AnaCap Financial Europe S.A. SICAV-RAIF

Unaudited Interim Condensed Consolidated Financial Statements
For the Nine Months Ended 30 September 2019

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General Information

Fund

AnaCap Financial Europe S.A. SICAV-RAIF
E Building, Parc d'Activité Syrdall
6, rue Gabriel Lippmann
L-5365 Munsbach
Grand Duchy of Luxembourg
R.C.S Luxembourg: B216080

Board of Directors

- Audrey Lewis;
- Christopher Ross-Roberts;
- Duncan Smith (date of resignation: 31 July 2019);
- Edward Green;
- Hugo Neuman;
- Yazid Oudina (date of appointment: 31 July 2019).

AIFM

Carne Global Fund Managers (Luxembourg) S.A.
6b, Route De Trèves
L-2633 Senningerberg
Grand Duchy of Luxembourg

Board of Directors of the AIFM

- Bill Blackwell;
- John Alldis;
- Kevin Nolan;
- Steve Bernat.

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;
- Gavin Davies (date of resignation: 24 May 2019);
- Jonathan Bridel;
- Nigel Ward;
- Peter Niven;
- Tim Wilson (date of appointment: 24 May 2019).

Administrative Agent

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

Depositary

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

Auditor

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

Investment Advisor

AnaCap Financial Partners LLP
1 Stephen St
Fitzrovia
London W1T 1AL

Directors’ Report

The Directors of AnaCap Financial Europe S.A. SICAV-RAIF ("AFE") are pleased to present the Director's Report and Unaudited Interim Condensed Consolidated Financial Statements (the "Financial Statements") on the activities and financial performance of AFE and its subsidiaries (together, the "Group") for the period from 1 January 2019 to 30 September 2019. The Financial Statements incorporate the assets, liabilities, revenue and expenses of the Group.

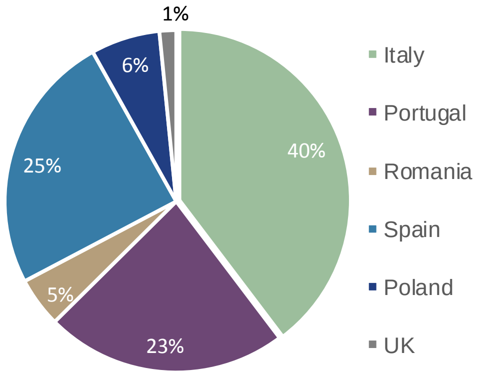
Business Overview

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

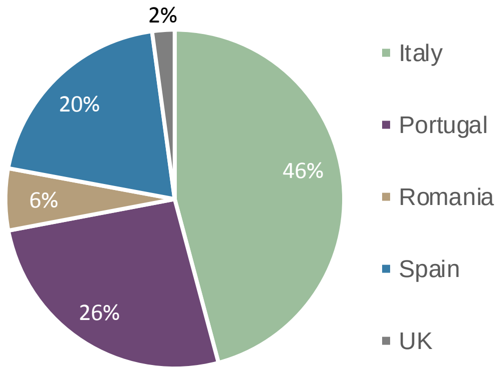
AFE has a diverse portfolio of seasoned and granular consumer, SME and mortgage debt which is differentiated among debt purchasers in the level of diversification across borrowers, asset types and geographies, as well as with its significant collateral backing.

The following charts illustrate the diversification of AFE's 84-month estimated remaining collections ("ERC") from existing purchased loan portfolios, purchased loan notes and investments in joint ventures (together, the “Group’s Assets”) by asset type and geography as well as the seasoned nature of the debt portfolios as of 30 September 2019. 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.

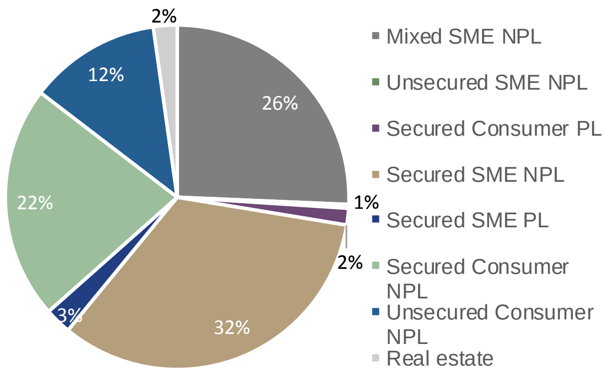
€554.5 million 84 month ERC by geography - 30 September 2019



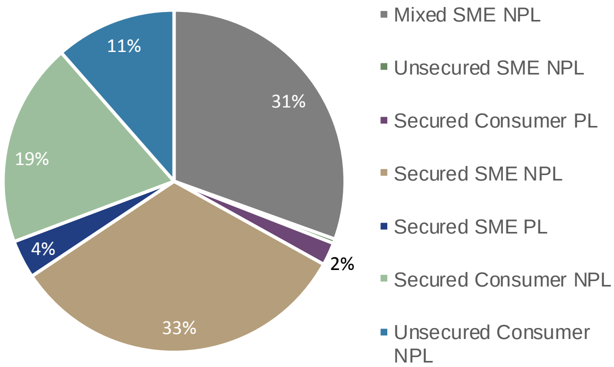
€578.9 million 84 month ERC by geography - 30 September 2018



€554.5 million 84 month ERC by asset type - 30 September 2019



€578.9 million 84 month ERC by asset type - 30 September 2018



Key Performance Indicators

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

The KPI's included within the Directors Report have been prepared on a basis consistent with the financial data contained in the Offering Memorandum. The data below is based on the Group for the nine months ended 30 September 2019 and 30 September 2018. 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.

Directors’ Report (continued)

		Nine months ended 30 September 2019	Nine months ended 30 September 2018	% change
84-month ERC (€'000s)	1	554,544	578,884	-4.2%
84-month Gross ERC (€'000s)	2	586,512	615,087	-4.6%
Cumulative purchases of loan portfolios and loan notes (€'000s)	3	587,381	531,905	10.4%
Number of debt portfolios	4	26	20	30.0%
Number of accounts	5	218,340	215,091	1.5%
Total attributable collections (€'000s)	6	79,558	75,741	5.0%
Total gross collections (€'000s)	7	81,031	77,663	4.3%
Core collections (€'000s)	8	81,031	77,663	4.3%
Operating expenses (€'000s)	9	23,644	21,825	8.3%
Core collection cost ratio	10	29.2%	28.1%	3.8%
Adjusted EBITDA (€'000s)	11	55,288	53,390	3.6%
Normalised Adjusted EBITDA (€'000s)	12	55,288	53,390	3.6%

(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. ERC excludes any proportionate share of remaining cash collections that may be payable to a co-investor holding secured loan notes. 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 the Group’s Assets includes the original purchase price of assets made by the Portfolio Business, plus the purchase price of subsequent portfolio acquisitions by AFE, related capitalised costs (including due diligence, legal and other fees relating to the acquisition but excluding future litigation costs) less pre-determination cash (consisting of collections during the period between pricing of a portfolio and the closing of its acquisition) up to the specified date, less the purchase price for all fully sold portfolios prior to the specified date.

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

(7) Total gross collections represents 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 represents total gross collections, less any disposals of the Group’s Assets.

(9) Operating expenses represents 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 represents 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 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 €637 million has been deployed through acquisitions of and

Directors' Report (continued)

investments in 30 portfolios with an aggregate face value of €12.7 billion. Since 2012, 4 portfolios have been fully sold. As of 30 September 2019, the portfolios held by AFE had an aggregate face value of €10.3 billion following the historical sale of deals with a face value of €2.4 billion, with an 84-month ERC of €555 million.

Portfolios purchased in the year/period ended:	Purchase price (13)	Actual collections to 30 September 2019	84-month ERC	Total estimated collections (14)	Gross money-on-money multiple (15)
	€000	€000	€000	€000	
Year ended 31 December 2012	75,084	165,001	17,128	182,129	2.4x
Year ended 31 December 2013	77,386	127,336	42,040	169,376	2.2x
Year ended 31 December 2014	59,025	111,558	31,478	143,036	2.4x
Year ended 31 December 2015	47,806	40,397	37,934	78,331	1.6x
Year ended 31 December 2016	125,617	122,237	122,002	244,239	1.9x
Year ended 31 December 2017	65,017	65,698	49,533	115,231	1.8x
Year ended 31 December 2018	161,507	44,837	214,697	259,534	1.6x
Period ended 30 September 2019	25,426	851	39,733	40,584	1.6x

(13) Purchase price represents the aggregate amount paid plus capitalised costs and net of pre-determination cash for all portfolio purchases in the period indicated.

(14) Total estimated collections represents actual collections to date plus 84-month ERC, meaning actual collections to 30 September 2019 plus forecast collections for the following 84 months. An adjustment of €1.3m has been made in Q2 2019 to deduct collections received on behalf of co-investors which had been recognised historically.

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

Net debt

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

		Nine months ended 30 September 2019
		€000
Borrowings:	The Notes	307,500
	Revolving Credit Facility (including bank guarantee)	62,808
	Term Facility	22,591
Less:	Cash at bank	(17,941)
	Cash in transit*	(1,278)
	Cash held on AFE's account at servicers	(8,521)
Add back:	Cash collected on behalf of secured loan note holders	400
Net debt		**365,559**

*Cash prepaid in connection with the second close of the acquisition of a Portuguese REO portfolio (see note 20 'Subsequent events' to the Financial Statements')

LTV ratio at period end	16	65.9%
Normalised Adjusted EBITDA leverage ratio	17	3.70
LTM Adjusted EBITDA	18	98,900
Net interest expense	19	20,264
Fixed charge cover ratio ("FCCR")	20	4.88

(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.

Directors' Report (continued)

(17) Normalised Adjusted EBITDA leverage ratio means net debt divided by the Normalised Adjusted EBITDA for the 12 month period ended 30 September 2019.

(18) LTM Adjusted EBITDA means Adjusted EBITDA for the 12 month period ended 30 September 2019.

(19) Net interest expense means interest expense on total debt for the 12 month period ended 30 September 2019.

(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 2019
		€000
Borrowings:	The Notes	307,500
	Unamortised discount on issuance of the Notes	(1,315)
	Unamortised transaction fees	(5,888)
	Per Financial Statements (non-current liability)	300,297
	Interest payable at 30 September 2019 (current liability)	2,612
	Revolving credit facility - amount drawn (excludes bank guarantee)	58,708
	Term Facility - amount drawn	22,591
	Unamortised transaction fees on Term Facility	(573)
Total borrowings		**383,635**

Significant recent developments

Liquidity

On 18 January 2019 the Group increased the size of the Term Facility available to draw upon to €25.0m. Repayments in the period reduced the outstanding balance as at 30 September 2019 to €22.6m.

Dividend paid

On 4 March 2019 the Board of Directors proposed and approved the payment of a dividend to AFE's shareholder in the amount of €10.1m. The dividend was paid on 13 March 2019.

Portfolio acquisitions

On 1 April 2019 the Group acquired a secured non-performing loan portfolio originating in Spain for a purchase price of c.€8.8m.

Following the acquisition of the secured and unsecured NPL portfolio in Poland in December 2018, on 22 May 2019 the Group completed the second and final close of this transaction for c.€146k.

On 1 August 2019 AFE entered into a commitment letter confirming that it would provide the necessary funds in order to fund its share of the purchase price to acquire a Spanish NPL portfolio. In order to facilitate this acquisition a wholly owned indirect subsidiary of AFE paid c.€5.4m to a Luxembourg securitisation vehicle ("Lux SV") on 12 September 2019 in consideration for loan notes issued by Lux SV. The Lux SV in turn used these proceeds to acquire the Spanish NPL portfolio. AFE subscribed to 33.33% of the loan notes issued by the Lux SV.

On 14 August 2019 AFE entered into another commitment letter confirming that it would provide the necessary funds for its share of the purchase price to acquire an additional Spanish NPL portfolio. The total commitment for AFE is c.€8.8m (see also note 20 'Subsequent events' to the Financial Statements).

On 20 September 2019 AFE subscribed to 10% of the loan notes issued by Precise Credit Solutions 4 S.a r.l, an entity within the AnaCap Credit SCSp- Compartment A- AnaCap Credit Opportunities IV fund structure, in connection with facilitating the 1st close of the acquisition of a Portuguese REO portfolio. Total invested capital in respect of this 1st close amounted to c.€8.8m.

On 27 September 2019 AFE signed a commitment letter to subscribe to 33.33% of the asset backed notes to be issued by Tiberius SPV S.r.l. (compartment 6) in connection with facilitating the acquisition of an Italian secured SME NPL portfolio. On 27 September 2019 AFE paid c.€2.1m to Tiberius SPV S.r.l (compartment 6) being an advance payment of the notes subscription price in accordance with the commitment letter. On 30 September 2019 Tiberius SPV S.r.l (compartment 6) applied these proceeds to acquire the Italian secured SME NPL portfolio.

Directors' Report (continued)

Purchase of Senior Secured Notes

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.

New subsidiaries

On 14 May 2019 Alpha Credit Solutions 1 S.a r.l., a fully owned indirect subsidiary of AFE, successfully incorporated Atticus - Sociedade de Titularizacao de Creditos, S.A. ("Atticus STC, S.A."), a securitisation vehicle regulated by the Comissao Do Mercado De Valores Mobiliarios ("CMVM") in Portugal. The vehicle will serve as a platform for the acquisition and management of future NPL portfolio transactions in Portugal.

Christopher Ross-Roberts
Director
14 November 2019

Independent Auditors' Report

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 2019, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows 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 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 Fund, 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
Represented by

Luxembourg, 14 November 2019

Thierry Salagnac

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
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Interim Condensed Consolidated Statement of Comprehensive Income for the Nine Months Ended 30 September 2019

	Notes	Three months ended 30 September 2019 €000	Nine months ended 30 September 2019 €000	Three months ended 30 September 2018 €000	Nine months ended 30 September 2018 €000
Revenue					
Interest income from purchased loan portfolios		17,819	53,722	20,296	51,434
Interest income from purchased loan notes		459	1,451	668	1,595
Interest income from joint ventures		1,296	3,838	-	-
Revaluation gains		-	292	-	1,849
Other income		221	257	124	230
Total revenue	4	**19,795**	**59,560**	**21,088**	**55,108**
Operating expenses					
Collection activity costs		(3,788)	(15,774)	(4,846)	(14,796)
Impairment		-	(214)	-	(2,427)
Net foreign currency losses	5	(404)	(169)	(86)	(113)
Other operating expenses	5	(2,842)	(8,089)	(2,706)	(7,257)
Non-recurring items	5	-	(219)	(12)	(228)
Normal operating expenses		(2,842)	(7,870)	(2,694)	(7,029)
Total operating expenses		**(7,034)**	**(24,246)**	**(7,638)**	**(24,593)**
Operating profit		**12,761**	**35,314**	**13,450**	**30,515**
Finance income		3	108	19	250
Gain from repurchase of Senior Secured Notes		-	1,728	-	-
Finance costs		(5,852)	(17,968)	(6,288)	(15,540)
Interest expense - secured loan notes		(646)	(1,965)	(789)	(665)
Finance costs - borrowings	6	(5,206)	(16,003)	(5,499)	(14,875)
Share of profit in associate	8	106	485	97	590
Profit before tax		**7,018**	**19,667**	**7,278**	**15,815**
Tax charge	7	(189)	(1,190)	(328)	(385)
Comprehensive income for the period		**6,829**	**18,477**	**6,950**	**15,430**

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 2019

	Notes	As at 30 September 2019 €000	As at 31 December 2018 €000
Assets			
Non-current assets			
Property, plant and equipment		75	22
Investment in associate	8	6,201	6,316
Goodwill		1,836	1,836
Total non-current assets		**8,112**	**8,174**
Current assets			
Cash and cash equivalents		17,941	37,310
Trade and other receivables	11	17,875	16,642
Purchased loan portfolios	9	298,559	309,949
Purchased loan notes	9	25,435	19,938
Investments in joint ventures	9	47,056	41,543
Inventory	10	23,555	20,401
Total current assets		**430,421**	**445,783**
Total assets		**438,533**	**453,957**
Liabilities			
Non-current liabilities			
Borrowings	17	300,297	316,424
Trade and other payables	12	1,155	1,281
Total non-current liabilities		**301,452**	**317,705**
Current liabilities			
Borrowings	17	83,338	84,019
Secured loan notes	17	18,007	19,709
Trade and other payables	12	6,758	13,050
Tax payable		1,241	1,408
Provisions	18	4,192	2,892
Total current liabilities		**113,536**	**121,078**
Total liabilities		**414,988**	**438,783**
Equity			
Share capital	13	1,250	1,250
Retained earnings		22,295	13,924
Total equity		**23,545**	**15,174**
Total equity and liabilities		**438,533**	**453,957**

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

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2019 were approved by the Board of Directors and authorised for issue on its behalf by:

Christopher Ross-Roberts
Director
14 November 2019

Interim Condensed Consolidated Statement of Cash Flows for the Nine Months Ended 30 September 2019

	Notes	Nine months ended 30 September 2019 €000	Nine months ended 30 September 2018 €000
Cash flows from operating activities			
Profit/(loss) before tax		19,667	15,815
Adjustments for:			
Interest income from purchased loan portfolios		(53,722)	(51,434)
Interest income from purchased loan notes		(1,451)	(1,595)
Interest income from joint ventures		(3,838)	-
Other income		-	(230)
Finance income		(108)	(250)
Impairment		214	2,427
Gain from repurchase of Senior Secured Notes		(1,728)	-
Revaluation gains		(292)	(1,849)
Finance costs - borrowings	6	16,003	14,875
Interest expense - secured loan notes		1,965	665
Net foreign currency losses	5	169	113
Share of profit in associate	8	(485)	(590)
Operating cash flows before movements in working capital		**(23,606)**	**(22,053)**
Change in trade and other receivables*	11	(716)	3,656
Change in trade and other payables*	12	(5,994)	(505)
Cash used in operating activities before collections and purchases		**(30,316)**	**(18,902)**
Tax paid		(568)	(1,467)
Collections in the period	9	81,031	77,663
Acquisition of purchased loan portfolios	9	(9,206)	(93,500)
Acquisition of purchased loan notes		(8,753)	(17,194)
Acquisition of joint ventures	9	(7,467)	(10,589)
Net cash generated from/(used in) operating activities		**24,721**	**(63,989)**
Investing activities			
Consideration paid for acquisition of Galata		(300)	(317)
Dividends received		600	-
Other transaction costs		-	(154)
Net cash used in investing activities		**300**	**(471)**
Cash flows from financing activities			
Financing activities			
Dividends paid	13	(10,106)	-
Proceeds from borrowings		46,501	82,000
Repayment of borrowings		(46,397)	(29,854)
Senior Secured Notes repurchased	17	(15,400)	-
Revolving Credit Facility transaction and other fees paid		(133)	(591)
Repayment of secured loan notes		(3,668)	(2,491)
Finance costs paid		(15,187)	(13,268)
Net cash (used in)/generated from financing activities		**(44,390)**	**35,796**
Net movements in cash and cash equivalents		(19,369)	(28,664)
Cash and cash equivalents at the beginning of the period		37,310	52,194
Cash and cash equivalents at the end of the period		**17,941**	**23,530**

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

The above Interim Condensed 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 2019

	Share capital	Retained earnings	Total equity
	€000	€000	€000
Balance as at 1 January 2019	1,250	13,924	15,174
Dividend paid	-	(10,106)	(10,106)
Comprehensive income for the period	-	18,477	18,477
Balance as at 30 September 2019	**1,250**	**22,295**	**23,545**

Comparative figures from 1 January 2018 to 30 September 2018:

	Share capital	Retained earnings	Total equity
	€000	€000	€000
Balance as at 1 January 2018	1,250	(6,398)	(5,148)
Comprehensive income for the period	-	15,430	15,430
Balance as at 30 September 2018	**1,250**	**9,032**	**10,282**

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

Notes to the Interim Condensed Consolidated Financial Statements for the Nine Months Ended 30 September 2019

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*), with registered office at E Building, Parc d'Activité Syrdall, 6, Rue Gabriel Lippmann, L-5365 Munsbach, Luxembourg, Grand Duchy of Luxembourg.

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

The principal activity of AFE and its subsidiaries as listed in note 15 (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.

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 period from 1 January 2018 to 31 December 2018. 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 18 January 2019, the Group increased the size of the Term Facility by €4.1m to €25.0m (see note 17 'Borrowings and facilities' for further information).

On 4 March 2019 the Board of Directors approved a dividend of €10.1m. This was fully paid on 13 March 2019.

On 1 April 2019 the Group acquired a secured non-performing loan portfolio originating in Spain for a purchase price of c.€8.9m.

Following the acquisition of a secured and unsecured NPL portfolio in Poland in December 2018, on 22 May 2019 the Group completed the second and final close of this transaction for c.€146k.

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.

On 14 May 2019 Alpha Credit Solutions 1 S.a r.l., a fully owned indirect subsidiary of AFE, successfully incorporated Atticus - Sociedade de Titularizacao de Creditos, S.A. ("Atticus STC, S.A."), a securitisation vehicle regulated by the Comissao Do Mercado De Valores Mobiliarios ("CMVM") in Portugal. The vehicle will serve as a platform for the acquisition and management of future NPL portfolio transactions in Portugal.

On 1 August 2019 AFE entered into a commitment letter confirming that it would provide the necessary funds in order to fund its share of the purchase price to acquire a Spanish NPL portfolio. In order to facilitate this acquisition a wholly owned indirect subsidiary of AFE paid c.€5.4m to a Luxembourg securitisation vehicle ("Lux SV") on 12 September 2019 in consideration for loan notes issued by Lux SV. The Lux SV in turn used these proceeds to acquire the Spanish NPL portfolio. AFE subscribed to 33.33% of the loan notes issued by the Lux SV.

On 14 August 2019 AFE entered into another commitment letter confirming that it would provide the necessary funds in order to fund its share of the purchase price to acquire an additional Spanish NPL portfolio. The total commitment for AFE is c.€8.8m (see also note 20 'Subsequent events').

On 20 September 2019 AFE subscribed to 10% of the loan notes issued by Precise Credit Solutions 4 S.a r.l, an entity within the AnaCap Credit SCSp- Compartment A- AnaCap Credit Opportunities IV fund structure, in connection with facilitating the 1st close of the acquisition of a Portuguese REO portfolio. Total invested capital in respect of this 1st close amounted to c.€8.8m.

On 27 September 2019 AFE signed a commitment letter to subscribe to 33.33% of the asset backed notes to be issued by Tiberius SPV S.r.l. (compartment 6) in connection with facilitating the acquisition of an Italian secured SME NPL portfolio. On 27 September 2019 AFE paid c.€2.1m to Tiberius SPV S.r.l (compartment 6) being an advance payment of the notes subscription price in accordance with the commitment letter. On 30 September 2019 Tiberius SPV S.r.l (compartment 6) applied these proceeds to acquire the Italian secured SME NPL portfolio.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

1. General information (continued)

On 27 September 2019 AFE paid €5.3m being the deferred consideration due in respect of an Italian portfolio that was acquired on 1 October 2018.

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

A number of new or 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.

3. 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 entity's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

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

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

Critical estimates

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

Due to the nature of the business, the expected cash flows on financial assets are measured using an 84-month rolling expected life from the date of the Consolidated Statement of Financial Position. 84-month cash flow forecasts are prepared for each portfolio on an account basis. 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 investment 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 particular characteristics of each 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. A change in the expected future cash flows by +10% would increase the carrying value of financial assets as at 30 September 2019 by €40,400k. A change in the expected future cash flows by -10% would reduce the carrying value of financial assets as at 30 September 2019 by €40,400k.

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

4. 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 2019	As at 31 December 2018
	€000	**€000**
Investment in associate	6,201	6,316
Purchased loan portfolios	298,559	309,949
Purchased loan notes	25,435	19,938
Investments in joint ventures	47,056	41,543
Inventory	23,555	20,401
Statement of Financial Position		
Total segment assets	438,533	453,957
Total segment liabilities	(414,988)	(438,783)
Segment net assets	**23,545**	**15,174**

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

	Three months ended 30 September 2019	Nine months ended 30 September 2019	Three months ended 30 September 2018	Nine months ended 30 September 2018
	€000	**€000**	**€000**	**€000**
- United Kingdom	238	788	332	1,011
- Romania	459	1,743	668	3,445
- Poland	758	2,231	-	-
- Italy, Spain, Portugal	18,340	54,798	20,088	50,652
Total revenue	**19,795**	**59,560**	**21,088**	**55,108**

The table below represents the carrying value of the Group's Assets (being total assets less property, plant and equipment, goodwill, trade and other receivables and cash and cash equivalents) by geography:

	As at 30 September 2019	As at 31 December 2018
	€000	**€000**
- United Kingdom	6,779	8,553
- Romania	16,682	19,938
- Poland	19,575	20,692
- Italy, Spain, Portugal	357,770	348,964
Total	**400,806**	**398,147**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

4. Segmental reporting (continued)

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

	Gross ERC 30 September 2019	ERC 30 September 2019
	€000	€000
- United Kingdom	8,683	8,683
- Romania	26,113	26,113
- Italy	220,106	220,106
- Spain	165,092	136,647
- Portugal	130,307	126,784
- Poland	36,211	36,211
Total	**586,512**	**554,544**

5. Other operating expenses, foreign exchange gains and losses

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

	Three months ended 30 September 2019	Nine months ended 30 September 2019	Three months ended 30 September 2018	Nine months ended 30 September 2018
	€000	€000	€000	€000
Management fees	1,620	4,691	1,689	4,341
Directors' fees	78	216	58	186
Legal and professional fees	303	605	145	468
Administration fees	332	986	254	915
Audit fees	151	314	72	207
Abort deal fees	-	283	-	226
Depositary charges	13	41	2	26
Other expenses	345	734	474	660
Non-recurring items*	-	219	12	228
Other operating expenses	**2,842**	**8,089**	**2,706**	**7,257**
Realised foreign currency losses/(gains)	25	68	(134)	(205)
Unrealised foreign currency losses	379	101	220	318
Net foreign currency losses	**404**	**169**	**86**	**113**

*Non-recurring items relate to costs incurred on structural changes and efficiencies being implemented (2018: costs incurred in relation to the acquisition of Galata).

6. Finance costs – borrowings

	Three months ended 30 September 2019	Nine months ended 30 September 2019	Three months ended 30 September 2018	Nine months ended 30 September 2018
	€000	€000	€000	€000
Fees on Revolving Credit Facility	204	292	55	390
Interest on borrowings	633	2,327	537	951
Interest on Senior Secured Notes and related Charges	4,369	13,384	4,907	13,534
Total finance costs - borrowings	**5,206**	**16,003**	**5,499**	**14,875**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

7. 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).

For the nine months ended 30 September 2019, the Group's tax charge of €1,190k (nine months ended 30 September 2018: €385k) comprised of Portuguese and other local tax charges. See note 18 for further information on the Portuguese tax charges.

8. Investment in associate

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

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

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

The associate is accounted for using the equity method.

On 16 April 2019 PAM declared a dividend payable to the Group in the amount of €600k; this was received by the Group on 1 July 2019.

Below is a reconciliation of the movements in the carrying value of the Group's interest in PAM as at 30 September 2019:

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 2019	As at 31 December 2018
	€000	€000
Interest in net assets at beginning of period	6,316	5,392
Dividend declared during the period	(600)	-
Share of profit in associate	485	770
Costs capitalised in connection with the conversion of the warrants	-	154
Interest in net assets of associate at the end of the period	**6,201**	**6,316**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

9. Investments in portfolios

	As at 30 September 2019	As at 31 December 2018
	€000	€000
Expected falling due after one year:		
Purchased loan portfolios	207,539	256,454
Purchased loan notes	19,895	15,845
Investment in joint ventures	43,932	40,815
Total	**271,366**	**313,114**
Expected falling due within one year:		
Purchased loan portfolios	91,020	53,495
Purchased loan notes	5,540	4,093
Investment in joint ventures	3,124	728
Total	**99,684**	**58,316**

The movements in purchased loan portfolios were as follows:

	As at 30 September 2019
	€000
Purchased loan portfolios as at beginning of year	309,949
Portfolios acquired during the period	9,206
Interest income from purchased loan portfolios	53,722
Collections in the period	(70,123)
Impairment	(214)
Less: movement in inventory and other receivables	(3,981)
Purchased loan portfolios at the end of the period	**298,559**

The movements in purchased loan notes were as follows:

	As at 30 September 2019
	€000
Purchased loan notes as at beginning of year	19,938
Loan notes acquired during the period	8,753
Interest income from purchased loan notes	1,451
Collections in the period	(4,999)
Revaluation gains	292
Purchased loan notes at the end of the period	**25,435**

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

Seasonal factors, including the number of working days in a given month, the propensity of customers to take holidays at particular times of the year, annual cycles in disposable income as well as seasonal interruptions of court calendars can impact collections. Collections within portfolios tend to have high seasonal variances, resulting in high variances of collections between periods. In addition, the timing of asset acquisitions by the Group is likely to be uneven during the fiscal year which can lead to fluctuations in collections and carrying values of the Group 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

9. Investments in portfolios (continued)

The movements in investments in joint ventures were as follows:

	As at 30 September 2019
	€000
Joint ventures as at beginning of year	41,543
Joint ventures acquired during the period	7,467
Interest income from joint ventures	3,838
Collections in the period	(5,461)
Net foreign currency loss	(331)
Joint ventures at the end of the period	**47,056**

In addition to collections from purchased loan portfolios, purchased loan notes and investments in joint ventures €448k was received in the period from the deferred consideration owing from the disposal of purchased loan portfolios.

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

10. Inventory

	As at 30 September 2019	As at 31 December 2018
	€000	€000
Inventory	23,555	20,401
Total	**23,555**	**20,401**

Inventory assets are collateral assets, mainly real estate, repossessed as part of the management of secured non-performing loan portfolios.

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

	As at 30 September 2019
	€000
Opening inventory	20,401
Re-possessions	7,265
Disposals	(4,111)
Closing balance	**23,555**

11. Trade and other receivables

	As at 30 September 2019	As at 31 December 2018
	€000	€000
Collections receivable	8,521	10,863
Other receivables	9,354	5,779
Total	**17,875**	**16,642**

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 and upsizing the Facility and 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

12. Trade and other payables

	Notes	As at 30 September 2019 €000	As at 31 December 2018 €000
Trade payables		1,089	2,323
Deferred and contingent consideration		194	5,635
Amounts due to related parties	14	92	301
Accrued expenses		5,383	4,791
Trade and other payables - current		6,758	13,050
Deferred and contingent consideration - non-current		1,155	1,281
Total trade and other payables		**7,913**	**14,331**

13. Share capital

	As at 30 September 2019 €000	As at 31 December 2018 €000
Share capital at 1 January 2019	1,250	1,250
Total share capital at 30 September 2019	**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.

On 4 March 2019 the Board of Directors approved a dividend of €10.1m. This was fully paid on 13 March 2019.

14. Related party transactions

	As at 30 September 2019 €000	As at 31 December 2018 €000
Due to related parties		
Carne Global Fund Managers (Luxembourg) S.A.	46	50
AnaCap Investment Manager Limited	-	107
AnaCap Luxembourg S.à r.l.	46	144
Total	**92**	**301**

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 is €4,691k (nine months ended 30 September 2018: €4,341k).

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

During the period, the Group incurred charges of €538k (nine months ended 30 September 2018: €523k) to AnaCap Luxembourg S.à.r.l. in relation to support functions and services provided to the Group.

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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14. Related party transactions (continued)

	Three months ended 30 September 2019	Nine months ended 30 September 2019	Three months ended 30 September 2018	Nine months ended 30 September 2018
	€000	€000	€000	€000
Fees charged				
Directors' fees	78	216	58	186
Total fees charged during the period	**78**	**216**	**58**	**186**

	As at 30 September 2019	As at 31 December 2018
	€000	€000
Fees payable		
Directors' fees payable	173	136
Directors' fees payable at the end of the period	**173**	**136**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

15. Investments in subsidiaries and controlled entities

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

	Place of incorporation	Registered office	Ownership % as at 30 September 2019	Ownership % as at 31 December 2018	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	β	100%	100%	Active
Alpha Credit Solutions 4 S.à r.l.	Luxembourg	◊	100%	100%	Active
Alpha Credit Solutions 5 S.à r.l.	Luxembourg	β	100%	100%	Active
Alpha Credit Solutions 6 S.à r.l.	Luxembourg	◊	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
Mountrock S.L.U.	Spain	µ	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	µ	100%	100%	Active
Tiberius SPV S.r.l.* (Compartments 1-4)	Italy	√	0%	0%	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	ῳ	100%	100%	Active
Galata Asset Management, S.L.	Spain	ẑ	100%	100%	Active
Episódio Válido - S.A.	Portugal	ϕ	100%	100%	Active
Atticus STC, S.A.	Portugal	Ω	100%	0%	Active
Átila, Unipessoal LDA	Portugal	θ	100%	0%	Active

Key

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θ - Avenida 5 de Outubro 85. 2º floor, 1050-050 Lisbon, Portugal

* 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)

16. Financial assets, liabilities and 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 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 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.

Management believes the acquisition price is the best indicator of fair value upon acquisition. Subsequent to acquisition, it has been determined that the carrying value of purchased loan portfolios, purchased loan notes, investments in joint ventures, investments in associate and secured loan notes best reflects the fair value of these assets and liabilities.

The carrying values of the Term Facility and the Revolving Credit Facility 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 2019 being €276,088k (31 December 2018: €271,943k).

There have been no transfers between the levels.

Financial instruments not measured at fair value – fair value hierarchy

The Consolidated Statement of Financial Position value of the Group 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 Assets values. This includes regular monitoring of portfolio performance overseen by the Group, which considers actual versus forecast results at an individual portfolio level and re-forecasting cash flows on a 3-6 monthly basis.

A reconciliation of the closing balances for the year of the purchased loan portfolios and purchased loan notes can be seen in note 9.

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

17. Borrowings and facilities

	As at 30 September 2019	As at 31 December 2018
	€000	€000
Expected falling due after one year		
Senior Secured Notes	300,297	316,424
Secured loan notes	14,488	14,808
Total	**314,785**	**331,232**
Expected falling due within one year		
Revolving Credit Facility	58,708	60,908
Term Facility	22,018	20,402
Senior Secured Notes	2,612	2,709
Secured loan notes	3,519	4,901
Total	**86,857**	**88,920**

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

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

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

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, 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.

As at 30 September 2019 AFE had a €90.0m (2018: €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 2019, €58.7m (31 December 2018: €60.9m) had been drawn as a loan from the Facility, and €4.1m (31 December 2018: €4.1m) had been utilised in the form of a bank guarantee, which resulted in the total amount available to draw upon as at 30 September 2019 equal to €27.2m (31 December 2018: €25.7m). The fees payable for the bank guarantee is 2.70% p.a. which is charged quarterly in arrears.

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. During the reporting period both ratios were kept within the required thresholds, therefore fully complying with the financial covenants imposed. As at 30 September 2019, the LTV Ratio was 65.9% and the SSRCF LTV Ratio was 7.4%.

On 18 January 2019, Alpha Credit Solutions 6 S.a r.l. ("ACS6") upsized the Term Facility by €4.1m, increasing the total Term Facility available to draw on to €25.0m. As at 30 September 2019, €22.6m (31 December 2018: €20.7m) had been drawn. Interest accrues at a rate equal to the Margin and EURIBOR. The Margin means 3.75% for a period of 6 months, and this rate decreases at various intervals over the term of the agreement.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

18. Commitments and contingencies

Portuguese tax liability

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

In light of this, an accrual has also been made to recognise that there may be potential Portuguese tax charges for 2018 and 2019, which has been calculated in a similar manner. The total tax provision reflected in the Financial Statements as at 30 September 2019 is €4.2m.

Brexit

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

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

19. Ultimate parent entity

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

20. Subsequent events

Following on from the commitment letter signed on 14 August 2019 in connection with the acquisition of a Spanish NPL portfolio, the acquisition of the portfolio occurred in two separate closes, on 7 October 2019 and 30 October 2019 respectively, for a total amount of c.€8.2m, with c.€300k still committed to deploy.

On 31 October 2019 the 2nd close of the Portuguese REO portfolio acquisition completed for an amount of c.€1.0m.

On 14 November 2019 AFE received c.€6.7m from Precise Credit Solutions 4 S.à r.l. as a result of completing the re-financing of the acquired Portuguese REO portfolio. The total re-financed amount equates to c.72% of the purchase price of the portfolio with respective amounts being drawn from the facility upon each close of the transaction. The facility will mature in October 2023.

21. 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 are calculated using the EIR method are also replaced with actual cash collections in the year. Collections in the year represent cash received by the Group and/or the servicers engaged by the Group within that year and include deferred consideration on a received basis.

Normalised EBITDA eliminates the impact of portfolio disposals.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

21. Adjusted EBITDA and Normalised EBITDA (continued)

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 2019	Nine months ended 30 September 2018
	€000	€000
Profit before tax	**19,667**	**15,815**
Finance costs	17,968	15,540
Share of profit in associate	(485)	(590)
Net foreign currency movements	169	113
Impairment	214	2,427
Collections from portfolios	81,031	77,663
Gain from repurchase of Senior Secured Notes	(1,728)	-
Unwinding of deferred consideration	-	43
Revenue	(59,560)	(55,108)
Other income	257	-
Cash collected on behalf of secured loan noteholders	(2,956)	(2,491)
Non-recurring items	219	228
Dividends received	600	-
Finance income	(108)	(250)
Normalised and Adjusted EBITDA	**55,288**	**53,390**

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

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
	€000	€000
Net cash generated from operating activities	**24,721**	**(63,989)**
Portfolio acquisitions	25,426	121,283
Taxation paid	568	1,467
Cash collected on behalf of secured loan noteholders	(2,956)	(2,491)
Working capital adjustments	6,710	(3,151)
Unwinding of deferred consideration	-	43
Non-recurring items	219	228
Dividends received	600	-
Normalised and Adjusted EBITDA	**55,288**	**53,390**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

21. Adjusted EBITDA and Normalised EBITDA (continued)

Reconciliation of core collections to Normalised and Adjusted EBITDA:

	Nine months ended 30 September 2019	Nine months ended 30 September 2018
	€000	€000
Core Collections in the period	**81,031**	**77,663**
Unwinding of deferred consideration	-	43
Other income	257	-
Operating expenses	(24,246)	(24,593)
Net foreign currency movements	169	113
Impairment	214	2,427
Cash collected on behalf of secured loan noteholders	(2,956)	(2,491)
Non-recurring items	219	228
Dividends received	600	-
Normalised and Adjusted EBITDA	**55,288**	**53,390**