

AnaCap Financial Europe S.A. SICAV-RAIF

**Unaudited Interim Condensed Consolidated Financial Statements
For the Six Months Ended 30 June 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

AIFM

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

Portfolio Manager

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

Administrative Agent

IQ EQ Fund Services (Luxembourg) S.A.
E Building, Parc d'Activité Syrdall
6, rue Gabriel Lippmann
L-5365 Munsbach
Grand Duchy of Luxembourg

Auditor

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

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).

Board of Directors of the AIFM

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

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).

Depository

RBS International
Luxembourg Branch
The Square, Building A – 40 Avenue J.F. Kennedy
L-1855 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 June 2019. The Financial Statements incorporate the assets, liabilities, revenue and expenses of the Group.

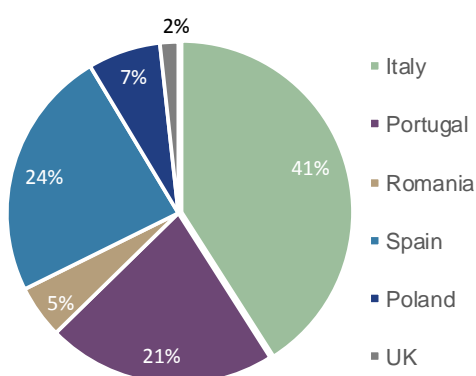
Business Overview

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.

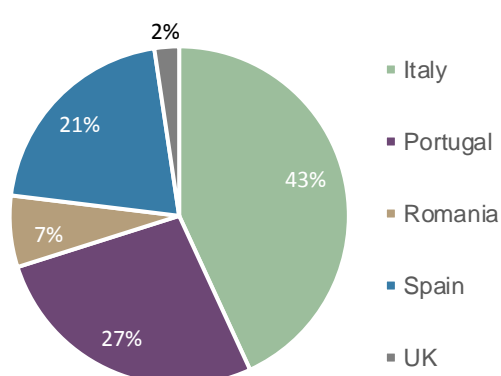
AFE has a diverse portfolio of seasoned and granular consumer, SME and mortgage debt which is differentiated among debt purchasers in the level of diversification across borrowers, asset types and geographies, as well as with its significant collateral backing.

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 June 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.

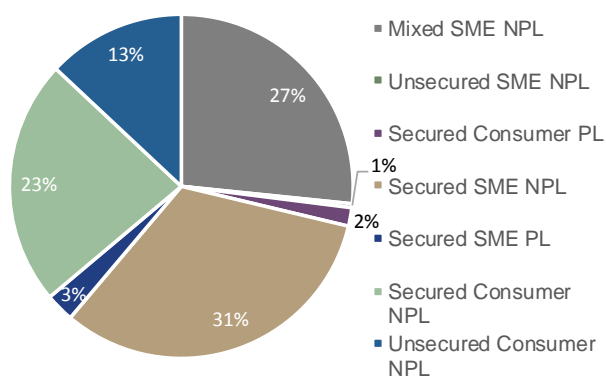
€550.1 million 84 month ERC by geography - 30 June 2019



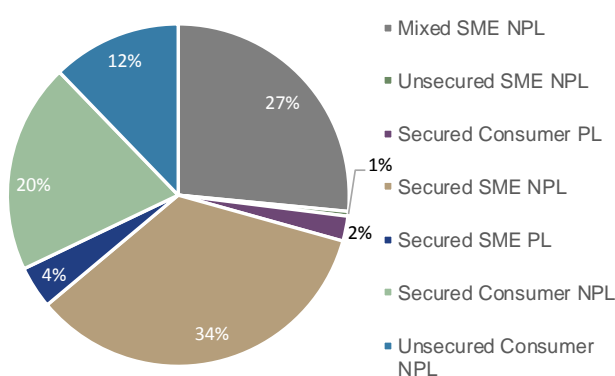
€564.8 million 84 month ERC by geography - 30 June 2018



€550.1 million 84 month ERC by asset type - 30 June 2019



€564.8 million 84 month ERC by asset type - 30 June 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 six months periods ended 30 June 2019 and 30 June 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)

		Six months ended 30 June 2019	Six months ended 30 June 2018	% change
84-month ERC (€'000s)	1	550,106	564,773	-2.6%
84-month Gross ERC (€'000s)	2	582,222	602,139	-3.3%
Cumulative purchases of loan portfolios and loan notes (€'000s)	3	570,968	509,577	12.0%
Number of debt portfolios	4	23	19	21.1%
Number of accounts	5	217,021	213,433	1.7%
Total attributable collections (€'000s)	6	59,356	53,888	10.1%
Total gross collections (€'000s)	7	61,037	55,248	10.5%
Core collections (€'000s)	8	61,037	55,248	10.5%
Operating expenses (€'000s)	9	17,014	14,285	19.1%
Core collection cost ratio	10	27.9%	25.9%	7.8%
Adjusted EBITDA (€'000s)	11	41,826	38,975	7.3%
Normalised Adjusted EBITDA (€'000s)	12	41,826	38,975	7.3%

(1) 84-month ERC ("ERC") means AFE's estimated remaining collections on the Group's Assets over an 84-month period, assuming no additional purchases are made and on an undiscounted basis. 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 €609 million has been deployed through acquisitions of and

Directors' Report (continued)

investments in 27 portfolios with an aggregate face value of €12.7 billion. Since 2012, 4 portfolios have been fully sold. As of 30 June 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 €550 million.

Portfolios purchased in the year/period ended:	Purchase	Actual	84-month	Total estimated	Gross money-
	price (13)	collections to	ERC	collections (14)	on-money
	€000	€000	€000	€000	multiple (15)
Year ended 31 December 2012	75,084	163,764	17,799	181,563	2.4x
Year ended 31 December 2013	77,386	126,386	42,990	169,376	2.2x
Year ended 31 December 2014	59,025	108,639	32,838	141,477	2.4x
Year ended 31 December 2015	47,806	39,327	38,989	78,316	1.6x
Year ended 31 December 2016	125,617	117,524	126,715	244,239	1.9x
Year ended 31 December 2017	65,017	63,229	51,902	115,131	1.8x
Year ended 31 December 2018	161,507	38,843	222,249	261,092	1.6x
Period ended 30 June 2019	9,013	-	16,623	16,623	1.8x

(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 June 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.

		Six months ended 30 June 2019
		€000
Borrowings:	The Notes	307,500
	Revolving Credit Facility (including bank guarantee)	48,472
	Term Facility	23,261
Less:	Cash at bank	(18,676)
	Cash held on AFE's account at servicers'	(8,748)
Add back:	Cash collected on behalf of secured loan note holders	1,093
Net debt		352,902
LTV ratio at period end	16	64.2%
Normalised Adjusted EBITDA leverage ratio	17	3.53
LTM Adjusted EBITDA	18	99,854
Net interest expense	19	21,843
Fixed charge cover ratio ("FCCR")	20	4.57

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

(17) Normalised Adjusted EBITDA leverage ratio means net debt divided by the Normalised Adjusted EBITDA for the year ended 30 June 2019.

Directors' Report (continued)

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

(19) Net interest expense means interest expense on total debt for the 12 month period ended 30 June 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:

		Six months ended
		30 June 2019
		€000
Borrowings:	The Notes	307,500
	Unamortised discount on issuance of the Notes	(1,374)
	Unamortised transaction fees	(6,153)
	Per Financial Statements (non-current liability)	299,973
	Interest payable at 30 June 2019 (current liability)	2,570
	Revolving credit facility - amount drawn (excludes bank guarantee)	44,370
	Term Facility - amount drawn	23,261
	Unamortised transaction fees on Term Facility	(636)
Total borrowings		369,538

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 June 2019 to €23.3m.

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.€8.9m.

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.

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 portfolio transactions in Portugal.

Christopher Ross-Roberts
Director
29 August 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 condensed interim financial statements of Anacap Financial Europe S.A. SICAV-RAIF (the "Company"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2019, and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated cash flow statement for the six-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 condensed interim financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

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

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

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed interim 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, 29 August 2019

Thierry Salagnac

Interim Condensed Consolidated Statement of Comprehensive Income for the Six Months Ended 30 June 2019

		Three months ended 30 June 2019	Six months ended 30 June 2019	Three months ended 30 June 2018	Six months ended 30 June 2018
	Notes	€000	€000	€000	€000
Revenue					
Interest income from purchased loan portfolios	4	17,988	35,903	15,303	31,138
Interest income from purchased loan notes	4	484	992	501	927
Interest income from joint ventures	4	1,272	2,542	-	-
Revaluation gains	4	292	292	168	1,849
Other income	4	16	36	106	106
Total revenue		20,052	39,765	16,078	34,020
Operating expenses					
Collection activity costs	4	(5,890)	(11,986)	(4,751)	(9,950)
Impairment		(214)	(214)	(3,045)	(2,427)
Net foreign currency gains/(losses)	5	68	235	48	(27)
Other operating expenses	5	(2,676)	(5,247)	(2,276)	(4,551)
<i>Non-recurring items</i>	5	(99)	(219)	(216)	(216)
<i>Normal operating expenses</i>		(2,577)	(5,028)	(2,060)	(4,335)
Total operating expenses		(8,712)	(17,212)	(10,024)	(16,955)
Operating profit		11,340	22,553	6,054	17,065
Finance income	4	95	105	214	231
Gain from repurchase of Senior Secured Notes	4	1,728	1,728	-	-
Finance costs	4	(6,061)	(12,116)	(4,939)	(9,252)
<i>Interest expense - secured loan notes</i>		(655)	(1,319)	40	124
<i>Finance costs - borrowings</i>	6	(5,406)	(10,797)	(4,979)	(9,376)
Share of profit in associate	8	177	379	313	493
Profit before tax		7,279	12,649	1,642	8,537
Tax charge	7	(606)	(1,001)	215	(57)
Comprehensive income for the period		6,673	11,648	1,857	8,480

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 June 2019

		As at 30 June 2019	As at 31 December 2018
	Notes	€000	€000
Assets			
Non-current assets			
Property, plant and equipment		58	22
Investment in associate	8	6,095	6,316
Goodwill		1,836	1,836
Total non-current assets		7,989	8,174
Current assets			
Cash and cash equivalents		18,676	37,310
Trade and other receivables	11	17,493	16,642
Purchased loan portfolios	9	298,696	309,949
Purchased loan notes	9	17,213	19,938
Investments in joint ventures	9	40,667	41,543
Inventory	10	21,655	20,401
Total current assets		414,400	445,783
Total assets		422,389	453,957
Liabilities			
Non-current liabilities			
Borrowings	17	299,973	316,424
Trade and other payables	12	1,138	1,281
Total non-current liabilities		301,111	317,705
Current liabilities			
Borrowings	17	69,627	84,019
Secured loan notes	17	18,373	19,709
Trade and other payables	12	11,378	13,050
Tax payable		1,292	1,408
Provisions	18	3,892	2,892
Total current liabilities		104,562	121,078
Total liabilities		405,673	438,783
Equity			
Share capital	13	1,250	1,250
Retained earnings		15,466	13,924
Total equity		16,716	15,174
Total equity and liabilities		422,389	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 six months ended 30 June 2019 were approved by the Board of Directors and authorised for issue on its behalf by:

Christopher Ross-Roberts
Director
29 August 2019

Interim Condensed Consolidated Statement of Cash Flows for the Six Months Ended 30 June 2019

		Six months ended 30 June 2019	Six months ended 30 June 2018
	Notes	€000	€000
Cash flows from operating activities			
Profit/(loss) before tax		12,649	8,537
<i>Adjustments for:</i>			
Interest income from purchased loan portfolios	4	(35,903)	(31,138)
Interest income from purchased loan notes	4	(992)	(927)
Interest income from joint ventures	4	(2,542)	-
Other income		-	(106)
Finance income	4	(105)	(231)
Impairment		214	2,427
Gain from repurchase of Senior Secured Notes	4	(1,728)	-
Revaluation gains		(292)	(1,849)
Finance costs - borrowings	6	10,797	9,376
Interest expense - secured loan notes		1,319	(124)
Net foreign currency (gain)/loss	5	(235)	27
Share of profit in associate	8	(379)	(493)
Operating cash flows before movements in working capital		(17,197)	(14,501)
Change in trade and other receivables*	11	664	1,940
Change in trade and other payables*	12	(1,314)	(514)
Cash used in operating activities before collections and purchases		(17,847)	(13,075)
Tax paid		(417)	(747)
Collections in the period	9	61,037	55,248
Acquisition of purchased loan portfolios	9	(8,867)	(91,965)
Acquisition of purchased loan notes		-	(17,194)
Acquisition of joint ventures	9	(146)	-
Net cash (used in)/generated from operating activities		33,760	(67,733)
Investing activities			
Consideration paid for the acquisition of Galata		(300)	(317)
Net cash used in investing activities		(300)	(317)
Cash flows from financing activities			
Financing activities			
Dividends paid	13	(10,106)	-
Proceeds from borrowings		25,101	75,000
Repayment of borrowings		(38,447)	(2,018)
Senior Secured Notes repurchased	17	(15,400)	-
Revolving Credit Facility transaction and other fees paid		(133)	(591)
Repayment of secured loan notes		(2,655)	(1,988)
Finance costs paid		(10,454)	(8,215)
Net cash (used in)/generated from financing activities		(52,094)	62,188
Net movements in cash and cash equivalents		(18,634)	(5,862)
Cash and cash equivalents at the beginning of the period		37,310	52,194
Cash and cash equivalents at the end of the period		18,676	46,332

* 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 Six Months Ended 30 June 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	-	11,648	11,648
Balance as at 30 June 2019	1,250	15,466	16,716

Comparative figures from 1 January 2018 to 30 June 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	-	8,480	8,480
Balance as at 30 June 2018	1,250	2,082	3,332

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 Six Months Ended 30 June 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 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 portfolio transactions in Portugal.

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.

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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

3. Critical accounting judgments and estimates (continued)

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 June 2019 by €38,955k. A change in the expected future cash flows by -10% would reduce the carrying value of financial assets as at 30 June 2019 by €38,955k.

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.

	Three months ended 30 June 2019	Six months ended 30 June 2019	Three months ended 30 June 2018	Six months ended 30 June 2018
	€000	€000	€000	€000
Interest income from purchased loan portfolios	17,988	35,903	15,303	31,138
Interest income from purchased loan notes	484	992	501	927
Interest income from joint ventures	1,272	2,542	-	-
Revaluation gains	292	292	168	1,849
Other income	16	36	106	106
Total revenue	20,052	39,765	16,078	34,020
Collection activity costs	(5,890)	(11,986)	(4,751)	(9,950)
Impairment	(214)	(214)	(3,045)	(2,427)
Net foreign currency gains/(losses)	68	235	48	(27)
Normal operating expenses	(2,577)	(5,028)	(2,060)	(4,335)
Non-recurring items	(99)	(219)	(216)	(216)
Operating profit	11,340	22,553	6,054	17,065
Finance income	95	105	214	231
Gain from repurchase of Senior Secured Notes	1,728	1,728	-	-
Finance costs	(6,061)	(12,116)	(4,939)	(9,252)
Share of profit in associate	177	379	313	493
Profit before tax	7,279	12,649	1,642	8,537
Tax charge	(606)	(1,001)	215	(57)
Comprehensive income for the period	6,673	11,648	1,857	8,480

	As at 30 June 2019	As at 31 December 2018
	€000	€000
Investment in associate	6,095	6,316
Purchased loan portfolios	298,696	309,949
Purchased loan notes	17,213	19,938
Investments in joint ventures	40,667	41,543
Inventory	21,655	20,401
Statement of Financial Position		
Total segment assets	422,389	453,957
Total segment liabilities	(405,673)	(438,783)
Segment net assets	16,716	15,174

Notes to the Interim Condensed Consolidated Financial Statements (continued)

4. Segmental reporting (continued)

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

	Three months ended 30 June 2019	Six months ended 30 June 2019	Three months ended 30 June 2018	Six months ended 30 June 2018
	€000	€000	€000	€000
- United Kingdom	273	550	252	679
- Romania	484	992	669	2,776
- Poland	743	1,473	-	-
- Italy, Spain, Portugal	18,552	36,750	15,157	30,565
Total revenue	20,052	39,765	16,078	34,020

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 June 2019	As at 31 December 2018
	€000	€000
- United Kingdom	7,242	8,553
- Romania	17,213	19,938
- Poland	20,499	20,692
- Italy, Spain, Portugal	339,372	348,964
Total	384,326	398,147

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

	Gross ERC 30 June 2019	ERC 30 June 2019
	€000	€000
- United Kingdom	9,476	9,476
- Romania	27,588	27,588
- Italy	225,510	225,502
- Spain	159,328	130,607
- Portugal	122,563	119,176
- Poland	37,757	37,757
Total	582,222	550,106

Notes to the Interim Condensed Consolidated Financial Statements (continued)

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 June 2019	Six months ended 30 June 2019	Three months ended 30 June 2018	Six months ended 30 June 2018
	€000	€000	€000	€000
Management fees	1,539	3,071	1,341	2,652
Directors' fees	69	138	57	128
Legal and professional fees	216	302	139	323
Administration fees	343	654	412	661
Audit fees	83	163	66	135
Abort deal fees	93	283	-	226
Depositary charges	14	28	12	24
Other expenses	220	389	33	186
Non-recurring items*	99	219	216	216
Other operating expenses	2,676	5,247	2,276	4,551
Realised foreign currency (gains)/losses	(253)	43	(146)	(71)
Unrealised foreign currency losses/(gains)	185	(278)	98	98
Net foreign currency (gains)/losses	(68)	(235)	(48)	27

*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 June 2019	Six months ended 30 June 2019	Three months ended 30 June 2018	Six months ended 30 June 2018
	€000	€000	€000	€000
Fees on Revolving Credit Facility	37	88	192	335
Interest on borrowings	853	1,694	301	414
Interest on Senior Secured Notes and related charges	4,516	9,015	4,486	8,627
Total finance costs - borrowings	5,406	10,797	4,979	9,376

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 six months ended 30 June 2019, the Group's tax charge of €1,001k (six months ended 30 June 2018: €57k) comprised of Portuguese and other local tax charges. See note 18 for further information on the Portuguese tax charges.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

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 June 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 June 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	379	770
Costs capitalised in connection with the conversion of the warrants	-	154
Interest in net assets of associate at the end of the period	6,095	6,316

9. Investments in portfolios

	As at 30 June 2019	As at 31 December 2018
	€000	€000
<i>Expected falling due after one year:</i>		
Purchased loan portfolios	221,309	256,454
Purchased loan notes	13,298	15,845
Investment in joint ventures	40,667	40,815
Total	275,274	313,114
<i>Expected falling due within one year:</i>		
Purchased loan portfolios	77,387	53,495
Purchased loan notes	3,915	4,093
Investment in joint ventures	-	728
Total	81,302	58,316

Notes to the Interim Condensed Consolidated Financial Statements (continued)

9. Investments in portfolios (continued)

The movements in purchased loan portfolios were as follows:

	As at 30 June 2019
	€000
Purchased loan portfolios as at beginning of year	309,949
Portfolios acquired during the period	8,867
Interest income from purchased loan portfolios	35,903
Collections in the period	(53,073)
Impairment	(214)
Less: movement in inventory and other receivables	(2,736)
Purchased loan portfolios at the end of the period	298,696

The movements in purchased loan notes were as follows:

	As at 30 June 2019
	€000
Purchased loan notes as at beginning of year	19,938
Interest income from purchased loan notes	992
Collections in the period	(4,010)
Revaluation gains	293
Purchased loan notes at the end of the period	17,213

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/compartments 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.

The movements in investments in joint ventures were as follows:

	As at 30 June 2019
	€000
Joint ventures as at beginning of year	41,543
Joint ventures acquired during the period	146
Interest income from joint ventures	2,542
Collections in the period	(3,690)
Net foreign currency gain	126
Joint ventures at the end of the period	40,667

In addition to collections from purchased loan portfolios, purchased loan notes and investments in joint ventures €264k 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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

10. Inventory

	As at 30 June 2019	As at 31 December 2018
	€000	€000
Inventory	21,655	20,401
Total	21,655	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 June 2019
	€000
Opening inventory	20,401
Re-possession	4,414
Disposals	(3,160)
Closing balance	21,655

11. Trade and other receivables

	As at 30 June 2019	As at 31 December 2018
	€000	€000
Collections receivable	9,248	10,863
Other receivables	8,245	5,779
Total	17,493	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.

12. Trade and other payables

		As at 30 June 2019	As at 31 December 2018
	Notes	€000	€000
Trade payables		503	2,323
Deferred and contingent consideration		5,531	5,635
Amounts due to related parties	14	48	301
Accrued expenses		5,296	4,791
Trade and other payables - current		11,378	13,050
Deferred and contingent consideration - non-current		1,138	1,281
Total trade and other payables		12,516	14,331

Notes to the Interim Condensed Consolidated Financial Statements (continued)

13. Share capital

	As at 30 June 2019	As at 31 December 2018
	€000	€000
Share capital at 1 January 2019	1,250	1,250
Total share capital at 30 June 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 June 2019	As at 31 December 2018
	€000	€000
Due to related parties		
Carne Global Fund Managers (Luxembourg) S.A.	1	50
AnaCap Investment Manager Limited	9	107
AnaCap Luxembourg S.à r.l.	38	144
Total	48	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 €3,071k (six months ended 30 June 2018: €2,652k).

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

During the period, the Group incurred charges of €372k (six months ended 30 June 2018: €357k) 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.

	Three months ended 30 June 2019	Six months ended 30 June 2019	Three months ended 30 June 2018	Six months ended 30 June 2018
	€000	€000	€000	€000
Fees charged				
Directors' fees	69	138	57	128
Total fees charged during the period	69	138	57	128

	As at 30 June 2019	As at 31 December 2018
	€000	€000
Fees payable		
Directors' fees payable	158	102
Directors' fees payable at the end of the period	158	102

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 June 2019	Ownership % as at 31 December 2018	Current status
ACOF II Portugal Limited	Guernsey	ð	100%**	100%**	Active
AFE Spain Limited	Guernsey	ð	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	Π	0%	0%	Active
Belice ITG, S.L.U.	Spain	₣	100%	100%	Active
Silonea Investments, S.L.U.	Spain	ω	100%	100%	Active
Galata Asset Management, S.L.	Spain	ξ	100%	100%	Active
Episódio Válido - S.A.	Portugal	φ	100%	100%	Active
Atticus STC, S.A.	Portugal	Ω	100%	0%	Active

Key

◊ - 11-13 Boulevard de la Foire, L-1528 Luxembourg, Luxembourg

β - 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

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

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

₣ - Calle Serrano 41, 4th floor, 28001 Madrid, Spain

ω - Claudio Coello 124, 6° derecha, Madrid, Spain

ξ - Calle Doctor Esquerdo nº 140, Portal 1, Piso 2º B, Madrid, Spain

φ - Cruzamento do Tourão, No. 7, Lisbon, Portugal

Ω - Avenida Dom João II, nº 46, 1º B, 1990 - 095 Lisboa, 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 June 2019 being €264,325k (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 June 2019	As at 31 December 2018
	€000	€000
Expected falling due after one year		
Senior Secured Notes	299,973	316,424
Secured loan notes	15,380	14,808
Total	315,353	331,232
Expected falling due within one year		
Revolving Credit Facility	44,432	60,908
Term Facility	22,625	20,402
Senior Secured Notes	2,570	2,709
Secured loan notes	2,993	4,901
Total	72,620	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 (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.

As at 30 June 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 June 2019, €44.4m (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 June 2019 equal to €41.5m (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 June 2019, the LTV Ratio was 64.2% and the SSRCF LTV Ratio was 4.5%.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

17. Borrowings and facilities (continued)

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 June 2019, €23.3m (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.

In accordance with the Term Facility, ACS6 is required to ensure that leverage does not exceed:

- i) 55% for the first 12 months of the agreement,
- ii) 45% for the second 12 months of the agreement and
- iii) 35% for the remaining term of the agreement.

As at 30 June 2019, leverage was 42.7%, therefore fully complying with the financial covenants imposed.

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 June 2019 is €3.9m.

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

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. The total commitment for AFE is c.€5.4m.

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.

On 23 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 real estate portfolio originating in Portugal. The total commitment for AFE is c.€12.2m.

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:

	Six months ended 30 June 2019	Six months ended 30 June 2018
	€000	€000
Profit before tax	12,649	8,537
Finance costs	12,116	9,252
Share of profit in associate	(379)	(493)
Net foreign currency movements	(235)	27
Impairment	214	2,427
Collections from portfolios	61,037	55,248
Gain from repurchase of Senior Secured Notes	(1,728)	-
Revenue	(39,765)	(34,020)
Other income	36	-
Cash collected on behalf of secured loan noteholders	(2,233)	(1,988)
Non-recurring items	219	216
Finance income	(105)	(231)
Normalised and Adjusted EBITDA	41,826	38,975

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

	Six months ended 30 June 2019	Six months ended 30 June 2018
	€000	€000
Net cash generated from operating activities	33,760	(67,733)
Portfolio acquisitions	9,013	109,159
Taxation paid	417	747
Cash collected on behalf of secured loan noteholders	(2,233)	(1,988)
Working capital adjustments	650	(1,426)
Non-recurring items	219	216
Normalised and Adjusted EBITDA	41,826	38,975

Reconciliation of core collections to Normalised and Adjusted EBITDA:

	Six months ended 30 June 2019	Six months ended 30 June 2018
	€000	€000
Core Collections in the period	61,037	55,248
Other income	36	-
Operating expenses	(17,212)	(16,955)
Net foreign currency movements	(235)	27
Impairment	214	2,427
Cash collected on behalf of secured loan noteholders	(2,233)	(1,988)
Non-recurring items	219	216
Normalised and Adjusted EBITDA	41,826	38,975