

REGISTERED NUMBER: 4905152 (England and Wales)

**REPORT OF THE DIRECTORS AND
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
FOR
EUROPEAN POLICY EXCHANGE LIMITED**

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Company Information

The Directors present their report with the financial statements of the company and the Group for the year ended 31 December 2013.

As at 31 December 2013 the EPEX-Group consists of European Policy Exchange Limited ("EPEX"), London, UK, and its subsidiaries Policen Direkt Versicherungsvermittlung GmbH ("PDV") and Frankfurter Fondsverwaltung GmbH ("FFV"), both based in Frankfurt am Main, Germany.

EPEX Directors

M Ahlers
T Heimlich
K Henke
A Murjahn
S Nörtersheuser
S Siebert

Company Secretary

T Heimlich

Registered Office

18 Bedford Row
London
WC1R 4EQ

Registered Number

4905152 (England and Wales)

Auditors

KPMG Audit Plc
15 Canada Square
E14 5GL
London

Strategic Report

PRINCIPAL ACTIVITY

The principal activities of the EPEX-Group in the year ended 31 December 2013 under review were the acquisition of and dealing in life insurance policies, the realization of arbitrage gains from policies, the administration and servicing of secondary life market policies and the brokerage of policy loans. 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 and the Group are shown in the annexed financial statements.

Activities in the Year, Performance and Strategy

2013 was the third most successful year in terms of earnings for the EPEX-Group. Overall, the EPEX-Group generated earnings before tax of € 5.3 million (2012: € 6.7 million). The Group's equity increased by € 0.1 million to € 18.8 million resulting in an equity ratio of 10.5% (2012: 12.1%). The Group's return on equity in the period under review was 26% (2012: 36%).

As in the previous period the EPEX-Group benefited from low interest rates, a growing "policencash"-portfolio, a good placement result with its investment product "policeninvest" as well as a continuous demand for its product maturity management.

Management has continued to operate with a close focus on policy Internal Rate of Return (IRR) and operating expenses. Overall, a total of € 107 million in policies were acquired in 2013 (2012: € 128 million).

"policeninvest": "policeninvest" is a direct investment in a secondary life market policy. Policies are sold to private and institutional investors. Products that offer direct investments in "used" policies are relatively new to the German and Austrian market, allowing "policeninvest" for a substantial upside potential. "policeninvest" sales amounted to € 31 million (2012: € 52 million). The trading portfolio in 2013 was on average significantly lower than in 2012 which negatively affected the placement results. However, product margins improved. 2014 sales volumes will strongly depend on the availability of a sufficient number of attractive policies to be bought for the trading portfolio. A main driver of uncertainty in this regard will be the timing and extent of a planned change in the German Insurance Contracts Act which might lead to a once-off value decrease of policies. Management expects "policeninvest"-revenues of about € 35 million in 2014.

Maturity and surrender payouts: In 2013, EPEX generated sales from maturing and surrendered policies of € 67.1 million (2012: € 94.1 million). Lower revenues are expected for 2014.

Commissions: Commissions contributed € 0.2 million of revenues in 2013 (2012: € 0.2 million). "policenkredit", the Group's loan product with life insurance policies serving as collateral yielded

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

more than € 0.1 million of commission revenue. This corresponds to a total paid out credit volume of € 4.9 million. "fondsdirekt", a broking service in the secondary market for closed-end funds, contributed a trading volume of more than € 1.8 million and made up the remaining part of the commission revenues in 2013.

Management expects similar revenues from commissions in 2014.

Administration fees: The EPEX-Group has approximately € 1.2 billion of policies under management (2012: € 1.2 billion), making it the largest independent policy manager in the German and Austrian secondary life insurance market. Policy administration revenues totalled € 2.6 million in 2013 (2012: € 2.7 million). The value of individual policies under management grows due to premium payments and bonus rates. Typically, the portfolios are administrated until they mature. Due to maturity payouts policies under management for closed-end funds the portfolios will gradually decrease over the coming years. EPEX aims to offset this effect by generating new administration fees from new placement activities in the future. The 2014 business plan expects policy administration revenues of € 2.3 million.

Closed-end Funds administration fees: Frankfurter Fondsverwaltung offers administrative, accounting and controlling services to closed-end secondary life market funds. This service offering complements the asset management services for life insurance policies. Frankfurter Fondsverwaltung contributed € 0.3 million of fund administration revenues (2012: € 0.3 million).

Overall, income from policy and fund administration will continue to be an important source of revenue for the Group in the next years.

Operating expenditures: EPEX total operating expenditures (OPEX) increased by 4 percent compared to 2012. Personnel expenses increased by 3 percent mainly driven by higher employee and management salaries. Depreciation increased by 14% as a result of larger investments in the Group's IT hardware infrastructure. Other operating expenditures increased by 4 percent. Higher travel costs, legal expenses and banking charges offset reductions in rent and office related costs and marketing. For 2014, management expects a stable OPEX.

"policendirekt"-portfolio (trading portfolio): The Group's trading portfolio amounted to € 56 million on 31 December 2013 (receivables from insurance policies) which corresponds to 7 percent increase compared to 2012 (2012: € 52 million). However, the trading portfolio volume is still small compared to the last years. The main reason for this was the anticipated change in the German Insurance Contracts Act intending to reduce the allotment of valuation reserves (the so called "Bewertungsreserven") from the insurer's bond portfolios to individual policies. The change aims at improving insurance companies' sustainability in light of the ongoing record low interest rate environment. The change would/will reduce both; potential gains from surrendering policies as well as maturity payouts. The effect on the EPEX trading portfolio is expected to amount to less than 2 percent. Originally, the change was intended to come into effect in late 2012. It was subsequently postponed to the beginning of 2013 and, in the light of the upcoming elections for parliament in Germany, it was taken off the agenda. The new German government has indicated that it will pick up the topic in the first half of 2014.

In the light of these changes, EPEX surrendered policies with high valuation reserves in 2012 and in 2013. Furthermore, EPEX continued to be highly selective in buying new policies for its trading portfolio in 2013, especially avoiding policies with high valuation reserves. Despite higher policy acquisition volumes for trading purposes compared to 2012 solid "policeninvest" sales led to a moderate trading portfolio build-up only.

Until the new law is passed EPEX will continue to be selective in buying new policies.

"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. An annual interest of currently 3.49% + ECB-rate (on both purchase price and all premiums paid) is also applied. Given the interest rate escalator clause in the product's General Terms & Conditions, EPEX faces only a very limited interest rate risk. The "policencash"-portfolio increased by 20 percent to € 99 million at 31 of December 2013 (2012: € 83 million). In 2013, € 12.7 million of sales occurred from buybacks and the realisation of collaterals (2012: € 5.0 million). Management expects that by the end of 2014 the "policencash"-portfolio will exceed € 120 million.

Consumer loan portfolio: The consumer loan portfolio is fully collateralized with life insurance policies leaving EPEX with virtually no default risk. The EPEX-Group will manage the run-down of the bullet loan portfolio over the next few years generating a profit from an arbitrage between credit and debit interests as well as from a gradual realization of the negotiated discount on the face value of the loans. By the end of 2013 consumer loans worth € 5.4 million were on EPEX's balance sheet (2012: € 8.0 million).

Portfolio financing & interest rates: On the portfolio financing side, EPEX can build on eight credit lines with four banks to refinance its trading and its "policencash"-portfolio as well as its consumer loan portfolio. In 2013 Portigon AG (fka: WestLB AG) was fully replaced as a lending bank. HSBC Trinkaus & Burkhardt AG was introduced as a new banking partner who took over the "policencash"-portfolio previously financed at Portigon AG. By refinancing the trading portfolio and consumer loan portfolio from Portigon AG to UniCredit Bank AG this business relationship was further strengthened. Overall, the total credit line limit was extended giving EPEX more flexibility. The overall financing terms and conditions could be further improved in 2013 and the reference rates remained lower than expected. Overall, EPEX was able to realize an attractive holding margin its portfolios. Interest rate expectations continue to be low with a slight increase expected over the next few years.

Interests payable to banks declined in 2013, mainly because the total portfolio volume held on the balance sheet on average was lower year-on-year.

Hedging: Currently, EPEX has four interest rate caps at a strike of 3.5% covering € 40 million until mid-2014 to mitigate the risk of raising interest rates for its trading portfolio. In 2013, no new interest rate caps were purchased to hedge against this risk.

To protect itself from the risk of increasing interest rates for the acquired consumer loan portfolio, EPEX purchased an interest rate cap in 2011.

Principal Risks and Uncertainties

The effect of the financial market crisis continues to have a strong impact on the development of the worldwide economy. 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 to the Group are:

Market Risks

Risk of decreasing valuation reserves

Since 2008 insurers have had to pay out the valuation reserves attributable to a given policy. These valuation reserves vary depending on the market environment. If the interest rates are low, valuation reserves tend to be high and vice versa. Given that the valuation reserves can make up several percentage points of a surrender value or a maturity payout, volatility of these valuation reserves has to be considered in pricing decisions when buying a policy. As outlined above, a change the German Insurance Contracts Act is likely to occur in 2014. Such a change will reduce the allocation of valuation reserves to insurance contracts. To mitigate this risk, EPEX surrendered policies with high valuation reserves in 2012 und 2013 and continues to be selective when buying new policies for its trading portfolio.

Risk of negative portfolio arbitrage

Interest rates directly affect the Group's financing costs, which are an important driver of the company's cost base.

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, both effects must be analysed jointly:

In the longer 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 could significantly impact the Group'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. EPEX has interest caps covering € 40 million at a 3.5 percent strike level until mid-2014. 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 (very) low single digit area and the trading portfolio is quite small relative to the Group's equity. 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 and policies that can be purchased at prices close to surrender value while avoiding policies with high valuation reserves.

“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 Group'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. Management therefore believes that “policeninvest” has substantial growth potential reducing this market risk.

Risk of decline in primary life insurance market

The Group purchases life insurance policies that are typically 10-15 years old. Changes in the primary market for life insurance would therefore affect the Group 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 € 709 million and € 401 million respectively in 2012 the Directors judge this risk to be very low.

Risk from increasing competition

Increasing competition could put pressure on purchase prices and could cause decreasing trading margins. However, the Group is experienced in gaining and defending market share against competitors by focusing on excellence in sales and service quality. The Group puts a strong emphasis on cost efficiency in all of its operations. Moreover, main competitors form EPEX significantly decreased their acquisition volumes, further reducing this risk. Overall, the Directors see the Group to be well positioned in this regard.

Default risk of German life insurers

Default risk of German insurance policies is still fairly low. 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 (§ 44 EStG). 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 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. EPEX is currently in discussions with the BZSt as the directors are of the firm opinion that that all preconditions required by law are fully complied with and that the BZSt is violating existing national and international law if it is not refunding the CGT withheld. At the current stage the possibility of having to enter a court process cannot be excluded. At 31 of December 2013 EPEX has CGT claims of € 11.9 million on its balance sheet. The CGT claims are fully funded by equity.

Overall, management as well as the mandated international law firm is 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. By selling all policies before maturity or surrendering, EPEX has taken measures to ensure, that no further CGT claims are originated. Therefore, even if the CGT currently withheld were lost, the risk does not pose a going concern risk to the Group.

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

The main focus of the Group's activities lies in German traded endowment policies. All negative impacts on this market are risks to the Group that can currently not be fully compensated for by its newly started activities. To protect against this risk, the Directors intend to intensify diversification into unrelated but synergetic activities such as the policy loan and the secondary market for closed-end funds. As in the previous period, Directors do not consider this risk to be material.

Risk of dependency on main clients

The EPEX-Group generates administration fees with six closed end funds and with a "Held-to-Maturity"-portfolio of Portigon AG. Closed-end fund providers as well as Portigon AG are exposed to the spread between refinancing cost and bonus rates. If the realized cash-flows continuously fell behind projected cash-flows, closed end funds might have to be liquidated or smaller policy portfolios might have to be sold leading to lower administration revenues for the EPEX-Group.

On the policy sales side, the successful introduction of "policeninvest" in 2009 largely eliminated the risk of dependency on single investors. A large set of private and institutional investors are clients of the EPEX-Group.

Overall, the Directors judge this risk to be low.

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 Group's ability to grow.

With the introduction of HSBC Trinkaus & Burkhardt AG as a new banking partner and the extension of the business relationship with UniCredit Bank AG EPEX could improve its flexibility going forward compared to the previous period.

Means to further reduce this risk include good business relationships with the Group's lending banks, banking relationships with different types and sizes. The Directors consider this risk to be low to medium.

HR risks

The Group has grown its staff over the last years. However, compared to large corporates the EPEX-Group still has a relatively small team. The dependency on key personnel is a risk to be monitored. In general, teams are trained cross-functionally to reduce this risk.

Business Outlook

In 2013, EPEX has successfully defended its position as the leader in the German secondary life insurance market.

As in the previous period, the equity base of the company could be further strengthened which will facilitate the Group's refinancing activities in future.

The most important goals for 2014 will be – as in the past – to increase policy acquisition volumes for both, the trading portfolio and the "policencash"-portfolio, to expand the policy placement channels and to increase the market penetration for "policeninvest". The viability of a trading portfolio build-up in 2014 will strongly depend on a quick and transparent decision on the future treatment of valuation reserves.

Policy sales to private and institutional investors via "policeninvest" will continue to be important. However, the sales volume is ultimately determined by the size of the Group's trading portfolio which – as outlined above – needs to be increased again. Administration fees will continue to be important sources of revenue with a well predictable contribution over the next years. Commission products will be less important for the Group in future.

The Directors plan to further expand into new services characterised by high synergies with the Group's existing activities, potentially in the area of online insurance brokering in Germany.

Directors' Report

ACCOUNTS AND AUDITORS

The Directors present their report with the financial statements of the company and the Group for the year ended 31 December 2013. The Group's is audited by KPMG Audit Plc, United Kingdom.

SHARE CAPITAL, DIVIDENDS AND KPIs

The issued capital is unchanged compared to 2012 and is composed of 50,000 Ordinary A Shares and 51,000 Ordinary B Shares. In addition, there are 1,017,000 Preferred Shares.²

In 2013 the company 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.

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

DIRECTORS

The Directors during the year under review were:

M Ahlers
T Heimlich
K Henke
A Murjahn
S Nörtersheuser
S Siebert

POLITICAL AND CHARITABLE DONATIONS

There have been no political or charitable donations by EPEX in 2013 (2012: € 0). PDV, the German subsidiary of EPEX, donated € 5,000 to a German university.

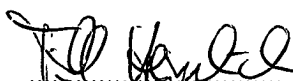
POST BALANCE SHEET EVENTS:

In February 2014, the Group concluded two contracts with a large institutional buyer of policies. EPEX will sell policies to this asset manager on an ongoing basis and PDV will service the policy portfolio. The contracts will increase the Group's assets under management.

ON BEHALF OF THE BOARD:



M Ahlers – Director



T Heimlich – Director

Date: 13/03/2014

² See Note 15 for more information on the Share Capital.

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 group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 group and to prevent and detect fraud and other irregularities.

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.

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 2013 set out on pages 14 to 41. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 11, 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 group's and of the parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Murray Raisbeck (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

Date:

13/3/2014

Consolidated Statement of Comprehensive Income

	Notes	2013 €	2012 €
CONTINUING OPERATIONS			
Total revenues	2	114,319,569	154,479,110
Cost of sales for revenues from maturity and surrender management	2	(49,080,866)	(59,801,186)
Revenues		65,238,703	94,677,924
Value appreciation	19	13,799,389	14,786,632
Other income		106,068	136,217
Cost of sales		(59,527,435)	(87,912,088)
Insurance premium		(8,296,117)	(8,713,826)
GROSS PROFIT		11,320,609	12,974,859
Personnel expenses	3	(3,059,686)	(2,960,003)
Depreciation	8, 9	(103,099)	(90,286)
Other expenses		(1,310,829)	(1,260,980)
thereof: Auditors' remuneration	4	(88,974)	(111,954)
OPERATING PROFIT		6,846,995	8,663,590
Finance costs	5	(1,980,445)	(2,469,069)
Finance income	5	393,042	529,429
Financial result from derivatives		(1,203)	(23,808)
PROFIT BEFORE TAX		5,258,389	6,700,142
Tax	6	(1,125,722)	(1,637,914)
PROFIT FOR THE YEAR		4,132,667	5,062,228
Other comprehensive Income		0	0
Total comprehensive Income		4,132,667	5,062,228
Attributable to:			
Equity holders of the parent		4,132,667	5,062,228

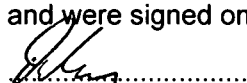
The notes on pages 20 to 41 are an integral part of these financial statements.

Consolidated statement of financial position

		2013	2012
		€	€
ASSETS	Notes		
NON-CURRENT ASSETS			
Intangible Assets	8	385,277	416,281
Property, Plant and Equipment	9	149,901	111,405
Other long term receivables		77,000	73,150
Long-term receivables from insurance policies ("policencash")	19	99,427,391	83,166,616
Loan receivables	19	5,392,379	7,984,221
Long-term Deferred Tax Assets		96,278	62,435
SUBTOTAL		105,528,226	91,814,108
CURRENT ASSETS			
Receivables from insurance policies ("policendirekt")	19	56,090,966	52,549,306
Fiduciary deposits		0	1,234,473
Trade account receivables		528,473	592,176
Tax receivables		12,549,870	6,354,049
Other short-term receivables	11	4,400,362	1,359,324
Cash and cash equivalents		852,600	1,807,921
SUBTOTAL		74,422,271	63,897,248
TOTAL ASSETS		179,950,497	155,711,357
SHAREHOLDERS' EQUITY			
Issued capital	15	6,011	6,011
Share premium	16, 17	1,058,408	1,058,408
Retained earnings	16, 17	17,779,894	17,715,227
SUBTOTAL		18,844,313	18,779,646
LIABILITIES			
NON CURRENT LIABILITIES			
Long-term deferred tax liabilities		54,991	100,989
Long-term bank loans	14	52,164,764	74,001,840
SUBTOTAL		52,219,755	74,102,829
CURRENT LIABILITIES			
Bank loan	14	99,823,655	56,034,378
Liabilities from insurance policies		4,732,797	4,609,757
Trade account payables	12	2,123,718	398,287
Tax accruals	13	595,726	639,491
Other provisions	13	1,303,283	896,425
Other short-term liabilities		307,250	250,543
SUBTOTAL		108,886,429	62,828,881
TOTAL EQUITY AND LIABILITIES		179,950,497	155,711,357

The notes on pages 20 to 41 are an integral part of these financial statements.

The consolidated financial statements were approved by the Board of Directors on March 13 2014 and were signed on its behalf by:



M Ahlers – Director



T Heimlich – Director

Company statement of financial position

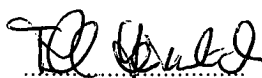
	Notes	2013 €	2012 €
ASSETS			
NON-CURRENT ASSETS			
Property, Plant and Equipment	9	3,650	1,383
Investments	10	150,000	150,000
Long-term receivables from insurance policies ("policencash")	19	99,427,391	83,166,616
Loan receivables	19	5,392,379	7,984,221
SUBTOTAL		104,973,420	91,302,219
CURRENT ASSETS			
Receivables from insurance policies ("policendirekt")	19	56,292,996	52,735,491
Fiduciary deposits		0	1,234,472
Trade account receivables		0	0
Tax receivables		11,952,752	6,354,049
Other short-term receivables	11	3,706,832	1,345,836
Cash and cash equivalents		(895,816)	(1,633,905)
SUBTOTAL		71,056,765	60,035,943
TOTAL ASSETS		176,030,185	151,338,162
SHAREHOLDERS' EQUITY			
Issued capital	15	6,011	6,011
Share premium	16, 17	1,058,408	1,058,408
Retained earnings	16, 17	15,592,204	13,220,322
SUBTOTAL		16,656,623	14,284,741
LIABILITIES - NON CURRENT LIABILITIES			
Long-term bank loans	14	52,049,223	73,903,896
LIABILITIES - CURRENT LIABILITIES			
Bank loan	14	99,823,664	56,092,625
Liabilities from insurance policies		4,529,857	4,609,757
Trade account payables	12	1,438,709	1,114,679
Tax accruals	13	595,726	830,863
Other provisions	13	843,904	432,301
Other short-term liabilities		92,479	69,300
SUBTOTAL		107,324,339	63,149,525
TOTAL EQUITY AND LIABILITIES		176,030,185	151,338,162

The notes on pages 20 to 41 are an integral part of these financial statements. As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was € 6,439,882 (2012: € 4,251,358).

The company financial statements were approved by the Board of Directors on March 13 2014 and were signed on its behalf by:



M Ahlers – Director



T Heimlich – Director

Consolidated Cash Flow Statement

	Notes	2013 €	2012 €
OPERATING ACTIVITIES			
Profit for the period		4,132,667	5,062,228
Depreciation		103,099	90,286
Other income		0	42,769
Change in other provisions		406,858	(290,922)
Financial income		1,203	23,808
Financial expenses		41,258	72,821
Tax income/ expense		(123,607)	364,476
Change in insurance policies from fair value adjustments		(1,388,139)	4,018,621
SUBTOTAL		3,173,339	9,384,087
Change in other long-term receivables		(6,642,362)	(10,677,984)
Change in receivables from insurance policies		(9,183,944)	29,134,060
Change in fiduciary deposits		1,234,473	1,796,272
Change in trade account receivables		63,703	(8,530)
Change in tax receivables		(6,195,821)	(4,028,889)
Change in other short-term receivables		(3,042,240)	(621,172)
Change in liabilities from insurance policies		123,040	(1,582,297)
Change in trade account payables		1,725,432	36,345
Change in other short-term liabilities		56,707	96,244
SUBTOTAL		(21,861,012)	14,144,049
Net cash (used in) from operating activities		(18,687,673)	23,528,136
INVESTMENT ACTIVITIES			
Cash-Flow from investing activities			
Acquisitions of intangibles		(32,090)	(21,921)
Acquisitions of PPE		(78,500)	(39,794)
Net cash (used in) from investing activities		(110,590)	(61,715)
FINANCING ACTIVITIES			
Cash-Flow from financing activities			
Borrowing of loan (long-term)		60,494,845	17,342,797
Redemption of loan (long-term)		(82,349,518)	(10,921,650)
Borrowing of loan (short-term)		99,665,999	40,951,074
Redemption of loan (short-term)		(55,900,384)	(68,896,587)
Dividends paid	7, 16, 17	(4,068,000)	(962,837)
Net cash (used in) from financing activities		17,842,942	(22,487,203)
Total cash flows		(955,321)	979,217
Cash at beginning of period		1,807,921	828,703
Cash at end of period		852,600	1,807,921
Interest received		393,041	529,429
Interest paid		(1,908,059)	(2,413,956)
Tax paid		(1,439,611)	(1,280,523)

The notes on pages 20 to 41 are an integral part of these financial statements.

Company Cash Flow Statement

	Notes	2013 €	2012 €
OPERATING ACTIVITIES			
Profit for the period		6,439,882	4,251,358
Depreciation		1,005	658
Other income		0	42,769
Change in other provisions		411,604	(319,843)
Financial income		1,203	23,808
Financial expenses		23,662	55,113
Tax income/ expense		(235,137)	473,721
Change in insurance policies from fair value adjustments		(1,388,139)	4,018,621
SUBTOTAL		5,254,080	8,546,205
Change in other long-term receivables		(6,638,512)	(10,677,984)
Change in receivables from insurance policies		(9,199,789)	29,267,551
Change in fiduciary deposits		1,234,473	1,796,272
Change in trade account receivables		0	0
Change in tax receivables		(5,598,703)	(4,028,889)
Change in other short-term receivables		(2,362,198)	(630,551)
Change in liabilities from insurance policies		(79,901)	(1,582,297)
Change in trade account payables		324,030	228,031
Change in other short-term liabilities		23,178	19,037
SUBTOTAL		(22,297,422)	14,391,170
Net cash (used in) from operating activities		(17,043,342)	22,937,375
INVESTMENT ACTIVITIES			
Cash-Flow from investing activities			
Acquisitions of intangibles		0	0
Acquisitions of PPE		(3,272)	(1,297)
Net cash (used in) from investing activities		(3,272)	(1,297)
FINANCING ACTIVITIES			
Cash-Flow from financing activities			
Borrowing of loan (long-term)		60,494,844	17,342,797
Redemption of loan (long-term)		(82,349,518)	(10,921,650)
Borrowing of loan (short-term)		99,607,760	40,979,085
Redemption of loan (short-term)		(55,900,383)	(68,896,587)
Dividends paid	7, 16, 17	(4,068,000)	(962,837)
Net cash (used in) from financing activities		17,784,703	(22,459,192)
Total cash flows		738,089	479,480
Cash at beginning of period		(1,633,905)	(2,113,385)
Cash at end of period		(895,816)	(1,633,905)
Interest received		391,503	528,939
Interest paid		(1,920,589)	(2,413,956)
Tax paid		(1,339,726)	(1,280,523)

The notes on pages 20 to 41 are an integral part of these financial statements.

Statement of changes in equity

Group

	Subscribed capital	Capital reserve (Share premium)	Retained earnings	Equity
	€	€	€	€
At 1 January 2012	6,011	1,058,408	13,615,836	14,680,255
Capital increases				
Dividends			(962,837)	(962,837)
Profit for the year			5,062,228	5,062,228
At 31 December 2012	6,011	1,058,408	17,715,227	18,779,646
At 1 January 2013	6,011	1,058,408	17,715,227	18,779,646
Capital increases				
Dividends			(4,068,000)	(4,068,000)
Profit for the year			4,132,667	4,132,667
At 31 December 2013	6,011	1,058,408	17,779,894	18,844,313

Company

	Subscribed capital	Capital reserve (Share premium)	Retained earnings	Equity
	€	€	€	€
At 1 January 2012	6,011	1,058,408	9,931,801	10,996,220
Capital increases				
Dividends			(962,837)	(962,837)
Profit for the year			4,251,358	4,251,358
At 31 December 2012	6,011	1,058,408	13,220,322	14,284,741
At 1 January 2013	6,011	1,058,408	13,220,322	14,284,741
Capital increases				
Dividends			(4,068,000)	(4,068,000)
Profit for the year			6,439,882	6,439,882
At 31 December 2013	6,011	1,058,408	15,592,204	16,656,623

The notes on pages 20 to 41 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.

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

New accounting standards and interpretations effective in 2013

The following new or amended accounting standards have been complied with in setting up the accounts:

IAS 1: Presentation of Financial Statements: Amendment in Presentation of OCI

The amendments made to IAS 1 require a modified presentation of items of other comprehensive income items (OCI) in the consolidated statement of profit or loss. Since EPEX has no OCI items, this amendment did not have an impact on EPEX.

IFRS 13: Fair Value Measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements. IFRS 13 replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. The adoption of this standard did not have a material impact on the measurements of the Group's assets and liabilities.

New standards and interpretations not yet adopted

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. In presenting the new standards and interpretation focus has been put on those that appear to have the highest relevance for the Group:

IFRS 4: Insurance contracts

IFRS 4 Insurance contracts applies, with limited exceptions, to all insurance contracts that an entity issues and to reinsurance contracts that it holds. Once fully effective the new standard will implement a fair value model for insurance contracts. Since EPEX is already applying a fair value

model for its financial instruments including insurance contracts based on IAS 39 this new standard will not have a significant impact on the Group.

IAS 17: Leases

IAS 17 Leases prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors. Leases are required to be classified as either finance leases and operating leases. The planned change in IAS 17 will require the lessee to recognise leased assets at the fair value of their leases.

IFRS 10: Consolidated financial statements

IFRS 10 Consolidated Financial Statements outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. It contains a new definition of "control". Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee. Its application is mandatory for annual periods beginning on or after 1 January 2014. The Group is currently assessing the impact of the new standard. It is currently not expected that the adoption of the standard will have a significant impact on the Group.

IAS 32: Offsetting financial assets and financial liabilities

The amendments to IAS 32 are mandatory for annual periods beginning on or after 1 January 2014. The amended standard defines amongst other topics the criteria for offsetting financial assets and financial liabilities. The Group does not expect any material changes from the application of the amendment.

IFRS 9 Financial instruments

IFRS 9 Financial Instruments includes requirements for recognition and measurement, derecognition and hedge accounting. It contains amendments to IFRS 9, IFRS 7 and IAS 39 including a new general hedge accounting model. Eventually the new standard is to replace IAS 39 "Financial Instruments: Recognition and Measurement". The anticipated effective date for the mandatory adoption of IFRS 9 is 1 January 2018. EPEX does currently not expect any material impact from IFRS 9.

Use of estimates and judgements

The preparation of the consolidated 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 consolidated 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. Policy values are increased using an internal rate of return that is reviewed periodically.

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 under "policeninvest" are recognised as revenue once EPEX has received the purchase price.

Policies acquired under the newly introduced product "policencash" also increase in value over time. The value increase is determined by the interest rate as outlined in the products general terms & conditions.

Commission for brokerage of policy loans and brokerage of closed end fund shares is recognized as turnover once the loan is paid out by the bank or, the purchase price for a closed end fund share has been paid by the buyer.

Intangible assets

Intangible assets refer to purchased and self-developed software. Amortization period for purchased software is 3 to 5 years, for self-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.

All assets individually costing less than € 1,000 but more than € 150 are depreciated at 20 percent each year. All assets with an individual value of less than € 150 are fully depreciated in the year of acquisition.

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. In 2012, EPEX's German subsidiaries PDV and FFV concluded a profit distribution agreement (fiscal unity).

Foreign currencies

The Euro is the company's functional currency. Assets and liabilities in sterling are converted into Euro at the rate of exchange ruling on the balance sheet date (0.83428 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 Group has transferred substantially all risks and rewards of ownership.

The Group 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 19 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 acquired in 2011 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. Given the historically low interest rate environment the insurance companies have lowered their bonus rates over the last years. EPEX reacted to this trend by reducing the applied internal rate of return for 2013 going forward. Moreover, the fair value increase of low performing policies has been adjusted in 2012.

Purchased policies 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 extend they also include insurance premiums that have not yet been paid. Liabilities from insurance contracts are classified as short term.

Trade account payables and Liabilities from Earn-Out arrangement

Trade account payables are short term obligations that are recorded at fair value through profit or loss. Liabilities from an Earn-Out arrangement in the context of the acquisition of a company (see "Business combinations" below) are recorded at fair value through profit or loss.

Business combinations

Effective January 1st 2010 Policen Direkt, EPEX's German subsidiary, acquired 100% of the shares of Frankfurter Fondsverwaltung GmbH ("FFV"). FFV offers controlling and administrative services to closed end funds in the secondary life market and is complementary to the already offered policy administration services.

As required according to IFRS 3, the acquisition method was applied.

The purchase price was € 429,490 of which € 373,742 has been paid in cash, € 55,748 are attributable to an Earn-Out arrangement. The Earn-Out arrangement will lead to payments to the seller from 2014 to 2022 provided that all administration contracts sold are still fully in place. The fair value of the net assets transferred was € 477,786. The resulting positive difference (negative goodwill) between the fair value of the net assets and the purchase price was recognized as other income in 2010.

2. TOTAL REVENUES

Total revenue includes € 49,440,147 of payouts received from insurance policies redeemed on maturity or at surrendering that were purchased for € 49,080,866 shortly prior to the payouts.

3. EMPLOYEES AND DIRECTORS

	2013	2012
	€	€
Salaries	2,781,405	2,556,149
Social security cost and other personnel expenses	278,281	403,854
Total	3,059,686	2,960,003

Employees and Directors	2013	2012
Directors	6	6
Operations, Administration & Overhead	40	38
Total (Average)	46	44

	2013	2012
	€	€
Directors' emoluments	876,654	1,086,043

The highest paid Director received emoluments of EUR 293,428.

4. OTHER EXPENSES

Other expenses include – amongst others – auditor's expenses. The line item "auditor's remuneration" includes all KPMG fees. Of the shown 2013 total, € 67,374 refers to the audit of the consolidated numbers and € 21,600 refers to the audit of the UK statutory accounts.

5. NET FINANCE COSTS

	2013	2012
	€	€
Finance income		
Deposit account interest	0	28
Interest on receivables	6,174	2,285
Interest on loan receivables	386,867	527,116
	393,042	529,429
Finance costs:		
Bank interest	(1,936,743)	(2,425,912)
Interest for policy sellers	(43,702)	(43,157)
	(1,980,445)	(2,469,069)
Financial result from derivatives	(1,203)	(23,808)
Net finance costs	(1,588,606)	(1,963,448)

6. TAX

Analysis of the tax charge	2013	2012
	€	€
Current tax:	(1,205,728)	(1,629,518)
Deferred tax	80,006	(8,396)
Total tax charge in income statement	(1,125,722)	(1,637,914)

Factors affecting the tax charge:

The autumn statement in December 2012 announced that the UK corporation tax rate will reduce to 21% by 2014 and to 20% by 2015. The reduction to 23% (effective from 1 April 2013) was enacted on 3 July 2012. The company's deferred tax balances have been provided for at 20.0% (24.5% at 31 December 2012).

	2013	2012
	€	€
Profit on ordinary activities before tax	5,258,389	6,700,142
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	1,222,575	1,641,535
Effects of:		
Differences between UK and higher German tax rates	(51,718)	(5,024)
Non-deductible charges	662	1,403
Change in UK tax rate	(45,797)	0
Total tax according to IFRS	1,125,722	1,637,914

7. DIVIDENDS PAID

	2013	2012
	€	€
Preferred shares of £0.004 each	4,068,000	
Ordinary B shares of £1 each (before sharesplit)		
Ordinary A and B shares each of £ 0,001		962,837
Final	4,068,000	962,837
Dividends per Ordinary share (A and B)		9.53304
Dividends per preferred share	4.00	
Dividends per Ordinary B share		

8. INTANGIBLE ASSETS**Group**

Intangible Assets	2013	2012
	€	€
COST		
At 1 January	784,279	762,357
Additions	32,090	21,921
At 31 December	816,369	784,278
DEPRECIATION		
At 1 January	367,997	307,355
Charge for year	63,095	60,642
At 31 December	431,092	367,997
NET BOOK VALUE		
At 31 December 2013	385,277	
At 31 December 2012	416,281	416,281
At 31 December 2011		455,002

9. PROPERTY, PLANT AND EQUIPMENT**Group****Computer equipment and office furniture**

	2013	2012
	€	€
COST		
At 1 January	497,580	457,786
Additions	78,501	39,794
At 31 December	576,081	497,580
DEPRECIATION		
At 1 January	386,176	356,531
Charge for year	40,004	29,644
At 31 December	426,180	386,176
NET BOOK VALUE		
At 31 December 2013	149,901	
At 31 December 2012	111,404	111,404
At 31 December 2011		101,255

Company**Computer equipment and office furniture**

	2013	2012
	€	€
COST		
At 1 January	9,045	7,748
Additions	3,272	1,297
At 31 December	12,317	9,045
DEPRECIATION		
At 1 January	7,663	7,005
Charge for year	1,004	658
At 31 December	8,667	7,663
NET BOOK VALUE		
At 31 December 2013	3,650	
At 31 December 2012	1,382	1,382
At 31 December 2011		743

10. INVESTMENTS

Company

Unlisted investments

	2013	2012
	€	€
COST		
At 1 January	150,000	150,000
Additions	0	0
At 31 December	150,000	150,000

DEPRECIATION

At 1 January	0	0
Charge for year	0	0
At 31 December	0	0

NET BOOK VALUE

At 31 December 2013	150,000	
At 31 December 2012	150,000	150,000

The company's investments at the balance sheet date in the share capital of companies include a 100% shareholding of Policen Direkt Versicherungsvermittlung GmbH (PDV), Frankfurt am Main, Germany. The nature of PDV's business is brokering and administering secondary life insurance policies.

11. OTHER SHORT TERM RECEIVABLES

Group

Other short term receivables

	2013	2012
	€	€
Policy portfolio receivables	4,373,444	1,341,517
Other receivables	26,918	16,604
Derivatives (Interest rate caps)	0	1,203
Total	4,400,362	1,359,324

Company

Other short term receivables

	2013	2012
	€	€
Policy portfolio receivables	3,699,393	1,342,711
Other receivables	7,439	1,922
Derivatives	0	1,203
Total	3,706,832	1,345,836

12. TRADE ACCOUNTS PAYABLES

Group

	2013	2012
	€	€
Policy portfolio payables	2,099,383	364,921
Trade payables	24,335	33,366
Total	2,123,718	398,287

Company

	2013	2012
	€	€
Policy portfolio payables	1,433,662	1,100,661
Trade payables	5,047	14,018
Total	1,438,709	1,114,679

13. ACCRUALS

Group

	2013	2012
	€	€
Tax accruals	595,726	639,491
Total	595,726	639,491

Other accruals

	2013	2012
	€	€
Accruals for audit and accounting	114,600	123,800
Accruals for personnel expenses	932,094	539,480
Other accruals	256,589	233,144
Total	1,303,283	896,424

Company

	2013	2012
	€	€
Tax accruals	595,726	830,863
Total	595,726	830,863

Other accruals

	2013	2012
	€	€
Accruals for audit and accounting	99,600	106,800
Accruals for personnel expenses	522,821	143,616
Other accruals	221,108	181,885
Total	843,904	432,301

Short-term accruals for audit and accounting will be used within the first six months of 2014. Short-term accruals for personnel expenses mainly relate to management bonus payments and to accruals for holiday; the majority of the accruals will be used within the first three months of 2014. Other accruals relate to future premium payments for policies already sold which nevertheless have to be paid by EPEX, legal topics and advisory costs.

14. BANK LOANS

The EPEX-Group currently has eight bank loans from four large banks in Germany to refinance its policy portfolios. From these loan agreements, there is one three year facility currently used for the product "policecassh". Moreover, EPEX has another three year bank loan to refinance the consumer loan portfolio acquired in April 2011. Both facilities are classified as "long term".

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

15. 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:	2013	2012
51,500	Ordinary A	£0.001	51.5	51.5
51,000	Ordinary B	£0.001	51	51
1,017,000	Preferred	£0.004	4,068	4,068
			4,170.5	4,170.5

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2013	2012
50,000	Ordinary A	£0.001	71	71
51,000	Ordinary B	£0.001	73	73
1,017,000	Preferred	£0.004	5,867	5,867
			6,011	6,011

Ordinary Shares have all voting rights. Preferred shares have no voting rights but are entitled to a guaranteed dividend if the economic situation of the company allowed for it.

16. RESERVES

Group

	Subscribed capital	Capital reserve (Share premium)	Retained earnings	Equity
	€	€	€	€
At 1 January 2013	6,011	1,058,408	17,715,227	18,779,646
Capital increases	0	0		0
Dividends			(4,068,000)	(4,068,000)
Profit for the year			4,132,667	4,132,667
At 31 December 2013	6,011	1,058,408	17,779,894	18,844,313

Company

	Subscribed capital	Capital reserve (Share premium)	Retained earnings	Equity
	€	€	€	€
At 1 January 2013	6,011	1,058,408	13,220,322	14,284,741
Capital increases				0
Dividends			(4,068,000)	(4,068,000)
Profit for the year			6,439,882	6,439,882
At 31 December 2013	6,011	1,058,408	15,592,204	16,656,623

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2013	2012
	€	€
Profit for the financial year	4,132,667	5,062,228
Capital increases	0	0
Dividends	(4,068,000)	(962,837)
Net addition to shareholders' funds	64,667	4,099,391
Opening shareholders' funds	18,779,646	14,680,255
Closing shareholders' funds	18,844,313	18,779,646

Company

	2013	2012
	€	€
Profit for the financial year	6,439,882	4,251,358
Capital increases	0	0
Dividends	(4,068,000)	(962,837)
Net addition to shareholders' funds	2,371,882	3,288,521
Opening shareholders' funds	14,284,741	10,996,220
Closing shareholders' funds	16,656,623	14,284,741

18. FINANCIAL RISK MANAGEMENT

Risk management framework

The EPEX-Group 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 Group 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 Group's performance should they materialize.

The legal representatives of EPEX and its subsidiaries PDV and FFV have overall responsibility for the establishment and the oversight of the Group's risk management framework. Market developments, especially those which could result in financial risks, are continuously monitored in order identify risks.

The members of the EPEX Board of Directors are responsible for the risks in their respective area of competence. The Group's risk controlling system is designed to identify, analyse and quantify potential risks in a timely manner. Once identified, the Board members and other legal representatives will be informed immediately about the respective risk and potential counter measures will be discussed and taken.

Financial risks are managed via interest rate caps (derivatives). Without these derivatives EPEX's exposure to financial risks would be higher. However, it has to be stated that the current interest rate level and the expected development of it in future effectively eliminates this risk.

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 Group has banking relationships with UniCredit Bank AG, HSBC Trinkaus & Burkhardt AG and two other large German 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 partially hedges the trading portfolio's risk exposure from strong interest rate increases with interest rate caps (derivatives). The hedging strategy in place is protecting those policies in the trading portfolio that have the highest exposure to short term interest rate increases. From EPEX's point of view, the policies at risk are those which would lead to a loss when surrendered and which currently have a policy IRR that is below the long-term market expectations with respect to interest rates.

Currently, EPEX holds four interest rate caps that hedge against this risk until mid-2014. Given the turnover in the trading portfolio and the frequent changes in interest rate expectations for the next years, EPEX is evaluating its trading portfolio hedging-strategy on a quarterly basis and determines if additional interest rate caps need to be bought. In 2013, no new derivatives have been added.

Besides managing interest rate risks the EPEX-Group 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 terms and 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. EPEX has acquired an interest rate cap in 2011 to eliminate the risk of encountering losses from interest rate increases.

An increase in the respective interest reference rate by 100 bps during 2013 would have reduced the Group's EBT by € 1.3 million (2012: € (1.4) million). While every increase of the Group's interest reference rate implies higher financing expenditures the interest rate caps offset this effect to some degree in principle. However, given the historically low interest rates in 2013 an increase of the respective interest rates by 100 bps would not have exceeded the strike level of 3.5% of the interest caps held. 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 in 2013 is reduced to € 0.4 million (2012: € 0.9 million).

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

The EPEX-Group 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 IRR of the policies in the trading portfolio 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 Group's main credit risk arises from a potential default of the insurance companies represented in EPEX's policy portfolio. This risk is considered 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 "Protector 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 Group'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	17.4%
Stuttgarter	7.8%
Zurich Deutscher Herold	6.5%
Volkswohl Bund	6.0%
Generali	5.7%
Debeka	5.5%

Insurance company	Share of "policencash"-portfolio
Allianz	13.0%
Provinzial Rheinland	5.8%
Zurich Deutscher Herold	4.8%
Ergo	4.6%
Generali	4.5%
Westfälische Provinzial	4.1%

Neue Leben	4.2%
DEVK Allgemeine	4.0%
R+V AG	3.3%
AachenMünchener	3.0%
All other	36.6%

Nürnberger	3.7%
R+V AG	3.4%
Victoria	3.1%
Alte Leipziger	3.1%
All other	49.9%

Partial default risk: The EPEX-Group 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, the EPEX-Group 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 turns out to be below EPEX’s expectation, e.g. because of a sudden decline of the valuation reserves following a change of the German Insurance Contracts Act. 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. A change in the German Insurance Contracts Act that would allow insurance companies to reduce the valuation reserves in both, the surrender value and the maturity payout would increase this risk.

The considerations regarding the maximum risk at default hold true for the Group’s fiduciary deposits as well.

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 virtually eliminated.

Tax Risk

As outlined above, EPEX is currently in discussions with the German Federal Central Tax Office (“Bundeszentralamt für Steuern (BZSt)”) regarding the refund of capital gains tax (GTC) claims against Germany and the applicability of double taxation treaty between Germany and the United Kingdom.³

³ For more details see chapter “Company specific risks” in section “Strategic Report”

Credit Risk of Other Business Partners

The EPEX-Group conducts business only with business partners with a proven creditworthiness. Trade receivables predominantly originate from brokerage and administration services to companies from the Portigon AG Group and for closed end funds of HSC Hanseatische Sachwert Concept GmbH, an established German fund initiator. For all trade receivables the maximum value at risk corresponds to the book value of the receivables.

Financial derivatives

The EPEX-Group buys financial derivatives (interest rate caps) only to hedge against interest rate risks and not for speculation. The contracting parties of the currently held caps are Deutsche Bank AG, UniCredit Bank AG and Portigon AG. The maximum value at risk is the book value of the interest rate caps shown as Other short-term receivables in EPEX's balance sheet (see note 9). EPEX-Group conducts business only with business partners with a proven creditworthiness.

Liquidity risk

The EPEX-Group 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 Group's liquidity needs. Since the banking relationships were further extended during 2013 the EPEX-Group could increase its financial leeway as planned, reducing the liquidity risk compared to the previous period.

Nevertheless, going forward, EPEX plans to take up loans from new banking partners to further broaden and diversify its set of banking partners.

Capital management

The Group'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 Group'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 € 107 million in 2013 (2012: € 123 million). The Group's sales came in at € 114 million (2012: € 154 million), gross profit amounted to € 11 million (2012: € 13 million). Return on Equity (calculated as the IRR on the Group'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 26% in 2013 (2012: 36%). The equity ratio at the end of 2013 was 10.5% (2012: 12.1%).

19. FINANCIAL INSTRUMENTS

The book value and fair value of financial instruments

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

	31.12.2013	31.12.2013	31.12.2012	31.12.2012
	€	€	€	€
Financial Instrument	Book Value	Fair Value	Book Value	Fair Value
Loans and receivables	4,928,835	4,928,835	3,184,770	3,184,770
Fiduciary deposits	0	0	1,234,473	1,234,473
Trade receivables	528,473	528,473	592,176	592,176
Other receivables	4,400,362	4,400,362	1,358,121	1,358,121
Financial assets at fair value through profit and loss	160,910,736	160,910,736	143,701,346	143,701,346
Long-term receivables from insurance policies ("policencash")	99,427,391	99,427,391	83,166,616	83,166,616
Long-term loan receivables	5,392,379	5,392,379	7,984,221	7,984,221
Short-term receivables from insurance policies ("policendirekt")	56,090,966	56,090,966	52,549,306	52,549,306
Derivatives (interest rate caps)	0	0	1,203	1,203
Sum of financial assets	165,839,571	165,839,571	146,886,116	146,886,116
Financial liabilities measured at amortized cost	159,036,643	159,036,643	135,196,861	135,196,861
Bank loans	151,872,878	151,872,878	129,938,274	129,938,274
Liabilities from insurance policies	4,732,797	4,732,797	4,609,757	4,609,757
Trade account payables	2,123,718	2,123,718	398,287	398,287
Other short-term liabilities	307,250	307,250	250,543	250,543
Financial liabilities at fair value through profit and loss	115,541	115,541	97,944	97,944
Liabilities from the Earn-Out arrangement resulting from the acquisition of FFV	115,541	115,541	97,944	97,944
Sum of Financial Liabilities	159,152,184	159,152,184	135,294,805	135,294,805

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 Group's trade receivables are primarily the result from policy brokerage and administration activities. All receivables have a short term due date for payment, therefore their fair value corresponds to their book value. Up till now,

the EPEX-Group has not had to realize any allowances for bad debts. The interest rate caps purchased to hedge against interest rate risks are recognized at their fair value. The fair value is calculated based on an option pricing model which is confirmed by the cap issuing banks. 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. Liabilities from the Earn-Out arrangement result from the acquisition of Frankfurter Fondsverwaltung (FFV). The Earn-Out arrangement will lead to payments to the seller from 2014 to 2022 provided that all administration contracts sold are still fully in place. These liabilities are measured at fair value through profit and loss.

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:

	2013	2012
	€	€
Financial assets at fair value through profit and loss	13,799,389	14,786,632
Derivatives (interest rate caps)	(1,208)	(23,808)
Liabilities from the Earn-Out arrangement resulting from the acquisition of FFV	(17,596)	(17,707)

The financial gains from financial assets at fair value through profit and loss originate from value increases of insurance policies in the reporting period. Losses from derivatives are due to changes in the time value of the interest rate caps.

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 brackets) and provides a definition of the valuation technique used to determine the fair value:

	Level 1	Level 2	Level 3	Total
Fair value hierarchy of financial instruments held by the EPEX-Group	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	
Financial assets at fair value through profit and loss	0 (1,203)	61,483,345 (60,533,527)	99,427,391 (83,166,616)	160,910,736 (143,701,346)
Receivables from insurance policies		61,483,345 (60,533,527)	99,427,391 (83,166,616)	160,910,736 (143,700,143)
Derivatives (interest rate caps)	0 (1,203)			0 (1,203)
Financial liabilities at fair value through profit and loss	0	0	115,541 (97,944)	115,541 (97,944)
Liabilities from the Earn-Out arrangement resulting from the acquisition of FFV			115,541 (97,944)	115,541 (97,944)

The Level 1-Assets contain the Group's interest rate caps. The EPEX-Group minimizes the risk of default from its derivatives (interest rate caps) through a prudent selection of contracting parties. The Level 2-Assets are made up of the Group's policy trading portfolio as well as the consumer loan portfolio. The Level 3-Assets correspond to the Group's "policencash"-portfolio. The Level 3-Liabilities are the result of an earn-out arrangement with the seller of FFV.

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

The development of Level 3-Assets from 2012 to 2013 is due to an increase in policy purchases of € 20.1 million and value appreciation of € 8.7 million and a value decrease because of policy disbursements of € 12.6 million. Gains included in profit or loss attributable to Level 3-Assets held as at 31 December 2013 amount to € 8.4 million. In 2013 financial instruments categorized as Level 3-Assets generated a gross profit of € 3.7 million and profit before taxes of € 2.5 million.

Level 3-Liabilities increased due to financial expenses of € 17,596 in the light of liabilities from an Earn-Out arrangement related to the acquisition of FFV in 2010. This loss is fully attributable to the Level 3-Liabilities held as at 31 December 2013.

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 and Level 3-Liabilities. 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. Changing the factor retrospectively is not possible. Since the introduction of "policencash" the factor has not been altered by EPEX. 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. Level 3-Liabilities are affected by the discount rate applied to future payment obligations resulting from the Earn-Out arrangement (see above).

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

Level 3-Assets and Liabilities	Effect on profit when unobservable input factor is changed by		
	%	+	
Value appreciation factor in "policencash"-contract (Basis: 3.49%)	1%	+ € 0.9 million	€ (0.9) million
Discounts factor for Earn-Out arrangement form the acquisition of FFV (Basis: 20%)	5%	€ (23) K	+ € 17 K

20. RELATED PARTY DISCLOSURES

In mid 2012 the former WestLB AG sold all of its shares in EPEX to management. Since then, there are no more related party transactions.

21. SUBSEQUENT EVENTS

In February 2014, the Group concluded two contracts with a large institutional buyer of policies. EPEX will sell policies to this asset manager on an ongoing basis and PDV will service the policy portfolio. The contracts will increase the Group's assets under management.