AnaCap Financial Europe S.A. SICAV-RAIF

Unaudited Interim Condensed Consolidated Financial Statements
For the Quarter Ended 31 March 2020

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General Information

Fund

AnaCap Financial Europe S.A. SICAV-RAIF
As of 24 January 2020:
412F, route d' Esch
L-2086 Luxembourg
Grand Duchy of Luxembourg
R.C.S. Luxembourg: B216080

From 28 June 2017 to 23 January 2020:
E Building, Parc d'Activité Syrdall
6, rue Gabriel Lippmann
L-5365 Munsbach
Grand Duchy of Luxembourg

Board of Directors

- Audrey Lewis;
- Christopher Ross-Roberts;
- Edward Green;
- Hugo Neuman (resigned 01 April 2020);
- Yazid Oudina:
- Vincenzo Viceconte (appointed 01 April 2020).

AIFM

Carne Global Fund Managers (Luxembourg) S.A.
6b, Route De Trèves
L-2350 Luxembourg
Grand Duchy of Luxembourg

Board of Directors of the AIFM

- Bill Blackwell;
- John Alldis;
- Kevin Nolan;
- John Donohue.

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;
- Nigel Ward;
- Peter Niven;
- Tim Wilson.

Administrative Agent

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412F, Route d'Esch
L-2086 Luxembourg

Depositary

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

Auditor

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

Investment Advisor

AnaCap Financial Partners
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 Annual Report (the "Financial Statements") on the activities and financial performance of AFE and its subsidiaries (together, the "Group") for the period from 1 January 2020 to 31 March 2020. The Financial Statements incorporate the assets, liabilities, revenue and expenses of the Group.

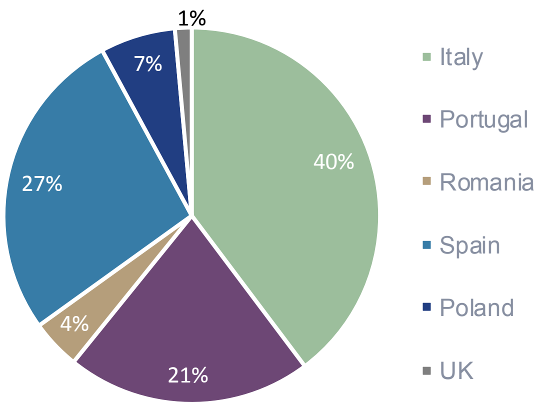
Business Overview

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.

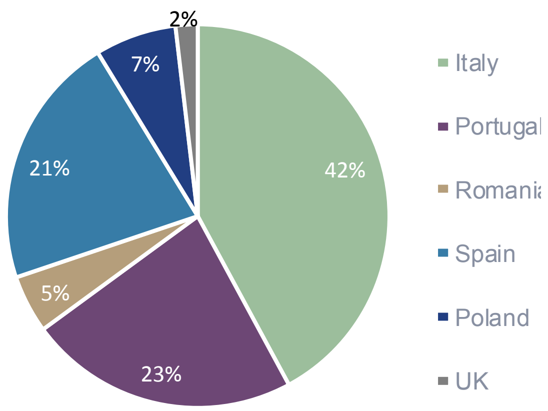
AFE has a diverse portfolio of seasoned and granular consumer, SME and mortgage debt which is differentiated among debt purchasers in the level of diversification across borrowers, asset types and geographies, as well as with its significant collateral backing.

The following charts illustrate the diversification of AFE's 84-month estimated remaining collections ("ERC") from existing purchased loan portfolios, purchased loan notes, investments in joint ventures and Inventory (together, the "Group's Assets") by asset type and geography as well as the seasoned nature of the debt portfolios as of 31 March 2020. 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.

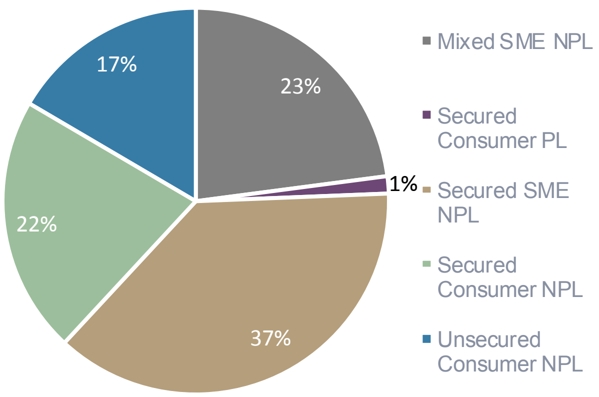
€496.4 million 84 month ERC by geography - 31 March 2020



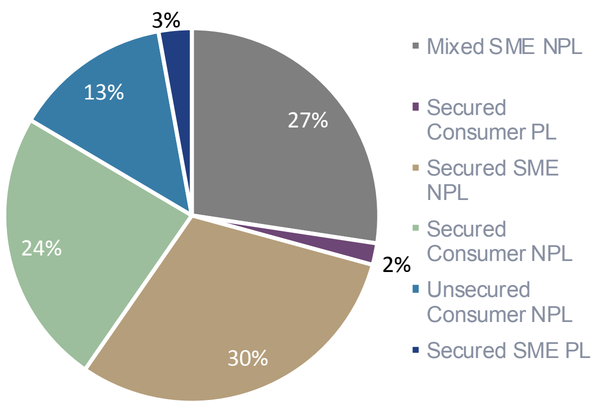
€555.4 million 84 month ERC by geography - 31 March 2019



€496.4 million 84 month ERC by asset type - 31 March 2020



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



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 2020 and 31 March 2019. 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 2020	Quarter ended 31 March 2019	% change
84-month ERC (€'000s)	1	496,363	555,385	-10.6%
84-month Gross ERC (€'000s)	2	527,031	588,973	-10.5%
Cumulative purchases of loan portfolios and loan notes (€'000s)	3	598,220	561,956	6.5%
Number of debt portfolios	4	30	22	36.4%
Number of accounts	5	217,193	216,957	0.1%
Total attributable collections (€'000s)	6	20,158	31,051	-35.1%
Total gross collections (€'000s)	7	19,687	31,769	-38.0%
Core collections (€'000s)	8	19,687	31,769	-38.0%
Operating expenses (€'000s)	9	6,797	8,547	-20.5%
Core collection cost ratio	10	34.5%	26.9%	28.3%
Adjusted EBITDA (€'000s)	11	12,589	22,444	-43.9%
Normalised Adjusted EBITDA (€'000s)	12	12,589	22,444	-43.9%

(1) 84-month ERC ("ERC") means AFE's estimated remaining collections on the Group’s Assets over an 84-month period, assuming no additional purchases are made and on an undiscounted basis. ERC excludes any proportionate share of remaining cash collections that may be payable to a co-investor holding secured loan notes.

(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)

Key Performance Indicators (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 €647 million has been deployed through acquisitions of and investments in 34 portfolios with an aggregate face value of €12.9 billion. Since 2012, 4 portfolios have been fully sold. As of 31 March 2020, the portfolios held by AFE had an aggregate face value of €10.5 billion following the historical sale of deals with a face value of €2.4 billion, with an 84-month ERC of €496 million.

Portfolios purchased in the year ended:	Purchase price (13)	Actual collections to 31 March 2020	84-month ERC	Total estimated collections (14)	Gross money multiple (15)
	€000	€000	€000	€000	
Year ended 31 December 2012	75,084	167,155	21,402	188,557	2.5x
Year ended 31 December 2013	77,386	132,548	35,522	168,071	2.2x
Year ended 31 December 2014	59,025	113,716	25,509	139,225	2.4x
Year ended 31 December 2015	47,806	43,297	27,112	70,409	1.5x
Year ended 31 December 2016	125,617	135,459	117,215	252,674	2.0x
Year ended 31 December 2017	65,017	78,428	34,348	112,776	1.7x
Year ended 31 December 2018	161,507	67,346	179,404	246,750	1.5x
Year ended 31 December 2019*	36,265	5,002	55,851	60,853	1.7x

* In Q1 2020 the Group completed the final close of a Spanish NPL portfolio which was acquired in September 2019 (c.€240k). This close has been consolidated within the same accounting group as the prior closes of this portfolio acquisition and is therefore now reported within 2019 vintage.

Following the acquisition of the Portuguese REO portfolio, which was acquired in September 2019, the transaction was successfully re-financed. For accounting purposes, the financing received is off set against the purchase price in order to give a revised invested capital figure. In Q1 2020 c.€462k was received from the finance lender; this has been consolidated within the same accounting group as the initial portfolio acquisition and is therefore now reported within 2019 vintage.

As a result of these two adjustments the revised purchase price for portfolios purchased in the year ended 31 December 2019 is now €36,265k rather than €36,488k as stated in Q4 2019.

(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 2020 plus forecast collections for the following 84 months.

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

Directors' Report (continued)

Net debt

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

		Quarter ended 31 March 2020
		€000
Borrowings:	The Notes	307,500
	Revolving Credit Facility (including bank guarantee)	43,487
	Term Facility	28,677
Less:	Cash at bank	(33,284)
	Cash held on AFE's account at servicers'	(7,451)
Add back:	Cash collected on behalf of secured loan noteholders	480
Net debt		**339,409**

LTV ratio at period end	16	68.4%
Normalised Adjusted EBITDA leverage ratio	17	4.22
LTM Adjusted EBITDA	18	80,446
Net interest expense	19	19,035
Fixed charge cover ratio ("FCCR")	20	4.23

(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 12 months ended 31 March 2020.

(18) LTM Adjusted EBITDA means Adjusted EBITDA for the 12 months ended 31 March 2020.

(19) Net interest expense means interest expense on total debt for the 12 months ended 31 March 2020.

(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 2020
		€000
Borrowings:	The Notes	307,500
	Unamortised discount on issuance of the Notes	(1,173)
	Unamortised transaction fees	(5,255)
	Term Facility - non- current liability	25,300
	Unamortised transaction fees on Term Facility	(760)
	Per Financial Statements (non-current liability)	325,612
	Interest payable at 31 March 2020 (current liability)	2,483
	Revolving credit facility - amount drawn (excludes bank guarantee)	39,385
	Term Facility - current liability	3,377
Total borrowings		**370,857**

Directors' Report (continued)

Significant recent developments

COVID-19

From an operational perspective, safeguarding the wellbeing of all employees and ensuring operational effectiveness have been the main priorities and, following successful implementation of business continuity plans, 100% of AnaCap staff are operational, with full remote access to all IT Infrastructure and support services. All AFE's servicing partners have implemented business continuity plans successfully and have mobilized remote working models in a timely fashion, and the Group continues to work with its servicing partners, agents and advisors to help safeguard the health and wellbeing of all staff and customers.

Despite the challenges faced so far from COVID-19, the Group can report a successful period of collections performance, with Q1 2020 attributable collections 17% greater than forecasted at the end of 2019. The full extent and length the European lockdown remains highly uncertain particularly in Southern Europe which accounts for 88% of the Group's ERC. Cash collections are often driven by strategies that involve judicial processes including access to courts, bankruptcy administrators, public registries, notaries and real estate auctions. Whilst these collection strategies have been directly impacted by the COVID-19 restrictions imposed by European governments, secured portfolios are backed by underlying collateral, often in excess of the credit owned which helps support and protect the underlying quantum of cash recovery. Whilst difficult to forecast the extent of the delay in cashflows our current expectations are that COVID-19 will have a significant impact on collection performance during Q2 and collections performance will likely continue to be impacted throughout the remainder of the year. In light of this, the Group has performed a full revaluation exercise on its portfolio and adjusted cash flow timings to reflect a best estimate of the expected impact.

Impairment

The Group expects COVID-19 to have a significant impact on collections performance in the near-term future given the shutdown of courts and other key public bodies that support collections activities. This has resulted in the Group re-assessing on a portfolio by portfolio basis the expected cash flows forecast at 2019-year end and revising these based on the Group's expectations on how the virus will impact the Group going forward. Following this exercise, the Group has recognized a 1.4% loss in ERC (c.€7m), with ERC as of 31 March 2020 at €496m. As a consequence of this ERC loss and adjusted cash flow timings, the Group will report a non-cash impairment of €37m in Q1 2020, resulting in a write down of the book value of its investment in portfolios to €311m, or an 11% reduction. The impairment charge has been offset by a reduction in secured loan notes payable of €2.9m reflecting co-investors share of the write down.

The level of impairment is primarily driven by the impact of discounting expected cash flow over the life of the portfolio (using the Effective Interest Rate to calculate the book value) as well as a small decrease of ERC. The proportion of ERC now forecast to be delivered in the last three quarters of 2020 has reduced to €45m or 40% of what was expected when ERC was forecast in Q4 2019, with the closure and suspension of court and judicial processes throughout the Group's core geographies having a significant impact on collection recovery strategies.

Due to the unprecedented nature of COVID-19 and continued market uncertainty, future collections and timings of cash flow may be different to that being forecast now.

Going Concern

The Group continues to actively monitor its liquidity and covenant adherence. The Group's liquidity position remains strong, with available headroom of €80m as of March end, including €33m of cash and €47m available on the RCF. The Group has assessed its expected operating performance and liquidity requirements for the remainder of 2020 and in 2021 in light of the impact of COVID-19, as well as any potential impact the virus could have on the Group's ability to meet its obligations and wider covenant requirements. Despite the uncertainties surrounding the market amidst COVID-19, the Board of Directors remain confident that AFE can continue to trade for a period of at least 12 months from the date of signing these Financial Statements and will have sufficient liquidity to manage its operations during that time. Cash management and asset management will be critical throughout the year to help drive performance.

Directors' Report (continued)

Significant recent developments (continued)

Outlook

The Board of Directors expect that the level of activity within the credit asset industry to remain strong during 2020 as the Group continues to explore opportunities in both core markets and potentially new geographies. In the current environment, amidst intensive competition for NPLs in particular, the Group will remain highly selective and only pursue opportunities that are suitable and are in line with the strategic objectives of the Group. The Group has also adjusted the expected return rate for portfolio purchases in light of current market conditions. This could include expanding into a wider range of asset classes building upon AnaCap's well established, broader credit experience in performing loans and direct real estate investments amongst others, including further co-investment alongside AnaCap's Credit Opportunities funds. Moreover, by investing alongside AnaCap's funds, it is possible to maintain a higher level of diversification across the number of deals and variety of asset types.

The Group also expects to continue to develop its internal servicing capabilities during 2020 across its core markets. Following the successful acquisition and on-boarding of Galata Asset Management S.L. ("Galata") in Spain and the acquisition of a 30% economic stake in Phoenix Asset Management SpA ("PAM") in Italy during 2018, and more recently the incorporation of a local servicing platform in Portugal, Átila Unipessoal LDA ("Átila"), the Group has seen the benefits of an increased on the ground presence in each of these core geographies, including assistance with due diligence through to local Asset Management capabilities. These capabilities include both master servicing and selectively internalising direct special servicing, leveraging internal competencies around amicable and legal recoveries, real estate valuation and management, financial, corporate administration, reporting and analytics. Increasing asset management capabilities in core markets will assist in continually improving underwriting and due diligence on potential new acquisitions as well as optimising performance and rapidly addressing performance challenges in existing assets.

Christopher Ross-Roberts
Director
26 May 2020

Report on Review of Interim Condensed Consolidated Financial Statements

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

We have reviewed the accompanying interim condensed consolidated financial statements of Anacap Financial Europe S.A. SICAV-RAIF (the "Fund"), which comprise the interim condensed consolidated statement of financial position as at 31 March 2020, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the 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 entity") as adopted for Luxembourg by the "Institut des Réviseurs d'entreprises". This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the interim condensed consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

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

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

Conclusion

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

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 26 May 2020

Electronically signed by:
Thierry Salagnac

Thierry Salagnac

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
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Interim Condensed Consolidated Statement of Comprehensive Income for the Quarter Ended 31 March 2020

	Notes	Quarter ended 31 March 2020 €000	Quarter ended 31 March 2019 €000
Revenue			
Interest income from purchased loan portfolios	10	14,768	17,915
Interest income from purchased loan notes	10	475	508
Interest income from joint ventures	10	2,041	1,270
Other income		179	20
Total revenue	4	**17,463**	**19,713**
Operating expenses			
Collection activity costs		(4,737)	(6,096)
Impairment	3	(37,230)	-
Net foreign currency (losses) / gains	5	(1,706)	168
Other operating expenses	5	(2,060)	(2,571)
Non-recurring items	5	-	(120)
Normal operating expenses		(2,060)	(2,451)
Total operating expenses		**(45,733)**	**(8,499)**
Operating (loss) / profit		**(28,270)**	**11,214**
Finance income		51	10
Finance costs		(2,995)	(6,055)
Interest expense - secured loan notes		(605)	(664)
Revaluation gain on secured loan notes	18	2,939	-
Finance costs - borrowings	6	(5,329)	(5,391)
Share of profit in associate	8	96	202
(Loss) / profit before tax		**(31,118)**	**5,371**
Tax charge	7	(365)	(395)
Comprehensive (loss) / income for the period		**(31,483)**	**4,976**

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 2020

	Notes	As at 31 March 2020 €000	As at 31 December 2019 €000
Assets			
Non-current assets			
Property, plant and equipment		99	73
Investment in associate	8	6,618	6,522
Goodwill	9	1,836	1,836
Total non-current assets		**8,553**	**8,431**
Current assets			
Cash and cash equivalents		33,284	26,474
Trade and other receivables	12	17,045	21,241
Purchased loan portfolios	10	206,875	241,665
Purchased loan notes	10	16,146	17,903
Investments in joint ventures	10	55,793	61,743
Inventory	11	27,279	26,025
Total current assets		**356,422**	**395,051**
Total assets		**364,975**	**403,482**
Liabilities			
Non-current liabilities			
Borrowings	18	325,612	304,232
Other liabilities	13	1,181	1,172
Total non-current liabilities		**326,793**	**305,404**
Current liabilities			
Borrowings	18	45,245	70,153
Secured loan notes	18	13,739	16,414
Trade and other payables	13	6,618	7,681
Other liabilities	13	2,212	2,209
Tax payable		621	691
Provisions	19	4,792	4,492
Total current liabilities		**73,227**	**101,640**
Total liabilities		**400,020**	**407,044**
Equity			
Share capital	14	1,250	1,250
Retained earnings		(36,295)	(4,812)
Total equity		**(35,045)**	**(3,562)**
Total equity and liabilities		**364,975**	**403,482**

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

The above Interim Condensed Consolidated Financial Statements for the quarter ended 31 March 2020 were approved by the Board of Directors and authorised for issue on its behalf by:

C. Ross-Ro

Christopher Ross-Roberts
Director
26 May 2020

Interim Condensed Consolidated Statement of Cash Flows for the Quarter Ended 31 March 2020

	Notes	Quarter ended 31 March 2020 €000	Quarter ended 31 March 2019 €000
Cash flows from operating activities			
(Loss) / profit before tax		(31,118)	5,371
Adjustments for:			
Interest income from purchased loan portfolios	10	(14,768)	(17,915)
Interest income from purchased loan notes	10	(475)	(508)
Interest income from joint ventures	10	(2,041)	(1,270)
Finance income	10	(51)	(10)
Impairment		37,230	-
Revaluation gain - secured loan notes		(2,939)	-
Finance costs - borrowings	6	5,329	5,391
Interest expense - secured loan notes		605	664
Net foreign currency losses / (gains)		1,706	(168)
Share of profit in associate	8	(96)	(202)
Operating cash flows before movements in working capital		**(6,618)**	**(8,647)**
Change in trade and other receivables*	12	3,929	1,451
Change in trade and other payables*	13	(1,077)	(1,325)
Cash used in operating activities before collections and purchases		**(3,766)**	**(8,521)**
Tax paid		(135)	(253)
Collections in the period	10	19,687	31,769
Acquisition of joint ventures	10	(240)	-
Net cash generated from operating activities		**15,546**	**22,995**
Cash flows from financing activities			
Dividends paid		-	(10,106)
Proceeds from re-financing acquisition of purchased loan notes	10	462	-
Proceeds from borrowings		25,483	19,767
Repayment of borrowings		(29,295)	(19,108)
Revolving Credit Facility transaction and other fees paid		-	(133)
Repayment of secured loan notes		(341)	(1,683)
Finance costs paid		(5,045)	(4,925)
Net cash used in from financing activities		**(8,736)**	**(16,188)**
Net movements in cash and cash equivalents		6,810	6,807
Cash and cash equivalents at the beginning of the period		26,474	37,310
Cash and cash equivalents at the end of the period		**33,284**	**44,117**

*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 2020

	Share capital	Retained earnings	Total equity
	€000	**€000**	**€000**
Balance as at 1 January 2020	1,250	(4,812)	(3,562)
Comprehensive loss for the period	-	(31,483)	(31,483)
Balance as at 31 March 2020	**1,250**	**(36,295)**	**(35,045)**

Comparative figures from 1 January to 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**

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 2020

1. General information

AnaCap Financial Europe S.A. SICAV–RAIF (“AFE”, “Fund”), a public limited liability company (société anonyme), was incorporated on 28 June 2017 under the laws of Luxembourg as a reserved alternative investment fund (*fonds d’investissement alternatif réservé)* in the form of an investment company with variable capital (*société d’investissement à capital variable*).

On 24 January 2020 the registered address of the Fund was changed from E Building, Parc d’Activité Syrdall, 6, Rue Gabriel Lippmann, L-5365 Munsbach, Grand Duchy of Luxembourg to 412F, route d’ Esch, L-2086 Luxembourg, Grand Duchy of Luxembourg.

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 acts as investment advisor to the Portfolio Manager.

The principal activity of AFE and its subsidiaries as listed in note 16 (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 year from 1 January 2019 to 31 December 2019. 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

The Group expects COVID-19 to have a significant impact on collections performance in the near-term future given the uncertainty in market conditions on the Group’s core markets. This has resulted in the Group re-assessing on a portfolio by portfolio basis the expected cash flows forecast at 2019-year end and revising these based on the Groups expectations on how the virus will impact the Group going forward.

On 17 January 2020, the Group increased the Term Facility available to draw upon by €6.3m with the total facility size now €31.3m.

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

The carrying values of non-derivative financial assets and financial liabilities are derived using the forecasted cash flows over the expected life of the underlying instruments. Due to the nature of the business, the expected cash flows are measured using an 84-month rolling expected life from the date of the 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. For larger balances, these forecasts are manually evaluated and underwritten based on the expected cash flows from reviews of underlying detailed loan documentation and the availability of security against the balance. For smaller balances, these forecasts are generated using statistical models incorporating a number of factors,

including predictions of payments, which are informed by customer and account level data, credit agency data and historic experience with accounts which have similar key attributes. Valuations are performed for each individual portfolio in order to assess potential changes in forecasted cash-flows compared to current targets based on underlying macro-economic, credit, behavioural, legal, collateral and operational cost assumptions driving liquidation performance and ultimate exit value if applicable. Macro-economic assumptions that are incorporated into the forecasts include factors such as gross domestic product ("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 2020 by €31,198k. A change in the expected future cash flows by -10% would reduce the carrying value of financial assets as at 31 March 2020 by €31,198k.

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.

Going concern

The Group has assessed its expected operating performance and liquidity requirements for the remainder of 2020 and in 2021 in light of the impact of COVID-19, as well as the potential impact the virus could have on the Group's ability to meet its obligations and wider covenant requirements. Despite the uncertainties surrounding the market amidst COVID-19, the Board of Directors remain confident that AFE can continue to trade for a period of at least 12 months from the date of signing these Financial Statements and will have sufficient liquidity to manage its operations during that time. Cash management and asset management will be critical throughout the year to help drive performance.

Impact of COVID-19

The Group has performed a full revaluation of its portfolio in Q1 2020 following the COVID-19 outbreak due to the significant impact the virus will have on cash flow timings in the near future. The revised forecast has seen a 1.4% total loss in ERC (c.€7m) as well as timing delays in collections, with collections for Q2 2020 – Q4 2020 now forecasted at 40% of Q4 2019 expectations. This marginal drop in ERC together with revised timing assumptions has resulted in a c.€37m non-cash impairment being recognised in Q1 2020. This is partially offset by a reduction in the secured loan notes payable of €2.9m to reflect the write-down attributable to a co-investor.

Given the uncertain of the duration of the lockdown and length of restrictions imposed by European government the Group has made an assumption that the health crises will last in full for 3 months with a further 3 month delay before courts are fully operational. As a result, the collection forecasts for both the current year and future years have been pushed out considerably, with cumulative collections achieving 95% not until December 2024. In effect there has been a parallel shift in our curves together with modest changes in resolution strategy to protect asset value and maximize NPV.

Due to the unprecedented nature of COVID-19 and continued market uncertainty, future collections and timings of cash flow may be different to that being forecast now.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

3. Critical accounting judgments and estimates (continued)

Impact of COVID-19 (continued)

The table below shows how the impairment charge recognised in Q1 2020 can be attributed by geography:

Country	Carrying value pre Q1 2020 impairment	Q1 2020 impairment charge	Carrying value post Q1 2020 impairment
Italy	129,925	(14,691)	115,234
Spain	100,623	(13,658)	86,965
Portugal	79,354	(8,172)	71,182
Romania	13,579	(48)	13,531
UK	5,601	(408)	5,193
Poland	19,113	(253)	18,860
Total	**348,195**	**(37,230)**	**310,965**

Carrying values in the above table take into account the carrying values of purchased loan portfolios, purchased loan notes, investments in joint ventures, inventory and also the carrying value of receivables which relate to advances made by REOCOs for property acquisitions (c.€4.9m, see note 12 for further information).

4. Segmental reporting

The Group represents a single reportable segment. The Group entities are all managed through Luxembourg with subsidiaries and portfolio investments across Europe. The below tables summarise the information in line with the internal reporting.

	As at 31 March 2020	As at 31 December 2019
	€000	**€000**
Investment in associate	6,618	6,522
Purchased loan portfolios	206,875	241,665
Purchased loan notes	16,146	17,903
Investments in joint ventures	55,793	61,743
Inventory	27,279	26,025
Statement of Financial Position		
Total segment assets	364,975	403,482
Total segment liabilities	(400,020)	(407,044)
Segment net liabilities	**(35,045)**	**(3,562)**

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

	Quarter ended 31 March 2020	Quarter ended 31 March 2019
	€000	**€000**
- United Kingdom	234	277
- Romania	368	508
- Poland	814	730
- Italy, Spain, Portugal	16,047	18,198
Total revenue	**17,463**	**19,713**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

4. Segmental reporting (continued)

The table below represents the carrying value of the Group's financial assets, inventories and the investment in associate by geography:

	As at 31 March 2020	As at 31 December 2019
	€000	€000
- United Kingdom	6,007	6,418
- Romania	13,795	13,965
- Poland	20,096	20,096
- Italy, Spain, Portugal	272,813	313,379
Total	**312,711**	**353,858**

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

	Gross ERC 31 March 2020	ERC 31 March 2020
	€000	€000
- United Kingdom	7,135	7,135
- Romania	21,158	21,158
- Italy	197,343	197,343
- Spain	161,060	134,148
- Portugal	108,257	104,501
- Poland	32,078	32,078
Total	**527,031**	**496,363**

5. Other operating expenses, foreign exchange gains and losses and impairments of the Group's Assets

	Quarter ended 31 March 2020	Quarter ended 31 March 2019
	€000	€000
Management fees	1,416	1,532
Directors' fees	52	69
Legal and professional fees	24	85
Administration fees	277	311
Audit fees	84	80
Abort deal fees	-	190
Depositary charges	14	14
Staff costs	161	123
Other expenses	32	47
Non-recurring items*	-	120
Other operating expenses	**2,060**	**2,571**
Realised foreign currency losses	129	296
Unrealised foreign currency losses / (gains)	1,577	(464)
Net foreign currency losses / (gains)	**1,706**	**(168)**

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

6. Finance costs – borrowings

	Quarter ended 31 March 2020	Quarter ended 31 March 2019
	€000	€000
Fees on Revolving Credit Facility	154	51
Interest on borrowings	732	810
Interest on Senior Secured Notes and related Charges	4,443	4,530
Total finance costs - borrowings	**5,329**	**5,391**

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 2020, the Group’s tax charge of €365k (the quarter ended 31 March 2019: €395k) comprised Portuguese and other local tax charges. Further information on the Portuguese tax charges can be found in note 19 'Commitments and contingencies'.

Tax charges or credits in the Financial Statements have been determined based on the tax charges or credits recorded in the legal entities comprising the Group in the relevant geographies.

8. Investment in associate

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

The terms of the holding 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 2020:

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 2020	As at 31 December 2019
	€000	€000
Interest in net assets at beginning of year	6,522	6,316
Dividend declared during the period	-	(600)
Share of profit in associate	96	806
Interest in net assets of associate at the end of the period	**6,618**	**6,522**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

9. Goodwill

As at 31 March 2020, the Group's goodwill amounts to €1.84m (31 December 2019: €1.84m). Goodwill arose in 2018 on the acquisition of 100% of the share capital in a Spanish asset manager, Galata Asset Management S.L.

10. Financial assets

	As at 31 March 2020	As at 31 December 2019
	€000	€000
Expected falling due after one year:		
Purchased loan portfolios	134,959	133,321
Purchased loan notes	12,107	12,708
Investment in joint ventures	41,947	46,565
Total	**189,013**	**192,594**
Expected falling due within one year:		
Purchased loan portfolios	71,916	108,344
Purchased loan notes	4,039	5,195
Investment in joint ventures	13,846	15,178
Total	**89,801**	**128,717**

The movements in purchased loan portfolios were as follows:

	As at 31 March 2020
	€000
Purchased loan portfolios as at beginning of period	241,665
Interest income from purchased loan portfolios	14,768
Collections in the period*	(17,161)
Impairment	(31,035)
Less: movement in inventory and other receivables	(1,362)
Purchased loan portfolios at the end of the period	**206,875**

*Collections in the period also includes collections from the sale of inventory which the Group has acquired following a foreclosure process or other repossession strategy in order to maximise recoveries.

The movements in purchased loan notes were as follows:

	As at 31 March 2020
	€000
Purchased loan notes as at beginning of period	17,903
Proceeds from re-financing acquisitions	(462)
Interest income from purchased loan notes	475
Collections in the period	(816)
Impairment	(954)
Purchased loan notes at the end of the period	**16,146**

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

Notes to the Interim Condensed Consolidated Financial Statements (continued)

10. Financial assets (continued)

Seasonal factors, including the number of working days in a given month, the propensity of customers to take holidays at particular times of the year, annual cycles in disposable income as well as seasonal interruptions of court calendars can impact collections. Collections within portfolios tend to have high seasonal variances, resulting in high variances of collections between periods. In addition, the timing of asset acquisitions by the Group is likely to be uneven during the fiscal year which can lead to fluctuations in collections and carrying values of the Group's Assets between periods. Typically, the last quarter in the fiscal year sees strong collections and capital deployment as judicial matters are settled and selling banks prepare for year-end close.

The movements in investments in joint ventures were as follows:

	As at 31 March 2020
	€000
Joint ventures as at beginning of period	61,743
Joint ventures acquired during the period	240
Interest income from joint ventures	2,041
Collections in the period	(1,710)
Impairment	(5,241)
Net foreign currency loss	(1,280)
Joint ventures at the end of the period	**55,793**

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

11. Inventory

	As at 31 March 2020	As at 31 December 2019
	€000	€000
Inventory	27,279	26,025
Total	**27,279**	**26,025**

Inventory are collateral assets, mainly real estate, repossessed as part of the management of secured non-performing loan portfolios. All inventory within the Group is held through real estate owned companies ("REOCOs") in the jurisdiction in which the asset resides.

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

	As at 31 March 2020
	€000
Opening inventory	26,025
Re-possessions	3,077
Disposals	(1,823)
Closing balance at the end of the period	**27,279**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

12. Trade and other receivables

	As at 31 March 2020	As at 31 December 2019
	€000	**€000**
Collections receivable	7,451	11,311
Other receivables	9,594	9,930
Total	**17,045**	**21,241**

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.

13. Trade and other payables and other liabilities

		As at 31 March 2020	As at 31 December 2019
	Notes	**€000**	**€000**
Trade payables		599	743
Deferred and contingent consideration		2,212	2,209
Amounts due to related parties	15	80	143
Accrued expenses		5,939	6,795
Trade and other payables - current		8,830	9,890
Deferred and contingent consideration - non-current		1,181	1,172
Total trade and other payables		**10,011**	**11,062**

Deferred consideration includes c.€2m due payable in December 2020 following the acquisition of an Italian NPL portfolio in December 2019, with €200k payable in April 2020 being part of the deferred consideration due payable following the acquisition of Galata in April 2018. A further €300k of this deferred consideration is due payable in April 2021.

There is also a contingent consideration component accruing which could be payable to Galata if certain performance targets are met. The amount accrued as of 31 March 2020 for this contingent consideration is c.€900k.

14. Share capital

	As at 31 March 2020	As at 31 December 2019
	€000	**€000**
Share capital at 1 January 2020	1,250	1,250
Total share capital at 31 March 2020	**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 Holdings SCSp SICAV-RAIF, its sole shareholder.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

15. Related party transactions

	As at 31 March 2020	As at 31 December 2019
	€000	€000
Due to related parties		
Carne Global Fund Managers (Luxembourg) S.A.	5	4
AnaCap Investment Manager Limited	33	90
AnaCap Luxembourg S.à r.l.	42	49
Total	**80**	**143**

Management fees

The AIFM is entitled to receive a management fee on a quarterly basis, based on 1.75% of AFE's NAV (as defined in the Offering Memorandum, pro-rated for the number of days in each period), which includes fees payable to AnaCap Investment Management Limited, acting as Portfolio Manager. The management fee for the reporting period was €1,416k (quarter ended 31 March 2019: €1,532k).

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

During the period, the Group incurred charges of €162k (quarter ended 31 March 2019: €179k) 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.

	Quarter ended 31 March 2020	Quarter ended 31 March 2019
	€000	€000
Fees charged		
Directors' fees	52	69
Total fees charged during the period	**52**	**69**

	As at 31 March 2020	As at 31 December 2019
	€000	€000
Fees payable		
Directors' fees payable	104	154
Directors' fees payable at the end of the period	**104**	**154**

Notes to the Interim Condensed Consolidated Financial Statements (continued)

16. Investments in subsidiaries and controlled entities

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

	Place of incorporation	Ownership % as at 31 March 2020	Ownership % as at 31 December 2019	Current status
ACOF II Portugal Limited	Guernsey	100%**	100%**	Active
AFE Spain Limited	Guernsey	100%	100%	Active
AFE Asset Management S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Holdings S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Holdings 3 S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Holdings 7 S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Solutions 1 S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Solutions 2 S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Solutions 4 S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Solutions 5 S.à r.l.	Luxembourg	100%	100%	Active
Alpha Credit Solutions 6 S.à r.l.	Luxembourg	100%	100%	Active
Anacap UK Asset Management Limited	United Kingdom	100%	100%	Active
Aurora Reo S.r.l.	Italy	100%	100%	Active
Aurora SPV S.r.l.*	Italy	0%	0%	Active
Augustus SPV S.r.l.*	Italy	0%	0%	Active
Iustitia Futura S.r.l.*	Italy	0%	0%	Active
Mountrock S.L.U.	Spain	100%	100%	Active
Prime Credit 3 S.à r.l.	Luxembourg	100%	100%	Active
Prime Credit 6 S.à r.l.	Luxembourg	100%	100%	Active
Prime Credit 7 S.à r.l.	Luxembourg	100%	100%	Active
Sagres Holdings Limited*	Malta	0%	0%	Active
Silview S.L.U.	Spain	100%	100%	Active
Tiberius SPV S.r.l.*(Compartments 1-4)	Italy	0%	0%	Active
Tiberius III REOCO S.R.L	Italy	100%	100%	Active
Thor SPV S.r.l.*	Italy	0%	0%	Active
Belice ITG, S.L.U.	Spain	100%	100%	Active
Silonea Investments, S.L.U.	Spain	100%	100%	Active
Galata Asset Management, S.L.	Spain	100%	100%	Active
Episódio Válido - S.A.	Portugal	100%	100%	Active
Atticus STC, S.A.	Portugal	100%	100%	Active
Átila, Unipessoal LDA	Portugal	100%	100%	Active

Only two subsidiaries have employees, Galata Asset Management, S.L and Átila, Unipessoal LDA, having 8 employees (2019: 8) and 3 employees at 31 March 2020 respectively.

* 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)

17. Valuation of financial assets, liabilities and other 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.

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

The carrying values of the Term Facility, Revolving Credit Facility and Secured Loan Notes are reasonable approximation of their fair values. The fair value of the Senior Secured Notes was determined using the quoted market price at Euro MTF Market of Luxembourg Stock Exchange (Level 1) as at 31 March 2020 being €226,532k (31 March 2019: €255,840k).

There have been no transfers between the levels.

The fair value and carrying value of financial assets of the Group are set out below (the below analysis does not include inventory as this is not considered a financial asset under IFRS):

Financial assets	Book value 31 March 2020	Fair value 31 March 2020
	€000	€000
Purchased loan portfolios*	206,875	163,964
Purchased loan notes	16,146	15,829
Investments in joint ventures	55,793	47,546
Cash and cash equivalents	33,284	33,284
Trade and other receivables	17,045	17,045
Total	**329,143**	**277,668**

The fair values are calculated using discount rates which accurately reflect the current economic environment. The discount rates used during Q1 2020 have increased across all geographies in comparison to the rates that were used during the Q4 2019 revaluation exercise. The book values are amortised using the EIR methodology which remain fixed.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

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

Comparative figures as of 31 December 2019:

Financial assets	Book value 31 December 2019	Fair value 31 December 2019
	€000	€000
Purchased loan portfolios*	241,665	208,850
Purchased loan notes	17,903	17,315
Investments in joint ventures	61,743	60,467
Cash and cash equivalents	26,474	26,474
Trade and other receivables	21,241	21,241
Total	**369,026**	**334,347**

* The fair value of purchased loan portfolios is net of amounts owing to secured loan noteholders, whereas the book value of purchased loan portfolios is gross of amounts owing to secured loan noteholders.

Financial instruments not measured at fair value – fair value hierarchy

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

The following table shows the financial instruments split into their respective categories as at 31 March 2020:

	Level 1	Level 2	Level 3
	€000	€000	€000
Purchased loan portfolios	-	-	206,875
Purchased loan notes	-	-	16,146
Investment in joint ventures	-	-	55,793
Investment in associate	-	-	6,618
Senior Secured Notes	(303,555)	-	-
Revolving Credit Facility	-	(39,385)	-
Term Facility	-	(27,917)	-
Secured loan notes	-	-	(13,739)
Total	**(303,555)**	**(67,302)**	**271,693**

Comparative figures as of 31 December 2019:

	Level 1	Level 2	Level 3
	€000	€000	€000
Purchased loan portfolios	-	-	241,665
Purchased loan notes	-	-	17,903
Investment in joint ventures	-	-	61,743
Investment in associate	-	-	6,522
Senior Secured Notes	(303,110)	-	-
Revolving Credit Facility	-	(50,969)	-
Term Facility	-	(20,306)	-
Secured loan notes	-	-	(16,414)
Total	**(303,110)**	**(71,275)**	**311,419**

The Interim Condensed Consolidated Statement of Financial Position value of the Group's Assets is derived from discounted cash flows generated by an 84-month ERC model. The inputs into the ERC model are historic portfolio collection performance data. This ERC is updated with the core collections experience to date on a monthly basis.

The Group has an established control framework with respect to the measurement of the Group's Assets values. This includes regular monitoring of portfolio performance overseen by the Group, which considers actual versus forecast results at an individual portfolio level and re-forecasting cash flows on a 3-6 monthly basis.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

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

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

A reconciliation of the closing balances for the period of the purchased loan portfolios, purchased loan notes and investments in joint ventures can be seen in note 10.

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

18. Borrowings and facilities

	As at 31 March 2020	As at 31 December 2019
	€000	€000
Expected falling due after one year		
Senior Secured Notes	301,072	300,626
Secured loan notes	12,888	13,536
Term Facility	24,540	3,606
Total	**338,500**	**317,768**
Expected falling due within one year		
Revolving Credit Facility	39,385	50,969
Term Facility	3,377	16,700
Senior Secured Notes	2,483	2,484
Secured loan notes	851	2,878
Total	**46,096**	**73,031**

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. Following the revaluation exercise of the Group's portfolio in Q1 2020 the amount owing to secured loan note holders has reduced by c.€2.9m due to revised cash flow timings. This is shown as a revaluation gain in the Interim Condensed Consolidated Statement of Comprehensive Income.

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). During 2019, AFE repurchased Senior Secured Notes with a nominal value of €17.5m which 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's and the Guarantors' obligations are secured on a first-ranking basis, (i) the outstanding capital stock of AFE that is held by its direct parent, AnaCap Financial Europe Holdings SCSp SICAV-RAIF, (ii) all capital stock of each of the Guarantors that is owned by AFE or another Guarantor, (iii) certain bank accounts of AFE and of the Guarantors and (iv) receivables from certain inter-company loan notes and securitisation notes that are held by AFE and by one of the Guarantors and receivables from a participation agreement due to another of the Guarantors.

The assets of the Group, excluding amounts owing to secured loan noteholders, have been pledged as security for the Senior Secured Notes, the Super Senior Revolving Credit Facility and the Term Facility. For the quarter ended 31 March 2020 the Group remained compliant with all covenants outlined on the Senior Secured Notes and the Super Senior Revolving Credit Facility.

As at 31 March 2020 AFE had a €90.0m (31 December 2019: €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 2020, €39.3m (31 December 2019: €50.8m) had been drawn as a loan from the Facility, and €4.1m (31 December 2019: €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 2020 equal to €46.6m (31 December 2019: €35.1m). The fees payable for the bank guarantee is 2.70% p.a. which is charged quarterly in arrears.

Notes to the Interim Condensed Consolidated Financial Statements (continued)

18. Borrowings and facilities (continued)

In accordance with the Facility agreement, AFE is required to ensure that at each quarter end date i) the LTV Ratio does not exceed 0.75:1 and ii) the SSRCF LTV Ratio does not exceed 0.25:1. As at 31 March 2020, the LTV Ratio was 68.4% and the SSRCF LTV Ratio was 0.8%.

On 17 January 2020, Alpha Credit Solutions 6 S.a r.l. ("ACS6") upsized the Term Facility by €6.3m, increasing the total Term Facility available to draw on to €31.3m, due to mature 17 January 2023. As at 31 March 2020, €28.7m (31 December 2019: €20.8m) had been drawn. The amounts payable on the Term Facility due within and greater than 1 year are dependent on the performance and cash flow timings of portfolios which are secured in favour of the Term Facility lenders. Due to the impact of COVID-19 on forecast cash flows it is now expected that €3.4m (December 2019: €16.7m) will be due within one year and €25.1m (December 2019: €3.6m) will be payable after one year. Interest accrues at a rate equal to the Margin and EURIBOR. At 31 March 2020 the applicable Margin was 3.5%. In accordance with the Term Facility agreement, ACS6 was required to ensure that leverage as at 31 March 2020 did not exceed 40.0%; as at 31 March 2020, leverage was 36.5%.

Notwithstanding the upsize to the Term Facility, the Board of Directors remain confident that all liabilities and obligations of the Group will be met as they fall due.

19. 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, 2019 and 2020, which has been calculated in a similar manner. The total tax provision reflected in the Financial Statements as at 31 March 2020 is €4.8m (31 December 2019: €4.5m).

Brexit

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

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.

20. Ultimate parent entity

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

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 period. Collections in the period represent cash received by the Group and/or the servicers engaged by the Group within that period and include deferred consideration on a received basis.

Normalised EBITDA eliminates the impact of portfolio disposals.

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 2020	Quarter ended 31 March 2019
	€000	€000
Loss before tax	**(31,118)**	**5,371**
Finance costs	2,995	6,055
Share of profit in associate	(96)	(202)
Net foreign currency movements	1,706	(168)
Impairment	37,230	-
Collections from portfolios	19,687	31,769
Revenue	(17,463)	(19,713)
Other income	179	20
Cash collected on behalf of secured loan noteholders	(480)	(798)
Non-recurring items	-	120
Finance income	(51)	(10)
Normalised and Adjusted EBITDA	**12,589**	**22,444**

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

	Quarter ended 31 March 2020	Quarter ended 31 March 2019
	€000	€000
Net cash generated from operating activities	**15,546**	**22,995**
Portfolio acquisitions	240	-
Taxation paid	135	253
Cash collected on behalf of secured loan noteholders	(480)	(798)
Working capital adjustments	(2,852)	(126)
Non-recurring items	-	120
Normalised and Adjusted EBITDA	**12,589**	**22,444**

Reconciliation of core collections to Normalised and Adjusted EBITDA:

	Quarter ended 31 March 2020	Quarter ended 31 March 2019
	€000	€000
Core Collections in the period	**19,687**	**31,769**
Other income	179	20
Operating expenses	(45,733)	(8,499)
Net foreign currency movements	1,706	(168)
Impairment	37,230	-
Cash collected on behalf of secured loan noteholders	(480)	(798)
Non-recurring items	-	120
Normalised and Adjusted EBITDA	**12,589**	**22,444**