AnaCap Financial Europe S.A. SICAV-RAIF

Unaudited Interim Condensed Consolidated Financial Statements
For the Nine Months Ended 30 September 2021

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General Information

Fund

AnaCap Financial Europe S.A. SICAV-RAIF
412F, route d' Esch
L-1471 Luxembourg
Grand Duchy of Luxembourg
R.C.S. Luxembourg: B216080

Board of Directors

- Edward Green;
- Audrey Lewis;
- Yazid Oudina;
- Christopher Ross-Roberts;
- Eric Verret (appointed 1 January 2021).

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

- John Alldis;
- Bill Blackwell;
- Veronica Buffoni;
- Martin Dobbins;
- John Donohue;
- David McGowan.

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;
- Gregory McKenzie;
- Peter Niven;
- Nigel Ward.

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
B.P. 1443 L-1014
Luxembourg
Grand Duchy of Luxembourg

Investment Advisor

AnaCap Financial Partners Limited
1 Stephen Street
London
W1T 1AL

Directors' Report

The Directors of AnaCap Financial Europe S.A. SICAV-RAIF ("AFE") are pleased to present the Directors' Report and Unaudited Interim Condensed 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 2021 to 30 September 2021. The Financial Statements incorporate the assets, liabilities, revenue and expenses of the Group.

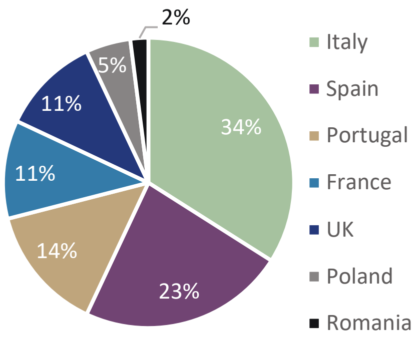
Business Overview

AFE purchases and invests in a diverse range of performing and 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, mortgage and real estate backed debt including mixed portfolios. The Directors believe this ability is a key competitive advantage in originating new investment opportunities and further penetrating current markets and unlocking new ones, providing it with the opportunity to generate strong risk-adjusted returns on an ongoing basis. During the first nine months of 2021, AFE continued to source and originate new opportunities in the direct real estate market having successfully executed c.€50.1m transactions in UK, France and Italy, bringing total deployment to c.€53.7m in the period.

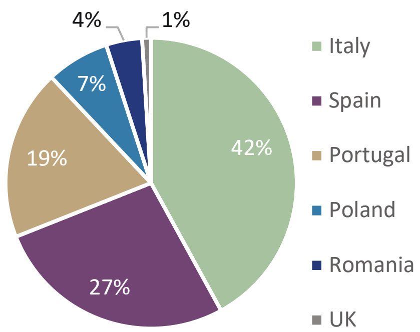
In its debt investment portfolio, AFE has a diverse portfolio of seasoned and granular consumer, SME, mortgage debt and direct real estate backed debt which is differentiated among debt purchasers in the level of diversification across borrowers, asset types and geographies, as well as with its significant 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 30 September 2021. Geographic and asset diversity provides resilience throughout the cycle in different countries.

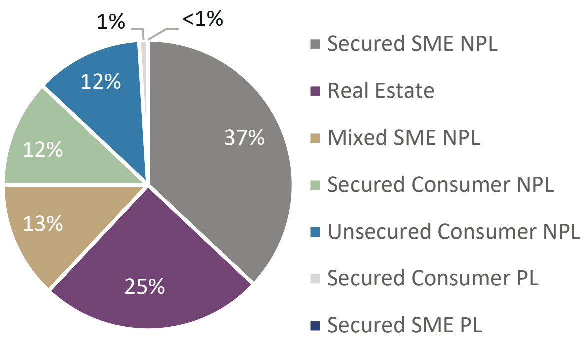
€502.3 million 84-month ERC by geography
30 September 2021



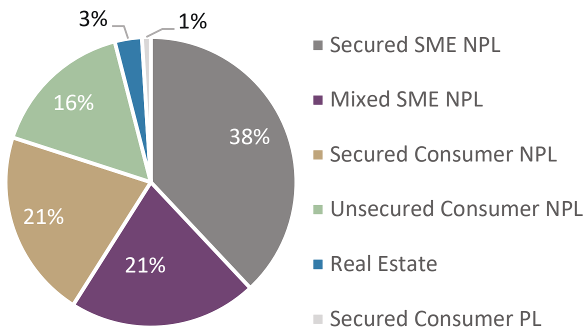
€476.7 million 84-month ERC by geography
30 September 2020



€502.3 million 84-month ERC by asset type
30 September 2021



€476.7 million 84-month ERC by asset type
30 September 2020



Directors' Report (continued)

Key Performance Indicators

The Directors use a variety of key performance indicators ("KPI's") 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 nine-months ended 30 September 2021 and 30 September 2020. 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 period.

		Nine months ended 30 September 2021	Nine months ended 30 September 2020	% change
84-month ERC (€'000s)	1	502,259	476,651	5.4%
84-month Gross ERC (€'000s)	2	528,637	506,304	4.4%
Cumulative purchases of loan portfolios and loan notes (€'000s)	3	669,212	604,003	10.8%
Number of investments	4	45	33	36.4%
Number of accounts	5	209,783	217,982	-3.8%
Total attributable collections (€'000s)	6	74,072	61,644	20.2%
Total gross collections (€'000s)	7	74,322	60,333	23.2%
Core collections (€'000s)	8	70,321	60,333	16.6%
Operating expenses (€'000s)	9	21,372	22,765	-6.1%
Core collection cost ratio	10	30.4%	37.7%	-19.5%
Adjusted EBITDA (€'000s)	11	54,921	37,476	46.5%
Normalised Adjusted EBITDA (€'000s)	12	50,920	37,476	35.9%

(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 real estate backed debt 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 backed debt 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 investments 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.

(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

Directors' Report (continued)

Key Performance Indicators (continued)

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 €722 million has been deployed through acquisitions of 50 investments with an aggregate face value of €13.3 billion. Since 2012, 5 portfolios have been fully sold. As of 30 September 2021, the portfolios held by AFE had an aggregate face value of €10.8 billion following the historical sale of deals with a face value of €2.5 billion, with an 84-month ERC of €502.3 million.

Portfolios purchased in the period ended:	Purchase price (13)	Actual collections to 30 September 2021	84-month ERC	Total estimated collections (14)	Gross money multiple (15)
	€000	€000	€000	€000	
Year ended 31 December 2012	75,084	170,100	16,409	186,509	2.5x
Year ended 31 December 2013	77,386	143,173	25,846	169,019	2.2x
Year ended 31 December 2014	59,025	122,217	19,371	141,588	2.4x
Year ended 31 December 2015	47,806	52,646	20,932	73,578	1.5x
Year ended 31 December 2016	125,617	171,171	83,727	254,898	2.0x
Year ended 31 December 2017	65,017	84,167	29,483	113,650	1.7x
Year ended 31 December 2018	161,507	111,035	131,755	242,790	1.5x
Year ended 31 December 2019	36,265	12,862	47,318	60,180	1.7x
Year ended 31 December 2020	21,020	14,412	25,104	39,516	1.9x
Period ended 30 September 2021	53,720	543	102,314	102,857	1.9x
Total	**722,447**	**882,326**	**502,259**	**1,384,585**	**1.9x**

(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 represent actual collections to 30 September 2021 plus forecast collections for the following 84 months.

(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.

Directors' Report (continued)

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.

			Nine months ended 30 September 2021
			€000
Borrowings:	The Notes		307,500
	Revolving Credit Facility		50,983
	Term Facility		18,305
Less:	Cash at bank		(24,642)
	Cash held on AFE's account at servicers'		(5,628)
	Less cash deposits paid		(804)
Add back:	Cash collected on behalf of secured loan note holders		244
Net debt			**345,958**
LTV ratio at period end		16	68.9%
Adjusted EBITDA leverage ratio		17	4.90
LTM Adjusted EBITDA		18	70,607
Net interest expense		19	19,071
Fixed charge cover ratio ("FCCR")		20	3.70

(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 12 months ended 30 September 2021. 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. During June 2021 a successful sale of a pool of low recovery assets within a legacy lead to c.€4m collection proceeds. Excluding these sales brings Normalised Adjusted EBITDA leverage ratio to 5.35.

(18) LTM Adjusted EBITDA means Adjusted EBITDA for the 12 months ended 30 September 2021.

(19) Net interest expense means interest expense on total debt for the 12 months ended 30 September 2021.

(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:

		Nine months ended 30 September 2021
		€000
Borrowings:	The Notes	307,500
	Unamortised discount on issuance of the Notes	(793)
	Unamortised transaction fees	(3,551)
	Term Facility - non-current liability	7,159
	Unamortised transaction fees on Term Facility	(331)
	Per Financial Statements (non-current liability)	309,984
	Interest payable at 30 September 2021 (current liability)	2,605
	Revolving credit facility - amount drawn	50,983
	Term Facility - current liability	11,146
Total borrowings		**374,718**

Directors’ Report (continued)

Significant recent developments

COVID-19

Following a gradual easing of restrictions, Group employees returned to the offices at the start of Q2 2021 with strict virus prevention measures in place. The Group continues to work with its servicing partners, agents, and advisors to help safeguard the health and wellbeing of all staff and customers.

2021 Performance

The Group can report a successful period of collections performance against reforecast targets set in December 2020 (“Dec-20 RF”), with attributable collections for the nine months ended 30 September 2021 finishing at €74.1m vs a target of €68.3m, representing an 8.5% or €5.8m outperformance. Positive performance has been driven by delivery of an active asset management strategy and improving macroeconomic outlook as COVID-19 restrictions are withdrawn across Europe. Loan and collateral sales in Spain and strong collection activity in Italy have been particular highlights.

The Group performed a reforecast in Q2 2021 in line with the wider policy of reviewing portfolio level future cash flows in June and December each year. Cash flow timings and assumptions revision, where appropriate, returned €164k impairment gain in aggregate.

New investments

During the nine months ended 30 September 2021, the Group successfully deployed €53.7m of capital across Non-Performing Loans (“NPL”) and real estate backed debt investments.

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.€1.9m. The acquisition was successfully completed, AFE’s economic interest in the transaction is 50%.

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, securing a 50% economic interest in the transaction.

On 12 February 2021 AFE completed the acquisition of an Italian SME secured NPL portfolio for c.€1.3m. On 21 May and 29 June 2021 AFE completed acquisitions of two further Italian SME predominantly secured NPL portfolios for c.€0.6m and c.€1.7m respectively. The acquisitions were successfully completed with AFE’s economic interest in the portfolio amounting to 33.3%.

On 17 December 2020, the Group entered a 'sale promise' agreement in a joint venture with a 50% economic interest, 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. An additional deposit under the ‘sale promise’ agreement of c.€4.8m was paid on 29 April 2021. The Group successfully completed the acquisition on 19 May 2021 with c.€14.1m paid on closing, resulting in a total invested capital of c.€19.1m.

On 23 August 2021, the Group completed the acquisition of a shopping center in central Liverpool, UK. AFE paid c.€19.0m on closing, retaining a 40% economic interest in the joint venture.

Signed transactions

On 11 May 2021, the Group entered a 'sale promise' agreement in connection with joint venture opportunity to acquire a c.10,000sqm office property in Paris. On signing of the ‘sale promise’ agreement the Group paid c.€1.3m as a deposit. The investment completed in July 2021 with a further deployment of c.€5.6m with AFE’S economic interest amounting to 40%.

On 4 August 2021, the Group paid a c.€0.4m deposit to acquire a residential development plot in Milan. Subject to all conditions precedent being met the Group expects to close and acquire the asset during 2021 with AFE’s economic interest amounting to 40%.

Under the business plan of the signed and acquired real estate assets, the Group is expected to fund an additional c.€12m for its share of acquisition cost and capital expenditure over the next three years.

Changes to administration and governance

Eric Verret, Anacap Financial Partners Limited (“AFPL”) Managing Director for Risk & Liability Management, joined AFE’s management team as Chief Financial Officer and a member of Board of Directors and AFPL Investment Recommendation Committee, both with effect from 1 January 2021.

Directors' Report (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.€34.8m. The group has assessed its expected operating performance and liquidity requirements for 2021 considering the impact of COVID-19. Despite ongoing uncertainty 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 expects that activity in the credit market will remain buoyant for the remainder of 2021 and into 2022, the Group will continue to explore opportunities in both core NPL markets and across a broadening range of asset types where it co-invests alongside AnaCap's Credit Opportunities funds, including real estate backed debt investments and other performing loans. The Group continues to make significant progress in diversifying asset exposure capitalising on an attractive and growing pipeline. The Group will remain highly selective in pursuing the best risk-adjusted returns and only pursue opportunities that are suitable and in line with the strategic objectives of the Group. The collection outperformance compared to 2020 continues to reduce the net debt to adjusted EBITDA leverage ratio with this trend set to continue towards year end.

The Group continues to develop its internal servicing capabilities during 2021 across its core markets, with 21 employees across offices in Spain, Portugal, Italy, Luxembourg, and the U.K. The Group is realising direct benefits from the increased local presence, including assistance with due diligence through to local asset management capabilities, valuable in the context of constrained international travel. These capabilities include master servicing, where day to day engagement and oversight of local asset servicers has been vital in driving collections performance during the pandemic. Value has also been driven by internalising direct special servicing, leveraging internal competencies around amicable and legal recoveries, real estate valuation and management, financial, corporate administration, reporting and analytics. Improving asset management capabilities in core markets continually assists in improving underwriting and due diligence on potential acquisitions as well as optimising performance and rapidly addressing challenges where they arise.

Eric Verret

Director
12 November 2021

ERic Verret

Report on Review of Interim Condensed Consolidated Financial Statements

To the Board of Directors of AnaCap Financial Europe S.A. SICAV-RAIF

We have reviewed the accompanying interim condensed consolidated financial statements of AnaCap Financial Europe S.A. SICAV-RAIF (the "Fund"), which comprise the interim condensed consolidated statement of financial position as at 30 September 2021, and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of cash flows and the interim condensed consolidated statement of changes in equity for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the interim condensed consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of interim condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410 "Review of interim financial information performed by the independent auditor of the entity) as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of interim condensed consolidated financial statements in accordance with ISRE 2410 is a limited assurance engagement. The "Réviseur d'entreprises agréé" performs procedures, primarily consisting of making inquiries of management and others within the Company, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers, Société coopérative — Luxembourg, 12 November 2021
Represented by

Electronically signed by:
Thierry Salagnac

Thierry Salagnac

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T : +352 494848 1, F : +352 494848 2900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

Interim Condensed Consolidated Statement of Comprehensive Income for the Nine Months Ended 30 September 2021

	Notes	Three months ended 30 September 2021 €000	Nine months ended 30 September 2021 €000	Three months ended 30 September 2020 €000	Nine months ended 30 September 2020 €000
Revenue					
Interest income from purchased loan portfolios	11	11,807	35,953	12,690	40,415
Interest income from purchased loan notes	11	318	1,002	396	1,297
Interest income on loans to joint ventures at amortised cost	11	2,605	6,955	2,007	5,905
Fair value movement of FVPL		-	-	19	19
Other income		873	2,522	580	1,219
Total revenue	5	**15,603**	**46,432**	**15,692**	**48,855**
Operating expenses					
Collection activity costs		(3,300)	(11,787)	(4,562)	(14,058)
Impairment gains/(losses)		-	164	-	(37,230)
Net foreign currency gain/(loss)	6	(524)	(444)	(336)	(1,369)
Other operating expenses	6	(3,290)	(9,585)	(3,320)	(8,707)
Total operating expenses		**(7,114)**	**(21,652)**	**(8,218)**	**(61,364)**
Operating profit/(loss)		**8,489**	**24,780**	**7,474**	**(12,509)**
Finance income		-	-	-	51
Finance costs	7	(5,850)	(16,720)	(5,591)	(14,224)
Share of profit in associate	10	117	578	154	462
Profit/(loss) before tax		**2,756**	**8,638**	**2,037**	**(26,220)**
Tax charge	8	(26)	(63)	(272)	(1,029)
Comprehensive income/(loss) for the period		**2,730**	**8,575**	**1,765**	**(27,249)**

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

Interim Condensed Consolidated Statement of Financial Position as at 30 September 2021

	Notes	As at 30 September 2021 €000	As at 31 December 2020 €000
Assets			
Non-current assets			
Property, plant and equipment		94	177
Investment in associate	10	8,355	7,777
Investments in joint ventures at amortised cost	11	34,033	2,282
Loans to joint ventures at FVPL	11	27,000	7,656
Participation in joint ventures	12	536	297
Goodwill	9	1,836	1,836
Total non-current assets		**71,854**	**20,025**
Current assets			
Cash and cash equivalents		24,642	17,233
Trade and other receivables	14	10,747	12,423
Other assets	14	7,599	4,569
Purchased loan portfolios	11	180,633	193,916
Purchased loan notes	11	11,283	13,231
Investments in joint ventures at amortised cost	11	48,107	62,904
Loans to investment in associate at FVPL	11	1,977	1,666
Inventory	13	26,164	26,027
Total current assets		**311,152**	**331,969**
Total assets		**383,006**	**351,994**
Liabilities			
Non-current liabilities			
Borrowings	21	309,984	323,310
Other liabilities	15	990	948
Total non-current liabilities		**310,974**	**324,258**
Current liabilities			
Borrowings	21	64,734	27,336
Secured loan notes	21	13,697	13,617
Trade and other payables	15	7,945	9,046
Other liabilities	15	-	297
Tax payable		973	426
Tax provisions	22	5,057	5,963
Total current liabilities		**92,406**	**56,685**
Total liabilities		**403,380**	**380,943**
Equity			
Share capital	16	1,250	1,250
Retained earnings		(21,624)	(30,199)
Total equity		**(20,374)**	**(28,949)**
Total equity and liabilities		**383,006**	**351,994**

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

The Unaudited Interim Condensed Consolidated Financial Statements for the period ended 30 September 2021 were approved by the Board of Directors and authorised for issue on its behalf by:

Eric Verret

Director

12 November 2021

Eric Verret

Interim Condensed Consolidated Statement of Cash Flows for the Nine Months Ended 30 September 2021

	Notes	Nine months ended 30 September 2021	Nine months ended 30 September 2020
		€000	€000
Cash flows from operating activities			
Profit/(Loss) before tax		**8,638**	**(26,220)**
Adjustments for:			
Interest income from purchased loan portfolios	11	(35,953)	(40,415)
Interest income from purchased loan notes	11	(1,002)	(1,297)
Interest income from joint ventures	11	(6,955)	(5,905)
Fair value movement of FVPL	11	-	(19)
Finance income		-	(51)
Impairment (gains)/losses		(164)	37,230
Finance costs	7	16,720	13,967
Unrealised foreign currency (gains)/losses	6	50	1,626
Share of profit in associate	10	(578)	(462)
Operating cash flows before movements in working capital		**(19,244)**	**(21,546)**
Change in trade and other receivables*		354	2,837
Change in trade and other payables*		(1,142)	(1,382)
Cash used in operating activities before collections and purchases		**(20,032)**	**(20,091)**
Tax paid		(522)	(113)
Collections in the period - sale of inventory	11	4,045	4,538
Collections in the period - loans	11	70,277	55,795
Acquisition of joint ventures	11	(53,720)	(6,023)
Net cash generated from operating activities		**48**	**34,106**
Cash flows from investing activities			
Consideration paid for the acquisition of Galata		(300)	(200)
Net cash used in investing activities		**(300)**	**(200)**
Cash flows from financing activities			
Proceeds from re-financing acquisition of purchased loan notes		-	462
Proceeds from borrowings		53,547	40,483
Repayment of borrowings		(30,862)	(77,589)
Repayment of secured loan notes		(1,200)	(1,181)
Finance costs paid		(13,824)	(14,432)
Net cash used in financing activities		**7,661**	**(52,257)**
Net movements in cash and cash equivalents		7,409	(18,351)
Cash and cash equivalents at the beginning of the period		17,233	26,474
Cash and cash equivalents at the end of the period		**24,642**	**8,123**

*Movement in working capital is net of accruals and prepayments related to the Notes and the Revolving Credit Facility.
The above Interim Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity for the Nine Months Ended 30 September 2021

	Share capital	Retained earnings	Total equity
	€000	€000	€000
Balance as at 1 January 2021	**1,250**	(30,199)	(28,949)
Comprehensive income for the period	-	8,575	8,575
Balance as at 30 September 2021	**1,250**	**(21,624)**	**(20,374)**

Comparative figures from 1 January 2020 to 30 September 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 period	-	(27,249)	(27,249)
Balance as at 30 September 2020	**1,250**	**(32,061)**	**(30,811)**

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

Notes to the Interim Condensed Consolidated Financial Statements

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 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.

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.

The principal activity of AFE and its subsidiaries as listed in note 18 (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.

The Interim Condensed Consolidated Financial Statements (hereafter the "Financial Statements") are prepared in accordance with IAS34 "Interim Financial Reporting" and do not contain all disclosures required for annual consolidated financial statements and should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020. The principal accounting policies that have been applied to the Financial Statements have been applied consistently throughout the period unless otherwise stated.

Significant changes in the current reporting period

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

<u>New Investments</u>

During the nine months ended 30 September 2021, the Group successfully deployed €53.7m of capital across Non-Performing Loans ("NPL") and real estate backed debt investments.

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.€1.9m. The acquisition was successfully completed, AFE's economic interest in the transaction is 50%.

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 Securing a 50% economic interest in the transaction.

On 12 February 2021 AFE completed the acquisition of an Italian SME secured NPL portfolio for c.€1.3m. On 21 May and 29 June 2021 AFE completed acquisitions of two further Italian SME predominantly secured NPL portfolios for c.€0.6m and c.€1.7m respectively. The acquisitions were successfully completed with AFE's economic interest in the portfolio amounting to 33.3%.

On 17 December 2020, the Group entered a 'sale promise' agreement in connection with a 50% economic interest, 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. An additional deposit under the 'sale promise' agreement of c.€4.8m was paid on 29 April 2021. The Group successfully completed the acquisition on 19 May 2021 with c.€14.1m paid on closing, resulting in a total invested capital of c.€19.1m.

On 23 August 2021, the Group completed the acquisition of a shopping center in central Liverpool, UK. AFE paid c.€19.0m on closing, retaining a 40% economic interest in the joint venture.

<u>Signed transactions</u>

On 11 May 2021, the Group entered a 'sale promise' agreement in connection with joint venture opportunity to acquire a c.10,000sqm office property in Paris. On signing of the 'sale promise' agreement the Group paid c.€1.3m as a deposit. The investment completed in July 2021 with a further deployment of c.€5.6m with AFE'S economic interest amounting to 40%.

On 4 August 2021, the Group paid a c.€0.4m deposit to acquire a residential development plot in Milan. Subject to all conditions precedent being met the Group expect to close and acquire the asset during 2021 with AFE's economic interest amounting to 40%.

Under the business plan of the signed and acquired real estate assets, the Group expects to fund an additional c.€14m for its share of acquisition cost and capital expenditure over the next three years.

Notes to the Interim Condensed Consolidated Financial Statements

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

Interest rate benchmark reform Phase 2 is effective beginning on 1 January 2021. Amendments to IFRS 7, IFRS 4, IFRS 9, IFRS 16 and IAS 39 require that, for financial instruments under amortised cost, changes to the basis of determining the contractual cash flows required by the reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised in the income statement.

On 6 August 2021 the super senior revolving facility agreement dated 7 July 2017 was amended to replace the reference rate from LIBOR to SONIA for GBP utilisations. The transition has not had a material impact on the income statement, the GBP short term draw as at 30 September 2021 was c 20.1m.

A number of other new and amended standards became applicable for the current reporting period but did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

Amendments to IAS 1, Presentation of financial statements', on classification of liabilities (effective on annual periods on or after 1 January 2023) clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Other new standards and amendments have been published from IASB but are not yet applicable. The Group do not expect there to be material impact on the Financial Statements due to the adoption of these standards and amendments.

3. Significant accounting policies adopted in the period

There are no new accounting policy adoption or amendments during the period impacting the financial statements.

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 Interim 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 Interim 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

4. Critical accounting judgments and estimates (continued)

Given the distressed nature of some of the assets acquired, NPL 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 NPL 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.

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 loans) 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 debt 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 30 September 2021 by €27.5m. A change in the expected future cash flows by -10% would reduce the carrying value of financial assets as at 30 September 2021 by €27.4m.

Following completion of an investment 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.

Going concern

The Group has assessed its expected operating performance and liquidity requirements for the remainder of 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. The Group reviewed cash flow timings and assumptions as part of June 2021 reforecast. Despite the uncertainties COVID-19 continues to create in 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 Interim Condensed Consolidated 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.

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 30 September 2021	As at 31 December 2020
	€000	**€000**
Investment in associate	8,355	7,777
Purchased loan portfolios	180,633	193,916
Purchased loan notes	11,283	13,231
Investments in joint ventures	109,676	73,139
Loans to associate at FVPL	1,977	1,666
Inventory	26,164	26,027
Interim Condensed Consolidated Statement of Financial Position		
Total segment assets	383,006	351,994
Total segment liabilities	(403,380)	(380,943)
Segment net liabilities	**(20,374)**	**(28,949)**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5. Segmental reporting (continued)

The table below represents the total revenue of the Group by geography:

	Three months ended 30 September 2021	Nine months ended 30 September 2021	Three months ended 30 September 2020	Nine months ended 30 September 2020
	€000	€000	€000	€000
- United Kingdom	278	601	181	608
- Romania	253	808	326	1,049
- Poland	694	2,184	797	2,386
- France	431	654	-	-
- Italy, Spain, Portugal	13,948	42,186	14,388	44,812
Total revenue	**15,604**	**46,433**	**15,692**	**48,855**

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 30 September 2021	As at 31 December 2020
	€000	€000
- United Kingdom	24,596	4,166
- Romania	8,903	10,744
- Poland	16,105	18,602
- France	31,421	2,579
- Italy, Spain, Portugal	257,063	279,665
Total	**338,088**	**315,756**

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

	Gross ERC 30 September 2021	ERC 30 September 2021
	€000	€000
- United Kingdom	54,310	54,310
- Romania	12,140	12,140
- Italy	171,795	171,795
- Spain	137,088	114,172
- Portugal	74,946	71,484
- Poland	23,452	23,452
- France	54,906	54,906
Total	**528,637**	**502,259**

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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

5. Segmental reporting (continued)

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 investment 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. Other operating expenses and foreign exchange of the Group's Assets

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

	Three months ended 30 September 2021	Nine months ended 30 September 2021	Three months ended 30 September 2020	Nine months ended 30 September 2020
	€000	€000	€000	€000
Management fees	1,202	3,366	1,015	3,529
Directors' fees	58	181	102	172
Legal and professional fees	242	663	208	450
Administration fees	340	879	416	967
Audit fees	120	451	138	327
Abort deal fees	4	6	32	343
Depositary charges	101	134	17	45
Subscription tax	-	1	1	5
Staff costs	817	2,500	1,062	1,865
Other expenses	406	1,404	329	1,004
Other operating expenses	**3,290**	**9,585**	**3,320**	**8,707**
Realised foreign currency (gains)/losses	25	230	(79)	(257)
Unrealised foreign currency (gains)/losses	335	50	415	1,626
Net foreign currency (gains)/losses	**360**	**280**	**336**	**1,369**

Staff costs include the total remuneration cost of all employees within the Group during the period. As at 30 September 2021, the Group had 21 employees (30 September 2020: 18). Other expenses include additional cost of €1.1m (nine months ended 30 September 2020 €0.8m) borne by the Group from AFPL in accordance with the Support Services agreement (see note 17 related party transactions).

7. Finance costs

	Three months ended 30 September 2021	Nine months ended 30 September 2021	Three months ended 30 September 2020	Nine months ended 30 September 2020
	€000	€000	€000	€000
Fees on Revolving Credit Facility	136	565	216	535
Interest on borrowings	837	2,105	480	1,850
Interest on Senior Secured Notes and related Charges	4,371	12,815	4,384	13,157
Interest expense - secured loan notes	506	1,501	511	1,621
Revaluation gain on secured loan notes	-	(266)	-	(2,939)
Total finance costs - borrowings	**5,850**	**16,720**	**5,591**	**14,224**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

8. Taxation

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).

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.

9. Goodwill

As at 30 September 2021, the Group's goodwill amounts to €1.84m (as at 31 December 2020: €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 recognised. Following an assessment on the current financial performance and position of Galata Asset Management S.L. and a review of its business plan and outlook the Group is comfortable that no impairment is required.

10. Investment in associate

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

The terms of the holding mean 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.

Below is a reconciliation of the movements in the carrying value of the Group's interest in PAM as at 30 September 2021:

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 30 September 2021	As at 31 December 2020
	€000	€000
Interest in net assets at beginning of period	7,396	6,522
Share of profit in associate	578	874
Interest in net assets of associate at the end of the period	**7,974**	**7,396**

In 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 is €1.7m maturing in December 2021, with €0.4m provided by way of 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

10. Investment in associate (continued)

Below is a reconciliation of the movements in the carrying value of the Group's interest in Green Stone cell Stone 9 as at 30 September 2021:

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 30 September 2021	As at 31 December 2020
		€000
Interest in net assets at beginning of period	381	-
Interest in net assets acquired during the period	-	381
Interest in net assets of associate at the end of the period	**381**	**381**

11. Financial assets

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

	As at 30 September 2021	As at 31 December 2020
	€000	€000
Expected falling due after one year:		
Purchased loan portfolios	121,843	157,354
Purchased loan notes	3,651	9,372
Investments in joint ventures at amortised cost	69,213	56,312
Loans to joint ventures at FVPL	27,000	7,656
Total	**221,707**	**230,694**
Expected falling due within one year:		
Purchased loan portfolios	58,790	36,562
Purchased loan notes	7,632	3,859
Investments in joint ventures at amortised cost	12,927	8,874
Loans to associate at FVPL	1,977	1,666
Total	**81,326**	**50,961**

Loans to joint ventures at amortised cost as at 31 December 2020 in the amount of €2.3m were grouped with investments in joint ventures at amortised cost for comparative purposes as instruments of the same nature.

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

	As at 30 September 2021
	€000
Purchased loan portfolios as at beginning of period	193,916
Interest income from purchased loan portfolios	35,953
Collections in the period - sale of inventory	(4,045)
Collections in the period - loans*	(44,523)
Impairment gain	1,243
Add: movement in inventory and other receivables	(1,911)
Purchased loan portfolios at the end of the period	**180,633**

* includes €4m proceeds from a sale of a pool of low recovery assets within a legacy portfolio in June 2021.

11. Financial assets (continued)

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

	As at 30 September 2021
	€000
Purchased loan notes as at beginning of period	13,231
Interest income from purchased loan notes	1,002
Collections in the period	(2,202)
Impairment	(748)
Purchased loan notes at the end of the period	**11,283**

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 Interim Condensed 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 30 September 2021
	€000
Joint ventures at amortised cost as at beginning of period	65,186
Investments in joint ventures at amortised cost	34,040
Interest income from joint ventures	6,955
Collections in the period	(23,552)
Impairment	(331)
Net foreign currency loss	(158)
Joint ventures at the end of the period	**82,140**

The movements in loans to joint ventures were as follows:

	As at 30 September 2021
	€000
Loans to joint ventures at FVPL	7,656
Investment in loans to joint ventures at FVPL	19,299
Movement in fair value	45
Loans to joint ventures at FVPL at the end of the period	**27,000**

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 Interim Condensed Consolidated Statement of Financial Position represent the Group's total interest in these entities.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

11. Financial assets (continued)

As at 30 September 2021, the carrying value of loans to joint ventures at FVPL is €27.0m (31 December 2020: €7.7m). The €7.7m loan to joint ventures at FVTPL is being accounted for as a joint venture since decisions relating to the activities of the JV require unanimous consent from the Noteholders and AFE is entitled to 50% of the net assets of the Italian securitisation vehicle. The €19.3m Investment in loans to joint ventures at FVPL relies upon unanimous approval from noteholders for decisions, AFE holds a 40% economic interest thus this is accounted for as a joint venture.

The movements in loans to associate were as follows:

	As at 30 September 2021
	€000
Loans to associate at FVPL as at beginning of the period	1,666
Loan to associates at FVPL in the period	142
Interest income	169
Loans to associates at FVPL at the end of the period	**1,977**

In 2020 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 and matures in December 2021.

12. Participation in joint ventures

	As at 30 September 2021	As at 31 December 2020
	€000	€000
Participation in joint ventures at the beginning of the period	297	255
Participation acquired during the period	239	-
Share of net profit of joint ventures using equity method	-	42
Participation in joint ventures at the end of the period	**536**	**297**

13. 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 period:

	As at 30 September 2021	As at 31 December 2020
	€000	€000
Opening inventory	26,027	26,025
Re-possessions	12,084	7,182
Disposals	(11,947)	(7,180)
Closing balance at the end of the period	**26,164**	**26,027**

14. Trade and other receivables

	As at 30 September 2021	As at 31 December 2020
	€000	€000
Collections receivable	5,628	6,073
Other receivables	5,119	6,350
Other assets	7,599	4,569
Total	**18,346**	**16,992**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14. Trade and other receivables (continued)

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. 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.

15. Trade and other payables

		As at 30 September 2021	As at 31 December 2020
	Notes	€000	€000
Trade payables		2,441	1,262
Deferred consideration		-	297
Amounts due to related parties	17	1,328	1,410
Accrued expenses		4,176	6,374
Trade and other payables - current		7,945	9,343
Contingent consideration - non-current		990	948
Total trade and other payables		**8,935**	**10,291**

16. Share capital

	As at 30 September 2021	As at 31 December 2020
	€000	€000
Share capital at 1 January 2021	1,250	1,250
Total share capital at 30 September 2021	**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.

17. Related party transactions

	As at 30 September 2021	As at 31 December 2020
	€000	€000
Due to related parties		
Carne Global Fund Managers (Luxembourg) S.A.	33	32
AnaCap Investment Manager Limited	-	9
AnaCap Luxembourg S.à r.l.	50	56
AnaCap Financial Partners Limited	1,239	1,188
Belasko UK Limited	6	125
Total	**1,328**	**1,410**

Management fees

The AIFM is entitled to receive a management fee on a quarterly basis, based on 1.75% of AFE's NAV (as defined in the Offering Memorandum, pro-rated for the number of days in each period), which includes fees payable to AnaCap Investment Management Limited, acting as Portfolio Manager. The management fee for the reporting period was €3,203k all of which has been fully paid (nine months ended 30 September 2020: €3,435k).

During the period the Group incurred charges of €163k to Carne Global Fund Managers S.A. in relation to management company services (nine months ended 30 September 2020: €91k).

Notes to the Interim Condensed Consolidated Financial Statements (continued)

17. Related party transactions (continued)

Master servicing income

During the period the Group recognised €0.9m and €1.3m 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 the nine months ended 30 September 2021.

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

During the period, the Group incurred charges of €356k (nine months ended 30 September 2020: €242k) 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 period, the Group incurred charges of €1.1m (nine months ended 30 September 2020: €0.8m) to AFPL in relation to data analytics, IT and support functions and services provided to the Group.

Fees payable to Belasko UK Limited

During the period, the Group recognised fees payable to Belasko UK Limited of €505k in respect of accountancy services provided to the Group since 1 January 2021.

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 period and the balances due to them at the end of the period.

	Three months ended 30 September 2021	Nine months ended 30 September 2021	Three months ended 30 September 2020	Nine months ended 30 September 2020
	€000	**€000**	**€000**	**€000**
Fees charged				
Directors' fees	58	181	102	172
Total fees charged during the period	**58**	**181**	**102**	**172**

	As at 30 September 2021	As at 31 December 2020
	€000	**€000**
Fees payable		
Directors' fees payable	54	154
Directors' fees payable at the end of the period	**54**	**154**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

18. Investments in subsidiaries and controlled entities

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

	Place of incorporation	Ownership % as at 30 September 2021	Ownership % as at 31 December 2020	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%	100%	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%	100%	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%	60%	Active

As of 30 September 2021 the Group had 21 employees spread across 5 different subsidiaries:

- AnaCap UK Asset Management Limited: 3 (2020: 4)
- AFE Asset Management S.a r.l.: 2 (2020: 2)
- Galata Asset Management, S.L: 10 (2020: 8)
- Atila, Unipessoal LDA: 5 (2020: 4)
- AFE Italy S.r.l.: 1 (2020: 1)

* 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 Interim Condensed Consolidated Financial Statements (continued)

19. 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. Further details of the forecasting process are given in note 4.

Financial instruments classified as stage 1 contain one purchased loan portfolio which is a performing loan portfolio with a carrying amount of €2.9m in the Financial Statements. Credit risk and borrower credit worthiness is monitored bi-annually.

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	2,886	-	-	251,502	254,388
Purchased loan notes*	11,522	-	-	-	11,522
Investments in joint ventures at amortised cost*	88,683	-	-	-	88,683
Gross carrying amount	103,091	-	-	251,502	354,593
Loss allowance	(6,782)	-	-	(73,755)	(80,537)
Carrying amount	**96,309**	**-**	**-**	**177,747**	**274,056**

* Purchased loan notes and investments in joint ventures were reclassified from POCI to Stage 1. The loans provided by the Group to the vehicles holding credit-impaired assets are not POCI, despite the underlying asset portfolios meeting POCI criteria, except for real estate investments. The comparative table below was updated to conform with the period end classification.

Comparative figures for the year ended 31 December 2020:

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	-	-	264,748	268,914
Purchased loan notes	12,722	-	-	-	12,722
Investments in joint ventures at amortised cost	71,397	-	-	-	71,397
Gross carrying amount	88,285	-	-	264,748	353,033
Loss allowance	(5,702)	-	-	(74,998)	(80,700)
Carrying amount	**82,583**	**-**	**-**	**189,750**	**272,333**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

20. Valuation of financial assets, liabilities and other instruments (continued)

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 30 September 2021	Book value 30 September 2021
		€000	€000
Purchased loan portfolios*	Level 3	168,371	180,633
Purchased loan notes	Level 3	10,071	11,283
Investments in joint ventures at amortised cost	Level 3	103,772	109,676
Loan to joint ventures at FVPL	Level 2	27,000	27,000
Loan to associate at FVPL	Level 2	(25,023)	(25,023)
Cash and cash equivalents	Level 2	24,642	24,642
Trade and other receivables	Level 2	10,747	10,747
Total		**319,580**	**338,958**

Financial liabilities	Fair value hierarchy	Fair Value 30 September 2021	Book value 30 September 2021
		€000	€000
Senior Secured Notes	Level 1	299,041	305,761
Revolving Credit Facility	Level 2	50,983	50,983
Term Facility	Level 2	17,974	17,974
Secured loan notes	Level 3	13,697	13,697
Trade and other payables	Level 2	7,945	7,945
Total		**389,640**	**396,360**

Comparative figures as at 31 December 2020:

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 venture 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**

* 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.

20. Valuation of financial assets, liabilities, and other instruments (continued)

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 30 September 2021. 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 considerable experience from the many portfolio transactions in which it has participated in or has knowledge providing the expertise to estimate 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.

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 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.

The Interim Condensed 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.

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.

There have been no transfers between the levels.

The Group provided a convertible shareholder loan to Green Stone cell Stone 9 during 2020, 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 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. Fair value of the loan remained at €1.7m as of 30 September 2021 as valuation assumptions did not change in the first nine months of 2021.

20. Valuation of financial assets, liabilities, and other instruments (continued)

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 engage 3rd party valuation experts to substantiate the fair value of the investment that has been recognised on the Interim Condensed Consolidated Statement of Financial Position.

For assets whose fair value is linked to the performance of real estate investments, a 10% reduction to sales price would have a €9.6m impact to the carrying value as of 30 September 2021, and a 12 month delay in forecast exit dates would have a €12.1m impact to the carrying value as of 30 September 2021.

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 30 September 2021 €299.0m (as at 30 September 2020: €251.6m).

A reconciliation of the closing balances for the period of the purchased loan portfolios, purchased loan notes and investments in joint ventures can be seen in note 11.

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 period.

21. Borrowings and facilities

	As at 30 September 2021	As at 31 December 2020
	€000	€000
Expected falling due after one year		
Senior Secured Notes	303,156	302,094
Secured loan notes	13,125	12,907
Term Facility	6,828	21,216
Total	**323,109**	**336,217**
Expected falling due within one year		
Revolving Credit Facility	50,983	20,269
Term Facility	11,146	4,462
Senior Secured Notes	2,605	2,605
Secured loan notes	572	710
Total	**65,306**	**28,046**

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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

21. Borrowings and facilities (continued)

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.

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 period ended 30 September 2021 the Group remained compliant with all covenants outlined on the Senior Secured Notes and the Super Senior Revolving Credit Facility.

As at 30 September 2021 AFE had a €90.0m (2020: €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 30 September 2021, €51.0m (31 December 2020: €20.3m) had been drawn as a loan from the Facility. The total amount available to draw upon as at 30 September 2021 is equal to €39.0m (31 December 2020: €69.7m).

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 30 September 2021, the LTV Ratio was 69.7% and the SSRCF LTV Ratio was 0.05:1.

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 30 September 2021, €18.3m (31 December 2020: €26.2m) 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. Interest accrues at a rate equal to the Margin and EURIBOR. At 30 September 2021 the applicable Margin was 3.0%. In accordance with the Term Facility agreement, ACS6 was required to ensure that leverage as at 30 September 2021 did not exceed 50.0%; as at 30 September 2021, leverage was 28.65%. The Term Facility agreement was amended in July to account for the change in collections forecast.

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.

22. Commitments and contingencies

Portuguese tax liability

On 14 January 2021, 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 – 2018. This notification has been expected in light of the Portuguese tax charge that was settled in 2018 relating to financial years 2013 – 2015. Discussions with the PTA on the settlement are on-going, €0.8m was reclassified from tax provision to tax payable based on the notification.

The total tax provision reflected in the Financial Statements as at 30 September 2021 is €5.1m (31 December 2020: €6.0m).

Real estate investments

Under the business plan of the signed and acquired real estate assets, the Group is expected to fund c.€14m for its share of acquisition cost and capital expenditure over the next three years.

23. Ultimate parent entity

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

24. Subsequent events

On 8th October 2021, the group completed the acquisition of an office in London UK. AFE paid c.£29.2m on closing retaining a c.39% economic interest in the investment.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

25. 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 period. Collections in the period represent cash received by the Group and/or the servicers engaged by the Group within that period 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:

	Nine months ended 30 September 2021	Nine months ended 30 September 2020
	€000	**€000**
Profit/(loss) before tax	**8,638**	**(26,220)**
Finance costs	16,720	14,224
Share of profit in associate and joint ventures	(578)	(462)
Net foreign currency movements	444	1,369
Impairment (gains)/losses	(164)	37,230
Collections from portfolios	74,322	60,333
Revenue	(46,432)	(48,855)
Other income	2,215	1,219
Cash collected on behalf of secured loan noteholders	(244)	(1,311)
Finance income	-	(51)
Adjusted EBITDA	**54,921**	**37,476**
Less assets disposals	(4,001)	-
Normalised Adjusted EBITDA	**50,920**	**37,476**

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

	Nine months ended 30 September 2021	Nine months ended 30 September 2020
	€000	**€000**
Net cash generated from operating activities	**48**	**34,106**
Portfolio acquisitions	53,720	6,023
Taxation paid	522	113
Cash collected on behalf of secured loan noteholders	(244)	(1,311)
Working capital adjustments	788	(1,455)
Realised foreign currency losses	87	-
Adjusted EBITDA	**54,921**	**37,476**
Less assets disposals	(4,001)	-
Normalised Adjusted EBITDA	**50,920**	**37,476**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

25. Adjusted EBITDA and Normalised EBITDA (continued)

Reconciliation of core collections to Normalised and Adjusted EBITDA:

	Nine months ended 30 September 2021	Nine months ended 30 September 2020
	€000	€000
Core Collections in the period	**74,322**	**60,333**
Other income	2,215	1,219
Operating expenses	(21,652)	(61,364)
Net foreign currency movements	444	1,369
Impairment (gains)/losses	(164)	37,230
Cash collected on behalf of secured loan noteholders	(244)	(1,311)
Adjusted EBITDA	**54,921**	**37,476**
Less assets disposals	(4,001)	-
Normalised Adjusted EBITDA	**50,920**	**37,476**