The Portfolio Business

Unaudited Condensed Interim Combined Financial Statements
For the Six Months Ended 30 June 2017

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Directors' Report

The Directors of AnaCap Financial Europe S.A. SICAV-RAIF ("AFE") are pleased to present the Director's Report and unaudited Condensed Interim Combined Financial Statements (the "Financial Statements") on the activities and financial performance of the Portfolio Business for the six months ended 30 June 2017. The Financial Statements have been specially prepared on a 'carve-out' basis, and incorporates the assets, liabilities, revenue and expenses of the Portfolio Business. The Portfolio Business has not existed, and will not exist, as a separate legal entity or combined group of entities, rather it comprises a number of direct and indirect subsidiaries (including their interests in several loan portfolios) that, subsequent to AFE's incorporation, AFE acquired from AnaCap Credit Opportunities II Limited and AnaCap Credit Opportunities III Limited, direct subsidiaries of AnaCap Credit Opportunities II, L.P. and AnaCap Credit Opportunities III, L.P. respectively (the "Acquisition"). The financial results do not necessarily reflect what the results of operations, financial position, or cash flows would have been had the Portfolio Business been a separate entity, nor does it reflect the future results of AFE as a result of completing the Acquisition. AFE was incorporated on 28 June 2017 and the Acquisition occurred after the period end on 21 July 2017. Note 16 'Subsequent events' in the Financial Statements gives broader detail into the Acquisition.

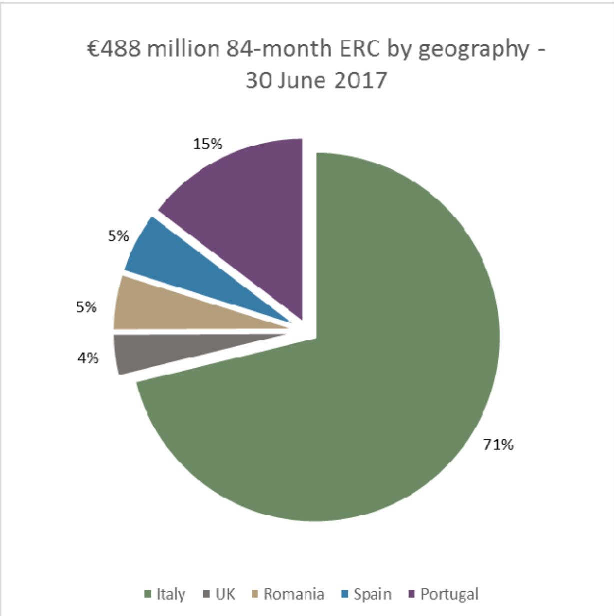
The Financial Statements for the period ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Audited Combined Financial Statements of the Portfolio Business for the years ended 31 December 2016, 2015 and 2014 and other financial data included in the Offering Memorandum issued for the €325,000,000 Senior Secured Floating Rate Notes due 1 August 2024 (the "Notes"). The Notes were issued by AFE on 21 July 2017. The principal accounting policies that have been applied to the Financial Statements have been applied consistently to all periods presented unless otherwise stated.

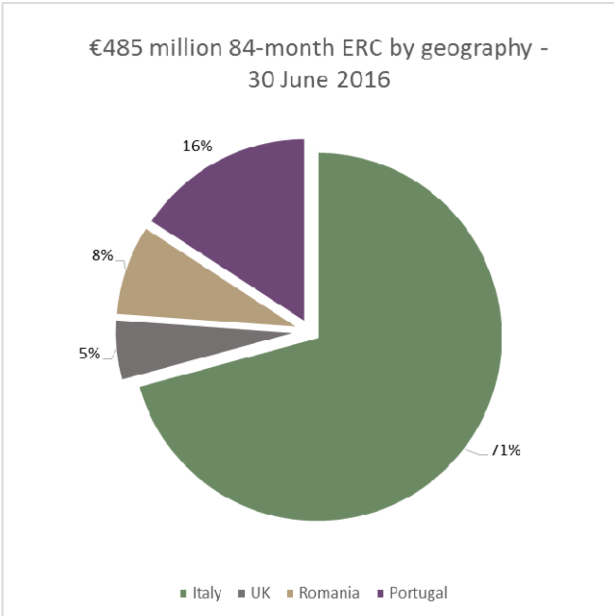
Business overview

AFE purchases and invests in a diverse range of primarily non-performing debt across Europe. AFE has the capability to price and purchase a wide range of debt, consisting of portfolios of unsecured and secured consumer, SME and mortgage debt, including portfolios that are a mix of these assets. The Directors believe this ability is a key competitive advantage in originating new investment opportunities and further penetrating its current markets, providing it with the opportunity to generate strong returns on an ongoing basis.

AFE has a diverse portfolio of seasoned and granular consumer, SME and mortgage debt which is differentiated among debt purchasers in the level of diversification across borrowers, asset types and geographies. The assets of the Portfolio Business were acquired between 2012 and 2017 from 18 unique sellers, including 4 follow on transactions from previous sellers, and are comprised of debt purchased in Italy, Portugal, Spain, Romania and the UK. There is particular focus in Italy where the Portfolio Business has strong presence and a wealth of experience in debt purchasing.

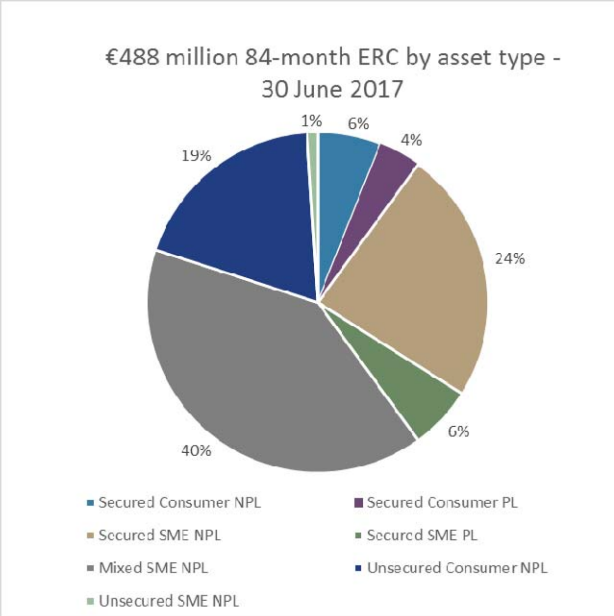
The following charts illustrate the diversification of 84-month ERC by asset type and geography as well as the seasoned nature of the debt portfolios as of 30 June 2017. Geographic diversity provides resilience to economic cycles in any one country and local market trends, and combined with the asset diversity provides access to a greater investment opportunity set. The seasoned nature of the debt portfolios within the Portfolio Business gives AFE greater visibility on expected collections.

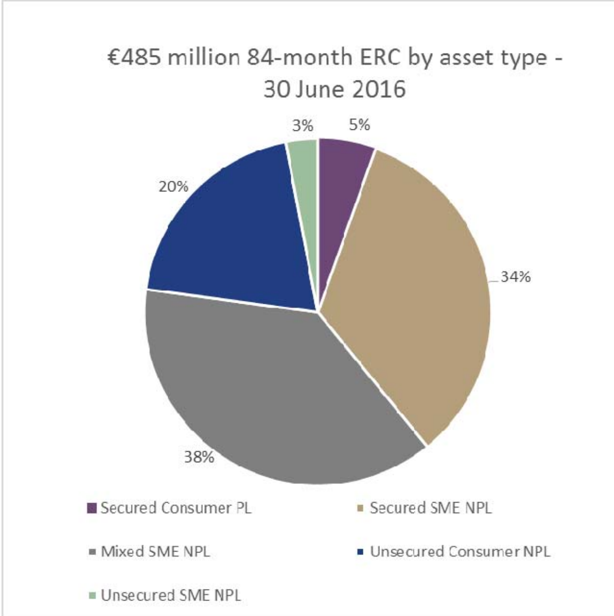




Directors' Report (continued)

Business overview (continued)





Key Performance Indicators

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

The financial data contained in the Financial Statements has been derived on a basis consistent with the Audited Combined Financial Statements of the Portfolio Business for the years ended 31 December 2016, 2015 and 2014. The Directors are therefore 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 Portfolio Business' performance for the period.

		6 months to 30 June 2017	6 months to 30 June 2016	% change
		€000	€000	
84-month ERC	1	487,800	484,627	0.65%
84-month Gross ERC	2	531,598	491,545	8.15%
Cumulative purchases of loan portfolios and purchased loan notes	3	375,112	296,822	26.38%
Number of debt portfolios	4	15	13	15.38%
Number of accounts	5	210,783	207,628	1.52%
Disposals of purchased loan portfolios and purchased loan notes	6	-	55,264	-100.00%
Total attributable collections	7	49,351	88,172	-44.03%
Total gross collections	8	50,165	92,323	-45.66%
Core collections	9	50,165	37,059	35.37%
Operating expenses	10	13,139	12,066	8.89%
Core collection cost ratio	11	26.19%	32.56%	-19.56%
Normalized Adjusted EBITDA	12	36,212	20,842	73.74%
Adjusted EBITDA	13	36,212	76,106	-52.42%

Directors' Report (continued)

Key Performance Indicators (continued)

(1) 84-month ERC means the Portfolio Business's estimated remaining collections on purchased loan portfolios and purchased loan notes over an 84-month period, assuming no additional purchases are made and on an undiscounted basis. 84-month ERC excludes any proportionate share of remaining cash collections that may be payable to a co-investor holding secured loan notes. 84-month ERC includes estimated collections on sold portfolios where part of the sale proceeds are based on future collections from that underlying portfolio.

(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 loan portfolios and loan notes includes the purchase price of acquired loan portfolios and loan notes, 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, including the purchase price attributable to co-investors.

(4) Number of debt portfolios represents the number of 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 represents 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) Disposals of purchased loan portfolios and loan notes represents sale proceeds and deferred consideration, including an estimate of a variable component which is recognised within other receivables at fair value in the Financial Statements.

(7) Total attributable collections represents total gross collections, excluding any share of cash collections that relate to the interests of co-investors holding secured loan notes.

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

(9) Core collections represents total gross collections, less disposals of purchased loan portfolios and loan notes.

(10) Operating expenses represents direct costs of collections related to purchased loan portfolios and other operating expenses, excluding impairment of purchased loan portfolios and loan notes, net foreign currency (losses)/gains and non-recurring items.

(11) Core collection cost ratio represents the ratio of operating expenses to core collections.

(12) Normalized adjusted EBITDA represents adjusted EBITDA excluding disposals of purchased loan portfolios and loan notes.

(13) 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 purchased loan portfolios and loan notes, disposals and repayments of secured loan notes, and non-recurring items. Revenue on purchased loan portfolios and loan notes and costs on secured loan notes calculated using the effective interest rate method are replaced with total gross collections in the period.

Directors' Report (continued)

Asset base and returns on portfolios purchased

The Portfolio Business reflects a historical capital deployment from 2012 onwards of €425 million through acquisitions of and investments in 19 portfolios with an aggregate face value of €11.3 billion and over 500,000 accounts. Since 2012, four portfolios have been fully sold. The Portfolio Business aggregate face value at the time of initial purchases and investments in the portfolio assets was €11.3 billion. As of 30 June 2017, the Portfolio Business had an aggregate face value of €8.9 billion following the historical sale of deals with a face value of €2.4 billion, with an 84-month ERC of €488 million.

	Purchase price (14)	Actual collections to 30 June 2017	84-month ERC	Total estimated collections (15)	Gross money-on-money multiple (16)
	€000	€000	€000	€000	
Year ended 31 December 2012	75,084	155,508	15,242	170,750	2.27x
Year ended 31 December 2013	77,386	83,564	84,395	167,959	2.17x
Year ended 31 December 2014	59,025	82,208	59,566	141,774	2.40x
Year ended 31 December 2015	47,806	20,969	63,319	84,288	1.76x
Year ended 31 December 2016	125,617	46,042	199,093	245,135	1.95x
Period ended 30 June 2017	39,680	8,395	66,185	74,580	1.88x

(14) Purchase price represents the aggregate amount paid for all portfolio purchases in the period indicated.

(15) Total estimated collections represents actual collections to date plus 84-month ERC, meaning actual collections to 30 June 2017 plus forecast collections for the following 84 months.

(16) The Gross money-on-money multiple includes actual collections plus 84-month ERC, although collections can extend beyond that period.

Christopher Ross-Roberts
Director
8 September 2017

Independent Audit Report on Review of Condensed Interim Combined Financial Statements

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

We have reviewed the accompanying Condensed Interim Combined Financial Statements of the entities set out in Note 12 to the Condensed Interim Combined Financial Statements (together the "Portfolio Business"), which comprise the Condensed Interim Combined Statement of Financial Position as of 30 June 2017, and the Condensed Interim Combined Statement of Comprehensive Income, Condensed Interim Combined Statement of Changes in Invested Capital and Condensed Interim Combined Statement of Cash Flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the Condensed Interim Combined Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these Condensed Interim Combined 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 Condensed Interim Combined 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 Condensed Interim Combined Financial Statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410) 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 condensed interim combined financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of Condensed Interim Combined Financial Statements in accordance with ISRE 2410 is a limited assurance engagement. The Independent Auditor performs procedures, primarily consisting of making inquiries of management and others within the Portfolio Business, 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 Condensed Interim Combined Financial Statements.

Conclusion

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

Basis of accounting and restriction on use

Without modifying our conclusion, we draw attention to the fact that, as described in Note 1 to the Condensed Interim Combined Financial Statements, the businesses included in the Condensed Interim Combined Financial Statements have not operated as a single entity. These Condensed Interim Combined Financial Statements are, therefore, not necessarily indicative of results that would have occurred if the Portfolio Business had operated as a single business during the period presented or of future results of the Portfolio Business.

The Condensed Interim Combined Financial Statements are prepared for the Board of Directors to assist them in presenting the financial position and results of the entities set out in Note 12, in connection with the transaction described in Note 1 to these Condensed Interim Combined Financial Statements. As a result, the Condensed Interim Combined Financial Statements may not be suitable for another purpose.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 8 September 2017

Thierry Salagnac

Condensed Interim Combined Statement of Comprehensive Income

	Notes	6 months ended 30 June 2017 €000	6 months ended 30 June 2016 €000
Revenue			
Income from purchased loan portfolios	7	38,977	29,978
Income from purchased loan notes	7	1,950	1,207
Profit on disposal of purchased loan portfolios	7	-	12,741
Total revenue		**40,927**	**43,926**
Operating expenses			
Collection activity costs		(10,067)	(11,676)
Of which non-recurring items - termination fees		-	(1,615)
Excluding non-recurring items		(10,067)	(10,061)
Impairment - purchased loan portfolios, purchased loan notes and other receivables	5	(5,985)	5,897
Net foreign currency (losses) / gains	5	(112)	95
Other operating expenses	5	(3,072)	(2,005)
Total operating expenses		**(19,236)**	**(7,689)**
Operating profit		**21,692**	**36,237**
Finance income		101	129
Finance costs		(12,808)	(41,331)
Interest expense - secured loan notes		953	(3,470)
Finance costs - funding loan notes		(13,761)	(37,861)
Profit / (loss) before tax		**8,984**	**(4,965)**
Taxation charge on ordinary activities		(109)	-
Comprehensive income / (loss) for the period		**8,875**	**(4,965)**

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

Condensed Interim Combined Statement of Financial Position

	Notes	As at 30 June 2017 €000	As at 31 December 2016 €000
Assets			
Non-current assets			
Other receivables	7	367	493
Investment in associate		1,028	1,028
Total non-current assets		**1,395**	**1,521**
Current assets			
Cash and cash equivalents		20,787	25,896
Trade and other receivables	8	2,213	3,645
Purchased loan portfolios	7	287,682	259,710
Purchased loan notes	7	11,817	15,339
Total current assets		**322,499**	**304,590**
Total assets		**323,894**	**306,111**
Liabilities			
Non-current liabilities			
Funding loan notes	9	201,310	183,992
Total non-current liabilities		**201,310**	**183,992**
Current liabilities			
Secured loan notes	9	23,720	25,487
Trade and other payables	9	22,699	27,418
Tax payable		197	484
Total current liabilities		**46,616**	**53,389**
Total liabilities		**247,926**	**237,381**
Invested capital			
Invested capital	10	50,344	51,284
Retained earnings		25,624	17,446
Total invested capital		**75,968**	**68,730**
Total invested capital and liabilities		**323,894**	**306,111**

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

The Condensed Interim Combined Financial Statements for the six months ended 30 June 2017 were approved by the Board of Directors and authorised for issue on its behalf by:

Christopher Ross-Roberts
Director
8 September 2017

Condensed Interim Combined Statement of Cash Flows

	Notes	6 months ended 30 June 2017 €000	6 months ended 30 June 2016 €000
Cash flows from operating activities			
Profit / (loss) before tax		8,984	(4,965)
Adjustments for:			
Income from purchased loan portfolios	7	(38,977)	(29,978)
Income from purchased loan notes	7	(1,950)	(1,207)
Profit on disposal of purchased loan portfolios	7	-	(12,741)
Finance income		(101)	(129)
Management fees	5	2,509	1,604
Impairment - purchased loan portfolios, purchased loan notes and other receivables	5	5,985	(5,897)
Unrealised foreign currency losses on purchased loan portfolios		309	-
Finance costs - funding loan notes		13,761	37,861
Interest expense - secured loan notes		(953)	3,470
Operating cash flows before movements in working capital		**(10,433)**	**(11,982)**
Decrease in trade and other receivables		1,517	2,255
(Decrease) / increase in trade and other payables		(2,840)	1,543
Cash used in operations		**(11,756)**	**(8,183)**
Taxation paid		(396)	-
Acquisition of purchased loan portfolios	7	(39,680)	(101,854)
Acquisition of purchased loan notes	7	-	(8,900)
Collections in the period	7	50,165	37,059
Disposal of purchased loan portfolios and purchased loan notes	7	-	55,264
Net cash used in operating activities		**(1,667)**	**(26,615)**
Cash flows from financing activities			
Issue of funding loan notes	9	39,175	111,039
Repayment of funding loan notes		(23,595)	(35,331)
Repayment of secured loan notes		(814)	(4,151)
Finance costs paid - funding loan notes		(14,042)	(39,395)
Invested capital		(4,166)	(6,540)
Net cash (used in) / generated from financing activities		**(3,442)**	**25,623**
Net movements in cash and cash equivalents		(5,109)	(992)
Cash and cash equivalents at the beginning of the period		25,896	15,652
Cash and cash equivalents at the end of the period		**20,787**	**14,660**

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

Condensed Interim Combined Statement of Changes in Invested Capital

	Invested capital	Retained earnings	Total
	€000	€000	€000
Balance as at 1 January 2017	51,284	17,446	68,730
Issue of share capital	525	-	525
Share buybacks	(1,962)	(697)	(2,659)
Adjustments arising on combination (carve-out differences)	497	-	497
Comprehensive income for the period	-	8,875	8,875
Balance as at 30 June 2017	**50,344**	**25,624**	**75,968**

	Invested capital	Retained earnings	Total
	€000	€000	€000
Balance as at 1 January 2016	50,618	24,768	75,386
Issue of share capital	1,878	-	1,878
Share buybacks	(6,981)	(6,464)	(13,445)
Adjustments arising on combination (carve-out differences)	5,769	-	5,769
Comprehensive loss for the period	-	(858)	(858)
Balance as at 31 December 2016	**51,284**	**17,446**	**68,730**

The above Condensed Interim Combined Statement of Changes in Invested Capital should be read in conjunction with the accompanying notes.

Notes to the Condensed Interim Combined Financial Statements

1. General information

AnaCap Group Holdings Limited and its affiliates (together "AnaCap") have established a reserved alternative investment fund (*fonds d'investissement alternative réservé*) in the form of an investment company with variable capital (*société d'investissement à capital variable*) under Luxembourg law ("AFE" or "AnaCap Financial Europe S.A. SICAV - RAIF"). AFE was incorporated on 28 June 2017.

AFE was established to acquire from AnaCap Credit Opportunities II, L.P. and AnaCap Credit Opportunities III, L.P. or their directly controlled subsidiaries (together with their affiliates, the "Funds Group") several direct and indirect subsidiaries and the majority of their assets ("the Acquisition"), including their interests in several loan portfolios (together, the "Portfolio Business"). The Financial Statements have been specially prepared on a 'carve-out' basis, and incorporate the assets, liabilities, revenue and expenses of the Portfolio Business. As such, the Portfolio Business has not existed, and will not exist, as a separate legal entity or combined group of entities. The Acquisition was completed on 21 July 2017 (see Note 16 for further details).

AFE has 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.

The Portfolio Business acquires and invests in certain pools of performing, under-performing and/or non-performing loans and loan notes pursuant to the terms of purchase or investment agreements (the "Portfolio Business Assets"). Further details about the Portfolio Business are disclosed in the Portfolio Business Audited Combined Financial Statements for the Years Ended 31 December 2016, 2015 and 2014 and the Offering Memorandum issued for the €325,000,000 Senior Secured Floating Rate Notes due 1 August 2024 (the "Notes").

2. Adoption of new and amended International Financial Reporting Standards

The following new and revised standards and interpretations affecting the Portfolio Business have been endorsed but are not yet effective for these Financial Statements and have not been early adopted:

- IFRS 9 Financial Instruments
    - IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and Measurement with a single model that has initially only two classification categories: amortised cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.
    - New reporting requirements under IFRS 9 introduce forward looking credit loss models which will lead to changes in timing of impairment recognition. The new expected credit loss ("ECL") model involves a three stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the EIR method. A simplified approach is permitted for financial assets that do not have a significant financing component (i.e. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The Portfolio Business continues to assess the impact of IFRS 9 and plans to ensure compliance with the new standard ahead of its proposed implementation date of 1 January 2018.

- IFRS 15 Revenue from Contracts with Customers
    - IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. The Portfolio Business is assessing the impact of IFRS 15 on future periods.

The following new and revised Standards and Interpretations have been issued but are not yet endorsed or effective for these Financial Statements and have not been early adopted:

- Amendments to IAS 7 - Disclosure initiative - Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (i.e. changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences). Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.
- Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses.
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture.

The Portfolio Business is assessing the potential impact on its Financial Statements resulting from the new and revised standards and interpretations. So far, the Portfolio Business does not expect any significant impact.

Notes to the Condensed Interim Combined Financial Statements (continued)

3. Summary of significant accounting policies

Basis of preparation

These Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the annual Financial Statements for the years ended 31 December 2016, 2015 and 2014, which have been prepared in accordance with IFRS as adopted by the European Union and the IFRS Interpretation Committee interpretations (together "IFRS").

The Portfolio Business has control over and therefore has consolidated the entities listed in Note 12 in these Financial Statements.

Principal accounting policies that have been applied to the Financial Statements are consistent with those followed in the preparation of the Portfolio Business Audited Combined Financial Statements for the Years Ended 31 December 2016, 2015 and 2014. These policies have been consistently applied to all periods presented unless otherwise stated.

The preparation of the Financial Statements in accordance with IAS 34 requires the use of judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Financial Statements, the significant judgments made by management in applying AFE's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Audited Combined Financial Statements for the Years Ended 31 December 2016, 2015 and 2014.

The Financial Statements are presented in thousands of Euro ('€000') and are prepared on a historical cost and going concern basis.

Going concern

The Acquisition completed on 21 July 2017, and so the going concern assessment has been made from the perspective of AFE rather than the Portfolio Business for a period of 12 months from the date of approval of the Financial Statements. In order to complete the Acquisition, 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. AFE also entered into a Super Senior Revolving Credit Facility Agreement (the "Facility") on 7 July 2017 which provides a facility of €45.0m, and can be increased up an amount equal to 17.5% of ERC. As at the date the Financial Statements were approved, the Facility remained undrawn. The forecasts and projections of AFE, taking into account possible changes in trading performance show that AFE will be able to operate at adequate levels of both liquidity and capital for a period of 12 months from the date of approval of the Financial Statements. Accordingly, the Financial Statements continue to adopt the going concern basis in preparing the Financial Statements.

Notes to the Condensed Interim Combined Financial Statements (continued)

4. Segmental reporting

The Portfolio Business represents a single reportable segment. The Portfolio Business' entities are all managed through Luxembourg with subsidiaries and portfolio investments across Europe. The below tables summarise the information management would review for the entities covered by the Portfolio Business:

	6 months ended 30 June 2017	6 months ended 30 June 2016
	€000	€000
Total revenue	**40,927**	**43,926**
Collection activity costs	(10,067)	(10,061)
Impairment - purchased loan portfolios and purchased loan notes	(5,985)	5,897
Net foreign currency (losses) / gains	(112)	95
Other operating expenses	(3,072)	(2,005)
Non-recurring items	-	(1,615)
Operating profit	**21,692**	**36,237**
Finance income	101	129
Finance costs	(12,808)	(41,331)
Profit / (loss) before tax	**8,984**	**(4,965)**
Taxation	(109)	-
Comprehensive income / (loss) for the period	**8,875**	**(4,965)**

Non-recurring items represent a one-off contractual termination fee paid to a servicer on the early termination of their contract following the disposal of the related portfolio.

	As at 30 June 2017	As at 31 December 2016
	€000	€000
Investment in associate	1,028	1,028
Purchased loan portfolios	287,682	259,710
Purchased loan notes	11,817	15,339
Statement of Financial Position		
Total segment assets	323,894	306,111
Total segment liabilities	(247,926)	(237,381)
Segment net assets	**75,968**	**68,730**

The table below represents the total revenue of the Portfolio Business by geography:

	6 months ended 30 June 2017	6 months ended 30 June 2016
	€000	€000
- United Kingdom	1,540	-
- Spain	536	12,806
- Portugal	7,194	6,570
- Romania	1,950	1,207
- Italy	29,707	23,343
Total revenue	**40,927**	**43,926**

Notes to the Condensed Interim Combined Financial Statements (continued)

4. Segmental reporting (continued)

The table below represents the carrying value of the Portfolio Business by geography:

	As at 30 June 2017	As at 31 December 2016
	€000	€000
- United Kingdom	11,757	13,722
- Spain	37,476	39,432
- Portugal	47,228	44,912
- Romania	11,817	15,339
- Italy	191,221	161,644
Total	**299,499**	**275,049**

5. Other operating expenses, foreign exchange gains and losses and impairments of Portfolio Business Assets

Other operating expenses, foreign exchange gains and losses and impairments of Portfolio Business Assets are as follows:

	6 months ended 30 June 2017	6 months ended 30 June 2016
	€000	€000
Management fees	2,509	1,604
Directors' fees	99	66
Legal and professional fees	169	146
Audit and administration fees	198	157
Other expenses	97	32
Other operating expenses	**3,072**	**2,005**
Realised foreign currency losses / (gains)	18	(8)
Unrealised foreign currency losses / (gains)	94	(87)
Net foreign currency losses / (gains)	**112**	**(95)**
Impairment - purchased loan portfolios and purchased loan notes	6,590	3,934
Reversal of impairment - purchased loan portfolios and purchased loan notes	(449)	(9,780)
Reversal of impairment – other receivables	(156)	(51)
Impairment - purchased loan portfolios, purchased loan notes and other receivables	**5,985**	**(5,897)**
Impairment - secured loan notes*	(1,553)	471
Total impairment for the period	**4,432**	**(5,426)**

*Impairment of secured loan notes is presented within *Interest expense – secured loan notes* in the Statement of Comprehensive Income

6. Taxation

The Portfolio Business' activities are primarily based in Luxembourg. Tax charges or credits in the Financial Statements have been determined based on the tax charges or credits recorded in the legal entities comprising the Portfolio Business in the relevant geographies. The tax charges recorded in the Condensed Interim Combined Statement of Comprehensive Income may not necessarily be representative of the charges that may arise following the Acquisition.

Notes to the Condensed Interim Combined Financial Statements (continued)

7. Financial assets

	As at 30 June 2017	As at 31 December 2016
	€000	€000
Expected falling due after one year:		
Purchased loan portfolios	175,243	167,388
Purchased loan notes	6,152	8,421
Other receivables (non-current)	367	493
Total	**181,762**	**176,302**
Expected falling due within one year:		
Purchased loan portfolios	112,439	92,322
Purchased loan notes	5,665	6,918
Other receivables (current)	520	605
Total	**118,624**	**99,845**

Other receivables consist of deferred consideration due on the disposal of purchased loan portfolios.

The movements in purchased loan portfolios were as follows:

	6 months ended 30 June 2017	Year ended 31 December 2016
	€000	€000
Purchased loan portfolios at the start of the period	259,710	169,625
Portfolios acquired during the period	39,680	140,464
Collections in the period	(44,318)	(78,233)
Portfolios disposed of during the period	-	(55,264)
Impairment of purchased loan portfolios	(6,058)	3,899
Income from purchased loan portfolios	38,977	64,005
Profit on disposal of purchased loan portfolios	-	11,874
Unrealised foreign currency losses on purchased loan portfolios	(309)	(1,512)
Other movements	-	4,852
Purchased loan portfolios at the end of the period	**287,682**	**259,710**

Other movements include timing differences due to deferred consideration received on portfolio disposals.

The movements in purchased loan notes were as follows:

	6 months ended 30 June 2017	Year ended 31 December 2016
	€000	€000
Purchased loan notes at the start of the period	15,339	12,007
Purchased loan notes acquired during the period	-	8,900
Collections in the period	(5,389)	(9,980)
Income from purchased loan notes	1,950	3,936
Impairment of purchased loan notes	(83)	476
Purchased loan notes at the end of the period	**11,817**	**15,339**

Notes to the Condensed Interim Combined Financial Statements (continued)

7. Financial assets (continued)

Purchased loan notes represent interests of the Portfolio Business in two entities, Volga Investments DAC and APS Delta S.A., each of which acts as a holding vehicle to a single underlying loan portfolio. These entities are not linked to or originated by the Portfolio Business. The Portfolio Business has exposure to the underlying portfolios by way of purchasing c.32% of the 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 Condensed Combined Statement of Financial Position represent the Portfolio Business' total interest in these entities measured at amortised cost, using the EIR method.

Volga Investments DAC is an Irish incorporated securitisation vehicle, which indirectly purchased a mixed portfolio of non-performing and semi-performing loans in Romania. The acquisition was funded through the issuance of notes by the entity. The Portfolio Business owns c.32% of the notes with three other investors having subscribed to the remaining notes. The equity in the vehicle is held by a third party. At the reporting date Volga Investments DAC had no other investments.

APS Delta S.A. is a Luxembourg incorporated securitisation vehicle, which establishes new compartments for each acquisition. The 'Rosemary' compartment was used to acquire a non-performing loan portfolio in Romania and was financed using notes issued by the compartment. The Portfolio Business owns c.32% of the notes with two other investors having subscribed to the remaining notes. The equity in the vehicle is held by a third party. At the reporting date APS Delta S.A. had no other compartments.

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 Portfolio Business is likely to be uneven during the fiscal year which can lead to fluctuations in collections and carrying values of the Portfolio Business Assets between periods.

8. Trade and other receivables

	As at 30 June 2017	As at 31 December 2016
	€000	€000
Collections receivable	1,605	2,436
Other receivables	608	1,209
Total	**2,213**	**3,645**

Collections receivable consist of collections received by the Portfolio Business' servicers which are due to be paid to the Portfolio Business.

Other receivables include deferred consideration due on the disposal of purchased loan portfolios as described and set out in Note 7.

9. Trade and other payables and loan notes

	As at 30 June 2017	As at 31 December 2016
	€000	€000
Current		
Secured loan notes	23,720	25,487
Trade and other payables		
Trade payables	1,266	924
Amounts due to related parties	20,080	25,302
Accrued expenses	262	714
Other payables	1,091	479
Total	**46,419**	**52,905**
Non-current		
Funding loan notes	201,310	183,992
Total	**201,310**	**183,992**

Notes to the Condensed Interim Combined Financial Statements (continued)

9. Trade and other payables and loan notes (continued)

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

The balance due to related parties is largely due to the related entities that provide funding loan notes and relates to interest payments and principal repayments on the funding loan notes as at the date of the Condensed Interim Combined Statement of Financial Position as described in Note 11.

Funding loan notes represent loans provided to the Portfolio Business by entities controlled within the Funds Group to fund the purchase of portfolio investments. Funding loan notes are senior, secured obligations of the Portfolio Business entities and will rank *pari passu* with all other secured senior obligations of the Portfolio Business, except in limited circumstances where an obligation may be mandatorily preferred by law.

The Portfolio Business entities may repay the funding loan notes in whole or in part any time without premium, penalty or other compensation being payable. The funding loan notes have various final repayment dates: 19 August 2019 and 19 May 2023 for funding loan notes relating to AnaCap Credit Opportunities II Limited and AnaCap Credit Opportunities III Limited respectively, or any such date as the parties may agree in writing.

Interest accrues on outstanding loan note balances at LIBOR plus Margin to the extent the Portfolio Business entities earn income and gains, subject to any adjustments to align the profit of the issuer to be equal to the commercial margin per the provisions of the funding loan note subscription agreements. During each of the periods, interest charged on the funding loan notes is disclosed directly on the face of the Condensed Interim Combined Statement of Comprehensive Income.

The movements in funding loan notes were as follows:

	6 months ended 30 June 2017	Year ended 31 December 2016
	€000	€000
Funding loan notes at the start of the period	183,992	112,746
Issue of funding loan notes	39,175	125,025
Repayment of funding loan notes*	(21,857)	(53,779)
Funding loan notes at end of the period	**201,310**	**183,992**

* This includes principal amounts to be paid at the period end which have been classified as current.

10. Invested capital

	6 months ended 30 June 2017	Year ended 31 December 2016
	€000	€000
Invested capital at the start of the period	51,284	50,618
Issue of shares	525	1,878
Share buybacks	(1,962)	(6,981)
Adjustments arising on combination (carve-out differences)	497	5,769
Invested capital at the end of the period	**50,344**	**51,284**

Notes to the Condensed Interim Combined Financial Statements (continued)

11. Related party transactions

Funding loan notes and related transactions

AnaCap Credit Opportunities II Limited and AnaCap Credit Opportunities III Limited are related parties to the Portfolio Business by virtue of being the parent companies for the entities comprising the Portfolio Business. The Funds Group entities provide funding for portfolio investments via these companies. The table below shows both the current and non-current balances outstanding between these companies and the Portfolio Business as at the end of each period.

	As at 30 June 2017	As at 31 December 2016
	€000	€000
Due to Funds Group entities - current		
AnaCap Credit Opportunities II Limited	3,964	6,775
AnaCap Credit Opportunities III Limited	16,116	10,543
Total due to Funds Group entities	**20,080**	**17,318**
Due to Funds Group entities - non-current		
AnaCap Credit Opportunities II Limited	29,647	34,427
AnaCap Credit Opportunities III Limited	171,663	149,565
Total due to Funds Group entities	**201,310**	**183,992**

The above balances are in relation to the funding loan notes between the Portfolio Business and the Funds Group entities. The finance cost charged by these related entities in relation to funding loan notes was €13,761k (6 month period ended 30 June 2016: €37,861k). The current portion of due to related parties represents interest payable and principal repayment due at each Condensed Interim Combined Statement of Financial Position date. The non-current portion of the due to related parties balance represents the outstanding funding loan notes at each Condensed Interim Combined Statement of Financial Position date as disclosed in Note 9.

AnaCap Credit Opportunities II Limited and AnaCap Credit Opportunities III Limited subscribe to shares in the underlying Portfolio Business' entities. The movement in share issues and share buybacks for each of the reporting periods is disclosed in Note 10.

Subsequent to the Acquisition, AFE will receive the funding loan notes, rendering them intragroup transactions that will be eliminated when preparing future consolidated financial statements of AFE. In addition to operating cash flow, the purchase and investment in future debt portfolios will be funded through the liquidity provided under the Facility and any further issuances of Notes. Accordingly, the variable financing costs relating to the funding loan notes will be replaced by the quarterly interest payments on the Notes and any additional Notes in the future as well as commitment fees on the Facility and any interest costs on drawings thereunder.

Directors' fees

The Portfolio Business 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 periods and the balances due to them at the end of each period.

	6 months ended 30 June 2017	6 months ended 30 June 2016
	€000	€000
Fees charged		
Directors' fees	99	66
Total fees payable	**99**	**66**
Fees payable at period end		
Fees payable	34	35
Directors' fees payable at the end of the period	**34**	**35**

Notes to the Condensed Interim Combined Financial Statements (continued)

11. Related party transactions (continued)

Management fees

The Portfolio Business has not in the past constituted a separate legal group as explained in Note 1. If the Portfolio Business had existed, some of the indirect costs allocated to the Funds Group would have been incurred by the Portfolio Business in the form of management fees at the rates similar to charges levied to the Funds Group which are: 1.75% charged on the acquisition costs of the Portfolio Business' investments during the investment period (generally until the third anniversary of the funds' final closing), and 1.5% charged on acquisition costs net of returns after the investment period. Management fees for each of the periods are disclosed in Note 5.

Subsequent to the Acquisition, the management fee will be calculated based on 1.75% of AFE's net asset value at each period end. These costs relate to pricing, origination, performance and miscellaneous services provided in procuring and managing the investments within the Portfolio Business and for any future investments made by AFE. Had the Portfolio Business existed as a separate legal group during the period under review, the actual charges may have differed from those presented in the Financial Statements.

12. Investments in subsidiaries and controlled entities

Details of the Portfolio Business' subsidiaries and controlled entities are as follows:

Name	Place of incorporation	Registered office	Ownership %	Current status
ACOF II Portugal Limited	Guernsey	∂	100%**	Active
Alpha Credit Holdings S.à r.l.	Luxembourg	◊	100%	Active
Alpha Credit Holdings 3 S.à r.l.	Luxembourg	◊	100%	Active
Alpha Credit Solutions 1 S.à r.l.	Luxembourg	◊	100%	Active
Alpha Credit Solutions 2 S.à r.l.	Luxembourg	◊	100%	Active
Alpha Credit Solutions 4 S.à r.l.	Luxembourg	◊	100%	Active
Alpha Credit Solutions 5 S.à r.l.	Luxembourg	◊	100%	Active
Alpha Credit Solutions 6 S.à r.l.	Luxembourg	◊	100%	Active
Aurora Reo S.r.l.	Italy	√	100%	Active
Aurora SPV S.r.l.*	Italy	√	0%	Active
Augustus SPV S.r.l.*	Italy	√	0%	Active
Iustitia Futura S.r.l.*	Italy	√	0%	Active
Mountrock S.L.U.	Spain	µ	100%	Active
Prime Credit 3 S.A.	Luxembourg	◊	100%	Active
Prime Credit 6 S.à r.l.	Luxembourg	◊	100%	Active
Prime Credit 7 S.à r.l.	Luxembourg	◊	100%	Active
Sagres Holdings Limited*	Portugal	∞	0%	Active
Silview S.L.U.	Spain	µ	100%	Active
Tiberius SPV S.r.l.*	Italy	√	0%	Active
Thor SPV S.r.l.*	Italy	∏	0%	Active

Key

◊ - E Building, Parc d'Activité Syrdall, Parc d'Activité Syrdall, 6, rue Gabriel Lippmann, L–5365 Munsbach, Luxembourg

∞ - East 3, Apartment 1401, Fort Cambridge, Tigne Street, Sliema SLM 3175, Malta

µ - Calle Príncipe de Vergara 131, Primera Planta, 28002 Madrid, Spain

√ - Via Mario Bianchini, 43, 00142 Rome, Italy

∂ - Ground Floor, Cambridge House, Le Truchot, St Peter Port, Guernsey, GY1 1WD

∏ - Via Alessandro Pestalozza 12/14, 20131 Milan, Italy

*In accordance with IFRS 10 these entities have been deemed to be under the control of the Portfolio Business and have therefore been consolidated in these combined financial statements. IFRS 10 determines there to be control when the Portfolio Business is exposed to the majority of the variable returns and was involved at inception of the vehicle.

**Represents 100% ownership of the voting and controlling 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 Portfolio Business Assets, through inter-company funding loan notes and equity.

Notes to the Condensed Interim Combined Financial Statements (continued)

13. Financial instruments

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

Financial instruments not measured at fair value – fair value hierarchy

The following table analyses financial instruments not measured at fair value at the reporting dates, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the Condensed Interim Combined Statement of Financial Position.

The following table shows the investments split into their respective categories as at 30 June 2017:

	Level 1	Level 2	Level 3
	€000	**€000**	**€000**
Purchased loan portfolios	-	-	287,682
Purchased loan notes	-	-	11,817
Investment in associate	-	-	1,028
Total	**-**	**-**	**300,527**

As at 30 June 2017, the fair value of purchased loan portfolios and purchased loan notes was €303,824k and €12,594k (31 December 2016: €273,473k and €16,369k) respectfully. Fair value has been determined by discounting the net cash flows of the Portfolio Business Assets at a market discount rate. The investment in associate is an investment into a privately owned company and therefore there is no active market for which fair value information can be derived.

Notes to the Condensed Interim Combined Financial Statements (continued)

13. Financial instruments (continued)

Financial instruments not measured at fair value – fair value hierarchy (continued)

The following table shows the investments split into their respective categories as at 31 December 2016:

	Level 1	Level 2	Level 3
	€000	**€000**	**€000**
Purchased loan portfolios	-	-	259,710
Purchased loan notes	-	-	15,339
Investment in associate	-	-	1,028
Total	**-**	**-**	**276,077**

There have been no transfers in or out of level 3.

The Condensed Interim Combined Statement of Financial Position value of the Portfolio Business 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 Funds Group has an established control framework with respect to the measurement of the Portfolio Business Assets values. This includes regular monitoring of portfolio performance overseen by the Funds Group, which considers actual versus forecast results at an individual portfolio level, re-forecasting cash flows on a 3-6 monthly basis, reviews of actual versus forecast gross money multiples the latest forecasts of the Portfolio Business Assets.

A reconciliation of the opening to closing balances for the period of the purchased loan portfolios and purchased loan notes can be seen in Note 7.

The Portfolio Business did not hold any other financial instruments not measured at fair value for which a fair value needs to be calculated for each of the periods presented.

14. Borrowings and facilities

Funding received from the Funds Group and external parties are as follow:

	As at 30 June 2017	As at 31 December 2016
	€000	**€000**
Funding loan notes	201,310	183,992
Secured loan notes	23,720	25,487
Total borrowings	**225,030**	**209,479**
Amount due for settlement within one year	**5,622**	**4,988**
Amount due for settlement more than one year	**219,408**	**204,491**

As at the 30 June 2017, the fair value of secured loan notes was €24,467k (31 December 2016: €26,669k). Fair value has been determined by discounting the net cash flows of the Portfolio Business Assets at a market discount rate. The nature and valuation methods for funding loan notes are explained in Note 9.

15. Commitments and contingencies

Details of the Portfolio Business' commitments and contingencies are described in Notes 11, 14 and 16.

There are no other material commitments or contingencies.

Notes to the Condensed Interim Combined Financial Statements (continued)

16. Subsequent events

The issuance of the Notes and use of proceeds of the Notes, the entering into the Facility agreement and the intercreditor agreement ("ICA"), the transfer of the Italian securitisation notes and the granting of the guarantees and of the security described below are referred to as the "Transaction", which completed on 5 September 2017.

On 21 July 2017, AFE completed the Acquisition and issued the Notes, the proceeds of which were used, together with cash on balance sheet, to:

(i) pay the consideration for the Portfolio Business;
(ii) pay the estimated total attributable collections for the three months ended 30 June 2017 (net of costs) to the Funds Group;
(iii) fund cash on AFE's balance sheet for general corporate purposes; and
(iv) pay certain fees and expenses in relation to the Transaction, including the offering of the Notes.

On 21 July 2017 initial consideration was paid to the Funds Group in the amount of €297,217k upon the issuance of the Notes, being the estimated fair value for the Acquisition of the Portfolio Business as at 30 June 2017. A further distribution was paid to the Funds Group on 14 August 2017, representing collections attributable to the Funds Group for the three months ended 30 June 2017 and a 'true-up' of the initial consideration, which ensured that AFE acquired the Portfolio Business at fair value as at 30 June 2017. This distribution was made for an amount of €19,593k.

In addition, AFE entered into the Facility agreement dated 7 July 2017 to provide €45 million for future working capital/liquidity needs. In connection with the Notes and the Facility and to govern certain rights of creditors, AFE also entered into an ICA, dated 10 July 2017.

The Notes are guaranteed on a senior secured basis (the "Guarantees") by ACOF II Portugal Limited, AFE Spain Limited (an entity acquired by AFE from AGHL prior to the issuance of the Notes), Alpha Credit Holdings 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 granted its guarantee of the Facility on 7 July 2017. The Guarantors granted their Guarantees in respect of the Notes and the Facility and acceded to the ICA on 5 September 2017.

On 25 August 2017, the Italian securitisation notes held by two subsidiaries of AFE, Alpha Credit Solutions 1 S.à r.l. and Prime Credit 3 S. à r.l., were transferred to AFE. Those securitisation notes were issued by Augustus SPV S.r.l., Aurora SPV S.r.l., Iustitia Futura S.r.l., Thor SPV S.r.l. and Tiberius SPV S.r.l., special purpose vehicles incorporated in Italy under article 3 of Italian law No. 130 of April 30, 1999, as amended (Disposizioni sulla cartolarizzazione dei crediti).

AFE's and the Guarantors' obligations are secured on a first-ranking basis, from 21 July 2017, by (i) the outstanding capital stock of AFE that is held by its direct parent, AnaCap Financial Europe Holdings SCSp SICAV-RAIF (which was also incorporated to facilitate the Transaction), and from 5 September 2017 by (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.

Notes to the Condensed Interim Combined Financial Statements (continued)

17. Adjusted EBITDA, normalised EBITDA and ERC

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 and notes and secured loan notes calculated using the EIR method are also replaced with actual cash collections in the period. Collections in the period represent cash received by the Portfolio Business and / or the servicers engaged by the Portfolio Business within that period and include deferred consideration on a received basis.

Normalised EBITDA eliminates the impact of portfolio disposals from the adjusted EBITDA.

The adjusted EBITDA and normalised EBITDA reconciliations for the relevant periods are shown below:

	6 months ended 30 June 2017	6 months ended 30 June 2016
	€000	€000
Profit / (loss) before tax	**8,984**	**(4,965)**
Finance costs	12,808	41,331
Net foreign currency losses / (gains)	112	(95)
Impairment - purchased loan portfolios and purchased loan notes	5,985	(5,897)
Collections from portfolios	50,165	37,059
Disposal of purchased loan portfolios and purchased loan notes	-	55,264
Revenue	(40,927)	(43,926)
Repayment of secured loan notes	(814)	(4,151)
Non-recurring items	-	1,615
Finance income	(101)	(129)
Adjusted EBITDA	**36,212**	**76,106**
Reversal of disposal of purchased loan portfolios and purchased loan notes	-	(55,264)
Normalised EBITDA	**36,212**	**20,842**

The value of purchased loan portfolios and purchased loan shown in the Financial Statements are discounted back to net present value. The tables below set out the undiscounted estimated remaining collections of the Portfolio Business Assets ("Gross ERC") and net of any amounts attributable to the secured loan note holders ("ERC").

	As at 30 June 2017	As at 31 December 2016
	€000	€000
Gross ERC	531,598	508,007
ERC	487,800	460,031