

AnaCap Financial Europe S.A. SICAV-RAIF

**Unaudited Interim Condensed Consolidated Financial Statements
For the Quarter Ended 31 March 2022**

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General Information

Fund

AnaCap Financial Europe S.A. SICAV-RAIF
Since 28 March 2022:
26-30, Avenue du Dix Septembre
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Grand Duchy of Luxembourg
R.C.S. Luxembourg: B216080

Until 28 March 2022:
412F, route d' Esch
L-1471 Luxembourg
Grand Duchy of Luxembourg

AIFM

Carne Global Fund Managers (Luxembourg) S.A.
3, rue Jean Piret
L-2350 Luxembourg
Grand Duchy of Luxembourg

Portfolio Manager

AnaCap Investment Manager Limited
2nd Floor, Windsor House, Lower Pollet
St Peter Port
Guernsey GY1 1WF

Administrative Agent

Since 28 March 2022:
Belasko Luxembourg S.a.r.l
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L-2550 Luxembourg
Grand Duchy of Luxembourg

Until 28 March 2022:
IQ EQ Fund Services (Luxembourg) S.A.
412F, Route d'Esch
L-1471 Luxembourg
Grand Duchy of Luxembourg

Auditor

PricewaterhouseCoopers
2, rue Gerhard Mercator
B.P. 1443 L-1014
Luxembourg
Grand Duchy of Luxembourg

Board of Directors

- Edward Green;
- Audrey Lewis;
- Graham Parry-Dew;
- Christopher Ross-Roberts;
- Eric Verret

Board of Directors of the AIFM

- John Alldis;
- Bill Blackwell;
- Veronica Buffoni;
- Martin Dobbins (resigned 11 January 2022);
- John Donohue;
- David McGowan.

Board of Directors of the Portfolio Manager

- David Copperwaite;
- Gregory McKenzie;
- Peter Niven;
- Nigel Ward.

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

Investment Advisor

AnaCap Financial Partners Limited
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London
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Directors' Report

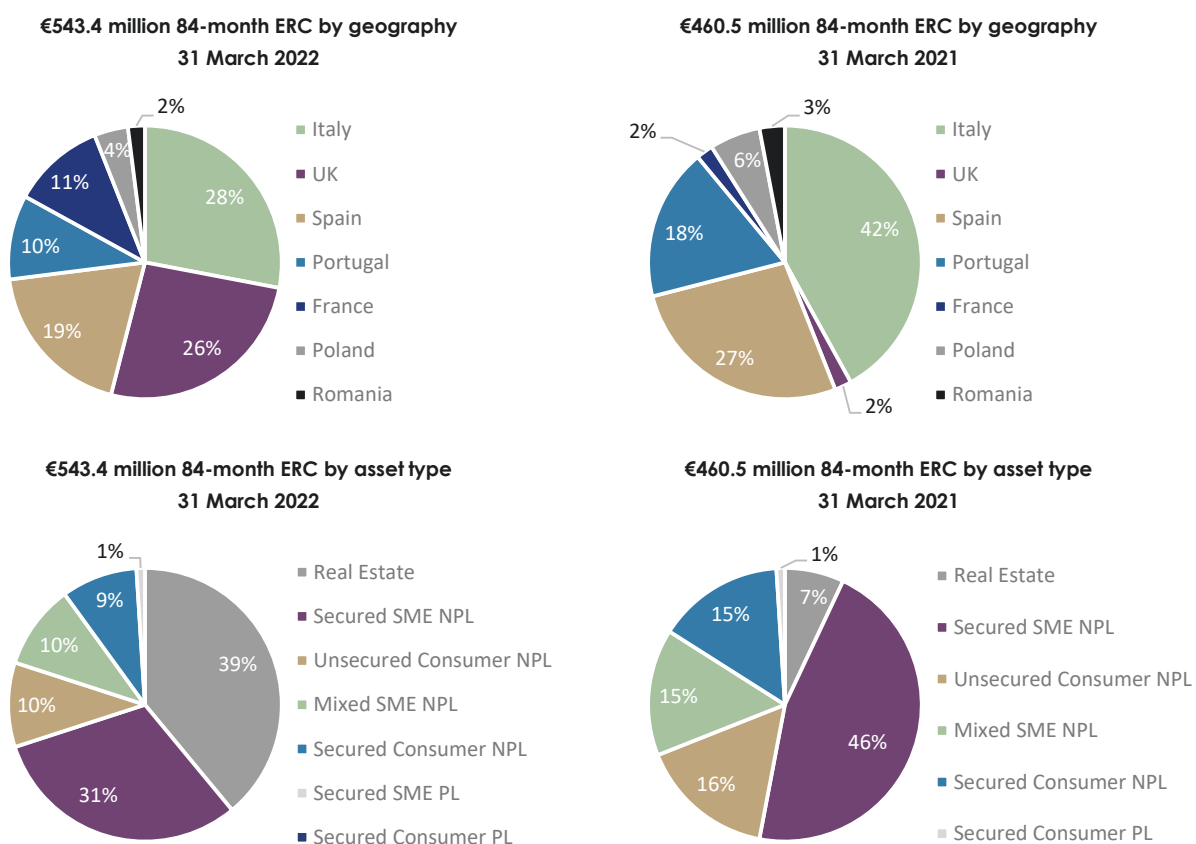
The Directors of AnaCap Financial Europe S.A. SICAV-RAIF ("AFE") are pleased to present the Directors' Report and Unaudited Interim Condensed Consolidated Annual Report (the "Financial Statements") on the activities and financial performance of AFE and its subsidiaries (together, the "Group") for the period from 1 January 2022 to 31 March 2022. The Financial Statements incorporate the assets, liabilities, revenue and expenses of the Group.

Business Overview

AFE purchases and invests in a diverse range of performing and 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, mortgage and real estate backed debt* including mixed portfolios. The Directors believe this ability is a key competitive advantage in originating new investment opportunities and further penetrating current markets and unlocking new ones, providing it with the opportunity to generate strong risk-adjusted returns on an ongoing basis. During the first quarter of 2022, AFE continued to source and originate new opportunities in the direct real estate and non-performing loan market having successfully executed c.€10.6m transactions in the UK, France and Italy.

In its debt investment portfolio, AFE has a diverse portfolio of seasoned and granular consumer, SME, mortgage debt and real estate backed 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 of 31 March 2022. Geographic and asset diversity provides resilience throughout the cycle in different countries.



* AFE invests in real estate assets through joint venture arrangements, the invested capital is provided to the joint venture through loan instruments alongside equity.

Directors' Report (continued)

Key Performance Indicators

The Directors use a variety of key performance indicators ("KPI's") 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 three-months periods ended 31 March 2022 and 31 March 2021. 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 2022	Quarter Ended 31 March 2021	% change
84-month ERC (€'000s)	1	543,374	460,518	18.0%
84-month Gross ERC (€'000s)	2	567,583	488,460	16.2%
Cumulative purchases of loan portfolios and loan notes (€'000s)	3	708,198	619,520	14.3%
Number of investments	4	55	40	37.5%
Number of accounts	5	209,501	209,761	-0.1%
Total attributable collections (€'000s)	6	18,984	18,594	2.1%
Total gross collections (€'000s)	7	18,312	17,711	3.4%
Core collections (€'000s)	8	18,312	17,711	3.4%
Operating expenses (€'000s)	9	7,324	7,603	-3.7%
Core collection cost ratio	10	40.0%	42.9%	-6.8%
Adjusted EBITDA (€'000s)	11	11,703	10,645	9.9%
Normalised Adjusted EBITDA (€'000s)	12	11,703	10,645	9.9%

(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.

(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 and real estate backed debt 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 investments represents the number of real estate backed debt investments and 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 represent the number of individual accounts acquired at the time of purchase or investment with respect to loan portfolios and real estate backed debt investments, 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 represent total cash collections gross of servicer fees and other costs to collect for all investments 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 represent 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 represent total gross collections, less any disposals of the Group's Assets.

(9) Operating expenses represent 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 represent the ratio of operating expenses to core collections.

(11) Adjusted EBITDA represents (loss)/profit before tax adjusted to exclude the effects of finance costs and finance income, share of profit/(loss) in associates, share of profit/(loss) in joint ventures, 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.

Directors' Report (continued)

Key Performance Indicators (continued)

(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 €779 million has been deployed through acquisitions of 61 investments with an aggregate face value of €13.6 billion. Since 2012, 6 portfolios have been fully sold. As of 31 March 2022, the portfolios held by AFE had an aggregate face value of €11.0 billion following the historical sale of deals with a face value of €2.6 billion, with an 84-month ERC of €543.4 million.

Portfolios purchased in the year ended:	Purchase price (13)	Actual		Total estimated collections (14)	Gross money multiple (15)
		collections to 31 March 2022	84-month ERC		
	€000	€000	€000	€000	
Year ended 31 December 2012	75,084	171,444	15,733	187,177	2.5x
Year ended 31 December 2013	77,386	151,332	19,952	171,284	2.2x
Year ended 31 December 2014	59,025	125,064	15,417	140,481	2.4x
Year ended 31 December 2015	47,806	57,480	18,116	75,596	1.6x
Year ended 31 December 2016	125,617	185,974	72,912	258,886	2.1x
Year ended 31 December 2017	65,017	87,492	27,436	114,928	1.8x
Year ended 31 December 2018	161,652	131,276	111,946	243,222	1.5x
Year ended 31 December 2019	36,119	17,160	42,251	59,411	1.6x
Year ended 31 December 2020	21,696	26,612	24,889	51,501	2.4x
Year ended 31 December 2021	102,233	4,715	179,633	184,348	1.8x
Period ended 31 March 2022	7,801	174	15,089	15,263	2.0x
Total	779,436	958,722	543,374	1,502,096	1.9x

For real estate investments AFE will be required to fund its share of capital expenditure and other working capital needs. Additional invested capital for real estate investments is recognised in the year that the investment was completed rather than the year it was funded. In parallel, ERC will be recognised over the duration of the investment such that the gross money multiple at any given time reflects the expected returns AFE anticipates to generate upon exit.

(13) Purchase price represents the aggregate amount paid plus costs less any cash received between the cut-off date for pricing an asset and the completion date of the purchase for all portfolio purchases in the period indicated.

(14) Total estimated collections represent actual collections to 31 March 2022 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 excluding unamortised debt issue costs, facility fees and amounts due to co-investors under secured loan notes.

		Quarter Ended 31 March 2022
		€000
Borrowings:	The Notes	307,500
	Revolving Credit Facility	63,533
	Term Facility	13,280
Less:	Cash at bank	(19,346)
	Cash held on AFE's account at servicers'	(5,336)
	Less cash deposits paid	(4,627)
Add back:	Cash collected on behalf of secured loan note holders	925
Net debt		355,929

LTV ratio at period end	16	65.5%
Adjusted EBITDA leverage ratio	17	3.55
LTM Adjusted EBITDA	18	100,129
Net interest expense	19	18,756
Fixed charge cover ratio ("FCCR")	20	5.34

(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) Adjusted EBITDA leverage ratio means net debt divided by the Adjusted EBITDA for the 12 months ended 31 March 2022. During June 2021 a successful sale of a pool of low recovery assets within a legacy lead to c.€4m collection proceeds compared to an ERC of c.€1.5m. In December 2021 a residual portfolio of assets was sold releasing sales proceeds of c.€2.5m compared to an ERC of c.€2.6m. Excluding these sales brings Normalised Adjusted EBITDA leverage ratio to 3.80.

(18) LTM Adjusted EBITDA means Adjusted EBITDA for the 12 months ended 31 March 2022.

(19) Net interest expense means interest expense on total debt for the 12 months ended 31 March 2022.

(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 2022
		€000
Borrowings:	The Notes	307,500
	Unamortised discount on issuance of the Notes	(659)
	Unamortised transaction fees	(2,952)
	Term Facility - non-current liability	5,280
	Unamortised transaction fees on Term Facility	(174)
	Per Financial Statements (non-current liability)	308,995
	Interest payable at 31 March 2022 (current liability)	2,520
	Revolving credit facility - amount drawn	63,533
	Term Facility - current liability	8,000
Total borrowings		383,048

Directors' Report (continued)

Significant recent developments

Russian Invasion of Ukraine

The ongoing military invasion of Ukraine and the related sanctions targeted against the Russian Federation may have impact on the European economies and globally. The Group does not have any direct exposure to Ukraine, Russia or Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates. This may lead to material adjustments to the carrying value of certain assets and liabilities within the next financial year. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day.

2022 Performance

In 2022, AFE continues to successfully execute on its strategy, demonstrating the resilience of its business model and strong cash generation, with performance and leverage returning to normalised pre-COVID levels. Deployment returned to normalised levels, €10.6m was deployed during the first quarter of 2022. AFE continued an expansion into direct real estate increasing portfolio diversification and predictability of collections, eliminating the volatility of court proceedings. The group reported total attributable collections of €19.0m against a target of €17.6m, set in December 2021, this represents a €1.4m or 8.0% overperformance.

New investments

During Q1 2022, the Group successfully deployed c.€10.6m of capital across Non-Performing Loans ("NPL") and real estate backed debt investments, c.€7.8m relates to new acquisitions in the quarter and c.€2.8m as follow-on funding to existing real estate backed debt deals. Additionally, the group funded c.€1.4m into a real estate investment trust manager.

On 7th January 2022 AFE invested c.€2m to acquire an Italian secured NPL portfolio. AFEs economic interest in the transaction is 33.3%.

On 8th February 2022, AFE completed a c.€3.2m acquisition of a c.6,000 sqm office building south west of London. AFE has a 50% economic interest in the transaction.

On 22nd February 2022, AFE funded c.€1.4m or c.99% of the share capital of a real estate investment trust manager in India, the manager is a subsidiary of AFE Asset Solutions. AFEs shareholding will change as the business plan develops but AFE will remain a majority shareholder. The investment will contribute to the continued development of AFE asset servicing business.

On 25th March 2022 AFE completed a c.€2.5m acquisition of a c.9,000 sqm office building in the north of England, AFEs economic interest in this transaction is 50%.

In the period to 31st March 2022 AFE made follow on investments of c.€2.8m in three existing real estate backed debt investments in France. An additional follow-on investment of c.€0.8m was made on 26th April 2022.

Signed transactions

On 4 August 2021, the Group paid a c.€0.4m deposit to acquire a residential development plot in Milan. Further deposits were made on 11th November 2021 and 17th February 2022 of c.€0.3m and c.€0.2m respectively. Subject to all conditions precedent being met the Group expects to close and acquire the asset during 2022 with AFE's economic interest amounting to 40%.

On 10th November 2021 and 17th February 2022 deposits were funded of c.0.8m and €0.5m respectively, this was in relation to the acquisition of a c.5,700 sqm residential development in Rome. Subject to all conditions precedent being met the group expects to close the transaction and acquire the asset during 2022, AFEs economic interest is 40%.

On 12th January 2022, AFE funded a deposit of c.€1.2m and signed a sale promise agreement for the purchase of a c.15,800 sqm office south of Paris, France. The purchase was completed on 18th April 2022 with a further investment of c.€7.1m. AFEs economic interest in this transaction is 40%.

On 11th February 2022, AFE funded a deposit of c.€0.9m and signed a sale promise agreement for the purchase of a c.8,200 sqm mixed use development opportunity in Paris, AFEs economic interest in this transaction is 40%.

On 16th February 2022, AFE funded a deposit of c.€0.9m and signed a sale promise agreement for the purchase of a c.19,500 sqm shopping complex in the south of France, AFEs economic interest in this transaction is 40%.

On 13th April 2022 AFE funded a deposit of c.€0.7m in relation to the acquisition of a c.7,000sqm office building north east of London, UK. AFE Completed the acquisition of the asset on 16th May 2022 with a further investment of c.€ 2.6m AFEs economic interest in this transaction is 50%.

On 20th April 2022, AFE acquired a plot of land for c.€0.5m utilised as a car park adjacent to an existing asset in the north of England, AFEs economic interest in the transaction is 50%.

On 13th May 2022 AFE funded a deposit of c.€0.4m for the acquisition of a c.6,000 sqm office building in the north of England, AFEs economic interest in the transaction is 50%.

Directors' Report (continued)

Signed transactions (continued)

Under the business plan of the signed and acquired real estate assets, the Group is expected to fund an additional c.€15.5m for its share of acquisition cost and capital expenditure over the next three years.

Changes to administration and governance

On 11th January 2022 Martin Dobbins resigned from the Board of Directors of the AIFM.

On 28th March 2022 Belasko Luxembourg S.a.r.l was appointed as Administrative Agent replacing IQ EQ Fund Services (Luxembourg) S.A.

Environmental, Social and Governance:

AFE falls within the scope of Article 6 of SFDR, as it does not promote environmental or social characteristics, nor does it have sustainable investment as its primary objective. The AIFM is required to make certain disclosures under SFDR in respect of its approach to the integration of sustainability risks in the investment decision-making process, as well as an explanation of the likely impacts of sustainability risks on our returns. The AIFM relies upon the Investment Adviser's approach to sustainability risks to satisfy these requirements.

Sustainable investing is integral to the Investment Advisors business and culture. The Investment Advisor seeks to invest responsibly, taking relevant sustainability risks and factors into account throughout our investment process. The Investment Adviser's environmental, social and governance ("ESG") policy is compliant with SFDR. In 2021, the Investment Adviser was awarded a top-10 ranking in Orbis Advisory's ESG Transparency: Private Equity Index 2021 and also obtained a Silver medal from Ecovadis (an external ESG consultant) for its assessment in 2020. The Investment Adviser's approach to the integration of sustainability risks thought the investment process is integral to the way in which the Investment Adviser operates and is relevant to AFE assets.

Going Concern

The Group continues to actively monitor its liquidity and covenant adherence. The Group's liquidity position remains strong, with available cash as of the date of signing of the Financial Statements of c.€34.1m. The group has assessed its expected operating performance and liquidity requirements for 2022 considering the impact of the ongoing Russian invasion of Ukraine and macroeconomic uncertainty. Despite the deteriorating macroeconomic outlook 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 the 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. AFEs Revolving Credit Facility ("RCF") matures on 7th July 2022, AFE has support from lenders to extend the RCF beyond the current maturity date for an additional 12 months.

Outlook

Net debt to adjusted EBITDA is within target range with stable cash collections, deployment of capital is set to continue throughout 2022. AFE has a locally embedded platform with 23 FTE equivalents across 5 local geographies, a resilient and low fixed cost operating model which is expected to drive strong performance into 2022. The development of AFEs master servicing model will provide an opportunity to generate incremental capital-light income from the credit portfolio. AFE will continue to co-invest in mid-market investments (€10M-€50M) focusing on hard asset backing (real estate secured NPLs, performing real estate backed debt and direct real estate) with a focus on continued diversification across a broader range of asset types and geographies.

Eric Verret

Director
24 May 2022





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 2022, and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of cash flows and the interim condensed consolidated statement of changes in equity 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 fair presentation of these interim condensed consolidated financial statements in accordance with IAS34, "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, 24 May 2022

Thierry Salagnac

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Interim Condensed Consolidated Statement of Comprehensive Income for the Quarter Ended 31 March 2022

		Quarter ended 31 March 2022	Quarter Ended 31 March 2021
	Notes	€000	€000
Revenue			
Interest income from purchased loan portfolios	11	10,034	12,085
Interest income from purchased loan notes	11	249	346
Interest income on loans to joint ventures at amortised cost	11	2,536	2,074
Other income		1,133	758
Total revenue	5	13,952	15,263
Operating expenses			
Collection activity costs		(3,405)	(4,042)
Net foreign currency loss	6	(105)	(237)
Other operating expenses	6	(3,919)	(3,561)
Total operating expenses		(7,429)	(7,840)
Operating profit		6,523	7,423
Finance costs	7	(5,773)	(5,534)
Share of profit in joint venture accounted for using equity method	12	56	0
Profit from discontinued operation	10	265	150
Profit before tax		1,071	2,039
Tax charge	8	(52)	(22)
Comprehensive income for the period		1,019	2,017

The above Unaudited Interim 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 2022

		As at 31 March 2022	As at 31 December 2021
	Notes	€000	€000
Assets			
Non-current assets			
Property, plant and equipment		84	88
Investments in joint ventures at amortised cost	11	31,316	27,875
Investments in joint ventures at FVPL	11	74,329	69,126
Participation in joint ventures	12	12,012	11,956
Goodwill	9	1,836	1,836
Total non-current assets		119,577	110,881
Current assets			
Cash and cash equivalents		19,346	21,438
Trade and other receivables	14	11,631	21,275
Other assets	14	3,996	7,126
Purchased loan portfolios	11	155,873	157,432
Purchased loan notes	11	9,674	9,272
Investments in joint ventures at amortised cost	11	45,219	45,912
Investment in associate classified as held for sale	10	8,574	8,309
Inventory	13	23,837	22,707
Total current assets		278,150	293,471
Total assets		397,727	404,352
Liabilities			
Non-current liabilities			
Borrowings	21	308,995	310,821
Other liabilities	15	1,020	1,005
Total non-current liabilities		310,015	311,826
Current liabilities			
Borrowings	21	74,053	78,921
Secured loan notes	21	13,090	13,002
Trade and other payables	15	7,538	8,228
Tax payable		830	1,013
Tax provisions	22	4,877	5,057
Total current liabilities		100,388	106,221
Total liabilities		410,403	418,047
Equity			
Share capital	16	1,250	1,250
Retained earnings		(13,926)	(14,945)
Total equity		(12,676)	(13,695)
Total equity and liabilities		397,727	404,352

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

The Unaudited Interim Condensed Consolidated Financial Statements for the period ended 31 March 2022 were approved by the Board of Directors and authorised for issue on its behalf by:

Eric Verret

Director

24 May 2022

Eric Verret

Interim Condensed Consolidated Statement of Cash Flows for the Quarter Ended 31 March 2022

	Notes	Quarter ended 31 March 2022 €000	Quarter Ended 31 March 2021 €000
Cash flows from operating activities			
Profit before tax		1,071	2,039
<u>Adjustments for:</u>			
Interest income from purchased loan portfolios	11	(10,034)	(12,085)
Interest income from purchased loan notes	11	(249)	(346)
Interest income from joint ventures	11	(2,536)	(2,074)
Finance costs	7	5,773	5,534
Unrealised foreign currency losses	6	487	182
Share of profit in joint venture accounted for using equity method	12	(56)	-
Share of profit in associate	10	(265)	(150)
Operating cash flows before movements in working capital		(5,809)	(6,900)
Change in trade and other receivables*		9,189	2,451
Change in trade and other payables*		(690)	(1,113)
Cash used in operating activities before collections and purchases		2,690	(5,562)
Taxes paid		(415)	(164)
Collections in the period - sale of inventory	11	2,612	1,156
Collections in the period - loans	11	11,202	16,555
Collections in the period - joint ventures	11	4,498	-
Acquisition of joint ventures	11	(10,598)	(4,028)
Net cash generated from operating activities		9,989	7,957
Cash flows from financing activities			
Proceeds from borrowings		2,191	3,285
Repayment of borrowings		(8,823)	(8,699)
Repayment of secured loan notes		(759)	(764)
Finance costs paid		(4,690)	(4,580)
Net cash used in financing activities		(12,081)	(10,758)
Net movements in cash and cash equivalents		(2,092)	(2,801)
Cash and cash equivalents at the beginning of the period		21,438	17,233
Cash and cash equivalents at the end of the period		19,346	14,432

*Movement in working capital is net of accruals and prepayments related to the Notes and the Revolving Credit Facility. The above Unaudited Interim 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 2022

	Share capital	Retained earnings	Total equity
	€000	€000	€000
Balance as at 1 January 2022	1,250	(14,945)	(13,695)
Comprehensive income for the period	-	1,019	1,019
Balance as at 31 March 2022	1,250	(13,926)	(12,676)

Comparative figures from 1 January to 31 March 2021:

	Share capital	Retained earnings	Total equity
	€000	€000	€000
Balance as at 1 January 2021	1,250	(30,199)	(28,949)
Comprehensive income for the period	-	2,017	2,017
Balance as at 31 March 2021	1,250	(28,182)	(26,932)

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

Notes to the Consolidated Financial Statements

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 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 Limited ("AFPL") acts as investment advisor to the Portfolio Manager.

The principal activity of AFE and its subsidiaries as listed in note 18 (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, as well as seek opportunities in the direct real estate market.

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 ended 31 December 2021. 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

Changes to the Board of Directors of the AIFM

On 11th January 2022 Martin Dobbins resigned from the Board of Directors.

Changes to the Administrative Agent

On 28th March 2022 Belasko Luxembourg S.a.r.l was appointed as Administrative Agent replacing IQ EQ Fund Services (Luxembourg) S.A.

New Investments

During Q1 2022, the Group successfully deployed c.€10.6m of capital across Non-Performing Loans ("NPL") and real estate backed debt investments, c.€7.8m relates to new acquisitions in the quarter and c.€2.8m as follow-on funding to existing real estate backed debt deals. Additionally, the group funded c.€1.4m into a real estate investment trust manager.

On 7th January 2022 AFE invested c.€2m to acquire an Italian secured NPL portfolio. AFEs economic interest in the transaction is 33.3%.

On 8th February 2022, AFE completed a c.€3.2m acquisition of a c.6,000 sqm office building south west of London. AFE has a 50% economic interest in the transaction.

On 22nd February 2022, AFE funded c.€1.4m or c.99% of the share capital of a real estate investment trust manager in India, the manager is a subsidiary of AFE Asset Solutions. AFEs shareholding will change as the business plan develops but AFE will remain a majority shareholder. The investment will contribute to the continued development of AFE asset servicing business.

On 25th March 2022 AFE completed a c.€2.5m acquisition of a c.9,000 sqm office building in the north of England, AFEs economic interest in this transaction is 50%.

In the period to 31st March 2022 AFE made follow on investments of c.€2.8m in three existing real estate backed debt investments in France. An additional follow-on investment of c.€0.8m was made on 26th April 2022.

Signed Transactions:

On 4 August 2021, the Group paid a c.€0.4m deposit to acquire a residential development plot in Milan. Further deposits were made on 11th November 2021 and 17th February 2022 of c.€0.3m and c.€0.2m respectively. Subject to all conditions precedent being met the Group expects to close and acquire the asset during 2022 with AFE's economic interest amounting to 40%.

On 10th November 2021 and 17th February 2022 deposits were funded of c.0.8m and €0.5m respectively, this was in relation to the acquisition of a c.5,700 sqm residential development in Rome. Subject to all conditions precedent being met the group expects to close the transaction and acquire the asset during 2022, AFEs economic interest is 40%.

On 12th January 2022, AFE funded a deposit of c.€1.2m and signed a sale promise agreement for the purchase of a c.15,800 sqm office south of Paris, France. The purchase was completed on 18th April 2022 with a further investment of c.€7.1m. AFEs economic interest in this transaction is 40%.

Notes to the Consolidated Financial Statements (continued)

Signed Transactions (continued):

On 11th February 2022, AFE funded a deposit of c.€0.9m and signed a sale promise agreement for the purchase of a c.8,200 sqm mixed use development opportunity in Paris, AFEs economic interest in this transaction is 40%.

On 16th February 2022, AFE funded a deposit of c.€0.9m and signed a sale promise agreement for the purchase of a c.19,500 sqm shopping complex in the south of France, AFEs economic interest in this transaction is 40%.

On 13th April 2022 AFE funded a deposit of c.€0.7m in relation to the acquisition of a c.7,000sqm office building north east of London, UK. AFE Completed the acquisition of the asset on 16th May 2022 with a further investment of c.€ 2.6m AFEs economic interest in this transaction is 50%.

On 20th April 2022, AFE acquired a plot of land for c.€0.5m utilised as a car park adjacent to an existing asset in the north of England, AFEs economic interest in the transaction is 50%.

On 13th May 2022 AFE funded a deposit of c.€0.4m for the acquisition of a c.6,000 sqm office building in the north of England, AFEs economic interest in the transaction is 50%.

Under the business plan of the signed and acquired real estate assets, the Group is expected to fund an additional c.€15.5m for its share of acquisition cost and capital expenditure over the next three years.

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

Interest rate benchmark reform Phase 2 is effective beginning on 1 January 2021. Amendments to IFRS 7, IFRS 4, IFRS 9, IFRS 16 and IAS 39 require that, for financial instruments under amortised cost, changes to the basis of determining the contractual cash flows required by the reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised in the income statement.

A number of other new and 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.

Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities (effective on annual periods on or after 1 January 2024) clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Other new standards and amendments have been published from IASB but are not yet applicable. The Group do not expect there to be material impact on the Financial Statements due to the adoption of these standards and amendments.

3. Significant accounting policies adopted in the period

There are no new accounting policy adoption or amendments during the period impacting the financial statements.

4. 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 Interim 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 Consolidated Financial Statements (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 Interim 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 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 characteristics of each portfolio.

Given the distressed nature of some of the assets acquired, NPL assets are acquired significantly below the gross book value of the portfolio and are priced at a level that meets the Group's risk-adjusted return targets, with the Group being able to leverage off of both internal expertise within the Group's asset management platform and trusted and established relationships with third parties to support pricing assumptions to ensure that expected credit losses and the full distressed nature of the NPL portfolio are fully baked into pricing at acquisition.

The portfolio cash flow projections are assessed on at least a bi-annual basis where credit loss is assessed at loan level, with adjustments made to future cash flows to reflect any changes to management assumptions on anticipated credit loss for a 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. When assessing the future cash flows at portfolio level there are many macro level indicators that are considered when building expectations and assumptions. Two of the main drivers behind estimating cash flow forecasts include:

- 1) time to collect on certain positions. Asset management strategies are tailored to segments or certain positions across the portfolio in order to optimise recoveries. However due to the nature of the majority of the Group's portfolio (non-performing loans) estimating timing of recoveries include various assumptions, including timing to push through judicial cases, timing of foreclosures and other legal processes.
- 2) collateral values. On acquisition of secured debt portfolios, the underlying collateral securing the debt is valued by an independent 3rd party valuer. The asset valuations are reviewed on at least an annual basis and updated as necessary to ensure that the asset price used in the cash flow forecasts fairly reflects the price at which the asset will be sold for based on the Group's best estimates.

A change in the expected future cash flows by +10% would increase the carrying value of financial assets as at 31 March 2022 by €23.8m. A change in the expected future cash flows by -10% would reduce the carrying value of financial assets as at 31 March 2022 by €24.2m.

Following completion of an investment 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 2022 considering the impact of COVID-19, the Russian invasion of Ukraine and macroeconomic uncertainty. Despite the ongoing market uncertainty 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.

Notes to the Consolidated Financial Statements (continued)

5. Segmental reporting

The Group represents two reportable segments. The first segment is performing and non-performing loans, the second is real estate backed debt investments. 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 2022	As at 31 December 2021
	€000	€000
Investment in associate classified as held for sale	8,574	8,309
Purchased loan portfolios	155,873	157,432
Purchased loan notes	9,674	9,272
Investments in joint ventures	162,876	154,869
Inventory	23,837	22,707
Consolidated Statement of Financial Position		
Total segment assets	397,727	404,352
Total segment liabilities	(410,403)	(418,047)
Segment net liabilities	(12,676)	(13,695)

The table below represents the total revenue of the Group by geography, excluding revenue derived from real estate:

	Quarter ended 31 March 2022	Quarter ended 31 March 2021
	€000	€000
- United Kingdom	4	165
- Romania	190	281
- Poland	619	742
- Italy, Spain, Portugal	12,483	14,061
Total revenue	13,296	15,249

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

	Quarter ended 31 March 2022	Quarter ended 31 March 2021
	€000	€000
- France	645	14
- Italy	11	-
Total revenue	656	14

The table below represents the carrying value of the purchased loan portfolios, purchased loan notes, investments in joint ventures, investments in associates held for sale and inventory by geography, excluding real estate:

	As at 31 March 2022	As at 31 December 2021
	€000	€000
- United Kingdom	67,762	-
- Romania	7,260	7,315
- Poland	15,085	15,210
- Italy, Spain, Portugal	155,578	223,615
Total	245,685	246,140

Notes to the Consolidated Financial Statements (continued)

5. Segmental reporting (continued)

The table below represents the carrying value of real estate by geography:

	As at 31 March 2022	As at 31 December 2021
	€000	€000
- United Kingdom	73,605	68,413
- France	35,516	32,075
- Italy	6,028	5,961
Total	115,149	106,449

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

	Gross ERC 31 March 2022	ERC 31 March 2022
	€000	€000
- Romania	9,384	9,384
- Italy	140,720	140,720
- Spain	126,784	105,873
- Portugal	60,762	57,464
- Poland	20,352	20,352
Total	358,002	333,793

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

	Gross ERC 31 March 2022	ERC 31 March 2022
	€000	€000
- United Kingdom	139,511	139,511
- Italy	11,687	11,687
- France	58,383	58,383
Total	209,581	209,581

Estimated remaining collections ("ERC") represents AFE's estimated remaining collections on the Group's Assets over an 84-month period on an undiscounted basis, excluding any proportionate share of remaining cash collections that may be payable to a co-investor holding secured loan notes (Gross ERC includes this proportionate share). ERC can be attributed to the Group's financial instruments and reconciled as such:

- 1) Purchased loan portfolios - purchased loan portfolios comprise of different groups of homogenous assets. The carrying value of each purchased loan portfolio group is calculated by discounting future cash flows (Gross ERC) using the EIR method.
- 2) Purchased loan notes - the Group invests in portfolios held by entities which are not under the control of the Group via loan notes, which gives the Group proportionate rights to the cash flows from the underlying portfolios. The carrying value of each purchased loan note group is calculated by discounting the Groups forecast share of cash flows (ERC less the Group's proportionate share of costs) using the EIR method.
- 3) Investments in joint ventures measured at amortised cost - Investment in joint ventures are measured at amortised cost where cash flows comprise solely of principal and interest, with an intention to hold to collect and where the Group has joint control over the arrangement. The Group are entitled to its share of the collections of the underlying investment after deduction of collection and overhead costs in the joint venture. The carrying value of each investment in joint venture is calculated by discounting the net collections attributable to the Group using the EIR method.

For financial instruments measured at FVPL, the carrying values are calculated by discounting the Groups share of future cash flows using a prevailing market rate, whereas ERC represents the Groups share of estimated remaining collections undiscounted.

Notes to the Consolidated Financial Statements (continued)

6. Other operating expenses and foreign exchange of the Group's Assets

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

	Quarter ended 31 March 2022	Quarter ended 31 March 2021
	€000	€000
Management fees	1,429	1,122
Directors' fees	43	66
Legal and professional fees	231	96
Administration fees	316	272
Audit fees	50	145
Abort deal fees	-	2
Depositary charges	15	15
Subscription tax	-	1
Staff costs	936	1,070
Other expenses	899	772
Other operating expenses	3,919	3,561
Realised foreign currency (gains)/losses	(382)	55
Unrealised foreign currency losses	487	182
Net foreign currency losses	105	237

Staff costs include the total remuneration cost of all employees within the Group during the year. As at 31 March 2022, the Group had 23 employees (31 March 2021: 23). Other expenses include additional cost of €0.5m (quarter ended 31 March 2021 €0.4m) borne by the Group from AFPL in accordance with the Support Services agreement (see note 17 related party transactions).

7. Finance costs

	Quarter ended 31 March 2022	Quarter ended 31 March 2021
	€000	€000
Fees on Revolving Credit Facility	79	215
Interest on borrowings	990	635
Interest on Senior Secured Notes and related Charges	4,209	4,189
Interest expense - secured loan notes	495	495
Total finance costs - borrowings	5,773	5,534

8. Taxation

The Group's activities are subject to local income taxes, which are mainly incurred in jurisdictions such as Luxembourg, Spain, Portugal, Romania and UK.

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 period ended 31 March 2022, the Group's tax charge of €0.1m (31 March 2021: €0.0m) comprised Portuguese and other local tax charges. Further information on the Portuguese tax charges can be found in note 22 'Commitments and contingencies'.

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

Notes to the Consolidated Financial Statements (continued)

9. Goodwill

As at 31 March 2022, the Group's goodwill amounts to €1.84m (as at 31 December 2021: €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.

The Group has reviewed the carrying value of the goodwill in the Financial Statements to determine whether any impairment ought to be recognised. Following an assessment on the current financial performance and position of Galata Asset Management S.L. and a review of its business plan and outlook the Group is comfortable that no impairment is required.

10. Investment in associate classified as held for sale

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

The terms of the holding mean 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. As at 31 March 2022 PAM is held for sale, a non-binding offer has been received for the asset. Classification as held for sale took place in December 2021. The sale is expected within 12 months.

Below is a reconciliation of the movements in the carrying value of the Group's interest in PAM as at 31 March 2022:

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 2022	As at 31 December 2021
		€000	€000
Interest in net assets at beginning of the period		8,309	7,396
Share of profit in associate classified as held for sale		265	913
Interest in net assets of associate at the end of the period		8,574	8,309

11. Financial assets

The maturity profile for the Group's financial assets (excluding cash and trade receivables) is as follows:

	As at 31 March 2022	As at 31 December 2021
	€000	€000
<i>Expected falling due after one year:</i>		
Purchased loan portfolios	115,555	124,854
Purchased loan notes	4,463	3,285
Investments in joint ventures at amortised cost	55,631	54,374
Investments in joint ventures at FVPL	31,722	37,155
Total	207,371	219,668
<i>Expected falling due within one year:</i>		
Purchased loan portfolios	40,318	32,578
Purchased loan notes	5,211	5,987
Investments in joint ventures at amortised cost	20,904	19,413
Investments in joint ventures at FVPL	42,607	31,971
Total	109,040	89,949

Notes to the Consolidated Financial Statements (continued)

11. Financial assets (continued)

The movements in purchased loan portfolios in the period were as follows:

	As at 31 March 2022
	€000
Purchased loan portfolios as at beginning of period	157,432
Interest income from purchased loan portfolios	10,034
Collections in the period - sale of inventory	(2,612)
Collections in the period - loans *	(11,355)
Add: movement in inventory and other receivables	2,374
Purchased loan portfolios at the end of the period	155,873

* includes c. €3.3m of collections accelerated by the local financing of an aggregated NPL portfolio.

The movements in purchased loan notes in the period were as follows:

	As at 31 March 2022
	€000
Purchased loan notes as at beginning of period	9,272
Interest income from purchased loan notes	249
Collections in the period	153
Purchased loan notes at the end of the period	9,674

Purchased loan notes represent the interests of the Group in investment vehicles (or compartments in these investment vehicles) where the Group does not exercise control, with each vehicle/compartments holding a single underlying loan portfolio. The Group has exposure to the underlying portfolios by way of purchasing notes issued by these entities as a mechanism to fund the original purchase of the loan portfolios and thereafter to distribute cash generated on loan collections. Purchased loan notes in the Unaudited Condensed 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'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 at amortised cost were as follows:

	As at 31 March 2022
	€000
Joint ventures at amortised cost as at beginning of period	73,787
Investments acquired in joint ventures at amortised cost	4,895
Interest income from joint ventures	2,536
Collections in the period	(4,498)
Net foreign currency loss	(185)
Joint ventures at the end of the period	76,535

Notes to the Consolidated Financial Statements (continued)

11. Financial assets (continued)

The movements in investments in joint ventures at FVPL were as follows:

	As at 31 March 2022
	€000
Loans to joint ventures at FVPL as at beginning of period	69,126
Investment in loans to joint ventures at FVPL	5,703
Movement in fair value	11
Net foreign currency gain	(511)
Loans to joint ventures at FVPL at the end of the period	74,329

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 Unaudited Condensed Consolidated Statement of Financial Position represent the Group's total interest in these entities.

As at 31 March 2022, the carrying value of investments in joint ventures at FVPL is €74.3m (31 December 2021: €69.1m).

12. Participation in joint ventures

	As at 31 March 2022	As at 31 December 2021
	€000	€000
Participation in joint ventures at the beginning of the period	11,956	297
Participation acquired during the period	-	4,843
Share of net profit of joint ventures using equity method	56	6,816
Participation in joint ventures at the end of the period	12,012	11,956

13. Inventory

Inventory comprises 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 2022	As at 31 December 2021
	€000	€000
Opening inventory	22,707	26,027
Re-possession	4,418	13,484
Disposals	(3,288)	(16,804)
Closing balance at the end of the period	23,837	22,707

14. Trade and other receivables

	As at 31 March 2022	As at 31 December 2021
	€000	€000
Collections receivable	5,336	12,486
Other receivables	6,295	8,789
Other assets	3,996	7,126
Total	15,627	28,401

Notes to the Consolidated Financial Statements (continued)

14. Trade and other receivables (continued)

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 the revolving credit facility and set up costs of the master servicing platform, as well as VAT receivable, prepayments. Other assets include 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.

15. Trade and other payables

		As at 31 March 2022	As at 31 December 2021
	Notes	€000	€000
Trade payables		1,877	1,474
Amounts due to related parties	17	1,800	1,742
Accrued expenses		3,861	5,012
Trade and other payables - current		7,538	8,228
Deferred and contingent consideration - non-current		1,020	1,005
Total trade and other payables		8,558	9,233

16. Share capital

	As at 31 March 2022	As at 31 December 2021
	€000	€000
Share capital at 1 January 2022	1,250	1,250
Total share capital at 31 March 2022	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.

17. Related party transactions

	As at 31 March 2022	As at 31 December 2021
	€000	€000
Due to related parties		
Carne Global Fund Managers (Luxembourg) S.A.	43	31
AnaCap Financial Partners Limited	389	711
Equipped A.I. Limited	1,368	993
Belasko UK Limited	-	7
Total	1,800	1,742

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 €1,389k all of which has been fully paid (quarter ended 31 March 2021: €1,059k).

During the period the Group incurred charges of €40k to Carne Global Fund Managers S.A. in relation to management company services (quarter ended 31 March 2021: €63k).

Master servicing income

During the period the Group recognised €0.1m, €0.7m and €0.2m of income from the AnaCap Credit Opportunities III L.P., AnaCap Credit SCSp SICAV RAIF and AnaCap Real Estate Co-Invest L.P. fund structures respectively in relation to master servicing activities provided by the Group to each fund structure (quarter ended 31 March 2021: €0.3m, €0.3m and €nil respectively)

Notes to the Consolidated Financial Statements (continued)

17. Related party transactions (continued)

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

During the period, the Group incurred charges of €20k (2020: €226k) to AnaCap Luxembourg S.à r.l. in relation to support functions and services provided to the master servicing platform.

Fees payable to AnaCap Financial Partners Limited

During the period, the Group incurred charges of €0.5m (quarter ended 31 March 2021: €0.4m) to AFPL in relation to support functions and services provided to the Group. This includes central functions, HR, office rent and staff costs.

Fees payable to Equipped Analytical Intelligence Limited

During the period, the Group incurred charges of €0.4m (quarter ended 31 March 2021: €nil) to Equipped A.I. Limited in relation to data analytics, data operations and software licence services provided to the Group.

Fees payable to Belasko UK Limited

During the period, the Group recognised fees payable to Belasko UK Limited of €170k in respect of accountancy services provided to the Group (quarter ended 31 March 2021: €122k).

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 2022	Quarter ended 31 March 2021
	€000	€000
Fees charged		
Directors' fees	43	66
Total fees charged during the period	43	66

	As at 31 March 2022	As at 31 December 2021
	€000	€000
Fees payable		
Directors' fees payable	57	71
Directors' fees payable at the end of the period	57	71

Notes to the Consolidated Financial Statements (continued)

18. Investments in subsidiaries and controlled entities

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

	Place of incorporation	Ownership %	Ownership %	Current status
		as at 31 March 2022	as at 31 December 2021	
ACOF II Portugal Limited	Guernsey	100%**	100%**	Active
AFE Spain Limited	Guernsey	100%	100%	Active
AFE Asset Solutions 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
AFE Italy S.r.l.	Italy	100%	100%	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
APM 2 sp. Z.o.o.	Poland	60%	60%	Active

As of 31 March 2022 the Group had 23 employees spread across 5 different subsidiaries:

- AnaCap UK Asset Management Limited: 4 (2021: 2)
- AFE Asset Solutions S.a r.l.***: 2 (2021: 2)
- Galata Asset Management, S.L: 11 (2021: 10)
- Átila, Unipessoal LDA: 6 (2021: 6)
- AFE Italy S.r.l.: 0 (2021: 1)

* 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.

*** AFE Asset Solutions S.à r.l. was renamed from AFE Asset Management S.à r.l. on 10 October 2021.

Notes to the Consolidated Financial Statements (continued)

19. Financial risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligations.

The Group's principal activity is the acquisition and monetisation of pools of non-performing loan portfolios and is therefore subject to significant counterparty risk. Most of the loan portfolios are purchased at a deep discount and hence are impaired by nature at acquisition and classified as POCI (Purchased or Originated Credit-Impaired) financial assets. Subsequent to acquisition the expected cash flows are regularly benchmarked against actual performance and market and proprietary data which in turn leads to a revision up or down to the estimated remaining collections that forms the basis for the carrying value estimation at the reporting date. The carrying value estimation also takes into account collaterals, whenever applicable. Further details of the forecasting process are given in note 4.

The below table shows how the Group's financial assets can be classified into different stages and a reconciliation from the opening balance to the closing balance of the loss allowance:

Financial instrument	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	€'000	€'000	€'000	€'000	€'000
Purchased loan portfolios	-	-	-	231,389	231,389
Purchased loan notes	10,241	-	-	-	10,241
Investments in joint ventures at amortised cost	81,001	-	-	-	81,001
Gross carrying amount	91,242	-	-	231,389	322,631
Loss allowance	(5,033)	-	-	(75,516)	(80,549)
Carrying amount	86,209	-	-	155,873	242,082

Comparative figures for the year ended 31 December 2021:

Financial instrument	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	€'000	€'000	€'000	€'000	€'000
Purchased loan portfolios	-	-	-	232,948	232,948
Purchased loan notes	9,839	-	-	-	9,839
Investments in joint ventures at amortised cost	78,253	-	-	-	78,253
Gross carrying amount	88,092	-	-	232,948	321,040
Loss allowance	(5,033)	-	-	(75,516)	(80,549)
Carrying amount	83,059	-	-	157,432	240,491

20. Valuation of financial assets, liabilities and other instruments

The fair value hierarchy, fair value and book value of financial assets and financial liabilities 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	Fair value hierarchy	Fair Value	Book value
		31 March 2022	31 March 2022
		€000	€000
Purchased loan portfolios*	Level 3	136,076	155,873
Purchased loan notes	Level 3	6,828	9,674
Investments in joint ventures at amortised cost	Level 3	84,136	88,547
Investments in joint ventures at FVPL	Level 3	74,329	74,329
Cash and cash equivalents	Level 2	19,346	19,346
Trade and other receivables	Level 2	11,631	11,631
Total		332,346	359,400

Notes to the Consolidated Financial Statements (continued)

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

Financial liabilities	Fair value hierarchy	Fair Value	Book value
		31 March 2022	31 March 2022
		€000	€000
Senior Secured Notes	Level 1	292,140	306,409
Revolving Credit Facility	Level 2	63,533	63,533
Term Facility	Level 2	13,106	13,106
Secured loan notes	Level 3	13,090	13,090
Trade and other payables	Level 2	7,538	7,538
Total		389,407	403,676

Comparative figures as at 31 December 2021:

Financial assets	Fair value hierarchy	Fair Value	Book value
		31 December 2021	31 December 2021
		€000	€000
Purchased loan portfolios*	Level 3	147,458	157,432
Purchased loan notes	Level 3	8,339	9,272
Investments in joint ventures at amortised cost	Level 3	83,390	85,743
Loan to joint venture at FVPL	Level 3	69,126	69,126
Cash and cash equivalents	Level 2	21,438	21,438
Trade and other receivables	Level 2	21,275	21,275
Total		351,026	364,286

Financial liabilities	Fair value hierarchy	Fair Value	Book value
		31 December 2021	31 December 2021
		€000	€000
Senior Secured Notes	Level 1	303,287	306,129
Revolving Credit Facility	Level 2	68,465	68,465
Term Facility	Level 2	15,148	15,148
Secured loan notes	Level 3	13,002	13,002
Trade and other payables	Level 2	8,228	8,228
Total		408,130	410,972

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

For the Group, the carrying value of financial assets and financial liabilities is considered to be the best estimate of fair value, with the exception of purchased loan portfolios, purchased loan notes, investments in joint ventures and secured loan notes.

The fair values of financial assets accounted for at amortised cost are calculated using the discounted cash flow method, with discount rates applied accurately reflecting the economic environment and prevailing market conditions as at 31 March 2022. The book values of these assets are calculated using EIR accounting where the EIR remains fixed.

The three main influencing factors in calculating the fair value of purchased loan portfolios, purchased loan notes and investments in joint ventures are: (i) gross collections forecast, (ii) the cost level, and (iii) the market discount rate. On a quarterly basis, the Group assesses net collection forecasts for all portfolios and discounts the forecasts to present value, which serves as the basis for calculating the reported fair value for each portfolio.

The Group has gained considerable experience from the many portfolio transactions in which it has participated in or has knowledge providing the expertise to estimate a market discount rate. The discount rate corresponding to the market's required return is updated on a bi-annual basis (or on a quarterly basis if the change is considered material) and reflects actual return on relevant and comparable transactions in the market.

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.

Notes to the Consolidated Financial Statements (continued)

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

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 Group measures certain loan investments into joint venture vehicles at FVPL. Investments which are classified at FVPL are classified at level 3, with the investments valued using the discounted cash flow model technique. The valuations of these investments/assets are performed by the Investment Advisor, AFPL, on at least a bi-annual basis, with the valuations subsequently approved by AIML as Portfolio Manager.

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 Unaudited 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.

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, there have been no movement between levels.

For loans to joint ventures measured at FVPL whose value is determined by the fair value changes underlying real estate assets held by the joint venture, the following key factors are critical when assessing future cash flows and the fair value of the asset:

- 1) The forecast sales price of the real estate assets
- 2) The forecast date of sale of the real estate assets

When assessing these factors, the Investment Advisor will look at the following factors to help support its assumptions used on future cash flows:

- 1) Market conditions and prevailing market prices for similar properties in the same location and exit prices achieved
- 2) Yields achieved in the market for similar assets in the same location
- 3) Tenancy rates and the impact prevailing market conditions may have on this (e.g. COVID-19)

For assets whose fair value is linked to the performance of real estate investments, a 10% reduction to sales price would have a €12.9m impact to the carrying value as of 31 March 2022, and a 12 month delay in forecast exit dates would have a €20.0m impact to the carrying value as of 31 March 2022.

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 2022 €292.1m (as at 31 December 2021: €303.3m).

A reconciliation of the closing balances for the year of the purchased loan portfolios, purchased loan notes and investments in joint ventures can be seen in note 11.

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 Consolidated Financial Statements (continued)

21. Borrowings and facilities

	As at 31 March 2022	As at 31 December 2021
	€000	€000
Expected falling due after one year		
Senior Secured Notes	303,889	303,524
Secured loan notes	12,608	12,520
Term Facility	5,106	7,297
Total	321,603	323,341
Expected falling due within one year		
Revolving Credit Facility	63,533	68,465
Term Facility	8,000	7,851
Senior Secured Notes	2,520	2,605
Secured loan notes	482	482
Total	74,535	79,403

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

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

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

AFE'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 note holders, have been pledged as security for the Senior Secured Notes, the Super Senior Revolving Credit Facility, and the Term Facility. For the period ended 31 March 2022 the Group remained compliant with all covenants outlined on the Senior Secured Notes and the Super Senior Revolving Credit Facility.

As at 31 March 2022 AFE had a €90.0m (2021: €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 2022, €63.5m (31 December 2021: €68.5m) had been drawn as a loan from the Facility. The total amount available to draw upon as at 31 March 2022 is equal to €26.5m (31 December 2021: €21.5m).

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 SSRFC LTV Ratio does not exceed 0.25:1. As at 31 March 2022, the LTV Ratio was 65.7% and the SSRFC LTV Ratio was 0.09:1.

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 2022, €13.3m (31 December 2021: €15.4m) 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. Interest accrues at a rate equal to the Margin and EURIBOR. At 31 March 2022 the applicable Margin was 3.0%. In accordance with the Term Facility agreement, ACS6 was required to ensure that leverage as at 31 March 2022 did not exceed 50.0%; as at 31 March 2022, leverage was 22.92%. The Term Facility agreement was amended in July 2021 to account for the change in collections forecast.

Notes to the Consolidated Financial Statements (continued)

21. Borrowings and facilities (continued)

The Board of Directors remain confident that all liabilities and obligations of the Group will be met for a period of at least 12 months from the date the Financial Statements are signed.

22. Commitments and contingencies

Portuguese tax liability

On 14 January 2021, 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 – 2018. This notification has been expected in light of the Portuguese tax charge that was settled in 2018 relating to financial years 2013 – 2015. Discussions with the PTA on the settlement are on-going, €0.9m was reclassified from tax provision to tax payable in 2021 based on the notification.

The total tax provision reflected in the Financial Statements as at 31 March 2022 is €4.9m (31 December 2021: €5.1m).

Real estate investments

Under the business plan of the signed and acquired real estate assets, as at 31 March 2022, the Group is expected to fund c.€15.5m (c.€17.7m as at 31 December 2021) for its share of acquisition cost and capital expenditure over the next three years.

23. Ultimate parent entity

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

24. Subsequent events

Signed and Completed Investments

On 12th January 2022, AFE funded a deposit of c.€1.2m and signed a sale promise agreement for the purchase of a c.15,800 sqm office south of Paris, France. The purchase was completed on 18th April 2022 with a further investment of c.€7.1m. AFEs economic interest in this transaction is 40%.

On 13th April 2022 AFE funded a deposit of c.€0.7m in relation to the acquisition of a c.7,000sqm office building north east of London, UK. AFE Completed the acquisition of the asset on 16th May 2022 with a further investment of c.€ 2.6m AFEs economic interest in this transaction is 50%.

On 20th April 2022, AFE acquired a plot of land for c.€0.5m utilised as a car park adjacent to an existing asset in the north of England, AFEs economic interest in the transaction is 50%.

On 13th May 2022 AFE funded a deposit of c.€0.4m for the acquisition of a c.6,000 sqm office building in the north of England, AFEs economic interest in the transaction is 50%.

An additional follow-on investment of c.€0.8m was made on 26th April 2022, into an existing debt backed real estate asset in France.

25. 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 that are calculated using the EIR method or at fair value 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.

The Adjusted EBITDA and Normalised EBITDA reconciliations for the relevant periods are shown below.

Notes to the Consolidated Financial Statements (continued)

25. Adjusted EBITDA and Normalised EBITDA (continued)

Reconciliation of profit before tax to Normalised and Adjusted EBITDA:

	Quarter ended 31 March 2022	Quarter ended 31 March 2021
	€000	€000
Profit/(loss) before tax	1,071	2,039
Finance costs	5,773	5,534
Share of profit in associate and joint ventures	(321)	(150)
Net foreign currency movements	105	237
Collections from portfolios	18,312	17,711
Revenue	(13,952)	(15,263)
Other income	1,122	758
Cash collected on behalf of secured loan noteholders	(407)	(221)
Adjusted EBITDA	11,703	10,645
Less assets disposals	-	-
Normalised Adjusted EBITDA	11,703	10,645

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

	Quarter ended 31 March 2022	Quarter ended 31 March 2021
	€000	€000
Net cash generated from operating activities	9,989	7,957
Portfolio acquisitions	10,598	4,028
Taxation paid	415	164
Cash collected on behalf of secured loan noteholders	(407)	(221)
Working capital adjustments	(8,510)	(1,338)
Realised foreign currency losses/(gains)	(382)	55
Adjusted EBITDA	11,703	10,645
Less assets disposals	-	-
Normalised Adjusted EBITDA	11,703	10,645

Reconciliation of core collections to Normalised and Adjusted EBITDA:

	Quarter ended 31 March 2022	Quarter ended 31 March 2021
	€000	€000
Core Collections in the year	18,312	17,711
Other income	1,122	758
Operating expenses	(7,429)	(7,840)
Net foreign currency movements	105	237
Cash collected on behalf of secured loan noteholders	(407)	(221)
Adjusted EBITDA	11,703	10,645
Less assets disposals	-	-
Normalised Adjusted EBITDA	11,703	10,645