AnaCap Financial Europe S.A. SICAV-RAIF

Unaudited Interim Condensed Consolidated Financial Statements
For the Quarter Ended 31 March 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;
- Edward Green;
- Hugo Neuman.

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;
- Jonathan Bridel;
- Nigel Ward;
- Peter Niven.

Administrative Agent

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

Depositary

The Royal Bank of Scotland PLC,
Luxembourg Branch
46, 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 31 March 2019. The Financial Statements incorporate the assets, liabilities, revenue and expenses of the Group.

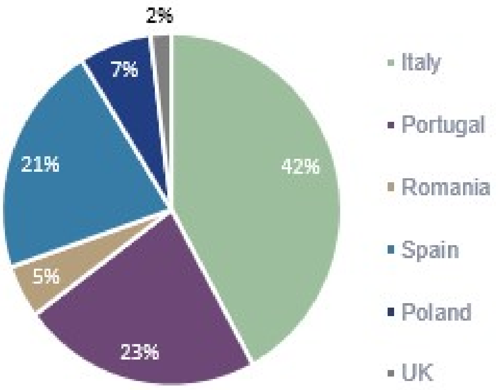
Business Overview

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.

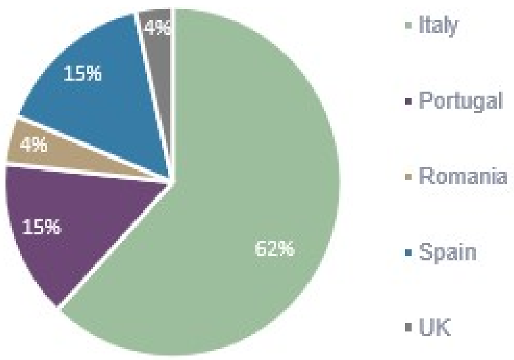
AFE has a diverse portfolio of seasoned and granular consumer, SME and mortgage debt which is differentiated among debt purchasers in the level of diversification across borrowers, asset types and geographies, as well as with its significant collateral backing.

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 31 March 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.

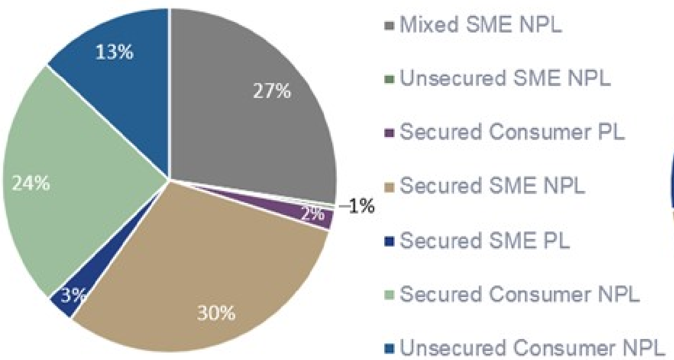
€555.4 million 84 month ERC by geography - 31 March 2019



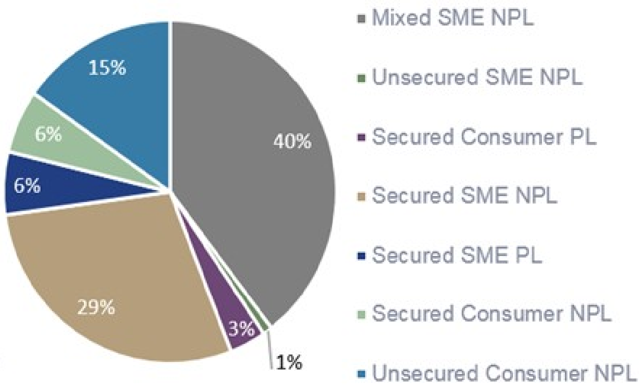
€410.4 million 84 month ERC by geography - 31 March 2018



€555.4 million 84 month ERC by asset type - 31 March 2019



€410.4 million 84 month ERC by asset type - 31 March 2018



Directors’ Report (continued)

Key Performance Indicators

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

The KPI's included within the Directors Report have been prepared on a basis consistent with the financial data contained in the Offering Memorandum. The data below is based on the Group for the quarters ended 31 March 2019 and 31 March 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.

		Quarter ended 31 March 2019	Quarter ended 31 March 2018	% change
84-month ERC (€'000s)	1	555,385	410,365	35.3%
84-month Gross ERC (€'000s)	2	588,973	449,703	31.0%
Cumulative purchases of loan portfolios and loan notes (€'000s)	3	561,956	400,775	40.2%
Number of debt portfolios	4	22	16	37.5%
Number of accounts	5	216,957	211,355	2.7%
Total attributable collections (€'000s)	6	31,051	31,377	-1.0%
Total gross collections (€'000s)	7	31,769	32,756	-3.0%
Core collections (€'000s)	8	31,769	32,756	-3.0%
Operating expenses (€'000s)	9	8,547	7,474	14.4%
Core collection cost ratio	10	26.9%	22.8%	17.9%
Adjusted EBITDA (€'000s)	11	22,444	24,266	-7.5%
Normalised Adjusted EBITDA (€'000s)	12	22,444	24,266	-7.5%

(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.

Directors' Report (continued)

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

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

Asset base and returns on portfolios purchased

The table below reflects historical capital deployment of the Portfolio Business from 2012 to 27 June 2017 plus capital that has been deployed since the incorporation of AFE; a total of €600 million has been deployed through acquisitions of and investments in 26 portfolios with an aggregate face value of €12.6 billion. Since 2012, 4 portfolios have been fully sold. As of 31 March 2019, the portfolios held by AFE had an aggregate face value of €10.2 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 ended:	Purchase price (13)	Actual collections to 31 March 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	162,863	18,373	181,236	2.4x
Year ended 31 December 2013	77,386	123,001	46,153	169,154	2.2x
Year ended 31 December 2014	59,025	106,252	33,481	139,733	2.4x
Year ended 31 December 2015	47,806	36,823	41,629	78,452	1.6x
Year ended 31 December 2016	125,617	112,033	130,329	242,362	1.9x
Year ended 31 December 2017	65,017	60,656	57,235	117,891	1.8x
Year ended 31 December 2018	161,507	29,108	228,185	257,293	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 31 March 2019 plus forecast collections for the following 84 months.

(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.

			Quarter ended 31 March 2019
			€000
Borrowings:	The Notes		325,000
	Revolving Credit Facility (including bank guarantee)		61,897
	Term Facility		24,100
Less:	Cash at bank		(44,117)
	Cash held on AFE's account at servicers'		(7,436)
Add back:	Cash collected on behalf of secured loan note holders		458
Net debt			**359,902**
LTV ratio at period end		16	64.8%
Normalised Adjusted EBITDA leverage ratio		17	3.79
LTM Adjusted EBITDA		18	95,031
Net interest expense		19	21,493
Fixed charge cover ratio ("FCCR")		20	4.42

Directors' Report (continued)

(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 31 March 2019.

(18) LTM Adjusted EBITDA means Adjusted EBITDA for the 12 month period ended 31 March 2019.

(19) Net interest expense means interest expense on total debt for the 12 month period ended 31 March 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:

		Quarter ended 31 March 2019
		€000
Borrowings:	The Notes	325,000
	Unamortised discount on issuance of the Notes	(1,506)
	Unamortised transaction fees	(6,745)
	Per Financial Statements (non-current liability)	316,749
	Interest payable at 31 March 2019 (current liability)	2,861
	Revolving Credit Facility - amount drawn (excludes bank guarantee)	57,795
	Term Facility - amount drawn	24,100
	Unamortised transaction fees on Term Facility	(545)
Total borrowings		**400,960**

Significant recent developments

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.

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 31 March 2019 to €24.1m.

Christopher Ross-Roberts
Director
16 May 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 “Company”), which comprise the interim condensed consolidated statement of financial position as at 31 March 2019 and the related 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 three-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 entitiy”) 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 Group, 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 cooperative
Represented by

Luxembourg, 16 May 2019

Thierry Salagnac

Interim Condensed Consolidated Statement of Comprehensive Income for the Quarter Ended 31 March 2019

	Notes	Quarter ended 31 March 2019 €000	Quarter ended 31 March 2018 €000
Revenue			
Interest income from purchased loan portfolios	4	17,915	15,835
Interest income from purchased loan notes	4	508	2,107
Interest income from joint ventures	4	1,270	-
Other income	4	20	-
Total revenue		**19,713**	**17,942**
Operating expenses			
Collection activity costs	4	(6,096)	(5,199)
Reversal of impairment		-	618
Net foreign currency gains/(losses)	5	168	(75)
Other operating expenses	5	(2,571)	(2,275)
Non-recurring items	5	(120)	-
Normal operating expenses		(2,451)	(2,275)
Total operating expenses		**(8,499)**	**(6,931)**
Operating profit		**11,214**	**11,011**
Finance income	4	10	17
Finance costs	4	(6,055)	(4,313)
Interest expense - secured loan notes		(664)	84
Finance costs - borrowings	6	(5,391)	(4,397)
Share of profit in associate	8	202	180
Profit before tax		**5,371**	**6,895**
Tax charge	7	(395)	(272)
Comprehensive income for the period		**4,976**	**6,623**

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 31 March 2019

	Notes	As at 31 March 2019 €000	As at 31 December 2018 €000
Assets			
Non-current assets			
Property, plant and equipment		47	22
Investment in associate	8	6,518	6,316
Goodwill		1,836	1,836
Total non-current assets		**8,401**	**8,174**
Current assets			
Cash and cash equivalents		44,117	37,310
Trade and other receivables	11	15,136	16,642
Purchased loan portfolios	9	299,006	309,949
Purchased loan notes	9	18,559	19,938
Investments in joint ventures	9	40,815	41,543
Inventory	10	21,403	20,401
Total current assets		**439,036**	**445,783**
Total assets		**447,437**	**453,957**
Liabilities			
Non-current liabilities			
Borrowings	17	316,749	316,424
Trade and other payables	12	1,307	1,281
Total non-current liabilities		**318,056**	**317,705**
Current liabilities			
Borrowings	17	84,211	84,019
Secured loan notes	17	18,690	19,709
Trade and other payables	12	11,704	13,050
Tax payable		1,540	1,408
Provisions	18	3,192	2,892
Total current liabilities		**119,337**	**121,078**
Total liabilities		**437,393**	**438,783**
Equity			
Share capital	13	1,250	1,250
Retained earnings		8,794	13,924
Total equity		**10,044**	**15,174**
Total equity and liabilities		**447,437**	**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 quarter ended 31 March 2019 were approved by the Board of Directors and authorised for issue on its behalf by:

Christopher Ross-Roberts
Director
16 May 2019

Interim Condensed Consolidated Statement of Cash Flows for the Quarter Ended 31 March 2019

	Notes	Quarter ended 31 March 2019 €000	Quarter ended 31 March 2018 €000
Cash flows from operating activities			
Profit/(loss) before tax		5,371	6,895
Adjustments for:			
Interest income from purchased loan portfolios	4	(17,915)	(15,835)
Interest income from purchased loan notes	4	(508)	(2,107)
Interest income from joint ventures	4	(1,270)	-
Finance income	4	(10)	(17)
Reversal of impairment		-	(618)
Finance costs - borrowings	6	5,391	4,397
Interest expense - secured loan notes		664	(84)
Net foreign currency gain	5	(168)	-
Share of profit in associate	8	(202)	(180)
Operating cash flows before movements in working capital		**(8,647)**	**(7,549)**
Change in trade and other receivables*	11	1,451	(1,075)
Change in trade and other payables*	12	(1,325)	(907)
Cash used in operating activities before collections and purchases		**(8,521)**	**(9,531)**
Tax paid		(253)	88
Collections in the period	12	31,769	32,756
Acquisition of purchased loan notes	12	-	(326)
Net cash generated from operating activities		**22,995**	**22,987**
Cash flows from financing activities			
Financing activities			
Dividends paid	13	(10,106)	-
Proceeds from borrowings		19,767	-
Repayment of borrowings		(19,108)	(993)
Revolving Credit Facility transaction and other fees paid		(133)	(591)
Repayment of secured loan notes		(1,683)	(866)
Finance costs paid		(4,925)	(4,153)
Net cash used in financing activities		**(16,188)**	**(6,603)**
Net movements in cash and cash equivalents		6,807	16,384
Cash and cash equivalents at the beginning of the period		37,310	52,194
Cash and cash equivalents at the end of the period		**44,117**	**68,578**

* 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 Quarter Ended 31 March 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	-	4,976	4,976
Balance as at 31 March 2019	**1,250**	**8,794**	**10,044**

Comparative figures from 1 January 2018 to 31 March 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	-	6,623	6,623
Balance as at 31 March 2018	**1,250**	**225**	**1,475**

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 Quarter Ended 31 March 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.

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.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

3. Critical accounting judgments and estimates (continued)

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 31 March 2019 by €38,946k. A change in the expected future cash flows by -10% would reduce the carrying value of financial assets as at 31 March 2019 by €38,946k.

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.

	Quarter ended 31 March 2019	Quarter ended 31 March 2018
	€000	**€000**
Interest income from purchased loan portfolios	17,915	15,835
Interest income from purchased loan notes	508	2,107
Interest income from joint ventures	1,270	-
Other income	20	-
Total revenue	**19,713**	**17,942**
Collection activity costs	(6,096)	(5,199)
Reversal of impairment	-	618
Net foreign currency gains/(losses)	168	(75)
Normal operating expenses	(2,451)	(2,275)
Non-recurring items	(120)	-
Operating profit	**11,214**	**11,011**
Finance income	10	17
Finance costs	(6,055)	(4,313)
Share of profit in associate	202	180
Profit before tax	**5,371**	**6,895**
Tax charge	(395)	(272)
Comprehensive income for the period	**4,976**	**6,623**

	As at 31 March 2019	As at 31 December 2018
	€000	**€000**
Investment in associate	6,518	6,316
Purchased loan portfolios	299,006	309,949
Purchased loan notes	18,559	19,938
Investments in joint ventures	40,815	41,543
Inventory	21,403	20,401
Statement of Financial Position		
Total segment assets	447,437	453,957
Total segment liabilities	(437,393)	(438,783)
Segment net assets	**10,044**	**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:

	Quarter ended 31 March 2019	Quarter ended 31 March 2018
	€000	€000
- United Kingdom	277	427
- Romania	508	2,107
- Poland	730	-
- Italy, Spain, Portugal	18,198	15,408
Total revenue	**19,713**	**17,942**

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 31 March 2019	As at 31 December 2018
	€000	€000
- United Kingdom	8,300	8,553
- Romania	18,559	19,938
- Poland	20,668	20,692
- Italy, Spain, Portugal	338,774	348,964
Total	**386,301**	**398,147**

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

	Gross ERC 31 March 2019	ERC 31 March 2019
	€000	€000
- United Kingdom	10,327	10,327
- Romania	27,140	27,140
- Italy	233,888	233,881
- Spain	149,270	119,120
- Portugal	130,182	126,751
- Poland	38,166	38,166
Total	**588,973**	**555,385**

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:

	Quarter ended 31 March 2019	Quarter ended 31 March 2018
	€000	€000
Management fees	1,532	1,311
Directors' fees	69	71
Legal and professional fees	85	184
Administration fees	311	249
Audit fees	80	69
Abort deal fees	190	226
Depositary charges	14	12
Other expenses	170	153
Non-recurring items*	120	-
Other operating expenses	**2,571**	**2,275**
Realised foreign currency losses	296	75
Unrealised foreign currency gains	(464)	-
Net foreign currency (gains)/losses	**(168)**	**75**

*Non-recurring items relate to costs incurred on structural changes and efficiencies being implemented

6. Finance costs – borrowings

	Quarter ended 31 March 2019	Quarter ended 31 March 2018
	€000	€000
Fees on Revolving Credit Facility	51	143
Interest on borrowings	810	113
Interest on Senior Secured Notes and related charges	4,530	4,141
Total finance costs - borrowings	**5,391**	**4,397**

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 quarter ended 31 March 2019, the Group's tax charge of €395k (quarter ended 31 March 2018: €272k) 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.

Below is a reconciliation of the movements in the carrying value of the Group's interest in PAM as at 31 March 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 31 March 2019	As at 31 December 2018
	€000	€000
Interest in net assets at beginning of year	6,316	5,392
Share of profit in associate	202	770
Costs capitalised in connection with the conversion of the warrants	-	154
Interest in net assets of associate at the end of the period	**6,518**	**6,316**

9. Investments in portfolios

	As at 31 March 2019	As at 31 December 2018
	€000	€000
Expected falling due after one year:		
Purchased loan portfolios	234,311	256,454
Purchased loan notes	13,749	15,845
Investment in joint ventures	40,815	40,815
Total	**288,875**	**313,114**
Expected falling due within one year:		
Purchased loan portfolios	64,695	53,495
Purchased loan notes	4,810	4,093
Investment in joint ventures	-	728
Total	**69,505**	**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 31 March 2019
	€000
Purchased loan portfolios as at beginning of period	309,949
Interest income from purchased loan portfolios	17,915
Collections in the period	(27,599)
Less: movement in inventory and other receivables	(1,259)
Purchased loan portfolios at the end of the period	**299,006**

The movements in purchased loan notes were as follows:

	As at 31 March 2019
	€000
Purchased loan notes as at beginning of period	19,938
Interest income from purchased loan notes	508
Collections in the period	(1,887)
Purchased loan notes at the end of the period	**18,559**

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.

The movements in investments in joint ventures were as follows:

	As at 31 March 2019
	€000
Joint ventures as at beginning of period	41,543
Interest income from joint ventures	1,270
Collections in the period	(2,124)
Net foreign currency gain	126
Joint ventures at the end of the period	**40,815**

In addition to collections from purchased loan portfolios, purchased loan notes and investments in joint ventures €159k 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 31 March 2019	As at 31 December 2018
	€000	€000
Inventory	21,403	20,401
Total	**21,403**	**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 year:

	As at 31 March 2019
	€000
Opening inventory	20,401
Re-possessions	2,417
Disposals	(1,415)
Closing balance	**21,403**

11. Trade and other receivables

	As at 31 March 2019	As at 31 December 2018
	€000	€000
Collections receivable	7,436	10,863
Other receivables	7,700	5,779
Total	**15,136**	**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 31 March 2019	As at 31 December 2018
	Notes	€000	€000
Trade payables		920	2,323
Deferred consideration		5,641	5,635
Amounts due to related parties	14	74	301
Accrued expenses		5,069	4,791
Trade and other payables - current		11,704	13,050
Deferred and contingent consideration - non-current		1,307	1,281
Total trade and other payables		**13,011**	**14,331**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

13. Share capital

	As at 31 March 2019	As at 31 December 2018
	€000	€000
Share capital	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 31 March 2019	As at 31 December 2018
	€000	€000
Due to related parties		
Carne Global Fund Managers (Luxembourg) S.A.	-	50
AnaCap Investment Manager Limited	-	107
AnaCap Luxembourg S.à r.l.	74	144
Total	**74**	**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 €1,532k (quarter ended 31 March 2018: €1,311k).

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

During the period, the Group incurred charges of €179k (quarter ended 31 March 2018: €154k) 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 year and the balances due to them at the end of the period.

	Quarter ended 31 March 2019	Quarter ended 31 March 2018
	€000	€000
Fees charged		
Directors' fees	69	71
Total fees charged during the period	**69**	**71**

	As at 31 March 2019	As at 31 December 2018
	€000	€000
Fees payable		
Directors' fees payable	147	136
Directors' fees payable at the end of the period	**147**	**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 31 March 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	ὡ	100%	100%	Active
Galata Asset Management, S.L.	Spain	ẑ	100%	100%	Active
Episódio Válido - S.A.	Portugal	ɸ	100%	100%	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

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

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

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

ὡ - Claudio Coello 124, 6º derecha, Madrid, Spain

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

ɸ - Cruzamento do Tourão, No. 7, 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 value of Term Facility and Revolving Credit Facility is a reasonable approximation of their fair values. The fair value of the Senior Secured Notes was determined using the quoted market price at Euro MTF Market of Luxembourg Stock Exchange (Level 1) as at 31 March 2019 being €255,840k (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 31 March 2019	As at 31 December 2018
	€000	€000
Expected falling due after one year		
Senior Secured Notes	316,749	316,424
Secured loan notes	14,253	14,808
Total	**331,002**	**331,232**
Expected falling due within one year		
Revolving Credit Facility	57,992	60,908
Term Facility	23,555	20,402
Senior Secured Notes	2,664	2,709
Secured loan notes	4,437	4,901
Total	**88,648**	**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).

As at 31 March 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 31 March 2019, €57.8m (2018: €60.2m) had been drawn as a loan from the Facility, and €4.1m (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 31 March 2019 equal to €28.1m (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 31 March 2019, the LTV Ratio was 64.8% and the SSRCF LTV Ratio was 2.2%.

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 31 March 2019, €24.1m (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 31 March 2019, leverage was 43.5%, 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 31 March 2019 is €3.2m.

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

On 1 April 2019 the Group acquired a secured non-performing loan portfolio originating in Spain for a purchase price of c.€8.6m.

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 €9.7m for a total consideration of c.€9.0m. On repurchase the Senior Secured Notes were cancelled with immediate effect.

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:

	Quarter ended 31 March 2019	Quarter ended 31 March 2018
	€000	€000
Profit before tax	**5,371**	**6,895**
Finance costs	6,055	4,313
Share of profit in associate	(202)	(180)
Net foreign currency movements	(168)	(75)
Reversal of impairment	-	(618)
Collections from portfolios	31,769	32,756
Revenue	(19,713)	(17,942)
Other income	20	-
Cash collected on behalf of secured loan noteholders	(798)	(866)
Non-recurring items	120	-
Finance income	(10)	(17)
Normalised and Adjusted EBITDA	**22,444**	**24,266**

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

	Quarter ended 31 March 2019	Quarter ended 31 March 2018
	€000	€000
Net cash generated from operating activities	**22,995**	**22,987**
Portfolio acquisitions	-	326
Taxation paid	253	(88)
Cash collected on behalf of secured loan noteholders	(798)	(866)
Working capital adjustments	(126)	1,907
Non-recurring items	120	-
Normalised and Adjusted EBITDA	**22,444**	**24,266**

Reconciliation of core collections to Normalised and Adjusted EBITDA:

	Quarter ended 31 March 2019	Quarter ended 31 March 2018
	€000	€000
Core Collections in the period	**31,769**	**32,756**
Other income	20	-
Operating expenses	(8,499)	(6,931)
Net foreign currency movements	(168)	(75)
Reversal of impairment	-	(618)
Cash collected on behalf of secured loan noteholders	(798)	(866)
Non-recurring items	120	-
Normalised and Adjusted EBITDA	**22,444**	**24,266**