AnaCap Financial Europe S.A. SICAV-RAIF

Audited Consolidated Annual Report
For the Year Ended 31 December 2020

Table of Contents

General Information	1
Directors' Report	2-10
Statement of Directors' Responsibilities	11
Independent Auditors' Report	12-14
Consolidated Statement of Comprehensive Income	15
Consolidated Statement of Financial Position	16
Consolidated Statement of Cash Flows	17
Consolidated Statement of Changes in Equity	18
Notes to the Financial Statements	19-55
Disclosures under the Alternative Investment Fund Managers Directive (unaudited)	56-57

General Information

Fund

AnaCap Financial Europe S.A. SICAV-RAIF
Since 24 January 2020:
412F, route d' Esch
L-2086 Luxembourg
Grand Duchy of Luxembourg
R.C.S. Luxembourg: B216080

From 28 June 2017 to 23 January 2020:
E Building, Parc d'Activité Syrdall
6, rue Gabriel Lippmann
L-5365 Munsbach
Grand Duchy of Luxembourg

Board of Directors

- Audrey Lewis;
- Christopher Ross-Roberts;
- Edward Green;
- Eric Verret (appointed 1 January 2021);
- Hugo Neuman (resigned 01 April 2020);
- Yazid Oudina;
- Vincenzo Viceconte (appointment 01 April 2020; resigned 29 May 2020).

AIFM

Carne Global Fund Managers (Luxembourg) S.A.
3, rue Jean Piret
L-2350 Luxembourg
Grand Duchy of Luxembourg

Board of Directors of the AIFM

- Bill Blackwell;
- John Alldis;
- Kevin Nolan (resigned on 09 January 2020);
- John Donohue;
- David McGowan (appointed on 29 April 2020);
- Veronica Buffoni (appointed on 13 October 2020);
- Martin Dobbins (appointed on 13 October 2020).

Portfolio Manager

AnaCap Investment Manager Limited
Ground Floor, Cambridge House, Le Truchot
St Peter Port
Guernsey GY1 1WD

Board of Directors of the Portfolio Manager

- David Copperwaite;
- Nigel Ward;
- Peter Niven;
- Gregory McKenzie (appointed 28 October 2020);
- Tim Wilson (resigned 28 October 2020).

Administrative Agent

IQ EQ Fund Services (Luxembourg) S.A.
412F, Route d'Esch
L-2086 Luxembourg

Depositary

RBS International Depositary Services S.A.
Luxembourg Branch
The Square, Building A – 40 Avenue J.F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

Auditor

PricewaterhouseCoopers
2, rue Gerhard Mercator
L-2182 Luxembourg
Grand Duchy of Luxembourg

Investment Advisor

AnaCap Financial Partners Limited
1 Stephen Street
Fitzrovia
London W1T 1AL

Directors' Report

The Directors of AnaCap Financial Europe S.A. SICAV-RAIF ("AFE") are pleased to present the Directors' Report and Audited Consolidated Annual Report (the "Financial Statements") on the activities and financial performance of AFE and its subsidiaries (together, the "Group") for the period from 1 January 2020 to 31 December 2020. The Financial Statements incorporate the assets, liabilities, revenue, and expenses of the Group.

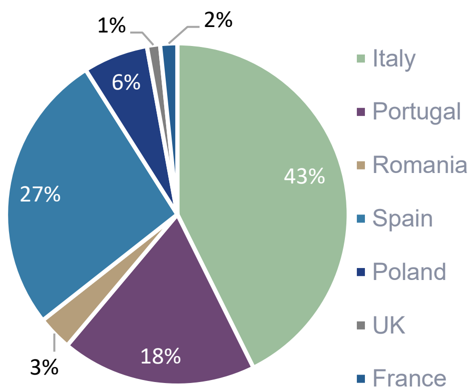
Business Overview

AFE purchases and invests in a diverse range of primarily non-performing debt across Europe. AFE has the capability to price and purchase a wide range of debt, consisting of portfolios of unsecured and secured consumer, SME, and mortgage debt, including portfolios that are a mix of these assets. The Directors believe this ability is a key competitive advantage in originating new investment opportunities and further penetrating its current markets and unlocking new ones, providing it with the opportunity to generate strong returns on an ongoing basis. During 2020, AFE started to source and originate new opportunities in the direct real estate market, and by the end of 2020 AFE had successfully executed three direct real estate transactions.

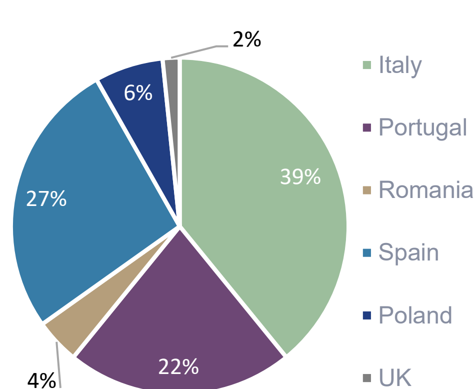
AFE has a diverse portfolio of seasoned and granular consumer, SME and mortgage debt which is differentiated among debt purchasers in the level of diversification across borrowers, asset types and geographies, as well as with its significant collateral backing.

The following charts illustrate the diversification of AFE's 84-month estimated remaining collections ("ERC") from existing purchased loan portfolios, purchased loan notes, investments in joint ventures and inventory (together, the "Group's Assets") by asset type and geography as of 31 December 2020. Geographic diversity provides resilience to economic cycles in any one country and local market trends and combined with the asset diversity provides access to a greater investment opportunity set.

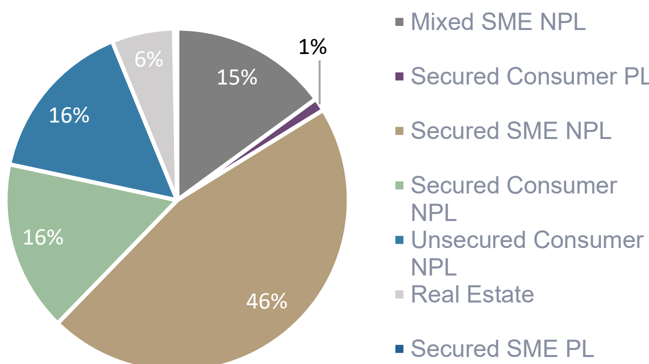
€472.5 million 84-month ERC by geography
31 December 2020



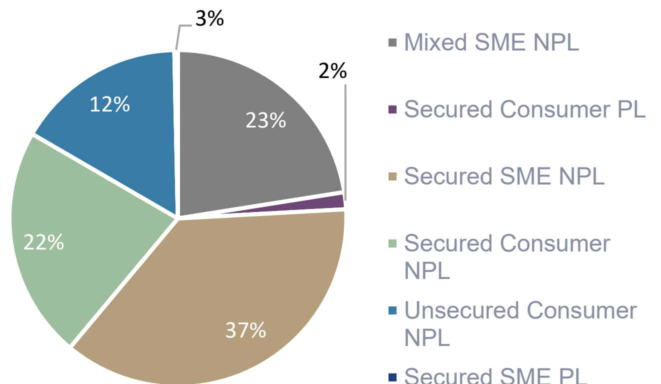
€523.5 million 84-month ERC by geography
31 December 2019



€472.5 million 84-month ERC by asset type
31 December 2020



€523.5 million 84-month ERC by asset type
31 December 2019



Directors' Report (continued)

Key Performance Indicators

The Directors use a variety of key performance indicators ("KPI's") in order to monitor, assess and evaluate the performance of the Group, as well as providing the Directors with key financial data to aid with key decision making.

The KPI's included within the Directors Report have been prepared on a basis consistent with the financial data contained in the Offering Memorandum. The data below is based on the Group for the years ended 31 December 2020 and 31 December 2019. The Directors are satisfied that the financial data in the Financial Statements, and therefore the financial data also used to compute these KPIs, gives a fair and materially accurate reflection of the Group's performance for the year.

		Year ended 31 December 2020	Year ended 31 December 2019	% change
84-month ERC (€'000s)	1	472,494	523,466	-9.7%
84-month Gross ERC (€'000s)	2	500,910	554,265	-9.6%
Cumulative purchases (€'000s)	3	615,492	598,444	2.8%
Number of investments	4	37	30	23.3%
Number of accounts	5	209,725	217,913	-3.8%
Total attributable collections (€'000s)	6	86,611	125,037	-30.7%
Total gross collections (€'000s)	7	84,567	124,906	-32.3%
Core collections (€'000s)	8	82,576	124,906	-33.9%
Operating expenses (€'000s)	9	31,383	32,340	-3.0%
Core collection cost ratio	10	38.0%	25.9%	46.8%
Adjusted EBITDA (€'000s)	11	53,162	90,302	-41.1%
Normalised Adjusted EBITDA (€'000s)	12	51,171	90,302	-43.3%

(1) 84-month ERC ("ERC") means AFE's estimated remaining collections on the Group's Assets over an 84-month period, assuming no additional purchases are made and on an undiscounted basis.

(2) 84-month Gross ERC means 84-month ERC plus any proportionate share of remaining cash collections that may be payable to a co-investor holding secured loan notes.

(3) Cumulative purchases of the Group's Assets includes the original purchase price of assets made by the Portfolio Business, plus the purchase price of subsequent portfolio and direct real estate acquisitions by AFE, related capitalised costs (including due diligence, legal and other fees relating to the acquisition but excluding future litigation costs) less pre-determination cash (consisting of collections during the period between pricing of a portfolio and the closing of its acquisition) up to the specified date, less the purchase price for all fully sold portfolios prior to the specified date.

(4) Number of investments represents the number of real estate investments and individual debt portfolios as of the specified date, including portfolios held by entities which are not under the control of AFE, but give AFE proportionate rights to the cash flows from such portfolios through loan notes.

(5) Number of accounts represent the number of individual accounts acquired at the time of purchase or investment with respect to loan portfolios, including portfolios held by entities which are not under the control of AFE, but give AFE proportionate rights to the cash flows from such portfolios through loan notes.

(6) Total attributable collections represent total cash collections gross of servicer fees and other costs to collect for all portfolios comprising the Group's Assets, excluding any share of cash collections that relate to the interests of co-investors holding secured loan notes.

(7) Total gross collections represent cash collected from debtors in connection with purchased loan portfolios and net cash collections (after servicing costs) for purchased loan notes and investments in joint ventures, as well as any disposals of the Groups Assets. Total gross collections include any proportionate share of cash collections that relate to the interests of co-investors holdings of secured loan notes.

(8) Core collections represent total gross collections, less any disposals of the Group's Assets.

(9) Operating expenses represent direct costs of collections related to purchased loan portfolios and other operating expenses, excluding impairment of the Group's Assets, net foreign currency (losses)/gains and non-recurring items.

(10) Core collection cost ratio represent the ratio of operating expenses to core collections.

Directors' Report (continued)

Key Performance Indicators (continued)

(11) Adjusted EBITDA represents (loss)/profit before tax adjusted to exclude the effects of finance costs and finance income, share of profit/(loss) in associates, net foreign currency losses/(gains), impairment of the Group's Assets, disposals and repayments of secured loan notes, and non-recurring items. Revenue on the Group's Assets and costs on secured loan notes calculated using the effective interest rate method are replaced with total gross collections in the period.

(12) Normalised Adjusted EBITDA represents Adjusted EBITDA excluding disposals of the Group's Assets.

Asset base and returns on portfolios purchased

The table below reflects historical capital deployment of the Portfolio Business from 2012 to 27 June 2017 plus capital that has been deployed since the incorporation of AFE; a total of €668 million has been deployed through acquisitions of and investments in 42 portfolios with an aggregate face value of €13 billion. Since 2012, 5 portfolios have been fully sold. As of 31 December 2020, the portfolios held by AFE had an aggregate face value of €10.5 billion following the historical sale of deals with a face value of €2.5 billion, with an 84-month ERC of €472 million.

Portfolios purchased in the year ended:	Purchase price (13)	Actual collections to 31 December 2020	84-month ERC	Total estimated collections (14)	Gross money multiple (15)
	€000	€000	€000	€000	
Year ended 31 December 2012*	75,084	168,080	19,963	188,043	2.5x
Year ended 31 December 2013**	77,386	140,174	27,858	168,032	2.2x
Year ended 31 December 2014	59,025	119,398	19,979	139,377	2.4x
Year ended 31 December 2015	47,806	49,721	23,383	73,105	1.5x
Year ended 31 December 2016	125,617	151,242	100,106	251,347	2.0x
Year ended 31 December 2017	65,017	80,624	32,737	113,361	1.7x
Year ended 31 December 2018	161,507	89,851	155,210	245,061	1.5x
Year ended 31 December 2019***	36,265	8,491	52,653	61,144	1.7x
Year ended 31 December 2020****	21,020	673	40,605	41,278	2.0x

*During Q2 2020 c.€1.3m of collections attributable to a co-investor were removed from actual collections within the 2012 vintage to more accurately reflect the gross money multiple attributable to AFE (the collections have already been paid to the co-investor and therefore this adjustment has no impact on the Financial Statements).

** During Q2 2020 actual collections for the 2013 vintage were restated to include collections received on a sold portfolio, increasing actual collections by c.€80k and more accurately reflecting the gross money multiple attributable to AFE (the collections have already been received and therefore this adjustment has no impact on the Financial Statements).

*** In Q1 2020 the Group completed the final close of a Spanish NPL portfolio which was acquired in September 2019 (c.€240k). This close has been consolidated within the same accounting group as the prior closes of this portfolio acquisition and is therefore now reported within 2019 vintage.

Following the acquisition of the Portuguese REO portfolio, which was acquired in September 2019, the transaction was successfully re-financed. For accounting purposes, the financing received is offset against the purchase price in order to give a revised invested capital figure. In Q1 2020 c.€463k was received from the finance lender; this has been consolidated within the same accounting group as the initial portfolio acquisition and is therefore now reported within 2019 vintage.

As a result of these two adjustments the revised purchase price for portfolios purchased in the year ended 31 December 2019 is now €36,265k rather than €36,488k as stated in Q4 2019.

**** For real estate investments AFE will be required to fund its share of capital expenditure and other working capital needs; these additional capital injections will increase the invested capital of the investment. In parallel, ERC will be recognised over the duration of the investment such that the gross money multiple at any given time reflects the expected returns AFE anticipates to generate upon exit. In Q3 2020 100% of ERC for one real estate investment was recognised in this disclosure, however in Q4 2020 this has been modified such the ERC being recognised follows the beforementioned approach. The impact of this modification has been a €10m reduction to ERC recognised as at 31 December 2020.

(13) Purchase price represents the aggregate amount paid plus costs less any cash received between the cut-off date for pricing an asset and the completion date of the purchase for all portfolio purchases in the period indicated.

(14) Total estimated collections represents actual collections to 31 December 2020 plus forecast collections for the following 84 months.

Directors' Report (continued)

(15) The Gross money multiple is total estimated collections divided by purchase price, although collections can extend beyond the period covered for total estimated collections.

Net debt

Net debt represents third-party indebtedness, including bank guarantees, less cash, and cash equivalents, and excluding unamortised debt issue costs, facility fees and amounts due to co-investors under secured loan notes.

		Year ended 31 December 2020
		€000
Borrowings:	The Notes	307,500
	Revolving Credit Facility	20,269
	Term Facility	26,217
Less:	Cash at bank	(17,233)
	Cash held on AFE's account at servicers'	(6,073)
	Less cash deposits paid	(1,017)
Add back:	Cash collected on behalf of secured loan note holders	628
Net debt		**330,291**

LTV ratio at period end	16	69.9%
Adjusted EBITDA leverage ratio	17	6.21
LTM Adjusted EBITDA	18	53,162
Net interest expense	19	19,175
Fixed charge cover ratio ("FCCR")	20	2.77

(16) LTV ratio means the aggregate secured indebtedness of the Group less cash and cash equivalents (including cash and cash equivalents in servicers' accounts or otherwise that are due from servicers but not yet paid by servicers to the Group, less cash collections due to be paid to co-investors under secured loan notes) divided by 84-month ERC.

(17) Adjusted EBITDA leverage ratio means net debt divided by the Adjusted EBITDA for the year ended 31 December 2020. During December 2020 the Group successfully sold the remaining portion of a legacy portfolio for c.€2m, crystallizing a c.€1.1m gain on book value. Excluding this sale results in a Normalised Adjusted EBITDA leverage ratio of 6.45.

(18) LTM Adjusted EBITDA means Adjusted EBITDA for the 12 months ended 31 December 2020.

(19) Net interest expense means interest expense on total debt for the year ended 31 December 2020.

(20) FCCR is calculated as LTM Adjusted EBITDA divided by net interest expense.

Borrowings used in calculating net debt can be reconciled to the Financial Statements as follows:

		Year ended 31 December 2020
		€000
Borrowings:	The Notes	307,500
	Unamortised discount on issuance of the Notes	(987)
	Unamortised transaction fees	(4,419)
	Term Facility - non-current liability	21,755
	Unamortised transaction fees on Term Facility	(539)
	Per Financial Statements (non-current liability)	323,310
	Interest payable at 31 December 2020 (current liability)	2,605
	Revolving credit facility - amount drawn	20,269
	Term Facility - current liability	4,462
Total borrowings		**350,646**

Directors' Report (continued)

Key risks and uncertainties

The Group is exposed to a range of risks and uncertainties in its day to day operations. The following section aims to highlight the key risks arising from the Group's business model, the potential impact on the Group, and the steps that have been taken to mitigate and manage these risks. Additional quantitative information in respect of the following risks can be found in Note 21 in the Financial Statements:

Risk	Definition	Impact	Mitigation
COVID-19	The risk that COVID-19 continues to cause a slowdown in economic growth in core markets and causes short term disruption in collection activity.	A continued slowdown in economic growth could lead to adverse movements in asset prices and therefore underlying collateral values, which could have an effect on the Group's ability to meet collections targets. Disruption to court schedules and closure of auctions could result in collections being lower and delayed.	The Group continues to remain close to developments of COVID-19 and the impact it is having across core markets. The risks caused by COVID-19 are mitigated by the Group maintaining a conservative and prudent approach on its cash flow projections and forecasts, as well as being able to benefit from a dedicated master servicing platform providing local on the ground presence across the Group's core geographies.
Market/economic risk	Changes in the economic environment in the markets in which the Group operates may negatively impact the Group's performance.	Unfavorable movements in interest rates may have an adverse effect on potential recoveries. Rising rates could also impact the Group's ability to finance its debt.	The Group reviews and revises as necessary business plans for underlying portfolios on a periodic basis and also monitors closely economic growth and the economic environment across Europe.
Italian concentration risk	The Group has a diverse range of portfolios across Europe, however 43% of ERC as at 31 December 2020 was attributed to Italy. This could potentially make the Group vulnerable to changes in Italian economic and political environment.	If the economy in Italy (or any geography where the Group has a large concentration of investments) suffer a prolonged, material downturn resulting in among other things increased unemployment rates, increased inflation, implementation of austerity measures, rising interest rates etc., this could have an adverse effect on asset prices and therefore underlying collateral values.	The Group continues to seek investment opportunities across Europe in order to try and help reduce this risk. Where appropriate new geographies will continue to be explored as well in order to further diversify the Group's investments and reduce this risk. In 2020, the Group successfully completed its first transaction in France and so further diversifying its geographic footprint, as well as this investment also being the Group's first into the direct real estate space.

Directors' Report (continued)

Key risks and uncertainties (continued)

Risk	Definition	Impact	Mitigation
Credit/liquidity risk	The value of the Group's investments may deteriorate, or the Group may not be able to meet its day to day working capital requirements if collections performance fall.	This could lead to reduced recoveries from debtors, as well as the risk that the Group may not be able to finance its debt or remain competitive due to a lack of capital to deploy and potentially putting pressure on the Group's ability to meet financial covenants.	The Group closely and regularly monitors actual collections performance against forecasted targets in order to quickly assess whether any portfolio is underperforming. The Group also works closely with its engaged servicers in order to quickly establish recovery strategies for any underperforming portfolios. The Group also monitors its cash position on a regular basis to ensure that there is sufficient cash available to manage the day to day operations of the Group.
Compliance/regulatory/ tax risk	Failure to comply with applicable legislation/regulatory requirements within the geographies and markets the Group operates within. The Group also operates in an environment where tax legislation is continually evolving.	Potential breach of compliance acts/regulatory provisions or non-compliance or misinterpretation of local tax legislations may result in potential reputational damage in the industry, potential large fines, impairments etc. which may impact the Groups ability to remain competitive in the market.	The Group maintains strong operational compliance controls and has various legal advisors in different jurisdictions in order to keep up to date with any changes to any regulatory environment which could adversely impact the Group. The Group continually monitors its corporate and structural set up and tax reporting requirements to ensure full compliance with local tax legislation.
Third party/operational risk	Risk of loss of relationship/underperformance/ over reliance of servicers/third parties that the Group engages with.	Any failure by third parties/servicers that the Group engages with could materially impact cash flows, income, and profitability of the portfolios, and therefore adversely impact the Groups results.	The Group constantly assesses the capabilities and value that is delivered by third parties in order to determine whether there is any underperformance. Regular audits are carried out of servicers to ensure that they are compliant with necessary regulations and that they are performing as expected.

Directors' Report (continued)

Significant recent developments

COVID-19

From an operational perspective safeguarding the wellbeing of all employees and operational effectiveness has been the main priority and, following a successful business continuity plan that was actioned in Q1 2020, 100% of AnaCap staff have been operational during 2020, with full remote access to all IT Infrastructure and support services. All AFE's servicing partners have implemented business continuity plans successfully and have mobilized remote working models in a timely fashion. The Group continues to work with its servicing partners, agents, and advisors to help safeguard the health and wellbeing of all staff and customers.

2020 Performance

Despite the challenges faced so far from COVID-19, the Group can report a successful year of collections performance against the COVID-19 reforecast set in March 2020 ("COVID-19 RF"), with attributable collections for the quarter ended 31 December 2020 finishing at €25.0m vs a target of €22.2m, a 12% or €2.8m increase, resulting in attributable collections for the 12 months ended 31 December 2020 being €86.6m vs COVID-19 RF of €64.8m and December 2019 target (pre COVID-19 RF) of €129.3m, representing a 34% outperformance and 33% underperformance respectively.

Following the outbreak of COVID-19 earlier in the year, it became clear to the Group that the pandemic was going to have a material impact on collections performance across the Group's portfolio as lockdown measures across Europe began to materialise, particularly on portfolios originating in Southern Europe. The Group started 2020 positively with collections in Q1 2020 of €20.2m, 17% above a target of €17.2m that was set at the beginning of the year. These targets were re-visited in March 2020, with the Group performing a portfolio level review to try and determine the impact the pandemic would have on future recoveries and cash flows. The Group adopted a conservative approach with the review and with the underlying assumptions made; this led to a non-cash impairment charge of €37.2m being recognized in Q1 2020 (this was partially offset by a reduction in secured loan notes payable of €2.9m reflecting co-investors share of the write down) as well as a 1.4% loss in ERC (c.€8m).

During Q2 2020 the Group again was able to post a positive period for collections performance, collecting €23.4m vs COVID-19 RF of €9.2m, representing a €14.1m or 152% outperformance following acceleration of collections from a number of positions that were forecast to collect in 2022, resulting in H1 2020 collections of €43.6m vs COVID-19 RF of €29.4m. The Group continued to maintain a cautious approach to COVID-19 and performed a similar portfolio level review exercise as at the end of Q2 2020, amending the underlying assumptions made in the COVID-19 RF where appropriate. No write downs or gains were recognised following this portfolio level review.

As we moved through the second half of the year, we began to see lockdown measures ease across Europe whilst courts and legal processes became more operational, though the vast backlog of cases has meant that court procedures are still moving slowly across Italy, Portugal and particularly Spain, as new lockdown measures were introduced across Europe. However, the Group is still able to report a successful second half of the year for collections performance, collecting €43.0m vs COVID-19 RF of €35.4m, representing a €7.6m or 21% outperformance. This has largely been driven by proactive asset management overseen by the Group's dedicated Master Servicing platform. Highlights include accelerating cash in court distributions in Italy despite disruptions to court proceedings as well as achieving significantly higher than expected residential real estate sales in Portugal, both in terms of overall volume and values achieved. The Group also negotiated the successful sale of a legacy Italian unsecured consumer NPL portfolio in December 2020, crystallizing a €1.1m gain on carrying value as the asset management team looked for innovative ways to drive recoveries in a difficult environment.

The Group completed its third portfolio level review exercise for the year as at the end of December 2020, where again cash flow timing and recovery assumptions were revised where appropriate, with caution maintained around the outlook for COVID-19 as collections are expected to steadily ramp up again over the course of 2021. No write downs or gains were recognised following this portfolio level review.

New investments

AFE continued to remain cautious and disciplined in its approach to deployment during 2020, with its low fixed cost base and strong liquidity position throughout the year enabling AFE to be patient in seeking the best risk adjusted returns across NPLs and new asset types. This included the Group's first investments into direct real estate and its first investment in France, leveraging on AnaCap's broader investment experience by co-investing alongside AnaCap's closed end funds. During 2020, the Group deployed c.€21m of capital across NPLs and direct real estate, with a further two direct real estate transactions signed in December 2020 and on target to complete early in 2021.

In total AFE completed 5 small Italian SME secured NPL portfolios for c.€8.9m, representing further co-investment alongside AnaCap Credit Opportunities IV ("ACOF IV"), with AFE investing 33.33% into the transaction, but assuming asset management responsibility for the entire aggregated portfolio, including special servicing by Phoenix Asset Management ("PAM") in Italy. By continuing to co-invest across a broadening range of asset types and individual transactions, AFE is able to achieve greater diversification in deployment whilst growing capital-light income from Asset Management services.

Directors' Report (continued)

Significant recent developments (continued)

On 28 July 2020, the Group entered into a 'sale promise' agreement in connection with a joint venture acquisition of a commercial unit in Paris, France. The unit comprises two office blocks which have a total gross lettable area of 15.4k sqm and which are currently being leased out to tenants. On the same day, the Group paid a deposit of €0.5m in accordance with the sale promise agreement. Following the execution of the 'sale promise' agreement, the Group successfully completed the acquisition on 27 October 2020, with the total invested capital amounting to c.€2.5m. The investment marked AFE's first investment into direct real estate and another successful co-investment arrangement with ACOF IV, with each investor owning a 50% economic share of the investment.

On 12 August 2020 AFE subscribed to 34% of the equity in Green Stone SICAF S.p.A cell Stone 9 ("Green Stone cell Stone 9") and provided a convertible shareholder loan, with the proceeds then being applied to support the acquisition of a land plot located in Milan. The land plot is currently undergoing demolition and remediation work such that the land can be used to build and develop two residential towers. The convertible shareholder loan has been structured such that the loan will automatically be converted into equity if the land is successfully demolished and certain other obligations are met, however if these conditions are not met then AFE will exit the transaction and both its loan and equity commitments will be fully repaid. The total amount provided as a convertible shareholder loan was €1.6m, with €0.2m provided by way of equity financing. On 4 November 2020, a further €0.2m was funded by way of additional equity financing. ACOV IV also owns 34% of the equity in Green Stone cell Stone 9, with the remaining 32% being owned by two local investors in Italy.

On 18 December 2020, AFE provided a c.€7.5m advance payment for the subscription of 50% of the asset-backed notes to be issued by an Italian securitization vehicle, with ACOF IV subscribing to the remaining 50%. The proceeds of the advanced payments were then applied to facilitate the acquisition of a diversified portfolio of retail and industrial real estate assets well located in predominantly major Italian cities from a motivated seller facing increasing distress, representing a sharp further discount to pre-COVID expectations.

Divestments

On 23 December 2020 AFE sold a small legacy Italian unsecured consumer NPL portfolio for c.€2m, crystallizing a c.€1.1m gain on carrying value. The portfolio had originally been acquired in 2015.

Signed transactions

On 15 December 2020, the Group entered into a 'sale promise' agreement in connection with a joint venture opportunity to acquire a newbuild grade A office complex on the outskirts of Paris. The acquisition of the building is being structured as an off-plan forward sale ("VEFA"). The Group successfully completed the acquisition subsequent to the year end on 10 March 2021 with c.€0.5m paid on closing. The investment marked AFE's second investment into the French direct real estate market alongside ACOF IV, with each investor owning a 50% economic share of the investment.

On 17 December 2020, the Group entered into a 'sale promise' agreement in connection with another joint venture opportunity, with ACOF IV to acquire a partly occupied office complex in Paris. On signing of the 'sale promise' agreement the Group paid c.€1.0m as a deposit. Subject to all condition's precedent being met the Group expect to close and acquire the asset during 2021.

Master Servicing

On 29 May 2020 the Group entered into a framework services Agreement with entities within both the AnaCap Credit Opportunities III L.P. and AnaCap Credit Opportunities IV L.P. fund structures which governs the provision of master servicing, portfolio administration and asset management services provided by the Group. Revenue generated during 2020 by the Group for the provision of these services amounted to c.€1.6m.

On 5 June 2020 the Group also entered into a support Services Agreement with AnaCap Financial partners Limited ("AFPL") whereby AFPL will provide the Group's master servicer platform a non-exclusive right and license to access the Minerva software, the propriety intelligence platform created to support origination, pricing, dynamic information flow and servicing strategies across geographies and asset types, as well as certain support services, such as data analytics, IT, legal support and other operational support functions. Costs borne by the Group during 2020 for the provision of these services amounted to c.€1.2m.

The agreements have been entered as part of AFE's continued development and growth of its internal master servicing capabilities.

Changes to administration and governance

As of 1 October 2020, the Group began to transition all accountancy and administration services away from IQEQ Fund Administration Limited to Belasko UK Limited.

On 5 November 2020, it was announced that Chris Ross-Roberts would step down from his full-time role as the Company's Chief Financial Officer and as a member of the Investment Recommendation Committee ("IRC") of AFE's investment adviser, AFPL, with effect from 31 December 2020. Eric Verret, AFPL's Managing Director for Risk & Liability Management, will join AFE's management team as Chief Financial Officer. Eric will also join AFE's Board of Directors and IRC, both with effect from 1 January 2021.

Directors' Report (continued)

Significant recent developments (continued)

Going Concern

The Group continues to actively monitor its liquidity and covenant adherence. The Group's liquidity position remains strong, with available cash as of the date of signing of the Financial Statements of c.€85m. The group has assessed its expected operating performance and liquidity requirements for 2021 considering the impact of COVID-19, as well as any potential impact the virus could have on the Group's ability to meet its obligations and wider covenant requirements. Despite the continued uncertainties surrounding the market amidst COVID-19, the Board of Directors remain confident that AFE can continue to trade for a period of at least 12 months from the date of signing the Financial Statements and will have sufficient liquidity to manage its operations during that time. Cash management and asset management will be critical throughout the year to help drive performance.

Outlook

The Board of Directors expect that the level activity within the credit asset industry will grow in 2021, and the Group will continue to explore opportunities in both core NPL markets as well as across a broadening range of asset types where it co-invests alongside AnaCap's Credit Opportunities funds, including direct real estate as outlined above. The Group will remain highly selective in pursuing the best risk-adjusted returns and only pursue opportunities that are suitable and are in line with the strategic objectives of the Group, which could include expanding into a wider range of asset classes building upon AnaCap's well established, broader credit investment experience, including performing loans and other structured credit opportunities. Moreover, by co-investing alongside AnaCap's funds, it is possible to maintain a higher level of diversification across the number of deals and variety of asset types whilst generating additional capital-light income from the provision of Asset Management services to the entire transaction.

The Group also expects to continue to develop its internal servicing capabilities during 2021 across core markets. The Group now has operating platforms across Spain, Portugal, Italy, Luxembourg and the U.K., with 19 employees as of 31 December 2020, and has seen the benefits of an increased on the ground presence in each of these geographies, including assistance with due diligence through to local asset management capabilities, particularly valuable at a time where international travel was constrained. These capabilities include both master servicing where day to day engagement with and oversight of local asset servicers has been vital in driving collections performance during the pandemic, as well as selectively internalising direct special servicing, leveraging internal competencies around amicable and legal recoveries, real estate valuation and management, financial, corporate administration, reporting and analytics. Increasing asset management capabilities in core markets will assist in continually improving underwriting and due diligence on potential new acquisitions as well as optimising performance and rapidly addressing performance challenges where they arise.

Eric Verret

Director
19 March 2021

Statement of Directors' Responsibilities

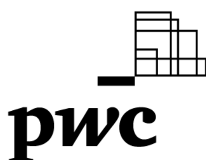
The Board of Directors of AnaCap Financial Europe S.A. SICAV-RAIF submits its report and the audited consolidated financial statements (the "Financial Statements") for the Group for the year ended 31 December 2020.

The Financial Statements have been prepared in accordance with the accounting policies stated in Note 3 to these Financial Statements.

In preparing the Financial Statements the Board of Directors is required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the Financial Statements in compliance with the Issuing Document; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Board of Directors is responsible for keeping accounting records, which disclose with reasonable accuracy at any time, the financial position of the Group, to enable it to comply with the Issuing Document. The Board of Directors also has general responsibility for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Board of Directors is required to act in the best interest of the Group and to perform its obligations as detailed under the Issuing Document.



Audit report

To the Shareholder of
Anacap Financial Europe S.A. SICAV-RAIF

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Anacap Financial Europe S.A. SICAV-RAIF and its subsidiaries (the “Fund”) as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

What we have audited

The Fund’s consolidated financial statements comprise:

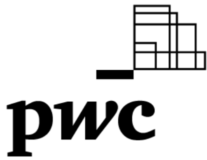
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the consolidated financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.



Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

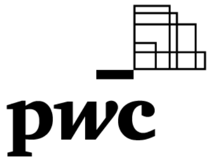
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit.



We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Fund to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Fund audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 19 March 2021

Thierry Salagnac

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020

	Notes	Year Ended 31 December 2020	Year Ended 31 December 2019
		€000	€000
Revenue			
Interest income from purchased loan portfolios		53,043	71,925
Interest income from purchased loan notes		1,667	2,058
Interest income on loans to joint ventures at amortised cost		7,971	6,118
Revaluation gains		-	129
Other income		2,047	348
Total revenue	5	**64,728**	**80,578**
Operating expenses			
Collection activity costs		(18,913)	(22,008)
Impairment losses	12	(37,230)	(35,897)
Net foreign currency (losses)/gains	7	(1,537)	187
Other operating expenses	7	(12,471)	(10,551)
Non-recurring items	7	-	(219)
Normal operating expenses		(12,471)	(10,332)
Total operating expenses		**(70,151)**	**(68,269)**
Operating (loss)/profit		**(5,423)**	**12,309**
Finance income		51	508
Gain from repurchase of Senior Secured Notes		-	1,728
Finance costs		(19,595)	(22,461)
Interest expense - secured loan notes		(2,131)	(2,660)
Revaluation gain on secured loan notes		2,939	1,444
Finance costs - borrowings	8	(20,403)	(21,245)
Share of profit in joint venture accounted for using equity method	13	42	-
Share of profit in associate	11	874	806
Loss before tax		**(24,051)**	**(7,110)**
Tax charge	9	(1,336)	(1,520)
Comprehensive loss for the year		**(25,387)**	**(8,630)**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position as at 31 December 2020

	Notes	As at 31 December 2020 €000	As at 31 December 2019 €000
Assets			
Non-current assets			
Property, plant and equipment		177	73
Investment in associate	11	7,777	6,522
Investments in joint ventures at amortised cost	12	2,282	-
Loans to joint ventures at FVPL	12	7,656	-
Participation in joint ventures	13	297	-
Goodwill	10	1,836	1,836
Total non-current assets		**20,025**	**8,431**
Current assets			
Cash and cash equivalents		17,233	26,474
Trade and other receivables	15	12,423	16,234
Other assets	15	4,569	5,007
Purchased loan portfolios	12	193,916	241,665
Purchased loan notes	12	13,231	17,903
Investments in joint ventures at amortised cost	12	62,904	61,743
Loans to associate at FVPL	12	1,666	-
Inventory	14	26,027	26,025
Total current assets		**331,969**	**395,051**
Total assets		**351,994**	**403,482**
Liabilities			
Non-current liabilities			
Borrowings	23	323,310	304,232
Other liabilities	16	948	1,172
Total non-current liabilities		**324,258**	**305,404**
Current liabilities			
Borrowings	23	27,336	70,153
Secured loan notes	23	13,617	16,414
Trade and other payables	16	9,046	7,681
Other liabilities	16	297	2,209
Tax payable		426	691
Tax provisions	24	5,963	4,492
Total current liabilities		**56,685**	**101,640**
Total liabilities		**380,943**	**407,044**
Equity			
Share capital	17	1,250	1,250
Retained earnings		(30,199)	(4,812)
Total equity		**(28,949)**	**(3,562)**
Total equity and liabilities		**351,994**	**403,482**
Net Asset Value as per Offering Memorandum	19	**277,409**	**316,263**
Net Asset Value per share	17	**(23.159)**	**(2.850)**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

The Consolidated Financial Statements for the year ended 31 December 2020 were approved by the Board of Directors and authorised for issue on its behalf by:

Eric Verret

Eric Verret

Director

19 March 2021

Consolidated Statement of Cash Flows for the Year Ended 31 December 2020

	Notes	Year ended 31 December 2020 €000	Year ended 31 December 2019 €000
Cash flows from operating activities			
Loss before tax		(24,051)	(7,110)
Adjustments for:			
Interest income from purchased loan portfolios	12	(53,043)	(71,925)
Interest income from purchased loan notes	12	(1,667)	(2,058)
Interest income from joint ventures	12	(7,971)	(6,118)
Finance income		(51)	(508)
Impairment losses	12	37,230	35,897
Gain from repurchase of Senior Secured Notes		-	(1,728)
Revaluation gain - secured loan notes		(2,939)	(1,444)
Revaluation gain		-	(129)
Finance costs - borrowings	8	20,403	21,245
Interest expense - secured loan notes		2,131	2,660
Realised foreign currency (gains) / losses	7	(309)	307
Unrealised foreign currency losses / (gains)	7	1,846	(494)
Share of profit in joint venture accounted for using equity method		(42)	-
Share of profit in associate	11	(874)	(806)
Operating cash flows before movements in working capital		**(29,337)**	**(32,211)**
Change in trade and other receivables*		3,539	(1,502)
Change in trade and other payables*		1,365	(2,010)
Cash used in operating activities before collections and purchases		**(24,433)**	**(35,723)**
Tax paid		(131)	(636)
Collections in the year - sale of inventory	12	8,543	9,047
Collections in the year - loans	12	76,024	115,859
Acquisition of purchased loan portfolios	12	-	(9,206)
Acquisition of purchased loan notes	12	-	(3,865)
Acquisition of joint ventures	12	(19,212)	(21,406)
Investments into associates	11,12	(2,047)	-
Net cash generated from operating activities		**38,744**	**54,070**
Cash flows from investing activities			
Consideration paid for the acquisition of Galata		(200)	(300)
Deferred consideration		(2,012)	(5,340)
Dividends received		-	600
Net cash used in investing activities		**(2,212)**	**(5,040)**
Cash flows from financing activities			
Dividends paid		-	(10,106)
Proceeds from re-financing acquisition of purchased loan notes	12	462	-
Proceeds from borrowings		60,083	60,201
Repayment of borrowings		(85,346)	(69,857)
Senior Secured Notes repurchased		-	(15,400)
Revolving Credit Facility transaction and other fees paid		(104)	(133)
Repayment of secured loan notes		(1,989)	(4,511)
Finance costs paid		(18,879)	(20,060)
Net cash used in from financing activities		**(45,773)**	**(59,866)**
Net movements in cash and cash equivalents		(9,241)	(10,836)
Cash and cash equivalents at the beginning of the year		26,474	37,310
Cash and cash equivalents at the end of the year		**17,233**	**26,474**

*Movement in working capital is net of accruals and prepayments related to the Notes and the Revolving Credit Facility.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital	Retained earnings	Total equity
	€000	€000	€000
Balance as at 1 January 2020	1,250	(4,812)	(3,562)
Comprehensive loss for the year		(25,387)	(25,387)
Balance as at 31 December 2020	**1,250**	**(30,199)**	**(28,949)**

Comparative for the year ended 31 December 2019.

	Share capital	Retained earnings	Total equity
	€000	€000	€000
Balance as at 1 January 2019	1,250	13,924	15,174
Dividend paid	-	(10,106)	(10,106)
Comprehensive loss for the year	-	(8,630)	(8,630)
Balance as at 31 December 2019	**1,250**	**(4,812)**	**(3,562)**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements (continued)

1. General information

AnaCap Financial Europe S.A. SICAV–RAIF ("AFE", "Fund"), a public limited liability company (société anonyme), was incorporated on 28 June 2017 under the laws of Luxembourg as a reserved alternative investment fund (*fonds d'investissement alternatif réservé)* in the form of an investment company with variable capital (*société d'investissement à capital variable*).

On 24 January 2020, the registered address of the Fund was changed from E Building, Parc d'Activité Syrdall, 6, Rue Gabriel Lippmann, L-5365 Munsbach, Grand Duchy of Luxembourg to 412F, route d' Esch, L-2086 Luxembourg, Grand Duchy of Luxembourg.

On 28 June 2017, AFE entered into an alternative investment fund management agreement with Carne Global Fund Managers (Luxembourg) S.A. ("Carne") to appoint Carne to be its alternative investment fund manager ("AIFM"). In its capacity as AIFM Carne will perform functions in accordance with AIFM law and reserved alternative investment fund law ("RAIF law"). On 28 June 2017, the AIFM entered into a portfolio management agreement with AnaCap Investment Manager Limited (the "Portfolio Manager") to delegate portfolio management functions in accordance with AIFM law and RAIF law. AnaCap Financial Partners Limited ("AFPL") acts as investment advisor to the Portfolio Manager.

The principal activity of AFE and its subsidiaries as listed in note 20 (together, the "Group") is to seek risk adjusted investment returns by acquiring, holding, servicing, and disposing of portfolio investments comprising of loans, leases, or other credit-related obligations, including primarily diversified portfolios of unsecured and secured consumer debts, SME debt, and mortgages, as well as seek opportunities in the direct real estate market.

Significant changes in the current reporting year

Following the outbreak of COVID-19, a complete re-assessment of future cash flows was performed on a portfolio by portfolio basis given the significant impact the pandemic was anticipated to have on collections performance. The adjustments made to the Groups forecast cash flow profile led to the Group recognising a non-cash impairment charge in the year of €37.2m. The Group continues to remain prudent on both short-term and mid-long term future outlook amidst the continued uncertainties COVID-19 continues to have across the Groups' core geographies and markets. During 2020, the Group successfully deployed €21m of capital across NPLs and direct real estate, with a further two direct real estate transactions signed in December 2020 and on target to complete early in 2021.

On 17 January 2020, the Group increased the Term Facility available to draw upon by €6.3m with the total facility size now €31.3m.

On 29 May 2020, the Group entered into a Framework Services Agreement with entities within both the AnaCap Credit Opportunities III L.P. and AnaCap Credit Opportunities IV L.P. fund structures which governs the provision of master servicing, portfolio administration and asset management services to be provided by the Group.

On 5 June 2020, the Group also entered into a Support Services Agreement with AFPL whereby AFPL will provide certain support services to the Group, such as legal support, data analytics, IT and other operational support functions.

On 30 June 2020 AFE completed the acquisition of an Italian SME secured NPL portfolio for c.€3.5m. This transaction marked another successful joint venture acquisition for AFE with the AnaCap Credit Opportunities IV fund structure ("ACOF IV"), with AFE investing 33.33% into the transaction. A similar acquisition was completed on 25 September 2020, with AFE deploying a further €0.5m into the joint venture to finance its share of another Italian SME secured NPL portfolio purchase. During Q4 2020 a further four similar transactions closed, with AFE investing c.€4.9m to finance its share of these acquisitions.

On 28 July 2020, the Group entered into a 'sale promise' agreement in connection with the joint venture acquisition of a commercial unit in Paris, France. The unit comprises two office blocks which are leased out to tenants. On the same day the Group paid a deposit of €0.5m in accordance with the sale promise agreement. Following the execution of the 'sale promise' agreement on 28 July, the Group successfully completed the acquisition on 27 October 2020 with the total invested capital amounting to c.€2.5m.

On 12 August 2020 AFE subscribed to 34% of the share capital in and provided a convertible shareholder loan to Green Stone SICAF S.p.A cell Stone 9 ("Green Stone cell Stone 9"), an Italian closed ended real estate alternative investment fund, with the proceeds then being applied to support the acquisition of a land plot located in Milan. The land plot is currently undergoing demolition and remediation work such that the land can be used to build and develop two residential towers. The convertible shareholder loan has been structured such that the loan will automatically be converted into equity if the land is successfully demolished and certain other conditions are met, however if these conditions are not met then AFE will exit the transaction and both its loan and equity commitments will be fully repaid. The total amount provided as a convertible shareholder loan was €1.6m, with €0.2m provided by way of equity financing. On 4 November 2020, a further €0.2m was funded by way of an additional equity financing.

As of 1 October 2020, the Group began to transition all accountancy and administration services away from IQEQ Fund Administration Limited to Belasko UK Limited.

Significant changes in the current reporting year (continued)

On 5 November 2020, it was announced that Chris Ross-Roberts will step down from his full-time role as the Company's Chief Financial Officer and as a member of the Investment Recommendation Committee ("IRC") of AFE's investment adviser, AFPL, with effect from 31 December 2020. Eric Verret, AFPL's Managing Director for Risk & Liability Management, will join AFE's management team as Chief Financial Officer. Eric will also join AFE's Board of Directors and IRC, both with effect from 1 January 2021.

On 15 December 2020, the Group entered into a 'sale promise' agreement in connection with the joint venture acquisition of a newbuild Grade A office in Paris, France. The transaction closed on 10 March 2021 (see Note 26 'Subsequent events').

On 17 December 2020, the Group entered into a 'sale promise' agreement in connection with the joint venture acquisition of an office building on the outskirts of Paris, France. The transaction is expected to close in 2021 subject to all obligations per the 'sale promise' agreement being met.

On 18 December 2020, AFE provided a c.€7.5m advance payment for the subscription of 50% of the asset-backed notes to be issued by an Italian securitization vehicle, with ACOF IV subscribing to the remaining 50%. The proceeds of the advanced payments were then applied to facilitate the acquisition of a portfolio of retail and industrial real estate assets in Italy.

On 23 December 2020 AFE sold the remaining segment of an Italian unsecured consumer NPL portfolio for c.€2m.

On 29 December 2020 c.€2m was paid to settle the deferred consideration that was owed following the acquisition of an Italian secured SME NPL portfolio in December 2019.

2. Adoption of new and amended International Financial Reporting Standards and changes in accounting policies

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2020 that have a material effect on the Financial Statements of the Fund.

The following new and revised standards and interpretations have been issued but not endorsed or effective for these Financial Statements and have not been early adopted, each having an effective date of 1 January 2021:

<u>Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)</u>
The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

<u>Annual Improvements to IFRS Standards 2018–2020</u>
IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

<u>Interest rate benchmark reform – Amendment to IFRS 7, IFRS 9 and IAS 39</u>
The amendments modify some specific hedge accounting requirements to provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. Summary of significant accounting policies

Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. The Financial Statements comply with IFRS as adopted by the European Union. The principal accounting policies that have been applied to these Financial Statements are set out below.

The preparation of the Financial Statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note 4.

The Financial Statements are presented in thousands of Euro (€'000s) and are prepared on a historical cost basis except for financial instruments which have been measured at fair value, and going concern basis.

Notes to the Consolidated Financial Statements (continued)

Going concern

The Group has assessed its expected operating performance and liquidity requirements for 2021, taking into consideration COVID-19, as well as the potential impact the virus could have on the Group's ability to meet its obligations and wider covenant requirements. Despite the uncertainties COVID-19 continues to have on the market and across Europe the Board of Directors remain confident that AFE can continue to trade for a period of at least 12 months from the date of signing these Financial Statements and will have sufficient liquidity to manage its operations during that time. Cash management and asset management will be critical throughout the year to help drive performance.

Investment entity

As AFE does not manage its investments on a fair value basis, it does not meet the definition of an investment entity and therefore is required to consolidate the entities that it controls.

Consolidation and accounting for subsidiary entities within the Group

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

AFE has control over and therefore has consolidated the entities listed in note 20 in these Financial Statements.

Investments in associates

Investments in which AFE has significant influence are considered as investments in associates and are accounted under the equity method of accounting. Significant influence is defined as having between 20% and 50% of the voting power of the investee, or, when the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. The existence of significant influence by an investor is usually evidenced by such activities as representation on the board of directors, participation in policy-making processes, including participation in decisions about dividends or other distributions, material transactions between the investor and the investee, interchange of managerial personnel, or provision of essential technical information.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the change in net assets of the investee after the date of acquisition. AFE's share of post-acquisition profit or loss is recognised in the Consolidated Statement of Comprehensive Income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

AFE determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, AFE calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises this amount in the Consolidated Statement of Comprehensive Income.

Investment in joint ventures

Joint arrangements are classified as either joint ventures or joint operations. The Group's joint arrangements are determined to be joint ventures. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

For investment participations into equity in joint ventures the equity accounting method is applied. The investment is recognised at cost and subsequently adjusted to the Group's share of the change in the investments net assets since acquisition date. The equity method is applied from the date a significant influence arises until the time it ceases or the associated company or joint venture becomes a subsidiary. The Group's share of net assets of the joint venture is recognised in the Statement of Comprehensive Income.

Investments in joint ventures are measured at amortised cost where cash flows comprise solely of principal and interest, with an intention to hold to collect. The contractual arrangement is directly linked to the performance of the portfolios purchased by the joint venture. All collections in the joint venture from the portfolios are split between interest income and amortisation of the portfolio in accordance with the effective interest rate method and are paid to the investors pro rata after deduction of collection and overhead costs in the joint venture. Interest income generated from investments in joint ventures at amortised cost is recognised in the Statement of Comprehensive Income.

Notes to the Consolidated Financial Statements (continued)

Investment in joint ventures (continued)

The Group also provide loan instruments to joint venture entities which are measured at fair value through profit or loss ("FVPL"). The Group classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at amortised cost
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

For assets measured at fair value, gains and losses will be recorded in the Statement of Comprehensive Income.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of an entity comprises:

- fair value of the assets transferred,
- liabilities incurred to the former owner of the acquired business,
- equity interest issued by the Group,
- fair value of any assets or liabilities resulting from a contingent consideration agreement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured

initially at fair value at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from the date of acquisition.

The excess of the consideration transferred, combined with any non-controlling interest in the entity being acquired, over the fair value of net identifiable assets is recorded as goodwill. If those amounts are less than the fair value of net identifiable assets of the entity being acquired, the difference is recognised directly in the Consolidated Statement of Comprehensive Income as a gain on bargain purchase.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing goodwill is allocated to Group's cash-generating units (CGU), that are expected to benefit from the synergies of the combination. In accordance with IAS 36, goodwill is tested at least on an annual basis for impairment, by comparing the carrying amount of the CGU with the recoverable amount of the CGU. The Group calculates the recoverable amount of the CGU by determining the higher of the fair value less cost to sell and its value in use.

Financial assets

Financial assets are classified, at initial recognition, as financial assets measured at amortised cost or fair value through profit and loss on the basis of both:

- The Group's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets consist primarily of purchased loan portfolios, purchased loan notes and investments in debts instruments of joint ventures. The Group's business model for managing these financial assets is to hold for the collection of the contractual cash flows that consist solely from payment of principal and interest, which meet the condition for classification of financial assets at amortized cost under IFRS 9. The Group only recognises financial instruments as an equity instrument when they do not include a contractual obligation to deliver a financial asset or exchange a financial asset or liability to another entity and when the financial instrument can be settled in the entity's own equity instruments. Any equity instruments would be recognised at fair value through profit and loss.

Financial liabilities

Debt and equity are classified as either financial liabilities, such as secured loan notes, or as equity in accordance with the substance of the contractual arrangement and in conjunction with the application of IFRS. In accordance with IAS 32 Financial Instruments: Presentation, the Group only recognises financial instruments as equity when they do not include a contractual obligation to deliver a financial asset or exchange a financial asset or liability to another entity and when the financial instrument can be settled in the Groups' own equity instruments. Financial liabilities are held at amortised cost using the effective interest rate ("EIR") method. The EIR is calculated by estimating the cash flows arising from the contractual terms of the instrument over its expected life. Transaction costs are included within the EIR and deducted from the initial carrying value of the debt instrument. Transaction costs related to revolving credit facilities are not included within the EIR but recognised as a separate asset and amortized over the term of the facility.

Notes to the Consolidated Financial Statements (continued)

Initial recognition of financial instruments

The Group recognises a financial asset or a financial liability at the time it becomes a party to a contract because that is the point at which it has contractual rights or obligations. Financial assets and liabilities are initially recognised in the Consolidated Statement of Financial Position at fair value in accordance with IFRS, being the purchase price plus transaction costs directly attributable to the acquisition.

Purchase price of portfolio

The purchase price of a portfolio is the sale price by the vendor less any cash received between the cut-off date for pricing an asset and the completion date of the purchase (pre-determination cash), and warranty or put back claims plus any external deal costs in purchasing the portfolio. The purchase price of a portfolio is equal to its fair value on the date of purchase.

Put back warranty claims

Under the terms of portfolio purchase agreement warranties are provided by the counterparty whereby the Group has a period of time during which to dispute specific assets within the portfolio and put these underlying assets back to the counterparty as a breach of warranty. Where such rights have been exercised, these have been recognised as a reduction in the initial carrying value of the asset.

Purchased loan notes

The Group invests in portfolios held by entities which are not under the control of the Group via loan notes, which gives the Group proportionate rights to the cash flows from the underlying portfolios. These non-derivative purchased loan notes have been classified as loans and receivables within the Financial Statements. Under IFRS 12 Disclosure of Interests in Other Entities these represent “structured entities”.

Purchased loan portfolios

The Group’s purchased loan portfolios are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Each portfolio asset is a group of homogenous items and as such is treated as single asset. Such assets are classified as loans and receivables and are measured at amortised cost using the EIR method less any impairment. Purchased loan portfolios are acquired at a deep discount to their principal outstanding and as a result the carrying values at initial recognition reflect incurred credit losses within each portfolio. The portfolio investments are initially recorded at their fair value, being their purchase price, and are subsequently measured at amortised cost using the EIR method. As part of the Group’s litigation strategy to recover customer balances the Group incurs legal costs; these costs are expensed as they are incurred. Expected recoveries are included within the estimated forecasts of future cash flows within the purchased loan portfolios balance.

Purchased loan notes, purchased loan portfolios, investments in joint ventures and inventory (together, the “Group’s Assets”) are categorised as current in the Consolidated Statement of Financial Position because 1) the underlying loans and receivables within each of the portfolios are, for most part, "past due" on their contractual payment obligations; and 2) as part of the Group’s normal operating cycle (84 months), each of the portfolios is evaluated every 3-6 months, and where necessary, the strategy to recover the maximum value from each portfolio is re-visited.

Derivative financial instruments

All derivative financial instruments are initially recognised at the fair value on the date a derivative contract is entered into and are subsequently re-measured at each reporting date at their fair value. The Group does not currently use derivative financial instruments to manage risks arising from the Group’s underlying business operations and no transactions of a speculative nature are undertaken.

Secured loan notes

External parties invest in portfolios held by entities which are under the control of the Group via secured loan notes and shares issued by entities within the Group, which give the respective investors proportionate rights to the cash flows from the underlying portfolios.

Secured loan notes issued by the Group are non-derivative financial liabilities and are measured at amortised cost using the EIR method. Amounts due to co-investors are classified as liabilities within secured loan notes in accordance with IAS 32 and are measured at amortised cost using the EIR method.

The secured loan note liabilities are categorised as current in the Consolidated Statement of Financial Position as part of the Group’s normal operating cycle.

Expected credit losses ("ECLs")

The Group applies the Expected credit loss model to all its financial debt instruments not measured at FVPL. They consist mainly in purchased loan portfolios, purchased loan notes and debt investments in joint ventures measured at amortised cost. Purchased loan portfolios mainly comprise non-performing loans which are classified as POCI (Purchased or Originated Credit-Impaired) as they are purchased at a deep discount and therefore ECLs are already inherent in the purchase price.

When the Group performs its bi-annual POCI portfolio level review any deviations in lifetime expected credit loss to those anticipated at initial purchase price are reflected and accounted for in the impairment gain or loss line in the Statement of Comprehensive Income.

Financial instruments that are not classified as POCI are classified into stages (see note 21 for staging):

Stage 1 - No significant increase in credit risk since acquisition

Stage 2 - Existence of a significant increase in credit risk compared to original expectations but no losses yet incurred

Stage 3 - Expected losses to be recognised due to asset being credit impaired.

For financial instruments classified into stage 1, the expected credit loss is measured over the next twelve months and interest income is still computed on the gross carrying amount. For financial instruments classified into stage 2 or stage 3, the expected credit loss is computed over the remaining lifetime of the instrument and interest income is computed on the net carrying amount after deduction of the expected credit loss.

Significant financial difficulties of the borrower, probability that the borrower will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. The Group considers a financial instrument to be in default or credit impaired, when:

i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or
ii) the financial asset is more than 90 days past due.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For each stage, the Group compute expected credit loss in a way that reflects both the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group assesses on a forward-looking basis the ECLs associated with its financial instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Expected credit loss allowance is recognised in the Statement of Comprehensive Income.

Interest income and expense, the effective interest rate and impairment

EIR is the rate that exactly discounts estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition (i.e. the price paid to acquire the asset, plus the related transaction fees less any pre- determination cash). These estimated future cash receipts are reflective of the conditions within the markets which the Group operates and range for a period of up to 84 months. An initial EIR is determined at the acquisition of the portfolio investment. All portfolios acquired in a year are grouped into a single group of assets as long as they are non-performing loans, euro-denominated and held as purchased loan portfolios. Performing loans, non-euro held assets, assets held through purchased loan notes and assets held as joint ventures are held in separate groups, as they are deemed to have different credit risk. At the end of the year, a weighted average EIR is calculated and applied to groups of portfolios acquired during the year.

The calculation of the EIR includes all fees integral to the EIR (such as transaction costs) and contractual terms of the financial instrument (for example, prepayment options). In most cases, financial assets are acquired at a deep discount that reflects incurred credit losses. Such incurred credit losses are included in the estimated cash flows when computing the EIR as this is consistent with the expected loss method of impairment under IFRS 9. EIR is calculated, and revenue recognised, on a grouped portfolio level.

When there is a change to the expected amount or timing of cash flows for financial assets and liabilities held at amortised cost, the Group recalculates the carrying amount of the financial instrument by computing the present value of estimated future cash flows at the financial instrument's original EIR. Corresponding gains are recognised in the Consolidated Statement of Comprehensive Income within Revenue, with any subsequent reversals to increases in carrying value also recorded in this line. If these reversals of increases in carrying value exceed the previously recognised cumulative increases in carrying value, then impairment is recognised as a separate line in the Consolidated Statement of Comprehensive Income.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of:

Notes to the Consolidated Financial Statements (continued)

Derecognition of financial assets (continued)

i) the consideration received (including any new asset obtained less any new liability assumed) and
ii) any cumulative gain or loss that had been recognised in other comprehensive income

is recognised in the Consolidated Statement of Comprehensive Income. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Group obligation is discharged, cancelled, or expires. A financial liability (or part of it) is extinguished when the Group either:

i) discharges the liability (or part of it) by paying the creditor; or
ii) is legally released from primary responsibility for the liability (or part of it) either by process of law or by the creditor.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Group's best estimate of the consideration required to settle that obligation at the date of the Financial Statements and are discounted to present value where the effect is material.

Operating expenses

Operating expenses relate to administration, staff costs and costs associated with collection activities.

Collection activity costs

Fees for managing the servicing of the portfolio are incurred as the services are provided to the Group and are expensed as incurred in the Consolidated Statement of Comprehensive Income.

The Group enters into incentive arrangements (promote fees) with portfolio servicing providers. These arrangements provide the service providers with an incentive fee in addition to their servicing fee if specific collections targets are met.

These fees are charged as the incentive targets are met and are expensed as incurred in the Consolidated Statement of Comprehensive Income.

Other operating expenses

Other operating expenses include administration fees, audit, legal and professional fees, management fees and other expenses.

Functional currency

The Directors consider the Euro to be the currency that most faithfully represents the economic effect of the underlying transactions, events, and conditions. The Euro is the currency in which the Group measures its performance and reports its results, as well as the currency in which it receives capital funding from its investors.

The Financial Statements are presented in Euro, being the primary economic currency in which the Group operates and are rounded to the nearest thousand Euro (€'000).

Foreign currency translation

Transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each Consolidated Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in comprehensive income in the year in which they arise.

Non-recurring items

Non-recurring items are those which are separately identified by virtue of their size and nature (i.e. outside of the normal underlying operating activities of the Group) to allow a full understanding of the underlying performance of the business. These are disclosed separately on the face of the Consolidated Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, and deposits held at call with banks.

Notes to the Consolidated Financial Statements (continued)

Deal specific transaction fees

Legal transaction fees associated with the purchase of the portfolios are allocated to the purchase price of the portfolio and included within the EIR applied against the asset value. Any costs incurred on investment opportunities that do not complete are expensed to the Consolidated Statement of Comprehensive Income as an abort deal fee within other operating expenses.

Finance income and finance costs

Finance income in the Consolidated Statement of Comprehensive Income represents the unwinding of the computed interest calculated on any deferred consideration receivable on the disposal of the Group's Assets.

Finance costs include charges for secured loan notes, facility fees on bank loans, interest on Senior Secured Notes and similar charges and unwinding of the computed interest calculated on any deferred consideration payable resulting from business combinations.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Senior Secured Floating Rate Notes

Senior Secured Floating Rate Notes ("the Notes") issued by the Fund are non-derivative financial liabilities. The Notes are recognised at the time the Fund becomes party to the contracts as this is the point at which it assumes contractual obligation. The financial liabilities are initially recognised in the Consolidated Statement of Financial Position at fair value plus transaction cost that are directly attributable to the issue of the Notes. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Comprehensive Income over the period of the borrowings using the EIR.

Super Senior Revolving Credit Facility

Super Senior Revolving Credit Facility ("the Facility") is recognised at the time of drawdown because that is the point at which AFE assumes the contractual provision of repayment. The Facility is initially recognised at fair value and subsequently measured at amortised cost using the straight-line method. Any fees paid on establishment of the Facility are recognised as transaction cost of the loan to the extent that it is probable that some or all of the Facility will be drawn down. In this case, the fee is deferred until the draw down occurs. Where it is not probable that the Facility will be drawn upon, the fees are capitalised as a prepayment for services and amortised over the period of the Facility to which it relates using the straight-line method.

Term Facility

A Term Facility is recognised at the time of drawdown because that is the point at which the Group assumes the contractual provision of repayment.

The loan is initially recognised at fair value and consequently measured at amortised cost using the straight-line method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for the last 12 months after the reporting period.

Taxation

Tax charges or credits in the Financial Statements have been determined based on the tax charges or credits recorded in the legal entities comprising the Group. Taxable profit differs from the net profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current taxation is charged or credited in the Consolidated Statement of Comprehensive Income, except when it relates to items charged or credited to equity, in which case the corporation taxation is also dealt with in equity.

Inventory

Inventory represents property assets where the Group holds legal title to the assets as a result of repossessing properties as part of the management of certain portfolios. Inventory is valued at the lower of cost and net realisable value.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors and the Portfolio Manager. The Board of Directors assesses the financial performance and position of the Group, whilst the Portfolio Manager is responsible for portfolio management decisions and related strategic decisions. Portfolios are managed and reviewed on a portfolio by portfolio basis though the Group considers all portfolios aggregated as one operating segment. Portfolios are grouped in the year of acquisition into a single portfolio as long as they meet common criteria. The Group reports on one operating segment being the underlying performance of the Group's Assets.

Notes to the Consolidated Financial Statements (continued)

Offsetting financial instruments

Financial instruments are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability instantaneously.

Related party transactions

Related parties include parties which have the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, parent entities, and entities under common control.

4. Critical accounting judgments and estimates

In the application of the Group's accounting policies, the Board of Directors is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

Critical judgments in applying accounting policies

The following are the critical judgments that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

The carrying values of non-derivative financial assets and financial liabilities are derived using the forecasted cash flows over the expected life of the underlying instruments. Due to the nature of the business, the expected cash flows are measured using an 84-month rolling expected life from the date of the Consolidated Statement of Financial Position. An expected life of 84 months has been used as this most appropriately reflects the period over which cash flows are expected to be received based on management experience.

In relation to non-paying accounts, judgments will be made as to which operational strategy is the most appropriate to move the account to paying status, which may include placing these accounts into litigation. Operational factors, that may impact future estimated cash flows, are also considered such as improved collections processes and systems. The Board of Directors also reviews the model on a portfolio basis to take into account external factors, which have impacted historical or will impact future performance and, where necessary, the carrying amount is adjusted to take into account these known factors.

Critical estimates

The following are the key sources of assumption and estimation uncertainty that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

Due to the nature of the business, the expected cash flows on financial assets are measured using an 84-month rolling expected life from the date of the Consolidated Statement of Financial Position. 84-month cash flow forecasts are prepared for each portfolio. For larger balances, these forecasts are manually evaluated and underwritten based on the expected cash flows from reviews of underlying detailed loan documentation and the availability of security against the balance. For smaller balances, these forecasts are generated using statistical models incorporating a number of factors, including predictions of payments, which are informed by customer and account level data, credit agency data and historic experience with accounts which have similar key attributes. Valuations are performed for each individual portfolio in order to assess potential changes in forecasted cash-flows compared to current targets based on underlying macro- economic, credit, behavioural, legal, collateral, and operational cost assumptions driving liquidation performance and ultimate exit value if applicable. Macro-economic assumptions that are incorporated into the forecasts include factors such as GDP growth rates, unemployment rates and inflation. A further key model input is previous payments made by a customer. The assumptions and estimates made are specific to the characteristics of each portfolio.

Given the distressed nature of assets acquired, assets are acquired significantly below the gross book value of the portfolio and are priced at a level that meets the Group's risk-adjusted return targets, with the Group being able to leverage off of both internal expertise within the Group's asset management platform and trusted and established relationships with third parties to support pricing assumptions to ensure that expected credit losses and the full distressed nature of the portfolio are fully baked into pricing at acquisition.

The portfolio cash flow projections are assessed on at least a bi-annual basis where credit loss is assessed at loan level, with adjustments made to future cash flows to reflect any changes to management assumptions on anticipated credit loss for a portfolio.

Notes to the Consolidated Financial Statements (continued)

Changes in estimates

The expected cash flows created from the forecasting models are regularly benchmarked at a portfolio level against actual performance; this informs the decision as to whether a change in carrying value of the portfolio may be required. The estimated future cash flows generated by the above process are the key estimate and judgment in the Financial Statements. When assessing the future cash flows at portfolio level there are many macro level indicators that are considered when building expectations and assumptions. Two of the main drivers behind estimating cash flow forecasts include:

1) time to collect on certain positions. Asset management strategies are tailored to segments or certain positions across the portfolio in order to optimise recoveries. However due to the nature of the majority of the Group's portfolio (non-performing) estimating timing of recoveries include various assumptions, including timing to push through judicial cases, timing of foreclosures and other legal processes.
2) collateral values. On acquisition of secured portfolios the underlying collateral securing the debt is valued by an independent 3rd party valuer. The asset valuations are reviewed on at least an annual basis and updated as necessary to ensure that the asset price used in the cash flow forecasts fairly reflects the price at which the asset will be sold for based on the Group's best estimates.

A change in the expected future cash flows by +10% would increase the carrying value of financial assets as at 31 December 2020 by €31,336k. A change in the expected future cash flows by -10% would reduce the carrying value of financial assets as at 31 December 2020 by €31,336k.

Following completion of the acquisition of a portfolio, the cash flow forecast is reviewed each quarter for a rolling 84- month period for material movements and a formal full reforecast is undertaken on a loan by loan basis for larger secured positions and a statistical model used for smaller positions every June and December. If any material indicators are identified for any portfolio group, AFE adjusts the corresponding cash flow and a possible impairment charge or revaluation gain may be applied.

Impact of COVID-19

The Group performed a full reforecast of its portfolio in Q1 2020 following the COVID-19 outbreak due to the significant impact the virus was expected to have on cash flow timings in the near future. The revised forecast saw a 1.4% total loss in ERC from €504m to €496m as well as timing delays in collections. This marginal drop in ERC together with revised timing assumptions resulted in a c.€37m non-cash impairment being recognised in Q1 2020. This is partially offset by a reduction in the secured loan notes payable of €2.9m to reflect the write-down attributable to a co-investor.

The Group performed a similar exercise in Q2 2020 and Q4 2020 in accordance with the Group's wider reforecast policy of reviewing portfolio level future cash flows in June and December each year. Cash flow timings and assumptions were revised where appropriate during this review with no subsequent write down or gain in book value being recognised.

Due to the unprecedented nature of COVID-19 and continued market uncertainty, future collections, and timings of cash flow may be different to that being forecast now.

Notes to the Consolidated Financial Statements (continued)

5. Segmental reporting

The Group represents a single reportable segment. The Group entities are all managed through Luxembourg with subsidiaries and portfolio investments across Europe. The below tables summarise the information in line with the internal reporting.

	As at 31 December 2020	As at 31 December 2019
	€000	**€000**
Investment in associate	7,777	6,522
Purchased loan portfolios	193,916	241,665
Purchased loan notes	13,231	17,903
Investments in joint ventures	73,139	61,743
Loans to associate at FVPL	1,666	-
Inventory	26,027	26,025
Statement of Financial Position		
Total segment assets	351,994	403,482
Total segment liabilities	(380,943)	(407,044)
Segment net liabilities	**(28,949)**	**(3,562)**

	Year ended 30 December 2020	Year ended 31 December 2019
	€000	**€000**
- United Kingdom	775	1,394
- Romania	1,350	2,021
- Poland	3,171	3,508
- Italy, Spain, Portugal	59,432	73,655
Total revenue	**64,728**	**80,578**

The table below represents the carrying value of the purchased loan portfolios, purchased loan notes, investments in joint ventures and the investments in associates by geography:

	As at 31 December 2020	As at 31 December 2019
	€000	**€000**
- United Kingdom	4,166	6,418
- Romania	10,744	13,965
- Poland	18,602	20,096
- France	2,579	-
- Italy, Spain, Portugal	279,665	313,379
Total	**315,756**	**353,858**

5. Segmental reporting (continued)

The table below represents the 84-month Gross ERC and the 84-month ERC of the Group's Assets by geography:

	Gross ERC 31 December 2020	ERC 31 December 2020
	€000	€000
- United Kingdom	5,841	5,841
- Romania	15,456	15,456
- Italy	201,626	201,626
- Spain	150,070	125,849
- Portugal	91,321	87,126
- Poland	28,959	28,959
- France	7,637	7,637
Total	**500,910**	**472,494**

Estimated remaining collections ("ERC") represents AFE's estimated remaining collections on the Group's Assets over an 84-month period on an undiscounted basis, excluding any proportionate share of remaining cash collections that may be payable to a co-investor holding secured loan notes (Gross ERC includes this proportionate share). ERC can be attributed to the Group's financial instruments and reconciled as such:

1) Purchased loan portfolios - purchased loan portfolios comprise of different groups of homogenous assets. The carrying value of each purchased loan portfolio group is calculated by discounting future cash flows (Gross ERC) using the EIR method.

2) Purchased loan notes - the Group invests in portfolios held by entities which are not under the control of the Group via loan notes, which gives the Group proportionate rights to the cash flows from the underlying portfolios. The carrying value of each purchased loan note group is calculated by discounting the Groups forecast share of cash flows (ERC less the Group's proportionate share of costs) using the EIR method.

3) Investments in joint ventures measured at amortised cost - Investment in joint ventures are measured at amortised cost where cash flows comprise solely of principal and interest, with an intention to hold to collect and where the Group has joint control over the arrangement. The Group are entitled to its share of the collections of the underlying portfolio after deduction of collection and overhead costs in the joint venture. The carrying value of each investment in joint venture is calculated by discounting the net collections attributable to the Group using the EIR method.

For financial instruments measured at FVPL, the carrying values are calculated by discounting the Groups share of future cash flows using a prevailing market rate, whereas ERC represents the Groups share of estimated remaining collections undiscounted.

6. Auditors' remuneration

The auditors' remuneration disclosed in the Financial Statements within other operating expenses represents the auditors' remuneration for the work carried out at each entity level that comprises the Group.

The table below shows the summary of audit fees incurred during the reporting year and the balances payable at the end of the year.

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Fees charged		
Audit fees	411	429
Total fees charged	**411**	**429**
Fees payable at year end		
Fees payable	315	285
Audit fees payable at the end of the year	**315**	**285**

7. Other operating expenses, foreign exchange gains and losses and impairments of the Group's Assets

Other operating expenses, foreign exchange gains and losses of the Group's Assets are as follows:

	Year ended 30 December 2020	Year ended 31 December 2019
	€000	€000
Management fees	4,509	6,258
Directors' fees	232	236
Legal and professional fees	781	701
Administration fees	1,429	1,100
Audit fees	411	429
Abort deal fees	393	435
Depositary charges	60	59
Subscription tax	6	6
Staff costs	2,781	834
Other expenses	1,869	274
Non-recurring items	-	219
Other operating expenses	**12,471**	**10,551**
Realised foreign currency (gains)/losses	(309)	307
Unrealised foreign currency losses/(gains)	1,846	(494)
Net foreign currency losses/(gains)	**1,537**	**(187)**

Staff costs include the total remuneration cost of all employees within the Group during the year. As of 31 December 2020, the Group had 19 employees (31 December 2019: 9).

Other expenses include additional costs of €1.2m (2019: €nil) borne by the Group from AFPL in accordance with the Support Services agreement entered during the year (see note 18 Related party transactions).

8. Finance costs – borrowings

	Year ended 31 December 2020	Year ended 31 December 2019
	€000	€000
Fees on Revolving Credit Facility	696	380
Interest on borrowings	2,472	3,109
Interest on Senior Secured Notes and related Charges	17,235	17,756
Total finance costs - borrowings	**20,403**	**21,245**

Notes to the Consolidated Financial Statements (continued)

9. Taxation

Tax charges or credits in the Financial Statements have been determined based on the tax charges or credits recorded in the legal entities comprising the Group in the relevant geographies.

	Notes	Year ended 31 December 2020 €000	Year ended 31 December 2019 €000
(Loss) / profit before tax		(24,051)	(7,110)
Standard income tax rate applicable in Luxembourg		24.94%	24.94%
Theoretical taxation (benefit) / charge		(5,998)	(1,773)
Effect of profit not subject to income tax		5,803	1,618
Taxation (benefit) / charge on ordinary activities before other taxes		**(195)**	**(155)**
Other taxes (Net Wealth Tax etc.)		60	75
Provisions	24	1,471	1,600
Taxation charge		**1,336**	**1,520**

The Group's activities are subject to local income taxes, which are mainly incurred in jurisdictions such as Luxembourg, Spain, Portugal, and Romania.

AFE is subject to the Luxembourg subscription tax which is imposed at the rate of 0.01% per annum based on the aggregate Net Asset Value ("NAV") of the Fund at the end of the relevant quarter, calculated and paid quarterly, subject to certain exceptions (e.g. to the extent that the NAV of the Fund is represented by investments made by the Fund in other undertakings for collective investments, which have already borne the Luxembourg subscription tax).

For the year ended 31 December 2020, the Group's tax charge of €1.3m (2019: €1.5m) comprised Portuguese and other local tax charges. Further information on the Portuguese tax charges can be found in note 24 'Commitments and contingencies'.

Tax charges or credits in the Financial Statements have been determined based on tax charges or credits recorded in the legal entities comprising the Group in the relevant geographies.

10. Goodwill

As at 31 December 2020, the Group's goodwill amounts to €1.84m (2019: €1.84m). Goodwill arose in 2018 on the acquisition of 100% of the share capital in a Spanish asset manager, Galata Asset Management S.L.

The Group has reviewed the carrying value of the goodwill in the Financial Statements to determine whether any impairment ought to be recognized. Following an assessment on the current financial performance and position of Galata Asset Management S.L. and a review of its business plan and future outlook the Group are comfortable that no impairment is required.

11. Investment in associate

The Group owns 30% of the issued share capital of Phoenix Asset Management SpA ("PAM").

The terms of the holding means that the Group exercises significant influence over PAM, which is achieved through the power to participate in the financial policy decisions of PAM and being involved in key strategic decision making processes.

PAM specialises in offering management services, valuation, acquisition, and evaluation of NPL Portfolios which is strategic and key to the Group's operations in Italy.

The associate is accounted for using the equity method.

Notes to the Consolidated Financial Statements (continued)

11. Investment in associate (continued)

Below is a reconciliation of the movements in the carrying value of the Group's interest in PAM as at 31 December 2020:

Name	Place of incorporation	Registered office	Economic interest
Phoenix Asset Management SpA	Italy	Corso Vittorio Emanuele II 154 Roma RM	30% ownership of issued share capital

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Interest in net assets at beginning of year	6,522	6,316
Dividend declared during the year	-	(600)
Share of profit in associate	874	806
Interest in net assets of associate at the end of the year	**7,396**	**6,522**

The tables below provide summarised financial information of PAM for the year ended 31 December 2020

Statement of Financial Position of PAM as at 31 December 2020 (unaudited)

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Assets		
Non-current assets	12,777	169
Current assets		
Cash and cash equivalents	5,127	6,122
Trade and other receivables	2,598	1,942
Total current assets	**7,725**	**8,064**
Total assets	**20,502**	**8,233**
Liabilities		
Current liabilities	11,275	919
Equity		
Share capital	71	71
Retained earnings	9,156	7,243
Total equity	**9,227**	**7,314**
Total equity and liabilities	**20,502**	**8,233**

Statement of Comprehensive Income of PAM for the year ended 31 December 2020 (unaudited)

	Year ended 31 December 2020	Year ended 31 December 2019
	€000	€000
Revenue	7,607	7,821
Depreciation	(56)	(50)
Other expenses	(3,691)	(3,666)
Operating profit	**3,860**	**4,105**
Finance cost and tax charge	(1,105)	(1,418)
Comprehensive income for the year	**2,755**	**2,687**

Notes to the Consolidated Financial Statements (continued)

11. Investment in Associate (continued)

On 12 August 2020 AFE subscribed to 34% of the share capital in and provided a convertible shareholder loan to Green Stone SICAF S.p.A cell Stone 9 ("Green Stone cell Stone 9"), which is a cell of an Italian closed ended real estate alternative investment fund, with the proceeds then being applied to support the acquisition of a land plot located in Milan. The land plot is currently undergoing demolition and remediation work such that the land can be used to build and develop two residential towers. The convertible shareholder loan has been structured such that the loan will automatically be converted into equity if the land is successfully demolished and certain other conditions are met, however if these conditions are not met then the Group will exit the transaction and both its loan and equity commitments will be fully repaid. The total amount provided as a convertible shareholder loan was €1.6m, with €0.2m provided by way of equity financing. On 4 November 2020, a further €0.2m was funded by way of additional equity financing.

The terms of the equity participation mean that the Group exercises significant influence over Green Stone cell Stone 9, which is achieved through the power to participate in the financial policy decisions of the cell and being involved in key strategic decision-making processes. The Group's equity investment into the cell is therefore accounted for using the equity method.

Below is a reconciliation of the movements in the carrying value of the Group's interest in Green Stone cell Stone 9 as at 31 December 2020:

Name	Place of incorporation	Registered office	Economic interest
Green Stone SICAF S.p.A cell Stone 9	Italy	Via Ennio Quirino Visconti, 8 - 00193 Roma RM	34% ownership of issued share capital

	As at 31 December 2020
	€000
Interest in net assets acquired during the year	381
Interest in net assets of associate at the end of the year	**381**

Since the equity investment was made during 2020, there are no comparative figures available for the comparative year.

The tables below provide summarised financial information of Green Stone cell Stone 9 for the year ended 31 December 2020

Notes to the Consolidated Financial Statements (continued)

11. Investment in Associate (continued)

Statement of Financial Position of Green Stone cell Stone 9 as at 31 December 2020 (unaudited)

	As at 31 December 2020
	€000
Assets	
Non-current assets	-
Current assets	
Cash and cash equivalents	201
Trade and other receivables	4,314
Total current assets	**4,515**
Total assets	**4,515**
Liabilities	
Current liabilities	3,620
Equity	
Share capital	895
Total equity	**895**
Total equity and liabilities	**4,515**

Statement of Comprehensive Income of Green Stone cell Stone 9 for the year ended 31 December 2020 (unaudited)

	Period from Incorporation to 31 December 2020
	€000
Revenue	-
Costs	-
Operating profit	**-**
Tax charge	-
Comprehensive income for the year	**-**

Notes to the Consolidated Financial Statements (continued)

12. Financial assets

The maturity profile for the Group's financial assets (excluding cash and trade receivables) is as follows:

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Expected falling due after one year:		
Purchased loan portfolios	157,354	133,321
Purchased loan notes	9,372	12,708
Investments in joint ventures at amortised cost	54,030	46,565
Loans to joint ventures at FVPL	7,656	-
Loans to joint ventures at amortised cost	2,282	-
Total	**230,694**	**192,594**
Expected falling due within one year:		
Purchased loan portfolios	36,562	108,344
Purchased loan notes	3,859	5,195
Investments in joint ventures at amortised cost	8,874	15,178
Loans to associate at FVPL	1,666	-
Total	**50,961**	**128,717**

The movements in purchased loan portfolios in the year were as follows:

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Purchased loan portfolios as at beginning of year	241,665	309,949
Portfolio acquired during the year	-	9,206
Interest income from purchased loan portfolios	53,043	71,925
Collections in the year - sale of inventory	(8,543)	(9,047)
Collections in the year - loans	(61,841)	(98,548)
Impairment	(31,035)	(34,927)
Less: movement in inventory and other receivables	627	(6,893)
Purchased loan portfolios at the end of the year	**193,916**	**241,665**

The movements in purchased loan notes in the year were as follows:

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Purchased loan notes as at beginning of year	17,903	19,938
Loan notes acquired during the year	-	3,865
Proceeds from re-financing acquisitions	(462)	-
Interest income from purchased loan notes	1,667	2,058
Collections in the year	(4,923)	(8,087)
Impairment	(954)	129
Purchased loan notes at the end of the year	**13,231**	**17,903**

Notes to the Consolidated Financial Statements (continued)

12. Financial assets (continued)

Purchased loan notes represent the interests of the Group in investment vehicles (or compartments in these investment vehicles) where the Group does not exercise control, with each vehicle/compartment holding a single underlying loan portfolio. The Group has exposure to the underlying portfolios by way of purchasing notes issued by these entities as a mechanism to fund the original purchase of the loan portfolios and thereafter to distribute cash generated on loan collections. Purchased loan notes in the Consolidated Statement of Financial Position represent the Group's total interest in these entities measured at amortised cost, using the EIR method.

Seasonal factors, including the number of working days in a given month, the propensity of customers to take holidays at particular times of the year, annual cycles in disposable income as well as seasonal interruptions of court calendars can impact collections. Collections within portfolios tend to have high seasonal variances, resulting in high variances of collections between periods. In addition, the timing of asset acquisitions by the Group is likely to be uneven during the fiscal year which can lead to fluctuations in collections and carrying values of the Group's Assets between periods. Typically, the last quarter in the fiscal year sees strong collections and capital deployment as judicial matters are settled and selling banks prepare for year-end close.

The movements in investments in joint ventures were as follows:

	As at 31 December 2020	As at 31 December 2019
	€000	**€000**
Joint ventures at amortised cost as at beginning of year	61,743	41,543
Investments in joint ventures at amortised cost	11,369	23,417
Interest income from joint ventures	7,971	6,118
Collections in the year	(9,260)	(8,532)
Impairment	(5,241)	(970)
Net foreign currency gain	(1,396)	167
Joint ventures at the end of the year	**65,186**	**61,743**

The movements in loans to joint ventures were as follows:

	As at 31 December 2020	As at 31 December 2019
	€000	**€000**
Loans to joint ventures at FVPL	7,656	-
Loans to joint ventures at FVPL at the end of the year	**7,656**	**-**

Where a contractual arrangement gives the Group and another party collective control of the arrangement, and where unanimous consent is required for both strategic and financial decision making, the arrangement is deemed to be jointly controlled. As such the transactions are deemed to be joint ventures and have been accounted for as such. Investments in joint ventures in the Consolidated Statement of Financial Position represent the Group's total interest in these entities.

On 27 October 2020, the Group completed its first investment into direct real estate following the acquisition of an office complex in Paris, France, with the Groups economic share of the investment amounting to 50%. To facilitate the acquisition AFE invested c.€2.5m into a Luxembourg special purpose vehicle ("SPV") using a mix of both equity and debt financing. The Group has contractual joint control of the SPV alongside ACOF IV who also has a 50% economic share in the investment, with both the Group and ACOF IV each holding 50% of the share capital and with unanimous consent required by both the Group and ACOF IV for the SPV to engage in any material decision making. Since joint control is exercised by the Group and the Group is entitled to 50% of the net assets of the SPV the transaction has been accounted for as a joint venture. The debt financing is measured as an investment in a joint venture at amortised cost, with the equity injection measured using the equity accounting method. As at 31 December 2020, the carrying value of the investment measured at amortised cost is €2.2m and the carrying value of the equity investment is €0.3m.

On 18 December 2020, AFE provided an advance payment for the subscription of 50% of the asset-backed notes to be issued by an Italian securitization vehicle (the "SV"), with ACOF IV subscribing to the remaining 50% (together the "Noteholders"). The proceeds of the advanced payments were then applied to facilitate the acquisition of a portfolio of retail and industrial real estate assets in Italy. AFE as a 50% noteholder is entitled to 50% of the proceeds distributed by the SV. Whilst these proceeds will be in the form of principal and interest receipts, the cash flows are ultimately generated by income received from the real estate assets held by the SV and therefore the SPPI test is not met. Since the SPPI test is not met, the securitization notes held are accounted as a financial asset measured at FVPL.

Notes to the Consolidated Financial Statements (continued)

12. Financial assets (continued)

As at 31 December 2020, the carrying value of the investment is €7.7m. The investment is being accounted for as a joint venture since decisions relating to the activities of the SV require unanimous consent from the Noteholders and AFE is entitled to 50% of the net assets of the Italian securitisation vehicle.

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Loans to associate at FVPL	1,600	-
Interest income	66	-
Loans to associates at FVPL at the year end	**1,666**	**-**

On 12 August AFE provided a convertible shareholder loan to Green Stone cell Stone 9 with the proceeds then being applied to support the acquisition of a land plot located in Milan. The loan will automatically convert into equity if the land plot is successfully demolished and certain other conditions are met. The loan accrues interest at 13% per annum.

13. Participation in joint ventures

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Participation in Joint Ventures	255	-
Share of net profit of joint ventures using equity method	42	-
Participation in joint ventures at the end of the year	**297**	**-**

The table below outlines the assets and liabilities of entities where the Group exercises joint control, and the percentages indicate the Groups economic share in these Joint Venture vehicles. The contractual arrangement in place with the co-investor in each Joint Venture gives the Group joint control of the arrangement, and unanimous consent is required between the Group and the co-investor in each joint venture for both key strategic and financial decision making.

	33.3% Precise Credit Solutions 5 SV	50.0% Tiberius SPV S.r.l. cell 5	33.3% Tiberius SPV S.r.l. cell 6	60.0% Aneto NS FIZ	50.0% Precise Credit Solutions 10 S.a.r.l	50.0% Manzoni S.r.l.	50.0% Precise Equity Solutions 1 S.a.r.l	Total as at 31 December 2020
	€000	€000	€000	€000	€000	€000	€000	€000
Current assets	37,501	33,712	51,875	31,514	-	-	150	154,752
Non-current assets	-	-	-	-	4,025	14,778	-	18,803
Current liabilities	(36,419)	(33,712)	(51,757)	(23,800)	-	-	(123)	(145,811)
Non-current liabilities	-	-	-	-	(3,550)	(14,778)	-	(18,328)
Equity	1,082	-	118	7,714	391	-	27	9,332
Profit in the year	-	-	-	-	84	-	-	84

Notes to the Consolidated Financial Statements (continued)

14. Inventory

Inventory comprises collateral assets, mainly real estate, repossessed as part of the management of secured non-performing loan portfolios. All inventory within the Group is held through real estate owned companies ("REOCOs") in the jurisdiction in which the asset resides.

The following table shows the movements in inventory during the year:

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Opening inventory	26,025	20,401
Purchases	-	773
Re-possessions	7,182	11,237
Disposals	(7,180)	(6,386)
Closing balance at the end of the year	**26,027**	**26,025**

15. Trade and other receivables

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Collections receivable	6,073	11,311
Other receivables	6,350	4,923
Other assets	4,569	5,007
Total	**16,992**	**21,241**

Collections receivable relate to amounts held by servicers which are owed to the Group.

Other receivables include prepaid expenses in relation to fees incurred on obtaining the revolving credit facility and set up costs of the master servicing platform, as well as VAT receivable, prepayments and the deposit paid for a transaction signed in December 2020. Other assets include advances made by REOCOs for properties which are held as a receivable until all legal documentation is in place confirming the asset title has transferred to the REOCO.

16. Trade and other payables

		As at 31 December 2020	As at 31 December 2019
	Notes	€000	€000
Trade payables		1,262	743
Deferred and contingent consideration		297	2,209
Amounts due to related parties	18	1,410	143
Accrued expenses		6,374	6,795
Trade and other payables - current		9,343	9,890
Deferred and contingent consideration - non-current		948	1,172
Total trade and other payables		**10,291**	**11,062**

Notes to the Consolidated Financial Statements (continued)

17. Share capital

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Share capital at 1 January 2020	1,250	1,250
Total share capital at 31 December 2020	**1,250**	**1,250**

There are 1,250k Class A shares in issue, which were fully issued for a total amount of €1,250k. These shares were fully subscribed to by AnaCap Financial Europe Holding SCSp SICAV-RAIF, its sole shareholder.

Net Asset Value per share

The NAV per Class A share results from dividing the total net assets of the Fund attributable to such Class of shares on any valuation day by the number of shares of such class then outstanding.

	As at 31 December 2020	As at 31 December 2019
	€000	€000
NAV attributable to Class A shares	€(28,949)	€(3,562)
No. of remaining Class A shares	1,250	1,250
NAV per Class A shares	**€(23.16)**	**€(2.85)**

18. Related party transactions

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Due to related parties		
Carne Global Fund Managers (Luxembourg) S.A.	32	4
AnaCap Investment Manager Limited	9	90
AnaCap Luxembourg S.à r.l.	56	49
AnaCap Financial Partners Limited	1,188	-
Belasko UK Limited	125	-
Total	**1,410**	**143**

Management fees

The AIFM is entitled to receive a management fee on a quarterly basis, based on 1.75% of AFE's NAV (see note 19 Reconciliation of Net Asset Value as per Offering Memorandum for NAV computation), which includes fees payable to AnaCap Investment Management Limited, acting as Portfolio Manager. The management fee for the reporting period was €4,509k (2019: €6,258k).

Master servicing income

During the year the Group recognised €0.6m and €1.0m of income from the AnaCap Credit Opportunities III L.P and ACOF IV fund structures respectively in relation to master servicing activities provided by the Group to each fund structure during 2020.

Fees payable to AnaCap Luxembourg S.à r.l.

During the year, the Group incurred charges of €226k (2019: €672k) to AnaCap Luxembourg S.à r.l. in relation to support functions and services provided to the master servicing platform.

Fees payable to AnaCap Financial Partners Limited

During the year, the Group incurred charges of €1.2m (2019: €nil) to AFPL in relation to data analytics, IT and support functions and services provided to the Group.

18. Related party transactions (continued)

Fees payable to Belasko UK Limited

During the year, the Group recognized fees payable to Belasko UK Limited of €125k in respect of accountancy services provided to the Group since 1 October 2020.

Directors' fees

The Group entities each have a Board of Directors who receives Directors' fees on a fixed basis. The table below shows the payment to the Directors during the year and the balances due to them at the end of the year.

	Year ended 31 December 2020	Year ended 31 December 2019
	€000	**€000**
Fees charged		
Directors' fees	122	236
Total fees charged during the year	**122**	**236**
Fees payable		
Directors' fees payable	44	154
Directors' fees payable at the end of the year	**44**	**154**

In addition to the directors' fees paid during 2020 there was one board member who received €417k being gross remuneration under his employment contract with the Group. His employment contract was concluded on 31 December 2020.

19. Reconciliation of Net Asset Value as per Offering Memorandum

The NAV of the Group is the value of the Group's assets, less any borrowings and other liabilities of the Group and therefore corresponds to total equity as shown in the Consolidated Statement of Financial Position.

NAV as per the Offering Memorandum for the Notes ("Adjusted NAV") is defined as the fair value of the purchased loan portfolios and purchased loan notes (net of servicing fees), less fair value of the secured loan notes (net of servicing fees), plus the fair value of investments in associates. NAV also includes the carrying value of inventory which is acquired as a result of re-possession of real estate assets securing loan positions within purchased loan portfolios.

To factor into the NAV calculation investment activity that has occurred since the Offering Memorandum was prepared, the Adjusted NAV calculation now also includes the fair value of investments in joint ventures (net of servicing fees), the fair value of Galata and the tax provision (see note 24 Commitment and contingencies). For the purposes of the Adjusted NAV calculation, the carrying value of the investments in associates and the purchase price paid for the acquisition of Galata (discounted) have been used. The Adjusted NAV forms the basis of the management fee calculation paid each quarter.

The table below shows the reconciliation from total net assets value of the Group to the Adjusted NAV:

	As at 31 December 2020	As at 31 December 2019
	€000	**€000**
NAV according to the Consolidated Statement of Financial Position	(28,949)	(3,562)
Adjustments:		
Cash and cash equivalents	(17,233)	(26,474)
Trade and other receivables	(16,992)	(21,241)
Trade and other payables (current and non-current)	10,717	11,753
Borrowings (current and non-current)	350,646	374,385
Fair value movement	(20,780)	(18,598)
Adjusted NAV	**277,409**	**316,263**

Notes to the Consolidated Financial Statements (continued)

20. Investments in subsidiaries and controlled entities

Details of the Group's subsidiaries and controlled entities are as follows:

	Place of incorporation	Ownership % as at 31 December 2020	Ownership % as at 31 December 2019	Current status
ACOF II Portugal Limited	Guernsey	100%**	100%**	Active
AFE Spain Limited	Guernsey	100%	100%	Active
AFE Asset Management S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Holdings S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Holdings 3 S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Holdings 7 S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Solutions 1 S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Solutions 2 S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Solutions 4 S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Solutions 5 S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Solutions 6 S.à r.l.	Luxembourg	100%	100%	Active
Anacap UK Asset Management Limited	United Kingdom	100%	0%	Active
Aurora Reo S.r.l.	Italy	100%	100%	Active
Aurora SPV S.r.l.*	Italy	0%	0%	Active
Augustus SPV S.r.l.*	Italy	0%	0%	Active
Iustitia Futura S.r.l.*	Italy	0%	0%	Active
AFE Italy S.r.l.	Italy	100%	0%	Active
Mountrock S.L.U.	Spain	100%	100%	Active
Prime Credit 3 S.à r.l.	Luxembourg	100%	100%	Active
Prime Credit 6 S.à r.l.	Luxembourg	100%	100%	Active
Prime Credit 7 S.à r.l.	Luxembourg	100%	100%	Active
Sagres Holdings Limited*	Malta	0%	0%	Active
Silview S.L.U.	Spain	100%	100%	Active
Tiberius SPV S.r.l.* (Compartments 1-4)	Italy	0%	0%	Active
Tiberius III REOCO S.R.L	Italy	100%	100%	Active
Thor SPV S.r.l.*	Italy	0%	0%	Active
Belice ITG, S.L.U.	Spain	100%	100%	Active
Silonea Investments, S.L.U.	Spain	100%	100%	Active
Galata Asset Management, S.L.	Spain	100%	100%	Active
Episódio Válido - S.A.	Portugal	100%	100%	Active
Atticus STC, S.A.	Portugal	100%	100%	Active
Átila, Unipessoal LDA	Portugal	100%	100%	Active
APM 2 sp. Z.o.o.	Poland	60%	0%	Active

As of 31 December 2020 the Group had 19 employees spread across 5 different subsidiaries:

- AnaCap UK Asset Management Limited: 4 (incorporated: 13 March 2020)
- AFE Asset Management S.a r.l.: 2 (2019:0)
- Galata Asset Management, S.L: 8 (2019: 8)
- Atila, Unipessoal LDA: 4 (2019: 1)
- AFE Italy S.r.l.: 1 (incorporated: 8 June 2020)

* In accordance with IFRS 10 these entities have been deemed to be under the control of the Group and have therefore been consolidated in the Financial Statements. IFRS 10 determines there to be control when the Group is exposed to the majority of the variable returns and has the ability to affect those returns through power over an investee.

** Represents 100% ownership and 100% of the voting and controlling rights of the A shares. A co-investor owns the B shares in ACOF II Portugal Limited, but the B shares have no voting or controlling rights. Both the A shares and the B shares track the Portuguese Group Assets, through inter-company funding loan notes and equity.

Notes to the Consolidated Financial Statements (continued)

21. Financial risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligations.

The Group's principal activity is the acquisition and monetisation of pools of non-performing loan portfolios and is therefore subject to significant counterparty risk. Most of the loan portfolios are purchased at a deep discount and hence are impaired by nature at acquisition and classified as POCI (Purchased or Originated Credit-Impaired) financial assets. Subsequent to acquisition the expected cash flows are regularly benchmarked against actual performance and market and proprietary data which in turn leads to a revision up or down to the estimated remaining collections that forms the basis for the carrying value estimation at the reporting date. The carrying value estimation also takes into account collaterals, whenever applicable. The Group also holds purchased loan portfolios classified as Stage 1 for an amount of €4.2m. Further details of the forecasting process are given in notes 3 and 4.

The below table shows how the Group's financial assets can be classified into different stages and a reconciliation from the opening balance to the closing balance of the loss allowance:

Financial instrument	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
	€'000	€'000	€'000	€'000	€'000
Purchased loan portfolios	4,166	-	-	189,750	193,916
Purchased loan notes	-	-	-	13,231	13,231
Investments in joint ventures at amortised cost	-	-	-	65,186	65,186
Gross carrying amount	4,166	-	-	268,167	272,333
Loss allowance	-	-	-	-	-
Carrying amount	**4,166**	**-**	**-**	**268,167**	**272,333**

For financial instruments classified as stage 1, there is one purchased loan portfolio which is a performing loan portfolio with a carrying amount of €4.2m in the Financial Statements. Credit risk and borrower credit worthiness is monitored bi-annually. Since acquisition there has been no significant increase in credit risk for this portfolio.

For financial instruments classified as POCI the below table shows the percentage of the portfolios which are secured by real estate collateral:

Financial instrument	Carrying amount	% secured
	€'000	
Purchased loan portfolios	189,750	68%
Purchased loan notes	13,231	100%
Investments in joint ventures at amortised cost	65,186	89%
Gross carrying amount	268,167	75%
Loss allowance	-	-
Carrying amount	**268,167**	**75%**

The Group reviews its underlying portfolio and the collateral underpinning loan positions on at least a bi-annual basis. For positions that are secured, the Group will analyse asset management strategies available in order to optimise recoveries, which may include the re-possession of the collateral secured on loan positions in order to mitigate credit risk. The Group's portfolio contains a broad range of asset types which secure portfolio loan positions, including residential, commercial, industrial and land assets.

For both unsecured and secured positions within financial instruments classified as POCI, any changes to ECLs is reflected as an impairment loss or gain in the Statement of Comprehensive Income.

The ongoing risk is managed via a formal portfolio reforecast and review process that is undertaken by the Group. The Group also reviews and analyses all loan portfolio acquisitions including reputational and regulatory risk, as well as the assumptions underpinning any maximum bid price to minimise future credit risk resulting from loan portfolio acquisitions.

Notes to the Consolidated Financial Statements (continued)

21. Financial risk management (continued)

Credit risk (continued)

The carrying value of purchased loan portfolios, purchased loan notes and investments in joint ventures in the Consolidated Statement of Financial Position represent the Group's maximum exposure to credit risk. The tables in note 12 set out the maximum risk at each reporting period end.

The Group monitors its exposure to the geographic concentration risk of its loan assets, a breakdown of which is shown in note 5.

The below table shows how the impairment charge recognised for the year ended 31 December 2020 can be attributed by geography, taking into consideration the Group's Assets including advances made by REOCOs for property acquisitions (see note 15):

Country	Carrying value as at 31 December 2020 (pre- impairment)	Impairment charge for the year	Carrying value as at 31 December 2020
	€000	€000	€000
- Italy	139,993	(14,691)	125,302
- Spain	101,692	(13,658)	88,034
- Portugal	71,411	(8,172)	63,239
- Romania	10,792	(48)	10,744
- United Kingdom	4,574	(408)	4,166
- Poland	18,855	(253)	18,602
- France	2,579	-	2,579
Total	**349,896**	**(37,230)**	**312,666**

Following the outbreak of COVID-19 at the start of 2020 it became clear to the Group that the pandemic was going to have a material impact on collections performance across the Group's portfolio as lockdown measures across Europe began to materialise, particularly on portfolios originating in Southern Europe. The Group's 2020 targets set at the beginning of the year were re-visited in March 2020 and a portfolio level review performed to try and determine the impact the pandemic would have on future recoveries and cash flows. The Group adopted a conservative approach with the review and the underlying assumptions that were reflected into the forecasts. This led to a non-cash impairment charge of €37.2m being recognized in Q1 2020 (this was partially offset by a reduction in secured loan notes payable of €2.9m reflecting co-investors share of the write down) as well as a 1.4% loss in ERC (c.€8m). The impairment charge recognised was largely a result of cash flow timings being pushed out due to anticipated delays in judicial processes across the Group's core geographies. Cash collections are often driven by strategies that involve judicial processes including access to courts, bankruptcy administrators, public registries, notaries and real estate auctions. Whilst these collection strategies have been directly impacted by the COVID-19 restrictions imposed by European governments, secured portfolios are backed by underlying collateral, often in excess of the credit owned which helps support and protect the underlying quantum of cash recovery.

Comparative figures for the year ended 31 December 2019:

Country	Carrying value as at 31 December 2019 (pre- impairment)	Impairment charge for the year	Carrying value as at 31 December 2019
	€000	€000	€000
- Italy	140,143	(9,809)	130,334
- Spain	120,875	(20,857)	100,018
- Portugal	86,431	(4,689)	81,742
- Romania	14,129	(164)	13,965
- United Kingdom	6,707	(289)	6,418
- Poland	20,185	(89)	20,096
Total	**388,470**	**(35,897)**	**352,573**

21. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will have difficulties meeting obligations associated with its financial liabilities that are settled by cash or another financial asset when they become due.

The Group is subject to the risk that it will not have sufficient borrowing facilities and working capital to fund its existing and future growth of the business. The policy adopted by the Group is to reduce its risk by ensuring that there are sufficient committed debt facilities to cover forecast borrowings plus the operating headroom. Further, the aim is to ensure that there is a balanced refinancing profile, diversification of debt funding sources and no over-reliance on a single or small group of lenders. The total undrawn amount on the Facility as at 31 December 2020 were €69.7m (31 December 2019: €35.1m).

The Group monitors cash through daily reporting, monthly management accounts and period review meetings. The Group has well established models used to predict collectability of cash receipts and this represents a key performance indicator of the business. The Group has a low fixed cost base, is highly cash generative with monthly cash receipts and portfolio purchases are discretionary, which helps to mitigate the liquidity risk.

The table below sets out the cash flows payable, including both principal and interest, over the contractual life of the financial liabilities.

	Within 1 year	1-3 years	3-5 years	Over 5 years	Total
	€000	€000	€000	€000	€000
Borrowings	40,106	51,966	319,031	-	411,103
Secured loan notes	2,098	14,233	4,243	146	20,720
Trade and other payables	9,343	948	-	-	10,291
Total	**51,547**	**67,147**	**323,274**	**146**	**442,114**

Comparative figures for the year ended 31 December 2019:

	Within 1 year	1-3 years	3-5 years	Over 5 years	Total
	€000	€000	€000	€000	€000
Borrowings	83,301	34,783	334,833	-	452,917
Secured loan notes	2,771	11,421	8,928	746	23,866
Trade and other payables	9,890	1,172	-	-	11,062
Total	**95,962**	**47,376**	**343,761**	**746**	**487,845**

Secured loan notes shown in the tables above represent expected repayments based on expected collections; all other balances represent contractual repayment dates.

The value of purchased loan portfolios, purchased loan notes and investments in joint ventures are shown in these Financial Statements discounted back to net present value. The tables below set out the undiscounted estimated remaining collections of the Group's Assets ("Gross ERC") and net of any amounts attributable to the secured loan note holders ("ERC").

	As at 31 December 2020	As at 31 December 2019
Gross ERC	500,910	554,265
ERC	472,494	523,466

21. Financial risk management (continued)

Liquidity risk (continued)

A maturity analysis of the Group's Assets (excluding inventory), borrowings and facilities as at 31 December 2020 is presented below:

	Notes	Financial assets €000	% of total	Borrowings and facilities €000	% of total
Within one year	12 / 23	50,961	18.1%	28,046	7.7%
After one year		230,694	81.9%	336,217	92.3%
Total		**281,655**	**100%**	**364,263**	**100%**

Comparative figures as at 31 December 2019:

	Notes	Financial assets €000	% of total	Borrowings and facilities €000	% of total
Within one year	12 / 23	128,717	40.1%	73,031	18.7%
After one year		192,594	59.9%	317,768	81.3%
Total		**321,311**	**100%**	**390,799**	**100%**

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk predominately comprises interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in interest rates.

The Group is exposed to interest rate risk on its borrowings, principally on the Notes that incur annual interest at a rate equal to the sum of i) three-month Euro Interbank Offered Rate ("EURIBOR") (subject to a 0% floor) plus ii) 5.00%. During the reporting period EURIBOR was less than 0% and so interest at a rate of 5.00% has been incurred on the Notes.

Interest payable on loans under the Facility agreement is charged at an annual marginal rate of 3.5% plus IBOR (being EURIBOR for loans denominated in euro, otherwise LIBOR). In any case that IBOR is less than 0% in respect of any loans drawn, IBOR in respect of that loan shall be deemed to be 0%. As at 31 December 2020, €20.3m of the Facility was drawn. Commitment fees payable under the Facility agreement are accrued at the rate of 35% of the then applicable margin, being 1.225% p.a. in the reporting period.

Interest payable on draws made under the Term Facility agreement is charged at an annual rate of 3.0% plus IBOR, and this rate decreases at various intervals over the term of the agreement. As at 31 December 2020, €26.2m of the facility was drawn. No commitment fee is payable under the Term Facility agreement.

The following table shows the impact on finance costs if the EURIBOR had increased by 100 basis points. Given that EURIBOR was negative during 2020, a decrease in EURIBOR would not have had a material impact on finance costs, as the Notes accrue interest at 5% + EURIBOR, with EURIBOR being subject to a 0% floor.

	Year ended 31 December 2020 €000	Year ended 31 December 2019 €000
Increase in finance cost	2,134	1,790
Total impact on the Statement of Comprehensive Income for the year	**2,134**	**1,790**

21. Financial risk management (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Group has invested in two loan portfolios in a foreign currency (Sterling (GBP) and Polish Zloty (PLN)). Additionally, the Group held cash balances in foreign currencies including GBP at the reporting date. Consequently, the business is subject to three elements of foreign currency risk considered below.

- **Statement of Consolidated Comprehensive Income exposure**

Income and expenses stemming from the Groups' Assets which are denominated in Sterling are converted to Euro using the exchange rate at the prevailing date. Therefore, the risk arises that fluctuations in the foreign currency exchange rate will have an impact on the financial results for the year. A sensitivity analysis has been conducted to consider the impact of movements in the foreign currency exchange rates on the loan portfolio and is shown in the tables below.

- **Statement of Consolidated Financial Position exposure**

Group Assets denominated in foreign currency are converted to Euro using the exchange rate at the reporting date. Therefore, the risk arises that fluctuations in the foreign currency exchange rate will have an impact on the combined carrying value of the Group Assets. A sensitivity analysis has been conducted to consider the impact of movements in the foreign currency exchange rates on the foreign currency denominated loan portfolios and cash balances at reporting date and is shown in the tables below.

- **Cash flow exposure**

The Group is subjected to currency risk in respect of forecasted cash flows to be received in foreign currency. Foreign currency cash flow risk mitigation is managed by the Group by settling any liabilities in that currency due at the same date.

Foreign currency sensitivity analysis

The below table sets out what the impact on the net assets and net profit/loss would be, had the foreign currencies at the Statement of Financial Position date been 10% weaker in relation to the Euro.

	Year ended 31 December 2020	Year ended 31 December 2019
	€000	€000
Equity and net assets		
Polish Zloty (PLN)	(1,838)	(2,010)
Sterling (GBP)	(423)	(642)
Loss		
Polish Zloty (PLN)	(1,838)	(2,010)
Sterling (GBP)	(423)	(642)

The below table sets out what the impact on the net assets and net profit/loss would be, had the foreign currencies at the Statement of Financial Position date been 10% stronger in relation to the Euro.

	Year ended 31 December 2020	Year ended 31 December 2019
	€000	€000
Equity and net assets		
Polish Zloty (PLN)	1,838	2,010
Sterling (GBP)	423	642
Profit		
Polish Zloty (PLN)	1,838	2,010
Sterling (GBP)	423	642

The Board of Directors consider 10% to be a good indication as to the reasonable possible change that could arise from foreign currency fluctuations given the current economic environment.

Notes to the Consolidated Financial Statements (continued)

21. Financial risk management (continued)

Capital risk management

Capital risk is the risk that the Group's capital structure is not sufficient in order to support the growth of the business.

The Group aims to maintain appropriate capital to ensure that it has a strong Statement of Financial Position but at the same time is providing a good return on equity to the shareholders. The Group's long-term aim is to ensure that the capital structure results in the optimal ration of debt and equity finance. The Board of Directors reviews the capital structure on an ongoing basis. As part of this review, the Board of Directors consider the cost of capital and the risks associated with each class of capital.

The capital structure of the business consists of borrowings, equity and cash and cash equivalents as shown in the below table. The net capital position for the Group is set out below:

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Equity	(28,949)	(3,562)
Borrowings	350,646	374,385
Less: Cash and cash equivalents	(17,233)	(26,474)
Total	**304,464**	**344,349**

22. Financial assets, liabilities, and instruments

The fair value hierarchy, fair value and book value of financial assets and financial liabilities of the Group are set out below (the below analysis does not include inventory as this is not considered a financial asset under IFRS):

Financial assets	Fair value hierarchy	Fair value 31 December 2020	Book value 31 December 2020
		€000	€000
Purchased loan portfolios*	Level 3	174,026	193,916
Purchased loan notes	Level 3	11,773	13,231
Investments in joint ventures at amortised cost	Level 3	52,314	65,186
Loan to joint ventures at FVPL	Level 2	7,656	7,656
Loan to associate at FVPL	Level 2	1,666	1,666
Cash and cash equivalents	Level 2	17,233	17,233
Trade and other receivables	Level 2	12,423	12,423
Total		**277,091**	**311,311**

Financial liabilities	Fair value hierarchy	Fair value 31 December 2020	Book value 31 December 2020
		€000	€000
Senior Secured Notes	Level 1	261,034	304,699
Revolving Credit Facility	Level 2	20,269	20,269
Term Facility	Level 2	25,678	25,678
Secured loan notes	Level 3	13,617	13,617
Trade and other payables	Level 2	10,291	10,291
Total		**330,889**	**374,554**

22. Financial assets, liabilities, and instruments (continued)

Comparative figures for the year ended 31 December 2019:

Financial assets	Fair value hierarchy	Fair value 31 December 2019	Book value 31 December 2019
		€000	€000
Purchased loan portfolios*	Level 3	208,850	241,665
Purchased loan notes	Level 3	17,315	17,903
Investments in joint ventures at amortised cost	Level 3	60,467	61,743
Cash and cash equivalents	Level 2	26,474	26,474
Trade and other receivables	Level 2	16,234	16,234
Total		**329,340**	**364,019**

Financial liabilities	Fair value hierarchy	Fair value 31 December 2019	Book value 31 December 2019
		€000	€000
Senior Secured Notes	Level 1	275,342	303,110
Revolving Credit Facility	Level 2	50,969	50,969
Term Facility	Level 2	20,306	20,306
Secured loan notes	Level 3	17,860	16,414
Trade and other payables	Level 2	11,062	11,062
Total		**375,539**	**401,861**

* The fair value of purchased loan portfolios is net of amounts owing to secured loan note holders, whereas the book value of purchased loan portfolios is gross of amounts owing to secured loan note holders.

For the Group, the carrying value of financial assets and financial liabilities is considered to be the best estimate of fair value, with the exception of purchased loan portfolios, purchased loan notes, investments in joint ventures and secured loan notes.

The fair values of financial assets accounted for at amortised cost are calculated using the discounted cash flow method, with discount rates applied accurately reflecting the economic environment and prevailing market conditions as at 31 December 2020. The book values of these assets are calculated using EIR accounting where the EIR remains fixed.

The three main influencing factors in calculating the fair value of purchased loan portfolios, purchased loan notes and investments in joint ventures are: (i) gross collections forecast, (ii) the cost level, and (iii) the market discount rate. On a quarterly basis, the Group assesses net collection forecasts for all portfolios and discounts the forecasts to present value, which serves as the basis for calculating the reported fair value for each portfolio.

The Group has gained vast experience from the many portfolio transactions in which it has participated in or has knowledge of which forms an important component in estimating a market discount rate. The discount rate corresponding to the market's required return is updated on a bi-annual basis (or on a quarterly basis if the change is considered material) and reflects actual return on relevant and comparable transactions in the market.

Fair value estimation

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Notes to the Consolidated Financial Statements (continued)

22. Financial assets, liabilities, and instruments (continued)

Valuation models (continued)

Level 2: inputs other than quoted market prices within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Group measures certain loan investments into joint venture vehicles at FVPL. Investments which are classified at FVPL are classified at level 3, with the investments valued using the discounted cash flow model technique. The valuations of these investments/assets are performed by the Investment Advisor, AFPL, on at least a bi-annual basis, with the valuations subsequently approved by AIML as Portfolio Manager.

The Group provided a convertible shareholder loan to Green Stone cell Stone 9 during the year, with the proceeds then being applied to support the acquisition of a land plot located in Milan. The land plot is currently undergoing demolition and remediation work such that the land can be used to build and develop two residential towers. The convertible shareholder loan has been structured such that the loan will automatically be converted into equity if the land is successfully demolished and certain other conditions are met, however if these conditions are not met then the Group will exit the transaction and the loan and any interest accrued will be fully repaid. The convertible shareholder loan is measured at FVPL. As at 31 December 2020 the fair value of the loan has been deemed equal to the outstanding principal plus interest accrued, totalling €1.7m.

For loans to joint ventures measured at FVPL whose value is determined by the fair value changes underlying real estate assets held by the joint venture, the following key factors are critical when assessing future cash flows and the fair value of the asset:

1) The forecast sales price of the real estate assets

2) The forecast date of sale of the real estate assets

When assessing these factors, the Investment Advisor will look at the following factors to help support its assumptions used on future cash flows:

1) Market conditions and prevailing market prices for similar properties in the same location and exit prices achieved

2) Yields achieved in the market for similar assets in the same location

3) Tenancy rates and the impact prevailing market conditions may have on this (e.g. COVID-19)

On at least an annual basis, the Group will obtain 3rd party valuation reports to substantiate the fair value of the investment that has been recognised on the Statement of Financial Position.

For assets whose fair value linked to the performance of real estate investments, a 10% haircut to sales price would have a €2.0m impact to the carrying value as of 31 December 2020, and a 12 month delay in forecast exit dates would have a €4.8m impact to the carrying value as of 31 December 2020.

Reconciliation of assets measured at FVPL

	As at 31 December 2020
	€000
Financial assets measured at FVPL as at beginning of year	-
Loans to joint venture at FVPL	7,656
Loans to associate at FVPL	1,666
Financial assets measured at FVPL at the end of the year	**9,322**

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, using prices from observable current market transactions and dealer quotes for similar instruments and unobservable inputs such as historic performance data.

22. Financial assets, liabilities, and instruments (continued)

Valuation models (continued)

The purchased loan portfolios and purchased loan notes are carried at amortised cost calculated using the 84-month ERC. Derivative financial instruments are initially recognised, and subsequently measured, at fair value. The fair values of derivative instruments are calculated using quoted prices. Borrowings are initially measured at fair value and are subsequently measured at amortised cost.

The carrying values of the Term Facility, Revolving Credit Facility and Secured Loan Notes are reasonable approximation of their fair values. The fair value of the Senior Secured Notes was determined using the quoted market price at Euro MTF Market of Luxembourg Stock Exchange (Level 1) as at 31 December 2020 €261,034k (31 December 2019: €275,342k)

There have been no transfers between the levels.

The Consolidated Statement of Financial Position value of the Group's Assets is derived from discounted cash flows generated by an 84-month ERC model. The inputs into the ERC model are historic portfolio collection performance data. This ERC is updated with the core collections experience to date on a monthly basis.

The Group has an established control framework with respect to the measurement of the Group's Assets values. This includes regular monitoring of portfolio performance overseen by the Group, which considers actual versus forecast results at an individual portfolio level and re-forecasting cash flows on a 3-6 monthly basis.

A reconciliation of the closing balances for the year of the purchased loan portfolios, purchased loan notes and investments in joint ventures can be seen in note 12.

The Group did not hold any other financial instruments not measured at fair value for which a fair value needs to be calculated in the year.

23. Borrowings and facilities

	As at 31 December 2020	As at 31 December 2019
	€000	€000
Expected falling due after one year		
Senior Secured Notes	302,094	300,626
Secured loan notes	12,907	13,536
Term Facility	21,216	3,606
Total	**336,217**	**317,768**
Expected falling due within one year		
Revolving Credit Facility	20,269	50,969
Term Facility	4,462	16,700
Senior Secured Notes	2,605	2,484
Secured loan notes	710	2,878
Total	**28,046**	**73,031**

Secured loan notes represent amounts owed to external parties which invest in portfolios held by entities which are under the control of the Group via subscriptions to secured loan notes and shares issued by entities within the Group. The secured loan notes in the above table are carried at amortised cost using the EIR method.

On 21 July 2017 AFE issued Senior Secured Floating Rate Notes for a value of €325.0m (the "Notes"). The Notes will mature on 1 August 2024, and at any time on or after 1 August 2019 AFE may redeem all or a portion of the Notes. Interest is charged at annual interest rate of 5.00% plus EURIBOR (subject to 0% floor). On 3 May 2019 AFE repurchased Senior Secured Notes with a nominal value of €10.0m with a carrying value per the Financial Statements of c.€9.8m for a total consideration of c.€9.0m. On 25 June 2019 AFE repurchased Senior Secured Notes with a nominal value of €7.5m with a carrying value per the Financial Statements of c.€7.4m for a total consideration of c.€6.5m. On repurchase the Senior Secured Notes were cancelled with immediate effect.

The Notes are guaranteed on a senior secured basis (the "Guarantees") by ACOF II Portugal Limited, AFE Spain Limited, Alpha Credit Holdings S.à r.l., Alpha Credit Solutions 1 S.à r.l., Alpha Credit Solutions 4 S.à r.l., Prime Credit 3 S.à r.l., Prime Credit 6 S.à r.l. and Prime Credit 7 S.à r.l. (together, the "Guarantors") and the Facility is guaranteed by the Guarantors and by AFE.

23. Borrowings and facilities (continued)

AFE's and the Guarantors' obligations are secured on a first-ranking basis, (i) the outstanding capital stock of AFE that is held by its direct parent, AnaCap Financial Europe Holdings SCSp SICAV-RAIF, (ii) all capital stock of each of the Guarantors that is owned by AFE or another Guarantor, (iii) certain bank accounts of AFE and of the Guarantors and (iv) receivables from certain inter-company loan notes and securitisation notes that are held by AFE and by one of the Guarantors and receivables from a participation agreement due to another of the Guarantors.

The assets of the Group, excluding amounts owing to secured loan note holders, have been pledged as security for the Senior Secured Notes, the Super Senior Revolving Credit Facility, and the Term Facility. For the year ended 31 December 2020 the Group remained compliant with all covenants outlined on the Senior Secured Notes and the Super Senior Revolving Credit Facility.

As at 31 December 2020 AFE had a €90.0m (2019: €90.0m) Super Senior Revolving Credit Facility available to use to help facilitate its working capital requirements (the "Facility"). The Facility can be increased up to an amount equal to the higher of €90.0m and 17.5% of ERC. Interest accrues on the Facility at a rate of 3.50% p.a. for amounts drawn (the "Margin"), with commitment fees being 35% of the Margin. As at 31 December 2020, €20.3m (31 December 2019: €50.8m) had been drawn as a loan from the Facility. On 7 September 2020 the bank guarantee was released(bank guarantee utilised at 31 December 2019: €4.1m) resulting in an additional €4.1m being available to draw upon from the Facility, which resulted in the total amount available to draw upon as at 31 December 2020 equal to €69.7m (31 December 2019: €35.1m).

In accordance with the Facility agreement, AFE is required to ensure that at each quarter end date i) the LTV Ratio does not exceed 0.75:1 and ii) the SSRCF LTV Ratio does not exceed 0.25:1. As at 31 December 2020, the LTV Ratio was 69.9% and the SSRCF LTV Ratio was 0.0%.

On 17 January 2020, Alpha Credit Solutions 6 S.a r.l. ("ACS6") upsized the Term Facility by €6.3m, increasing the total Term Facility available to draw on to €31.3m, due to mature 17 January 2023. As at 31 December 2020, €26.2m (31 December 2019: €20.8m) had been drawn. The amounts payable on the Term Facility due within and greater than 1 year are dependent on the performance and cash flow timings of portfolios which are secured in favour of the Term Facility lenders. Due to the impact of COVID-19 on forecast cash flows it is now expected that €4.5m (December 2019: €16.7m) will be due within one year and €21.7m (December 2019: €3.6m) will be payable after one year. Interest accrues at a rate equal to the Margin and EURIBOR. At 31 December 2020 the applicable Margin was 3.5%. In accordance with the Term Facility agreement, ACS6 was required to ensure that leverage as at 31 December 2020 did not exceed 50.0%; as at 31 December 2020, leverage was 35.7%.

Notwithstanding the upsize to the Term Facility, the Board of Directors remain confident that all liabilities and obligations of the Group will be met for a period of at least 12 months from the date the Financial Statements are signed.

Reconciliation of changes in financial liabilities arising from financing activities

The below table sets out an analysis of the changes in financial liabilities for the year from financing activities:

	Cash and cash equivalents	Borrowings	Secured loan notes	Total
	€000	€000	€000	€000
As at 1 January 2020	**26,474**	**(374,385)**	**(16,414)**	**(364,325)**
Cash flows	(9,241)	43,992	1,989	36,740
Foreign exchange adjustments	-	150	-	150
Finance cost	-	(20,403)	(2,131)	(22,534)
Other non-cash movements	-	-	2,939	2,939
As at 31 December 2020	**17,233**	**(350,646)**	**(13,617)**	**(347,030)**

Notes to the Consolidated Financial Statements (continued)

23. Borrowings and facilities (continued)

Comparative figures for the year ended 31 December 2019:

	Cash and cash equivalents	Borrowings	Secured loan notes	Total
	€000	€000	€000	€000
As at 1 January 2019	**37,310**	**(400,443)**	**(19,709)**	**(382,842)**
Cash flows	(10,836)	29,344	4,511	23,019
Repurchase of Senior Secured Notes	-	17,500	-	17,500
Foreign exchange adjustments	-	(365)	-	(365)
Finance cost	-	(20,421)	(2,660)	(23,081)
Other non-cash movements	-	-	1,444	1,444
As at 31 December 2019	**26,474**	**(374,385)**	**(16,414)**	**(364,325)**

24. Commitments and contingencies

Portuguese tax liability

On 4 January 2019, the Group received a notification issued by the Portuguese Tax Authorities ("PTA") referring to tax audit proceedings in relation to the Portuguese assets held within the Group for the financial years 2016 – 2017. This notification has been expected in light of the Portuguese tax charge that was settled in 2018 relating to financial years 2013 – 2015. An adequate provision for this potential tax charge has been made in the Financial Statements.

In light of this, an accrual has also been made to recognise that there may be potential Portuguese tax charges for 2018, 2019 and 2020, which has been calculated in a similar manner. The total tax provision reflected in the Financial Statements as at 31 December 2020 is €6.0m (2019: €4.5m).

Brexit

The Group maintained a consistent focus on risks arising as a result of uncertainties related to the United Kingdom's exit from the European Union ("Brexit"). Oversight of planning for regulatory and legislative impacts – as well as economic impacts – remained a part of forward-looking risk management throughout the year.

As the Fund is euro denominated, has a Luxembourg-based AIFM and is not reliant on distribution of its shares to UK investors, the potential risks related to Brexit remain remote.

COVID-19

The Group has remained close to COVID-19 developments during 2020 in order to assess the potential market impact and implications it may have on the Group's financial performance and financial position at any given time. Whilst difficult to quantify the impact COVID-19 will have on underlying asset performance the Group has incorporated various assumptions into portfolio level forecasts to ensure that the impact of COVID-19 is embedded into forecasted collection amounts and timing. The Group acknowledges the continued impact COVID-19 is having and will continue to have on economic growth in the near and mid-long term, with slowdowns in economic growth potentially leading to falls in asset prices and a lessened ability to meet collections forecasts.

Real estate investments

In connection with the acquisition of a portfolio of retail and industrial real estate assets in Italy on 18 December 2020 made by a joint venture entity of the Group, the Group, subject to certain conditions precedent being met, is obligated to fund between €3.5m-€5.5m for its share of the acquisition of four additional real estate assets which are due to be acquired within 18 months from the date of these Financial Statements. If the conditions precedent are not met, the Group will not be obligated to fund this acquisition.

25. Ultimate parent entity

The ultimate parent entity of the Group is AnaCap Group Holdings Limited.

Notes to the Consolidated Financial Statements (continued)

26. Subsequent events

On 1 January 2021 Eric Verret was appointed on the Board of Directors.

On 7 January 2021 the Group financed its share of a joint venture acquisition to facilitate the purchase of an office complex in the U.K for a total amount of c.€1.8m. The acquisition was successfully completed with ACOF IV co-investing into the transaction in a 50/50 joint venture arrangement.

On 12 February 2021 AFE completed the acquisition of an Italian SME secured NPL portfolio for c.€1.3m. The acquisition was successfully completed with ACOF IV co-investing into the transaction, with AFE's economic interest in the portfolio amounting to 33.3%.

Following the 'sale promise' agreement that the Group entered into on 15 December 2020 for the opportunity to acquire a Grade A listed office complex in Paris, the Group successfully signed and entered into a VEFA contract on 10 March 2021 in connection with the asset, with c.€0.5m paid on closing as consideration. Throughout the duration of the VEFA contract the Group is committed to fund €6.7m to finance its share of the transaction.

27. Adjusted EBITDA and Normalised EBITDA

Adjusted and Normalised EBITDA is the profit before interest, tax, depreciation, amortisation, non-recurring items, foreign exchange gains or losses and share of associates profit or loss. Revenue and costs on purchased loan portfolios, purchased loan notes, investments in joint ventures and secured loan notes that are calculated using the EIR method or at fair value are also replaced with actual cash collections in the year. Collections in the year represent cash received by the Group and/or the servicers engaged by the Group within that year and include deferred consideration on a received basis.

Normalised EBITDA eliminates the impact of portfolio disposals.

The Adjusted EBITDA and Normalised EBITDA reconciliations for the relevant periods are shown below.

Reconciliation of profit before tax to Normalised and Adjusted EBITDA:

	Year ended 31 December 2020	Year ended 31 December 2019
	€000	€000
Loss before tax	(24,051)	(7,110)
Finance costs	19,595	22,461
Share of profit in associate and joint ventures	(916)	(806)
Net foreign currency movements	1,537	(187)
Impairment	37,230	35,897
Collections from portfolios	84,567	124,906
Gain from repurchase of Senior Secured Notes	-	(1,728)
Revenue	(64,728)	(80,578)
Other income	2,047	348
Cash collected on behalf of secured loan noteholders	(2,068)	(3,212)
Non-recurring items	-	219
Dividends received	-	600
Finance income	(51)	(508)
Adjusted EBITDA	**53,162**	**90,302**
Less portfolio disposals	(1,991)	-
Normalised and Adjusted EBITDA	**51,171**	**90,302**

Notes to the Consolidated Financial Statements (continued)

27. Adjusted EBITDA and Normalised EBITDA (continued)

Reconciliation of net cash used in operating activities to Normalised and Adjusted EBITDA:

	Year Ended 31 December 2020	Year Ended 31 December 2019
	€000	€000
Net cash generated from operating activities	**38,744**	**54,070**
Portfolio acquisitions	21,259	34,477
Taxation paid	131	636
Cash collected on behalf of secured loan noteholders	(2,068)	(3,212)
Working capital adjustments	(4,904)	3,512
Non-recurring items	-	219
Dividends received	-	600
Adjusted EBITDA	**53,162**	**90,302**
Less portfolio disposals	**(1,991)**	**-**
Normalised and Adjusted EBITDA	**51,171**	**90,302**

Reconciliation of core collections to Normalised and Adjusted EBITDA:

	Year Ended 31 December 2020	Year Ended 31 December 2019
	€000	€000
Core Collections in the year	**82,576**	**124,906**
Portfolio disposals	1,991	-
Other income	2,047	348
Operating expenses	(70,151)	(68,269)
Net foreign currency movements	1,537	(187)
Impairment	37,230	35,897
Cash collected on behalf of secured loan noteholders	(2,068)	(3,212)
Non-recurring items	-	219
Dividends received	-	600
Adjusted EBITDA	**53,162**	**90,302**
Less portfolio disposals	(1,991)	-
Normalised and Adjusted EBITDA	**51,171**	**90,302**

Disclosures under the Alternative Investment Fund Managers Directive (unaudited)

Liquidity arrangements and liquidity management

There are no assets of the AIF subject to special arrangements such as side pockets, gates or other similar arrangements. No new arrangements or material changes were made to manage the liquidity of the AIF.

The AIFM confirms it has maintained appropriate capital adequacy provisions as required by the CSSF.

Leverage

The leverage employed by the AIF as per December 31, 2020 was 241.47% of the AIF's net asset value based on the gross method and 247.63% of the AIF's net asset value based on the commitment method.

Risk management

The AIFM has established and maintains a dedicated risk management system to identify, measure, manage and monitor on an ongoing basis the risks relevant to each AIF's Investment Objective including, in particular market, credit, liquidity, counterparty, operational and other relevant risks. Both quantitative and/or qualitative risk limits have been established and were monitored by the AIFM. No material changes were made in relation to the risk management system.

Material Changes of the AIFM

During 2020, Carne expanded its management structure and placed it on a broader basis. Mr. Pascal Dufour was appointed as Conducting Officer for Information Technology and Country Head of Carne. Mr. Ankit Jain was appointed as Conducting Officer for Valuation. In February 2019, Mr. Cord Rodewald joined Carne, who was initially appointed as Conducting Officer for Portfolio Management however in June 2020 Mr. Rodewald was appointed as Conducting Officer for Compliance and Mr. Quentin Gabriel was appointed as Conducting Officer for Portfolio Management. Mr. Ross Thomson assumed responsibility for Distribution and coordination of Internal Audit in September 2019 and subsequently was appointed as Chief Operating Officer in June 2020. Mr Christophe Douche continues to be the Conducting Officer for Risk.

Material Change of the AIF/Fund

With effect from 01 April 2020, Hugo Neuman resigned, and Eric Verret was appointed as Director of the Fund on 01 January 2021.

Vincenzo Viceconte was appointed as Director of the Fund on 01 April 2020 and resigned on 29 May 2020.

Remuneration

The AIFM has designed and implemented a remuneration policy (the "Remuneration Policy") in line with the provisions on remuneration as set out by the European Directive 2011/61/EU as amended and implemented into Luxembourg Law of 12 July of 2013 (the "AIFM Regulations").

The AIFM has developed and implemented remuneration policies and practices that are consistent with and promote sound and effective risk management of the AIF, do not encourage risk-taking which is inconsistent with the risk profiles/rules governing the AIF, and do not impair compliance with the AIFM's duty to act in the best interest of the AIF and ultimately its investors.

The Board of Directors of the AIFM is responsible for the design, implementation, and regular review of the Remuneration Policy. In reviewing the Remuneration Policy, the Board of Directors of the AIFM will consider whether the remuneration framework operates as intended and that the risk profile, long-term objectives, and goals of the AIFs it manages are adequately reflected.

A copy of the AIFM Remuneration Policy is available, free of charge, at the registered office of the AIFM and at the following address: www.carnegroup.com.

Disclosures under the Alternative Investment Fund Managers Directive (unaudited) (continued)

Proportion of the total remuneration of the staff of the AIFM attributable to AnaCap Financial Europe S.A. SICAV-RAIF, as of December 31, 2020[1]

The proportion of the total remuneration attributable to Anacap Financial Europe SA SICAV RAIF has been calculated on a pro-rata basis and on the basis of the total AUM of AIFs managed by the AIFM.

	Number of beneficiaries	Total remuneration (EUR)[2]	Fixed remuneration in percentage of total	Variable remuneration in percentage of total	Carried Interest paid in percentage of total
Total remuneration paid to Identified Staff[3] by the AIFM during the financial year	17	€ 2,359,701	0.33%	0.08%	0%

The investment manager remuneration for the year ended 31 December 2020 allocated to the Fund is £55,000 for the Identified Staff within the Investment Manager.

[1] 31 December is the financial year end of the AIFM.
[2] Total remuneration = sum of fixed remuneration and variable remuneration paid during the AIFM's financial year.
[3] Identified Staff comprises = Chief Executive Officer and Country Head of Luxembourg, Conducting Officers and Head of Legal, Head of Compliance, Directors of the Company and Members of the Investment Committee.