REGISTERED NUMBER: 4905152 (England and Wales)

REPORT OF THE DIRECTORS AND

GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

FOR

EUROPEAN POLICY EXCHANGE LIMITED

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

Company Information

The Directors present their report with the financial statements of the company and the Group for the year ended 31 December 2014.

As at 31 December 2014 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 LLP 15 Canada Square E14 5GL London

Strategic Report

PRINCIPAL ACTIVITY

The principal activities of the EPEX-Group in the year ended 31 December 2014 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

2014 was a successful year in terms of earnings for the EPEX-Group. Overall, the EPEX-Group generated earnings before tax of € 5.0 million (2013: € 5.3 million). The Group's equity decreased slightly by € 0.1 million to € 18.7 million resulting in an equity ratio of 9.4% (2013: 10.5%). The Group's return on equity in the period under review was 24% (2013: 26%).

As in the previous period the EPEX-Group benefited from low interest rates, a growing trading and "policencash"-portfolio and high policy placements.

Management has continued to operate with a close focus on policy Internal Rate of Return (IRR) and operating expenses. Overall, a total of € 99 million in policies were acquired in 2014 (2013: € 107 million). A breakdown of policy movement is described below.

"**policeninvest**": "policeninvest" is a direct investment in a secondary life market policy. Policies are sold to private and institutional investors. "policeninvest" sales amounted to € 34 million (2013: € 31 million). The trading portfolio in 2014 was on average significantly higher than in 2013 which positively affected the placement results. In addition to the "policeninvest" placement results other policy sales contributed € 5.3 million (2013: € 0 million). 2015 sales volumes will strongly depend on the availability of a sufficient number of attractive policies to be bought for the trading portfolio. The main driver of previous uncertainty in this regard was the change in the German Insurance Contracts Act which was finally passed in August 2014. With this law now passed, management expects policy purchasing volumes to increase in 2015. "policeninvest"-revenues of about € 30 million are expected by Management for 2015.

Maturity and surrender payouts: In 2014, EPEX generated sales from maturing and surrendered policies of € 49.6 million (2013: € 67.1 million). Revenues are expected to be stable for 2015.

Commissions: Commissions contributed € 0.2 million of revenues in 2014 (2013: € 0.2 million). "policenkredit", the Group's loan product with life insurance policies serving as collateral yielded more than € 0.1 million of commission revenue. This corresponds to a total paid out credit volume of € 5.9 million. "fondsdirekt", a broking service in the secondary market for closed-end funds,

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

contributed a trading volume of more than € 1.0 million and made up the remaining part of the commission revenues in 2014.

Management expects similar revenues from commissions in 2015.

Administration fees: The EPEX-Group has approximately € 1.1 billion of policies under management (2013: € 1.2 billion), making it the largest independent policy manager in the German and Austrian secondary life insurance market. Policy administration revenues totalled € 2.4 million in 2014 (2013: € 2.6 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 will gradually decrease over the coming years. EPEX aims to partially offset this effect by generating new administration fees from new placement activities in the future. The 2015 business plan expects policy administration revenues of € 2.1 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 (2013: € 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 6 percent compared to 2013. Personnel expenses increased by 3 percent mainly driven by higher employee and management salaries. Depreciation increased by 7% as a result of larger investments in the Group's IT hardware infrastructure. Other operating expenditures increased by 11 percent. Higher marketing costs, legal expenses and office rent offset reductions in bank charges and vehicle related costs. For 2015, management expects a stable OPEX.

"**policendirekt**"-portfolio (trading portfolio): The Group's trading portfolio amounted to € 60 million on 31 December 2014 (receivables from insurance policies) which corresponds to 6 percent increase compared to 2013 (2013: € 56 million). 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 was finally passed in August 2014. As expected the amount of valuation reserves allotted to policies has decreased substantially. The main benefit to EPEX is that the change in law brings more clarity and certainty which facilitates the pricing of policies. Subsequently, policy purchase volumes have picked up significantly since November 2014 and are expected to grow in 2015.

"**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 3.49-3.59% + 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 11 percent to € 110 million at 31 December 2014 (2013: € 99 million). In 2014, € 17.7 million of sales occurred from buybacks and the realisation of collaterals (2013: € 12.7 million). Management expects that by the end of 2015 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 2014 consumer loans worth € 3.6 million were on EPEX's balance sheet (2013: € 5.4 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. The reference rates in 2014 remained lower than expected. Overall, EPEX was able to realize an attractive 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 2014, mainly because the total portfolio volume held on the balance sheet on average was higher year-on-year.

Hedging: EPEX had four interest rate caps at a strike of 3.5% covering € 40 million until mid-2014 to mitigate the risk of rising interest rates for its trading portfolio. The interest rate cap for the acquired consumer loan portfolio, which was purchased in 2011, was terminated in 2014.

With the interest rates expectation being so low over the next years, no new interest rate caps were purchased in 2014.

Principal Risks and Uncertainties

Despite the efforts of the European Central Bank (ECB) the European economy has not picked up as well as hoped. The ECB tries to foster the economy by keeping the interest rates on a historically low level. Moreover, the ECB has started supporting monetary easing measures. While 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. 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 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, the 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 – as unlikely as this might seem in the current economic environment – 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. 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. Moreover, a new business relationship with a large institutional investor was started in 2014. 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 10-20 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 € 674 million and € 409 million respectively in 2013 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 (§ 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 remains in discussions with the BZSt. 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. However, at the current stage the possibility of having to enter a court process cannot be excluded. The directors are prepared for this possibility. At 31 December 2014 EPEX has CGT claims of € 12.7 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. 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 (managed on behalf of Erste Abwicklungsanstalt, EAA). 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.

Means to reduce this risk include good business relationships with the Group's lending banks, banking relationships with different types and sizes. EPEX has a balanced set of four banking partners. 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 2014, EPEX has successfully held its position as the leader in the German secondary life insurance market.

EPEX has a sufficiently strong equity base to enable future growth.

The most important goals for 2015 will be – as in the past – to increase policy acquisition volumes for both, the trading portfolio and the "policencash"-portfolio, to selectively expand the policy placement channels.

Policy sales to private and institutional investors via "policeninvest" will continue to be important. The achievable sales volume will be determined by the size of the Group's trading portfolio and the speed with which it can be build up in 2015.

Administration fees will continue to be an important source of revenues with a well predictable contribution over the next years. Commission products are – as in the previous period – likely to contribute a small but stable share of the Group's results.

The Directors plan to further expand into new services characterised by high synergies with the Group's existing activities, potentially in the area of specialized 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 2014. In recognition of a change in legal status, KPMG Audit Plc resigned as auditors and were duly reappointed as KPMG LLP. The Group is audited by KPMG LLP, United Kingdom.

SHARE CAPITAL, DIVIDENDS AND KPIs

The issued capital is unchanged compared to 2013 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 2014 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 2014 (2013: € 0). PDV, the German subsidiary of EPEX, donated € 30 to a charitable organization (2013: € 5,000 to a German university).

POST BALANCE SHEET EVENTS:

None.

ON BEHALF OF THE BOARD:

M Ahlers – Director | T Heimlich - Director

Date: 12.03.2015

[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 2014 set out on pages 13 to 39. 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 2014 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

Murray Raisbeck (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

Date: 12 March 2015

Consolidated Statement of Comprehensive Income

	Notes	2014 €	2013 €
CONTINUING OPERATIONS			
Total revenues	2	109,573,815	114,319,569
Cost of sales for revenues from maturity and surrender management	2	(36,232,722)	(49,080,866)
Revenues		**73,341,093**	**65,238,703**
Value appreciation	19	14,939,858	13,799,389
Other income		145,442	106,068
Cost of sales		(67,673,551)	(59,527,435)
Insurance premium		(9,079,692)	(8,296,117)
GROSS PROFIT		**11,673,150**	**11,320,609**
Personnel expenses	3	(3,149,985)	(3,059,686)
Depreciation	8, 9	(110,773)	(103,099)
Other expenses		(1,460,361)	(1,310,829)
thereof: Auditors' remuneration	4	(103,519)	(88,974)
OPERATING PROFIT		**6,952,031**	**6,846,995**
Finance costs	5	(2,186,522)	(1,980,445)
Finance income	5	266,371	393,042
Financial result from derivatives		(0)	(1,203)
PROFIT BEFORE TAX		**5,031,880**	**5,258,389**
Tax	6	(1,059,295)	(1,125,722)
PROFIT FOR THE YEAR		**3,972,585**	**4,132,667**
Other comprehensive Income		**0**	**0**
Total comprehensive Income		**3,972,585**	**4,132,667**
Attributable to:			
Equity holders of the parent		**3,972,585**	**4,132,667**

The notes on pages 19 to 39 are an integral part of these financial statements.

Consolidated statement of financial position

ASSETS – NON-CURRENT ASSETS	Notes	2014 €	2013 €
Intangible Assets	8	339,626	385,277
Property, Plant and Equipment	9	135,872	149,901
Other long term receivables		77,254	77,000
Long-term receivables from insurance policies ("policencash")	19	110,097,888	99,427,391
Loan receivables	19	3,629,488	5,392,379
Long-term Deferred Tax Assets		95,029	96,278
SUBTOTAL		**114,375,157**	**105,528,226**
ASSETS – CURRENT ASSETS			
Receivables from insurance policies ("policendirekt")	19	59,669,334	56,090,966
Trade account receivables		543,490	528,473
Tax receivables		15,099,994	12,549,870
Other short-term receivables	11	8,266,643	4,400,362
Cash and cash equivalents		2,367,341	852,600
SUBTOTAL		**85,946,802**	**74,422,271**
TOTAL ASSETS		**200,321,959**	**179,950,497**
SHAREHOLDERS' EQUITY			
Issued capital	15	6,011	6,011
Share premium	16, 17	1,058,408	1,058,408
Retained earnings	16, 17	17,684,479	17,779,894
SUBTOTAL		**18,748,898**	**18,844,313**
LIABILITIES – NON CURRENT LIABILITIES			
Long-term deferred tax liabilities		42,560	54,991
Long-term bank loans	14	85,548,082	52,164,764
SUBTOTAL		**85,590,642**	**52,219,755**
LIABILITIES – CURRENT LIABILITIES			
Bank loan	14	83,894,090	99,823,655
Liabilities from insurance policies		5,585,436	4,732,797
Trade account payables	12	4,178,708	2,123,718
Tax accruals	13	511,410	595,726
Other provisions	13	1,402,764	1,303,283
Other short-term liabilities		410,011	307,250
SUBTOTAL		**95,982,419**	**108,886,429**
TOTAL EQUITY AND LIABILITIES		**200,321,959**	**179,950,497**

The notes on pages 19 to 39 are an integral part of these financial statements.

The consolidated financial statements were approved by the Board of Directors on March 12 2015 and were signed on its behalf by:

M Ahlers – Director

T Heimlich – Director

Company statement of financial position

ASSETS – NON-CURRENT ASSETS	Notes	2014 €	2013 €
Property, Plant and Equipment	9	2,276	3,650
Investments	10	150,000	150,000
Long-term receivables from insurance policies ("policencash")	19	110,097,888	99,427,391
Loan receivables	19	3,629,488	5,392,379
SUBTOTAL		**113,879,652**	**104,973,420**
ASSETS – CURRENT ASSETS			
Receivables from insurance policies ("policendirekt")	19	59,879,732	56,292,996
Fiduciary deposits		0	0
Trade account receivables		0	0
Tax receivables		12,716,525	11,952,752
Other short-term receivables	11	8,031,935	3,706,832
Cash and cash equivalents		2,053,011	(895,816)
SUBTOTAL		**82,681,203**	**71,056,765**
TOTAL ASSETS		**196,560,855**	**176,030,185**
SHAREHOLDERS' EQUITY			
Issued capital	15	6,011	6,011
Share premium	16, 17	1,058,408	1,058,408
Retained earnings	16, 17	15,331,033	15,592,204
SUBTOTAL		**16,395,452**	**16,656,623**
LIABILITIES – NON CURRENT LIABILITIES			
Long-term bank loans	14	85,409,433	52,049,223
LIABILITIES – CURRENT LIABILITIES			
Bank loan	14	83,893,547	99,823,664
Liabilities from insurance policies		5,389,776	4,529,857
Trade account payables	12	3,892,484	1,438,709
Tax accruals	13	511,410	595,726
Other provisions	13	944,359	843,904
Other short-term liabilities		124,394	92,479
SUBTOTAL		**94,755,970**	**107,324,339**
TOTAL EQUITY AND LIABILITIES		**196,560,855**	**176,030,185**

The notes on pages 19 to 39 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 € 3,806,828 (2013: € 6,439,882).

The company financial statements were approved by the Board of Directors on March 12 2015 and were signed on its behalf by:

M Ahlers – Director

T Heimlich – Director

Consolidated Cash Flow Statement

	Notes	2014 €	2013 €
OPERATING ACTIVITIES			
Profit for the period		3,972,585	4,132,667
Depreciation		110,773	103,099
Other income		0	0
Change in other provisions		99,481	406,858
Financial income		0	1,203
Financial expenses		44,297	41,258
Tax expense		(95,498)	(123,607)
Change in insurance policies from fair value adjustments		(5,107,901)	(1,388,139)
SUBTOTAL		**(976,263)**	**3,173,339**
Change in other long-term receivables		(4,841,837)	(6,642,362)
Change in receivables from insurance policies		(2,536,490)	(9,183,944)
Change in fiduciary deposits		0	1,234,473
Change in trade account receivables		(15,017)	63,703
Change in tax receivables		(2,550,124)	(6,195,821)
Change in other short-term receivables		(3,866,282)	(3,042,240)
Change in liabilities from insurance policies		852,639	123,040
Change in trade account payables		2,054,990	1,725,432
Change in other short-term liabilities		102,762	56,707
SUBTOTAL		**(10,799,358)**	**(21,861,012)**
Net cash used in operating activities		**(11,775,621)**	**(18,687,673)**
INVESTMENT ACTIVITIES			
Cash-Flow from investing activities			
Acquisitions of intangibles		(10,647)	(32,090)
Acquisitions of PPE		(40,446)	(78,500)
Net cash used in investing activities		**(51,093)**	**(110,590)**
FINANCING ACTIVITIES			
Cash-Flow from financing activities			
Borrowing of loan (long-term)		45,783,666	60,494,845
Redemption of loan (long-term)		(12,423,456)	(82,349,518)
Borrowing of loan (short-term)		19,090,618	99,665,999
Redemption of loan (short-term)		(35,041,373)	(55,900,384)
Dividends paid	7, 16, 17	(4,068,000)	(4,068,000)
Net cash from financing activities		**13,341,455**	**17,842,942**
Total cash flows		**1,514,741**	**(955,321)**
Cash at beginning of period		**852,600**	**1,807,921**
Cash at end of period		**2,367,341**	**852,600**
Interest received		**266,371**	**393,041**
Interest paid		**(2,120,785)**	**(1,908,059)**
Tax paid		**(948,768)**	**(1,439,611)**

The notes on pages 19 to 39 are an integral part of these financial statements.

Company Cash Flow Statement

	Notes	2014 €	2013 €
OPERATING ACTIVITIES			
Profit for the period		3,806,828	6,439,882
Depreciation		1,374	1,005
Other income		0	0
Change in other provisions		100,455	411,604
Financial income		0	1,203
Financial expenses		21,189	23,662
Tax expense		(84,316)	(235,137)
Change in insurance policies from fair value adjustments		(5,107,901)	(1,388,139)
SUBTOTAL		**(1,262,371)**	**5,254,080**
Change in other long-term receivables		(4,841,583)	(6,638,512)
Change in receivables from insurance policies		(2,544,857)	(9,199,789)
Change in fiduciary deposits		0	1,234,473
Change in trade account receivables		0	0
Change in tax receivables		(763,773)	(5,598,703)
Change in other short-term receivables		(4,325,104)	(2,362,198)
Change in liabilities from insurance policies		859,920	(79,901)
Change in trade account payables		2,453,775	324,030
Change in other short-term liabilities		31,916	23,178
SUBTOTAL		**(9,129,706)**	**(22,297,422)**
Net cash used in operating activities		**(10,392,077)**	**(17,043,342)**
INVESTMENT ACTIVITIES			
Cash-Flow from investing activities			
Acquisitions of intangibles		0	0
Acquisitions of PPE		0	(3,272)
Net cash used in investing activities		**0**	**(3,272)**
FINANCING ACTIVITIES			
Cash-Flow from financing activities			
Borrowing of loan (long-term)		45,783,666	60,494,844
Redemption of loan (long-term)		(12,423,456)	(82,349,518)
Borrowing of loan (short-term)		19,090,067	99,607,760
Redemption of loan (short-term)		(35,041,373)	(55,900,383)
Dividends paid	7, 16, 17	(4,068,000)	(4,068,000)
Net cash from financing activities		**13,340,904**	**17,784,703**
Total cash flows		**2,948,827**	**738,089**
Cash at beginning of period		**(895,816)**	**(1,633,905)**
Cash at end of period		**2,053,011**	**(895,816)**
Interest received		**262,264**	**391,503**
Interest paid		**(2,100,343)**	**(1,920,589)**
Tax paid		**(1,014,726)**	**(1,339,726)**

The notes on pages 19 to 39 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 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**
At 1 January 2014	**6,011**	**1,058,408**	**17,779,894**	**18,844,313**
Capital increases				
Dividends			(4,068,000)	(4,068,000)
Profit for the year			3,972,585	3,972,585
At 31 December 2014	**6,011**	**1,058,408**	**17,684,479**	**18,748,898**

Company

	Subscribed capital	Capital reserve (Share premium)	Retained Earnings	Equity
	€	€	€	€
At 1 January 2013	**6,011**	**1,058,408**	**13,220,323**	**14,284,742**
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**	**15,592,205**	**16,656,624**
At 1 January 2014	**6,011**	**1,058,408**	**15,592,205**	**16,656,624**
Capital increases				
Dividends			(4,068,000)	(4,068,000)
Profit for the year			3,806,828	3,806,828
At 31 December 2014	**6,011**	**1,058,408**	**15,331,033**	**16,395,452**

The notes on pages 19 to 39 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 2014

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:

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 impact from the application of the amendment.

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 adoption of the standard had no impact on the Group.

IFRS 11: Joint Operations

IFRS 11 Joint Arrangements outlines the accounting by entities that jointly control an arrangement. Joint control involves the contractually agreed sharing of control and arrangements subject to joint control are classified as either a joint venture (representing a share of net assets and equity accounted) or a joint operation (representing rights to assets and obligations for liabilities, accounted for accordingly). Since EPEX has no joint operations the adoption of the standard had no impact on the Group.

IFRS 12: Disclosure of Interest in Other Entities

IFRS 12 Disclosure of Interests in Other Entities is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The required disclosures are more comprehensive than those already applicable according to IAS 27, IAS 28 and IAS 31.

However, since Policen Direkt and Frankfurter Fondsverwaltung are fully owned and consolidated subsidiaries of EPEX the adoption of the new standard had no material impact on the Group.

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. Since 2012, EPEX's German subsidiaries PDV and FFV have 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 (0.78351 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 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, 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 2014 going forward. Moreover, the fair value increase of low performing policies has been adjusted in 2012.

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 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 € 36,537,956 of payouts received from insurance policies redeemed on maturity or at surrendering that were purchased for € 36,232,722 shortly prior to the payouts.

3. EMPLOYEES AND DIRECTORS

	2014	2013
Salaries	€	€
Salaries	2,767,104	2,781,405
Social security cost and other personnel expenses	382,881	278,281
Total	**3,149,985**	**3,059,686**

Employees and Directors	2014	2013
Directors	6	6
Operations, Administration & Overhead	41	40
Total (Average)	**47**	**46**

	2014	2013
	€	€
Directors' emoluments	**916,143**	**876,654**

The highest paid Director received emoluments of EUR 326,923.

4. OTHER EXPENSES

Other expenses include – amongst others – auditor's expenses. The line item "auditor's remuneration" includes all KPMG fees. Of the shown 2014 total, € 78,828 refers to the audit of the consolidated numbers and € 24,691 refers to the audit of the UK statutory accounts.

5. NET FINANCE COSTS

	2014	2013
Finance income	€	€
Deposit account interest	210	0
Interest on receivables	4,920	6,174
Interest on loan receivables	261,241	386,867
Total	**266,371**	**393,042**
Finance costs:		
Bank interest	(2,135,672)	(1,936,743)
Interest for policy sellers	(50,850)	(43,702)
Total	**(2,186,522)**	**(1,980,445)**
Financial result from derivatives	(0)	(1,203)
Net finance costs	**(1,920,151)**	**(1,588,606)**

6. TAX

Analysis of the tax charge	2014 €	2013 €
Current tax:	(1,070,478)	(1,205,728)
Deferred tax	11,183	80,006
Total tax charge in income statement	**(1,059,295)**	**(1,125,722)**

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 from 23% to 21% (effective from 1 April 2014) was enacted on 3 July 2012. The company's deferred tax balances have been provided for at 20.0% (20.0% at 31 December 2013).

	2014 €	2013 €
Profit on ordinary activities before tax	**5,031,880**	**5,258,389**
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.25 %)	1,081,854	1,222,575
Effects of:		
Differences between UK and higher German tax rates	(47,449)	(51,718)
Non-deductible charges	473	662
Change in UK tax rate	24,417	(45,797)
Total tax according to IFRS	**1,059,295**	**1,125,722**

7. DIVIDENDS PAID

	2014	2013
	€	€
Preferred shares of £0.004 each	4,068,000	4,068,000
Ordinary B shares of £1 each (before sharesplit)		
Ordinary A and B shares each of £ 0,001		
Final	**4,068,000**	**4,068,000**
Dividends per Ordinary share (A and B)		
Dividends per prefered share	**4.00**	**4.00**
Dividends per Ordinary B share		

8. INTANGIBLE ASSETS

Group

Intangible Assets	2014	2013
	€	€
COST		
At 1 January	816,369	784,279
Additions	10,647	32,090
At 31 December	**827,016**	**816,369**
DEPRECIATION		
At 1 January	431,092	367,997
Charge for year	56,298	63,095
At 31 December	**487,390**	**431,092**
NET BOOK VALUE		
At 31 December 2014	**339,626**	
At 31 December 2013	**385,277**	**385,277**
At 31 December 2012		**416,281**

9. PROPERTY, PLANT AND EQUIPMENT

Group

Computer equipment and office furniture	2014	2013
	€	€
COST		
At 1 January	576,081	497,580
Additions	40,446	78,501
At 31 December	**616,527**	**576,081**
DEPRECIATION		
At 1 January	426,180	386,176
Charge for year	54,475	40,004
At 31 December	**480,655**	**426,180**
NET BOOK VALUE		
At 31 December 2014	**135,872**	
At 31 December 2013	**149,901**	**149,901**
At 31 December 2012		**111,404**

Company

Computer equipment and office furniture	2014	2013
	€	€
COST		
At 1 January	12,317	9,045
Additions	0	3,272
At 31 December	**12,317**	**12,317**
DEPRECIATION		
At 1 January	8,667	7,663
Charge for year	1,374	1,004
At 31 December	**10,041**	**8,667**
NET BOOK VALUE		
At 31 December 2014	**2,276**	
At 31 December 2013	**3,650**	**3,650**
At 31 December 2012		**1,382**

10. INVESTMENTS

Company

Unlisted investments	2014	2013
	€	€
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 2014	**150,000**	
At 31 December 2013	**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 administrating secondary life insurance policies.

11. OTHER SHORT TERM RECEIVABLES

Group

Other short term receivables	2014	2013
	€	€
Policy portfolio receivables	8,195,451	4,373,444
Other receivables	71,192	26,918
Derivatives (Interest rate caps)	0	0
Total	**8,266,643**	**4,400,362**

Company

Other short term receivables	2014	2013
	€	€
Policy portfolio receivables	8,008,744	3,699,393
Other receivables	23,192	7,439
Derivatives	0	0
Total	**8,031,936**	**3,706,832**

12. TRADE ACCOUNTS PAYABLES

Group

	2014	2013
	€	€
Policy portfolio payables	4,120,919	2,099,383
Trade payables	57,789	24,335
Total	**4,178,708**	**2,123,718**

Company

	2014	2013
	€	€
Policy portfolio payables	3,875,124	1,433,662
Trade payables	17,360	5,047
Total	**3,892,484**	**1,438,709**

13. ACCRUALS

Group

	2014	2013
	€	€
Tax accruals	511,410	595,726
Total	**511,410**	**595,726**

Other accruals	2014	2013
	€	€
Accruals for audit and accounting	100,800	114,600
Accruals for personnel expenses	1,046,990	932,094
Other accruals	254,974	256,589
Total	**1,402,764**	**1,303,283**

Company

	2014	2013
	€	€
Tax accruals	511,410	595,726
Total	**511,410**	**595,726**

Other accruals	2014	2013
	€	€
Accruals for audit and accounting	85,800	99,600
Accruals for personnel expenses	637,041	522,821
Other accruals	221,518	221,483
Total	**944,359**	**843,904**

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 two year facility currently used for the product "policencash". Moreover, EPEX has another two year bank loan to refinance the consumer loan portfolio. Both facilities run until 2016 and are therefore classified as "long term".

All bank loans are fully secured by policy portfolios, which means that EPEX has assigned all polices 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:	2014 £	2013 £
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:	2014 €	2013 €
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 divided 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 2014	**6,011**	**1,058,408**	**17,779,894**	**18,844,313**
Capital increases				0
Dividends			(4,068,000)	(4,068,000)
Profit for the year			3,972,585	3,972,585
At 31 December 2014	**6,011**	**1,058,408**	**17,684,479**	**18,748,898**

Company

	Subscribed capital	Capital reserve (Share premium)	Retained earnings	Equity
	€	€	€	€
At 1 January 2014	**6,011**	**1,058,408**	**15,592,205**	**16,656,624**
Capital increases				0
Dividends			(4,068,000)	(4,068,000)
Profit for the year			3,806,828	3,806,828
At 31 December 2014	**6,011**	**1,058,408**	**15,331,033**	**16,395,452**

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2014	2013
	€	€
Profit for the financial year	3,972,585	4,132,667
Capital increases	-	-
Dividends	(4,068,000)	(4,068,000)
Net addition to shareholders' funds	**(95,415)**	**64,667**
Opening shareholders' funds	18,844,313	18,779,646
Closing shareholders' funds	**18,748,898**	**18,844,313**

Company

	2014	2013
	€	€
Profit for the financial year	3,806,828	6,439,882
Capital increases	-	-
Dividends	(4,068,000)	(4,068,000)
Net (deduction) addition to shareholders' funds	**(261,172)**	**2,371,882**
Opening shareholders' funds	16,656,624	14,284,742
Closing shareholders' funds	**16,395,452**	**16,656,624**

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.

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 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 not currently necessary. Management will closely observe the interest rate development and assess from time to time if caps might be necessary in future.

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'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 no need for an interest rate cap anymore.

An increase in the respective interest reference rate by 100 bps during 2014 would have reduced the Group's EBT by € 1.6 million (2013: € (1.3) 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 2014 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 is in 2014 is reduced to € 0.6 million (2013: € 0.4 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 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 Group'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 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	27.9%
Debeka	6.1%
Volkswohl Bund	6.0%
Stuttgarter	5.7%
DEVK Allgemeine	4.3%
R+V AG	3.8%
Zurich Dt. Herold	3.1%
AachenMuenchener	2.9%
Provinzial Rheinland	2.7%
Westfälische Provinzial	2.4%
All other	35.1%

Insurance company	**Share of "policencash"-portfolio**
Allianz	11.3%
Provinzial Rheinland	6.0%
Zurich Deutscher Herold	4.5%
Ergo	4.0%
Westfälische Provinzial	3.9%
R+V AG	3.6%
Victoria	3.6%
AXA	3.3%
Iduna	3.3%
Württembergische	3.3%
All other	53.2%

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. 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 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]

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 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 (see note 9).

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. With four large banking partners the EPEX-Group 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.

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

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 € 99 million in 2014 (2013: € 107 million). The Group's sales came in at € 110 million (2013: € 114 million), gross profit amounted to € 12 million (2013: € 11 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 24% in 2014 (2013: 26%). The equity ratio at the end of 2014 was 9.4% (2013: 10.5%).

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:

	31.12.2014	31.12.2014	31.12.2013	31.12.2013
Financial Instrument	**€ Book Value**	**€ Fair Value**	**€ Book Value**	**€ Fair Value**
Loans and receivables	**8,810,133**	**8,810,133**	**4,928,835**	**4,928,835**
Trade receivables	543,490	543,490	528,473	528,473
Other receivables	8,266,643	8,266,643	4,400,362	4,400,362
Financial assets at fair value through profit and loss	**173,396,710**	**173,396,710**	**160,910,736**	**160,910,736**
Long-term receivables from insurance policies ("policencash")	110,097,888	110,097,888	99,427,391	99,427,391
Long-term loan receivables	3,629,488	3,629,488	5,392,379	5,392,379
Short-term receivables from insurance policies ("policendirekt")	59,669,334	59,669,334	56,090,966	56,090,966
Derivatives (interest rate caps)	0	0	0	0
Sum of financial assets	**182,206,843**	**182,206,843**	**165,839,571**	**165,839,571**
Financial liabilities measured at amortized cost	**179,477,679**	**179,477,679**	**159,036,643**	**159,036,643**
Bank loans	169,303,524	169,303,524	151,872,878	151,872,878

Financial Instrument	31.12.2014 € Book Value	31.12.2014 € Fair Value	31.12.2013 € Book Value	31.12.2013 € Fair Value
Liabilities from insurance policies	5,585,436	5,585,436	4,732,797	4,732,797
Trade account payables	4,178,708	4,178,708	2,123,718	2,123,718
Other short-term liabilities	410,011	410,011	307,250	307,250
Financial liabilities at fair value through profit and loss	**138,649**	**138,649**	**115,541**	**115,541**
Liabilities form the Earn-Out arrangement resulting from the acquisition of FFV	138,649	138,649	115,541	115,541
Sum of Financial Liabilities	**179,616,328**	**179,616,328**	**159,152,184**	**159,152,184**

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 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-Group has not had to realize any allowances for bad debts. The interest rate caps purchased to hedge against interest rate risks were recognized at their fair value. The fair value was 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 form 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:

	2014 €	2013 €
Financial assets at fair value through profit and loss	6,224,201	5,960,955
Derivatives (interest rate caps)	(0)	(1,208)
Liabilities form the Earn-Out arrangement resulting from the acquisition of FFV	(23,108)	(17,597)

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. 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**	
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**	**Total**
Financial assets at fair value through profit and loss	**0 (0)**	**63,298,822 (61,483,345)**	**110,097,888 (99,427,391)**	**174,396,710 (160,910,736)**
Receivables from insurance policies		63,298,822 (61,483,345)	110,097,888 (99,427,391)	174,396,710 (160,910,736)
Derivatives (interest rate caps)	0 (0)			0 (0)
Financial liabilities at fair value through profit and loss			**138,649 (115,541)**	**138,649 (115,541)**
Liabilities form the Earn-Out arrangement resulting from the acquisition of FFV			138,649 (115,541)	138,649 (115,541)

The **Level 1-Assets** contained the Group's interest rate caps. The EPEX-Group 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 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 2013 to 2014 is due to an increase in policy purchases of € 19.0 million and value appreciation of € 9.4 million and a value decrease because of policy disbursals of € 17.7 million. Gains included in profit or loss attributable to Level 3-Assets held as at 31 December 2014 amount to € 8.5 million. In 2014 financial instruments categorized as Level 3-Assets generated a gross profit of € 3.9 million and profit before taxes of € 2.6 million.

Level 3-Liabilities increased due to financial expenses of € 23,108 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 2014.

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.

	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%	+ € 1.0 million	€ (1.0) million
Discounts factor for Earn-Out arrangement form the acquisition of FFV (Basis: 20%)	5%	€ (20) K	+ € 16 K

20. RELATED PARTY DISCLOSURES

In 2014 there were no related party transactions.

21. SUBSEQUENT EVENTS

None.