method. The difference between interest payments received from customers and interest payments made by EPEX to refinance the loan portfolio acquisition is fully realised in the statement of comprehensive income of the period.

Receivables from insurance policies ("policendirekt")

Policies acquired for trading purposes ("policendirekt") are capitalized at the total purchase price including commissions paid to brokers. Premiums paid to insurers are added to the book value of policies at the date of payment. Policy values are also increased using an internal rate of return that is reviewed periodically. The fair value increase of low performing policies is adjusted on a monthly basis. Purchased polices are capitalized at the date of receipt of the signed purchase contract. At the same date, the liability for the purchase price and the related commission is recognised.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost less any impairment losses.

Bank loans

Bank Loans are initially recorded at fair value less transaction costs incurred. Subsequently borrowings are stated at amortised cost and interest is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Liabilities from Insurance Contracts

Liabilities from insurance contracts are recorded at amortised cost. These liabilities result from policies acquired by EPEX but the purchase price has not yet been paid out. So a small extent they also include insurance premiums that have not yet been paid. Liabilities from insurance contracts are classified as short term.

Trade account payables

Trade account payables are short term obligations that are recorded at fair value through profit or loss.

2. REVENUES

Total revenue includes € 12,072,531 of sales from insurance policies redeemed on maturity or at surrendering shortly prior to the payouts.

3. COST OF SALES

Cost of sales includes derecognized book values of policies that were sold, surrendered or matured during the accounting period. Policies are derecognized once EPEX has received the purchase price or the payment from the insurance company and has substantially transferred all risks and rewards of ownership.

4. INSURANCE PREMIUMS

Insurance premiums refer to premiums paid for polices held during the accounting period. Premiums paid to insurers are added to the book value of policies at the date of payment and are included in value appreciation.

5. EMPLOYEES AND DIRECTORS

	2016	2015
Salaries	€	€
Salaries	378,726	195,711
Social security cost and other personnel expenses	45,414	49,127
Total	**424,140**	**244,838**

Employees and Directors	2016	2015
Directors	3	6
Operations, Administration & Overhead	1	1
Total (Average)	**4**	**7**

	2016	2015
	€	€
Directors' emoluments	**498,938**	**579,573**

The highest paid Director received emoluments of EUR 184,278.

6. OTHER EXPENSES

Other expenses includes third party servicing fees for the Company's policy and loan portfolios, legal and accounting expenses, rent and non-deductible VAT.

Total amounts paid to the Company's auditor and its associates in respect of audit and audit related services to the Company in 2016 were 67,057 EUR (2015: EUR 88,384). Of the total remuneration EUR 42,995 (2015: EUR 62,980) related to the EPEX share within the audit of the group accounts and EUR 24,062 (2015: EUR 25,404) related to the audit of the UK statutory accounts.

7. NET FINANCE COSTS

	2016	2015
Finance income	€	€
Interest on receivables	363	(461)
Interest on loan receivables	130,964	173,051

Total	**131,327**	**172,590**
Finance costs:		
Bank interest	(2,305,538)	(2,178,145)
Interest for policy sellers	18,813	(71,921)
Total	**(2,286,725)**	**(2,250,066)**
Net finance costs	**(2,155,399)**	**(2,077,476)**

8. TAX

Analysis of the tax charge	**2016**	**2015**
	€	**€**
Current tax	(1,688,373)	(1,189,578)
Deferred tax		
Total tax charge in income statement	**(1,688,373)**	**(1,189,578)**

Factors affecting the tax charge:

The Company's deferred tax balances have been provided at 20.0% (20% on 31st of December 2015).

	2016	**2015**
	€	**€**
Profit on ordinary activities before tax	**7,723,636**	**6,066,045**
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	1,544,727	1,228,374
Effects of:		
Non-deductible charges	45	414
Change in UK tax rate	143,601	(39,210)
Total tax according to IFRS	**1,688,373**	**1,189,578**

The reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Company's future current tax charge accordingly.

9. DIVIDENDS PAID

	2016	**2015**
	€	**€**
Preference shares of £0.004 each		4,068,000
Ordinary shares	2,438,660	
Final	2,438,660	**4,068,000**
Dividends per ordinary share	**24.15**	
Dividends per Preference share		**4.00**

In accordance with the recommendation of the board of directors of EPEX paid out a dividend of EUR 150,000 on May 12th 2016. This dividend was declared and satisfied by the distribution in specie of the entire issued share capital of Policen Direkt Versicherungsvermittlung GmbH ("PDV"), a formerly wholly owned subsidiary based in Frankfurt am Main, Germany. The dividend was paid out to the ordinary shareholders in proportion to their holdings of ordinary shares in the capital of EPEX and is included in the numbers in the table above. In addition, EPEX paid out a cash dividend of EUR 2.288.660 in November 2016.

10. INTANGIBLE ASSETS

Intangible Assets	**2016**	**2015**
	€	**€**
COST		
1 January	308	0
Additions	0	308
At 31 December	**308**	**308**
Amortisation		
1 January	5	0
Charge for year	61	5
At 31 December	**66**	**5**
NET BOOK VALUE		
At 31 December	**242**	**303**

11. PROPERTY, PLANT AND EQUIPMENT

Computer equipment and office furniture	**2016**	**2015**
	€	**€**
COST		
At 1 January	12,317	12,317
Additions	3,283	0
At 31 December	**15,600**	**12,317**
DEPRECIATION		
At 1 January	11,162	10,041
Charge for year	1,482	1,121
At 31 December	**12,644**	**11,162**
NET BOOK VALUE		
At 31 December	**2,956**	**1,155**

12. INVESTMENTS

Investments in subsidiaries	**2016**	**2015**
	€	**€**
COST		
At 1 January	150,000	150,000
Additions	25,000	0
Disposals	150,000	0

At 31 December	**25,000**	**150,000**

The EUR 25,000 of additions in 2016 refer to the incorporation of EPEX Factoring GmbH, Frankfurt, Germany, a wholly owned subsidiary of the Company. The EUR 150,000 of disposals refer to the issued share capital of Policen Direkt Versicherungsvermittlung GmbH ("PDV") which was distributed to the EPEX shareholders as a dividend in specie.

Financial Investments	**2016**	**2015**
	€	**€**
COST		
At 1 January	0	0
Additions	55,448	0
Disposals	0	0
At 31 December	**55,448**	**0**

13. TAX RECEIVABLES

Tax	**2016**	**2015**
	€	**€**
Capital gains tax claims	12,816,392	12,746,647
Other tax receivables	0	2,800
Total	**12,816,392**	**12,749,447**

14. OTHER SHORT TERM RECEIVABLES

Other short term receivables	**2016**	**2015**
	€	**€**
Policy portfolio receivables	3,816,115	6,567,416
Other receivables	16,141	25,722
Total	**3,832,256**	**6,593,138**

15. TRADE ACCOUNTS PAYABLES

	2016	**2015**
	€	**€**
Policy portfolio payables	1,612,282	3,504,649
Payables from related parties	95,504	1,040,986
Total	**1,707,786**	**4,545,635**

16. ACCRUALS

	2016	**2015**
	€	**€**
Tax accruals	1,017,000	778,788
Total	**1,017,000**	**778,788**

Other accruals	**2016**	**2015**
	€	**€**
Accruals for audit and accounting	76,800	85,800
Accruals for personnel expenses	0	215,786
Other accruals	441,763	354,974
Total	**518,563**	**656,560**

Short-term accruals for audit and accounting will be used within the first six months of 2017. Short-term accruals for personnel expenses in 2015 mainly related to management bonus payments. Due to changes in the Board setting there were no new accruals for bonuses in 2016. Other accruals relate to future premium payments for policies already sold which nevertheless have to be paid by EPEX, legal topics and advisory costs.

17. BANK LOANS

EPEX currently has ten bank loans from four large banks to refinance its policy portfolios. From these loan agreements, there is one two year facility currently used for the product "policencash" and one facility to refinance the consumer loan portfolio. Since both are running until 2018 they are classified as "long term".

All bank loans are fully secured on policy portfolios, which means that EPEX has assigned the relevant polices to the respective banks (rights in rem) and informed the insurance companies about the assignments in writing.

18. CALLED UP SHARE CAPITAL

The issued capital is composed of 50,000 Ordinary A Shares and 51,000 Ordinary B Shares.

Authorised:

Number:	Class:	Nominal value:	2016 £	2015 £
51,500	Ordinary A	£0.001	51.5	51.5
51,000	Ordinary B	£0.001	51	51
1,017,000	Preference	£0.004	4,068	4,068
			4,170.5	**4,170.5**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016 £	2015 £
50,000	Ordinary A	£0.001	71	71
51,000	Ordinary B	£0.001	73	73
1,017,000	Preference	£0.004	5,867	5,867
			6,011	**6,011**

All Ordinary Shares have voting rights. Preference shares have no voting rights but were entitled to a dividend payment before the ordinary shares subject to the economic situation of the Company and if the directors of the Company considered it appropriate to make the distribution.

The dividend entitlement on Preference shares ceased by the end of 2016.

19. RESERVES

	Subscribed capital	Capital reserve (Share premium)	Retained earnings	Equity
	€	€	€	€
At 1 January 2016	**6,011**	**1,058,408**	**16,139,500**	**17,203,919**
Dividends			(2,438,660)	(2,438,660)
Profit for the year			6,035,263	6,035,263
At 31 December 2016			**19,736,103**	**20,800,522**

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2016	2015
	€	€
Profit for the financial year	6,035,263	4,876,467
Dividends	(2,438,660)	(4,068,000)
Net (deduction) addition to shareholders' funds	**3,596,603**	**808,467**
Opening shareholders' funds	**17,203,919**	**16,395,452**
Closing shareholders' funds	**20,800,522**	**17,203,919**

21. FINANCIAL RISK MANAGEMENT

Risk management framework

The EPEX has exposure to market risks arising from interest rate changes and from changes in the sales price of policies on the secondary life insurance market.

The Company is also facing credit risks which are mainly attributable to the policy portfolio (long-term receivables from insurance policies ("policencash"), receivables from insurance policies (policendirekt)) and from trade receivables.

Moreover, there are liquidity risks which are interlinked with the mentioned market, credit risks and tax risks which would have a negative impact on the Company's performance should they materialize.

The members of the EPEX Board of Directors are responsible for the risks in their respective area of competence. Market developments, especially those which could result in financial risks, are continuously monitored in order to identify risks. The Company's risk controlling system is designed to identify, analyse and quantify potential risks in a timely manner. Once identified, the Board members will be informed immediately about the respective risk and potential counter measures will be discussed and taken.

Market risks resulting from interest rate and bank margin changes

EPEX is refinancing its policy portfolio and its consumer loan portfolio with bank loans. Currently, the Company has banking relationships with four large banks.

The bank loans are fully collateralized with assigned policies. The bank loans note in Euro, interest is payable on a Euribor or Eonia plus bank margin basis which is usual in the market. Hence, the effective interest rate is variable.

Increasing interest reference rates and/or bank margins have a direct negative impact on the holding margin on the trading portfolio.

Trading portfolio ("policendirekt"): EPEX used to partially hedge the trading portfolio's risk exposure against strong interest rate increases with interest rate caps (derivatives). With the interest rate expectations being on a historically low level and given the relatively small gap between book value and surrender value, interest rate caps are currently not deemed necessary. The Board will closely observe the interest rate development and assess from time to time if measures should be taken.

Besides managing interest rate risks the EPEX actively manages its trading portfolio. One of the major goals of the portfolio management is to increase the average trading portfolio IRR. A high average portfolio IRR is the most effective means for EPEX to protect itself from increasing reference rates and/or bank margins.

"policencash"-portfolio: The loan contracts for the "policencash"-portfolio are also based on a reference rate plus margin basis. However, the product's terms & conditions of "policencash" include an interest rate escalation clause which passes any change of the ECB rate on to the customer. Therefore, the risk of a decreasing holding margin on the "policencash"-portfolio is largely eliminated for EPEX.

Consumer loan portfolio: The loan contract for the refinancing of the consumer loan portfolio also operates on a reference rate plus basis. Identical to the reasoning about the trading portfolio outlined above EPEX believes that there is currently no need for an interest rate cap.

An increase in the respective interest reference rate by 100 bps during 2016 would have reduced the Company's EBT by € 2.1 million (2015: € (1.9) million). The sensitivity analysis assumes ceteris paribus for all other variables and parameters including counter measures by the management. If it is assumed that the interest rate escalator clause in "policencash" will pass on interest rate changes to the customer, the net effect of an interest rate increase of 100 bps is in 2016 is reduced to € 1.0 million (2015: € 0.8 million),

Market risks from sales price changes of policies on the secondary life insurance market

EPEX buys and sells policies; if the realizable prices on the secondary life insurance market decreased sustainably this would impose a risk for EPEX's sales. If sales prices fell below their book value EPEX would have two options:

1) EPEX could reclassify its policies from "Held for Trading" to "Held to Maturity". At the same time, EPEX would have to alter its trading strategy to a "Buy and Hold" strategy. A "Buy and Hold" strategy is a viable option as long as the maturity payout is higher than the sum of purchase price, premiums and refinancing costs. Due to the high average portfolio IRR compared to the current interest rate expectations EPEX's policies are suitable for a "Buy and Hold" strategy in principle.

2) EPEX could surrender its trading portfolio and receive the surrender values from the insurance companies. The surrender value is the minimum realizable value for its policies. On average, the difference between book values and surrender values is the low single digit percentage area.

Credit Risk of German life insurance companies

General credit risk: The Company's main credit risk arises from a potential default of the insurance companies represented in EPEX's policy portfolio. This risk is considered relatively low for three reasons:

1) German life insurance companies issuing endowment policies are generally considered to have a very low probability of default (reflected in their credit ratings) as they have to comply with very strict regulatory requirements set by the German regulator ("Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)"). The BaFin closely monitors life insurance companies to ensure they act in accordance with the Insurance Supervision Act ("Versicherungsaufsichtsgesetz"). In order to pass the BaFin's stress tests, German life insurance companies dedicate the largest proportion of their assets to comparatively safe investment products such as German government bonds.

2) Policy holders' assets are held separate from the assets of the insurance company. They are therefore not available to creditors if the insurance company defaults.

3) A guarantee mechanism set up by German life insurers called "Protektor Lebensversicherungs-AG" takes over the insurance liabilities to policyholders of troubled life insurance companies in Germany in the case of a default. In Austria, there is a similar regulatory framework in place which is supervised by the Austrian regulator ("Finanzmarktaufsicht (FMA)").

Therefore when assessing the Company's exposure to credit risks from German life insurance companies it is not sufficient to solely consider the credit ratings (as strong as they may be) as this reflects a corporate lenders credit risk. A policyholders risk is further reduced by the second two factors.

Finally credit risk is further reduced through the diversification of the policies held by EPEX across a broad group of insurers. The following tables illustrate that the trading and the policencash-portfolio show a comparatively low degree of concentration by insurance company:

Insurance company	Share of trading portfolio ("policendirekt")
Allianz	16.7%
Debeka	9.0%
Generali	7.3%
R+V AG	5.3%
Provinzial Rheinland	5.2%
Volkswohl Bund	4.4%

Insurance company	Share of "policencash"-portfolio
Allianz	10.6%
Generali	5.8%
Provinzial Rheinland	5.6%
Ergo	4.9%
Zurich Deutscher Herold	4.7%
Debeka	3.7%

AachenMünchener	3.6%	Iduna	3.6%
Victoria	3.1%	Westfälische Provinzial	3.5%
Neue Leben	2.7%	Württembergische	3.5%
Ergo	2.6%	R+V AG	3.4%
All others	40.1%	All others	50.7%

Partial default risk: EPEX buys policies for a) trading purposes and b) – in case of "policencash" – to keep them on the book until a customer either exercises his buy-back option or EPEX realizes the policy (classified as "Long-term receivables from insurance policies (policencash)"). Moreover, EPEX acquired c) a consumer loan portfolio in 2011.

a) A credit risk for policies in its trading portfolio can only occur if the expected maturity payout turned out to be below EPEX's expectation. If the deviation in the performance is substantial the marketability of such a policy could be negatively affected. A lower sales price would almost certainly be the consequence.

At the extreme, the policy's value could drop below book value. However, in such a scenario the surrender value constitutes the absolute minimum in terms of realizable value. Hence, the maximum hypothetical risk for EPEX's trading portfolio is the gap between book value and surrender value of the policies. As outlined above under chapter market risks the gap between the policy's purchase price and subsequent book value and its surrender value is in the very low single digit percentage area.

b) Receivables for "policencash"-contracts are always purchased at a discount to the policy's surrender value. There is therefore no credit risk for these policies in EPEX's policy portfolio.

c) The consumer loan portfolio is fully collateralized with German life insurance policies. EPEX has the right to realize the supplied securities in case the customer fails to pay his interest rates. Therefore the credit risk is significantly reduced.

Tax Risk

As outlined above, EPEX has entered a court process against the German Federal Central Tax Office ("Bundeszentralamt für Steuern (BZSt)") to pursue the refund of the capital gains tax (GTC) claims withheld by the BZSt.[3]

Credit Risk of Other Business Partners

EPEX conducts business only with business partners with a proven creditworthiness. For all trade receivables the maximum value at risk corresponds to the book value of the receivables.

[3] For more details see chapter "Company specific risks" in section "Strategic Report"

Financial derivatives

EPEX used to hold financial derivatives (interest rate caps) to hedge against interest rate risks. All interest rates ended in 2014. Therefore, the book value of the interest rate caps is zero at the end of the period.

Liquidity risk

EPEX generates liquidity predominantly from operating and refinancing activities. The available cash at hand and the refinancing means from loans to purchase policies give EPEX sufficient flexibility to cover the Company's liquidity needs. With four large banking partners EPEX currently has sufficient financial leeway and considers the liquidity risk to be low.

Nevertheless, going forward, EPEX will continue discussion with potential new banking partners to further broaden and diversify its refinancing basis.

Capital management

The Company's capital management primary goal is to maintain a sound equity base and to achieve a high Return on Equity. Budgets and forecasts are used to monitor and steer the Company's equity.

Return on Equity and equity ratio have been defined as the most important KPIs to operationalise the overall capital management goals. The main levers to influence these KPIs are the volume of policies purchased, sales, gross profit and the portfolio management strategy employed. All KPIs are analysed by the management on a continuing basis to identify potential deviations early and to take adequate counter measures.

The total volume of policies purchased was € 64 million in 2016 (2015: € 117 million). The Company's sales came in at € 115 million (2015: € 80 million), gross profit amounted to € 11 million (2015: € 9 million). Return on Equity (calculated as the IRR on the Company's equity at the beginning of the period, all capital movements during the period, and the equity at the end of the period) was at 33% in 2016 (2015: 36%). The equity ratio at the end of 2016 was 9.1% (2015: 6.8%).

22. FINANCIAL INSTRUMENTS

The book value and fair value of financial instruments

The book value and fair value of all financial instruments employed by EPEX are displayed in the following table:

Financial Instrument	31.12.2016 € Book Value	31.12.2016 € Fair Value	31.12.2015 € Book Value	31.12.2015 € Fair Value
Loans and receivables	**3,926,417**	**3,926,417**	**9,985,696**	**9,985,696**
Fiduciary deposits	94,161	94,161	3,392,559	3,392,559
Trade receivables	0	0	0	0
Other receivables	3,832,256	3,832,256	6,593,137	6,593,137
Financial assets at fair value through profit and loss	**211,163,112**	**211,163,112**	**233,344,104**	**233,344,104**
Long-term receivables from insurance policies ("policencash")	112,567,943	112,567,943	115,544,800	115,544,800
Long-term loan receivables	2,048,055	2,048,055	2,667,095	2,667,095
Short-term receivables from insurance policies ("policendirekt")	96,547,114	96,547,114	115,132,209	115,132,209
Other financial assets at cost	**55,448**	**55,448**	**0**	**0**
Sum of financial assets	**215,358,684**	**215,303,236**	**243,042,995**	**243,042,995**
Financial liabilities measured at amortized cost	**206,684,076**	**206,684,076**	**236,165,155**	**236,165,155**
Bank loans	200,463,146	200,463,146	223,717,036	223,717,036
Liabilities from insurance policies	4,172,362	4,172,362	7,694,421	7,694,421
Trade account payables	1,707,786	1,707,786	4,545,636	4,545,636
Other short-term liabilities	340,782	340,782	208,062	208,062
Sum of Financial Liabilities	**206,684,076**	**206,684,076**	**236,165,155**	**236,165,155**

The receivables from insurance contracts are recognized at their fair value. The fair value of EPEX's fiduciary deposits corresponds to the book value. The Company's trade receivables are primarily the result from policy administration activities. All receivables have a short term due date for payment, therefore their fair value corresponds to their book value. Up until now, the EPEX Company has not yet to realize any allowances for bad debts. Interest bearing bank loans are measured at amortized cost.

Liabilities from insurance contracts predominantly originate from liabilities to customers from whom EPEX has purchased policies and from premium obligations to the insurance companies for policies in EPEX's policy portfolio and are measured at their fair value. Trade account payables have short due dates and are measured at their fair value.

Net gains and losses from financial instruments

The following table shows the net gains and losses encountered from financial instruments which have been realized in the statement of comprehensive income:

	2016	2015
	€	€
Financial assets at fair value through profit and loss	7.764.135	6,255,288

The financial gains from financial assets at fair value through profit and loss originate from value increases of insurance policies and from long-term loan receivables in the reporting period. The net gain from financial assets does not include any interest payments to banks from holding the financial assets on the balance sheet.

Fair value hierarchy

The class of financial instrument determines how its fair value is effectively measured, The following table shows the three level fair value hierarchy for all assets and liabilities at fair value through profit and loss (all values in €, previous period in lower row) and provides a definition of the valuation technique used to determine the fair value:

		Level 1	Level 2	Level 3	
Fair value hierarchy of financial instruments held by the EPEX		**Quoted prices for identical assets and liabilities from active markets**	**Inputs other than quoted prices that are directly or indirectly observable for assets and liabilities**	**Inputs for assets or liabilities that are not based on observable market data**	**Total**
Financial assets at fair value through profit and loss	**2016**	**0**	**98,595,169**	**114,615,998**	**213,211,167**
	2015	**0**	**117,799,304**	**118,211,895**	**236,011,198**
Receivables from insurance policies	2016	0	98,595,169	114,615,998	213,211,167
	2015	0	117,799,304	118,211,895	236,011,198

The **Level 1-Assets** contained the Company's interest rate caps. EPEX minimized the risk of default from its derivatives (interest rate caps) through a prudent selection of contracting parties. The **Level 2-Assets** are made up by the Company's policy trading portfolio as well as the consumer loan portfolio.

The **Level 3-Assets** correspond to the Company's "policencash"-portfolio.

There have been no intra-Level transfers of assets and liabilities in the fair value hierarchy.

The development of Level 3-Assets from 2014 to 2015 is due to an increase in policy purchases of € 9.8 million and value appreciation of € 11.3 million and a value decrease because of policy disbursals of € 24.1 million. Gains included in profit or loss attributable to Level 3-Assets held as at 31 December 2016 amount to € 9.0 million. In 2016 financial instruments categorized as Level 3-Assets generated a gross profit of € 4.1 million and profit before taxes of € 2.8 million.

There have been no fair value changes attributable to other comprehensive income (OCI) for Level 3-Assets or -Liabilities.

Section "1. Accounting policies" contains a description of the valuation technique applied to Level 2- and 3-Assets. Unobservable inputs used in the fair value measurement of Level 3-Assets are the contractually agreed upon value appreciation factor in the "policencash"-purchase contract between EPEX and the policy holder. This factor remains constant for a given "policencash"-contract until it ends. It is not possible to change the factor retrospectively. If the factor was changed for the purpose of a sensitivity analysis it would impact the fair value of the "policencash"-portfolio (Level 3-Assets), more specifically the amount of value appreciation attributable to the portfolio.

The following table provides a sensitivity analysis of changes in the unobservable inputs.

	Effect on profit when unobservable input factor is changed by		
Level 3-Assets and Liabilities	**%**	**+**	**-**
Value appreciation factor in "policencash"-contract Basis: 3.49%	1%	+ € 1.1 million	€ (1.1) million

23. RELATED PARTY DISCLOSURES

During the year ended 2016, PDV provided policy administration and servicing activities to EPEX. Moreover, PDV acted as a broker for policies acquired for EPEX. PDV can be seen as a related party since the shareholders of EPEX and PDV are identical.

In 2016 EPEX paid brokerage fees of EUR 681,367 to PDV (2015: EUR 1,257,585) and policy administration and servicing fees of EUR 549,013 (2015: 472,491).

24. ULTIMATE PARENT COMPANY

The Company Policen Direkt GmbH a limited company incorporated in Germany and registered at Rotfeder-Ring 5, 60327 Frankfurt am Main, Germany (HRB 106346) is the parent company of EPEX in with the Company's results are consolidated. Policen Direkt GmbH's accounts are available from the Companies House in Germany (https://www.handelsregister.de).

25. SUBSEQUENT EVENTS

None.